



ITALMOBILIARE
INVESTMENT HOLDING

Annual
Report

Sustainability
Report

2020

Annual Report

Sustainability Report

CONSOLIDATED
NON-FINANCIAL STATEMENT

IN ACCORDANCE WITH THE LEGISLATIVE DECREE
NO. 254/2016

2020 Annual Report

reviewed by the Board of Directors on March, 4 2021

ITALMOBILIARE

Società per Azioni

Head Office: Via Borgonuovo, 20 20121 Milan - Italy

Fully paid-up Share Capital € 100,166,937

Milan Companies Register

Translation from the Italian original version which remains the definitive one.

Annual Report

Presentation

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Sustainability Report

ITALMOBILIARE GROUP

Strategic profile

Highlights
Strategy, materiality and SDGs
Economic result and shared value

Governance

Governance & integrity
Responsible investments

Company

Human capital development
Health, safety & wellbeing
Product and service stewardship
Market & Communities

Environment

Valorization of natural capital
Responsible use of resources
Low-carbon transition
Land & biodiversity

ITALMOBILIARE

Italmobiliare
Human capital development
Health, safety & wellbeing

PORTFOLIO COMPANIES CONSOLIDATED

Caffè Borbone

Governance & integrity
Procurement and supply chain
Human capital development
Health, safety & wellbeing
Product and service stewardship
Market & communities
Responsible use of resources
Low-carbon transition

Sirap

Governance & integrity
Procurement and supply chain
Human capital development
Health, safety & wellbeing
Product and service stewardship
Market & communities
Responsible use of resources
Low-carbon transition

Italgen

Governance & integrity
Procurement and supply chain
Human capital development
Health, safety & wellbeing
Product and service stewardship
Market & communities
Responsible use of resources
Transizione low-carbon
Land & biodiversity

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Capitelli

Governance & integrity
Procurement & supply chain
Human capital development
Health, safety & wellbeing
Product and service stewardship
Market & communities
Responsible use of resources
Low-carbon transition

Clessidra

Governance & integrity
Responsible investments
Human capital development
Health, safety & wellbeing
Market & communities

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PORTFOLIO COMPANIES CONSOLIDATED IN 2021

Officina Profumo-Farmaceutica Santa Maria Novella

Casa della Salute

Callmewine

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PORTFOLIO COMPANIES ASSOCIATES

Tecnica Group

Autogas Group - AGN Energia

Iseo

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SUPPLEMENTARY DATA

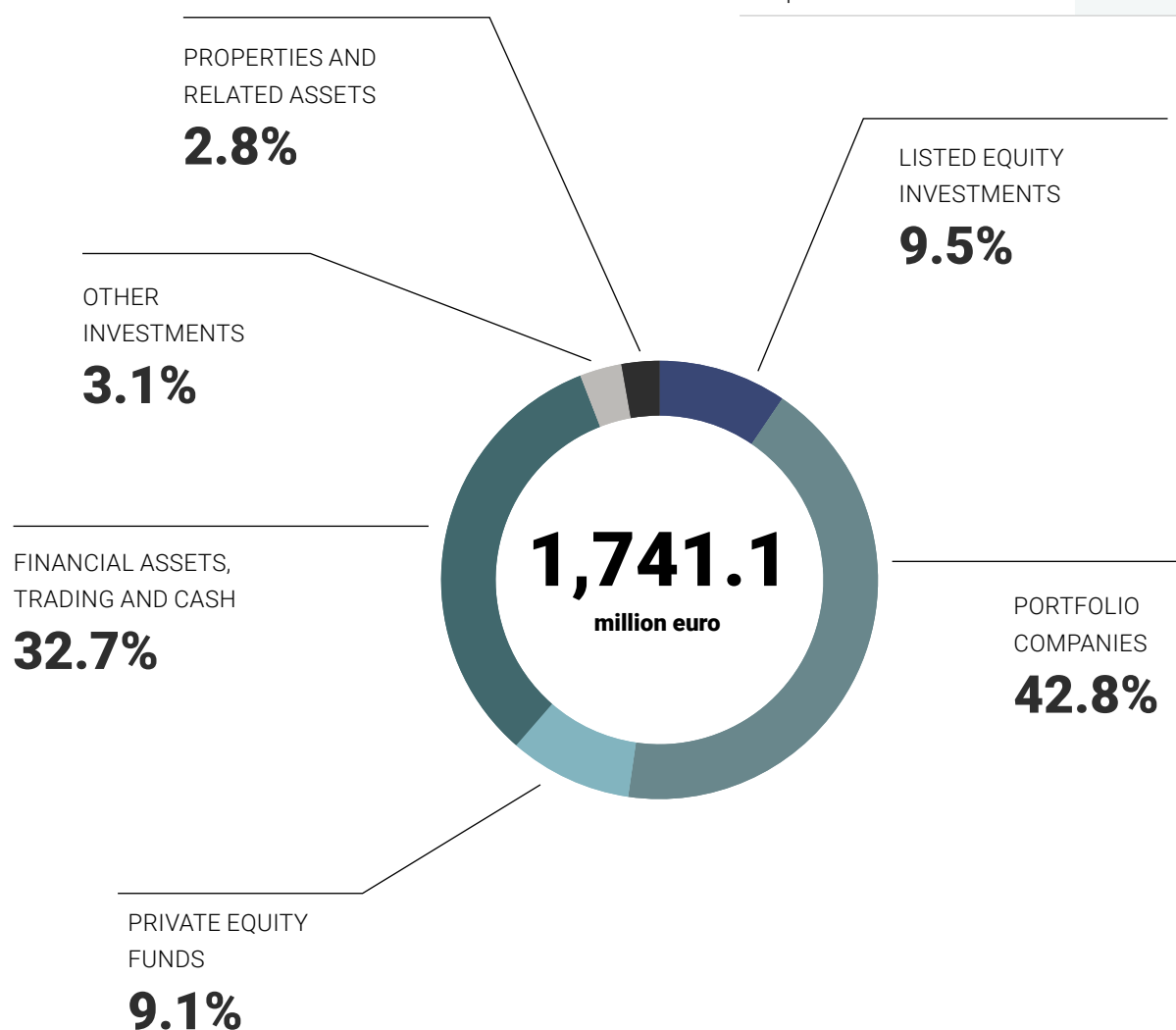
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Net Asset Value 2019



Changes in the portfolio composition

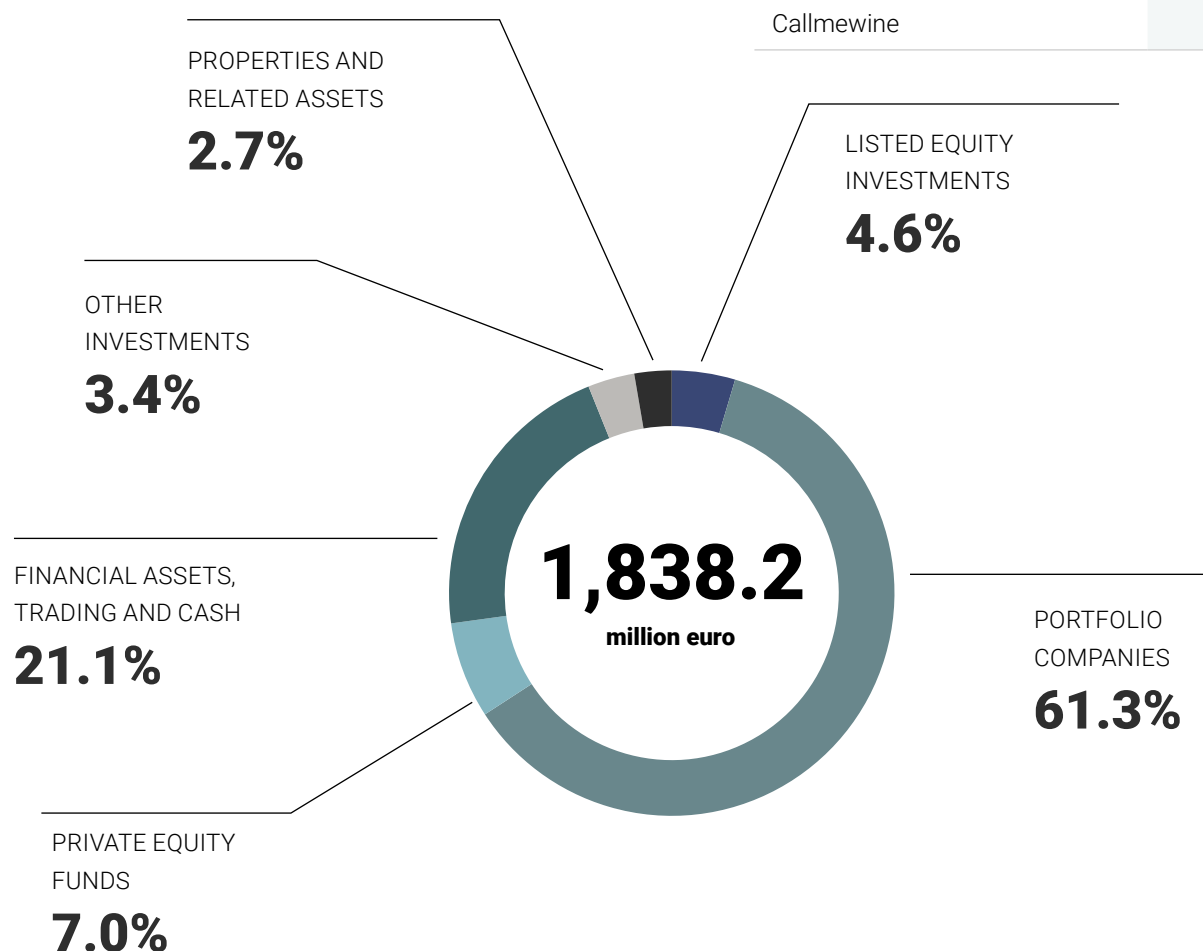
Jaggaer	OUT
Autogas - AGN Energia	IN
Capitelli	IN

NAV PER SHARE

41.5€

	(million euro)
Listed equity investments	165.1
Portfolio Companies	744.9
Private equity funds	158.1
Financial assets, trading and cash	569.6
Other investments	54.3
Properties and related assets	49.1
Total NAV at December 31, 2019	1,741.1

Net Asset Value 2020



Changes in the portfolio composition

Officina Profumo-Farmaceutica di Santa Maria Novella	IN
Casa della Salute	IN
Callmewine	IN

NAV PER SHARE

43.5€

	(million euro)
Listed equity investments	84.0
Portfolio Companies	1,126.1
Private equity funds	129.0
Financial assets, trading and cash	387.2
Other investments	62.6
Properties and related assets	49.3
Total NAV at December 31, 2020	1,838.2

Our History

1946 THE FOUNDATION

Italcementi, founded in 1864, transferred to the new company **Italmobiliare** all of its investments that were not to do with the building materials sector.



Italcementi SpA

1950s - 60s

Diversification of investments into insurance (RAS), banking (Finter Bank, Banca Provinciale Lombarda, Credito Commerciale and 8 banking institutions that later became Istituto Bancario Italiano) and public transport (SAB Autoservizi).

Took a stake in Franco Tosi, an industrial company in the electromechanical sector.

Franco Tosi

1970s - 80s

It acquired a minority interest in Bastogi, which joined the one held in Falck.

In 1979, Italmobiliare became the holding company for the entire Group when it acquired a majority of the ordinary shares in Italcementi.

In 1980, Italmobiliare was admitted for trading on the Milan Stock Exchange.

The investments in RAS and Banca Provinciale Lombarda were sold and a minority shareholding was acquired in Poligrafici Editoriale.



Italian Stock Exchange Archive,
Palazzo Mezzanotte,
Sala delle Grida

1990s

Italcementi went international and rose to be a world leader in the construction materials sector through the acquisition of Ciments Français, the largest international acquisition carried out by an Italian group up to that point.

Franco Tosi sold its industrial activity to the ABB Group, reinvesting the proceeds in the food packaging sector (Sirap) and in the water and gas sector (Crea). It was then merged with Italmobiliare after the favourable outcome of a takeover bid.

Entry into the capital of Credito Italiano.



2000s - 2015s

Portfolio diversification into RCS and Mediobanca. Sale of SAB Autoservizi and of the shareholding in Poligrafici Editoriale.

In 2014, Italmobiliare participated pro-quota in the recapitalisation and simplification of the Italcementi Group, maintaining a controlling interest of 45%.

In September 2015, Finter Bank was sold to the Swiss group Vontobel, acquiring a minority interest in it.



Vontobel

2016

After acquiring direct control of Italgen and BravoSolution, the equity investment in Italcementi was sold to HeidelbergCement, acquiring a minority interest in it.

Conversion of the Italmobiliare savings shares.

Clessidra SGR, the main Italian private equity operator, was bought and Italmobiliare became anchor investor of the CCP3 fund.



2017

Purchase of a 40% interest in Tecnica Group, leader in outdoor footwear and ski equipment with historical brands such as Tecnica, Nordica, Moon Boot, Lowa, Blizzard and Rollerblade.

Entry into the Jaggaer group, operating in the eProcurement sector, by contributing BravoSolution.



JAGGAER

2018

Purchase of a 60% stake in Caffè Borbone, one of the leading Italian coffee producers in the compatible pods and capsules sector.

Purchase of a 39% shareholding in Iseo Serrature, leader in the production and design of locking and access control systems.

Private equity investments increased, including the BDT Capital Partners funds.



ISEO



2019

Purchase of a 30% shareholding in Autogas-AGN Energia, a national leader in the distribution of LPG gas for domestic, commercial and industrial use.

Purchase of an 80% shareholding in Capitelli, active in the production and marketing of cooked ham and other high-quality products.

Italmobiliare joins in the STAR segment of the Italian Stock Exchange in September.

The investment in Jaggaer was sold to Cinven.



2020

During the year, purchase of an 80% interest in Officina Profumo-Farmaceutica di Santa Maria Novella, a historic manufacturer of high-end perfumes and cosmetics.

Purchase of a 92.5% interest in Casa della Salute, a network of specialist outpatient clinics.

Purchase of a 60% stake in Callmewine, an eCommerce platform for the sale of wines.

The Italmobiliare Group joined the United Nations Global Compact Network, the largest strategic corporate citizenship initiative in the world.



2021

Early in the year, Sirap's main assets in Italy, Poland and Spain were sold to the Faerch group and an agreement was signed with Zeus Packaging for the sale of Sirap's assets in Austria and Central-Eastern Europe (Petruzalek Group) and in Germany (Sirap GmbH).

Our Investments

ITALMOBILIARE INVESTMENT HOLDING

INVESTMENT
HOLDING

CONSOLIDATED REVENUE

575.5 € mn
(565.9 € mn in 2019)

103.5 € mn
CONSOLIDATED PROFIT
(77.0 € mn in 2019)

2,058
EMPLOYEES

Italmobiliare Investment Holding S.p.A., founded in 1946 and listed on the Milan stock exchange in 1980, is one of the leading Italian investment holding companies. Controlled by Efiarind (Pesenti family), it is a company that owns and manages a diversified portfolio of equity and other investments with a strategic vision based on a financial and industrial history that goes back more than 150 years.

Italmobiliare Investment Holding plays an active and continuous role in the process of portfolio growth and enhancement by combining development, internationalisation and innovation with an effective governance and risk management model, integrating ESG principles with the investment process.

STRATEGY AND SUSTAINABILITY

Acting as a preferential strategic partner through majority or minority shareholdings, Italmobiliare accompanies the development of companies that represent Italian excellence.

Italmobiliare does not undertake direct investments of a purely financial, speculative nature or with a marked use of debt. Instead, it offers an alternative approach to "buy-out" operations, in favour of opportunities built on the sharing of long-term objectives and managing the flow of investments and disposals in order to guarantee the Group's sustainable success.

By joining the United Nations Global Compact, the Italmobiliare Group confirms its formal and substantial commitment to promote a healthy, inclusive and sustainable global economy, respectful of human and labour rights, capable of protecting the environment and actively involved for the integrity of the business, in all its aspects.

To this end, Italmobiliare shares, supports and applies the 10 fundamental principles of the Global Compact in its sphere of influence and actively contributes to the achievement of the United Nations Sustainable Development Goals.

Italmobiliare

60%



Caffè Borbone

www.caffeborbone.it

80%



**Officina Profumo-Farmaceutica
di Santa Maria Novella**

www.smnovella.com

100%



Sirap

www.sirapgroup.com

100%



Italgas

www.italgas.it

92,5%



Casa della Salute

www.casasalute.eu

80%



Capitelli

www.cottocapitelli.com

60%



Callmewine

www.callmewine.com

40%



Tecnica Group

www.tecnicagroup.com

30%



Autogas - AGN Energia

www.agnenergia.com

39%



Iseo

www.iseo.com

100%



Clessidra SGR

www.clessidrasgr.it

italmobiliare.it

KEY CONSOLIDATE FIGURES

(in millions of euro)	2020	2019	Change %
Revenue and income	575.5	565.9	1.7
Gross operating profit (EBITDA)	106.0	125.9	(15.8)
% of revenue	18.4	22.3	
Amortization and depreciation	(30.2)	(27.7)	(9.0)
Impairment losses on non-current assets	(6.4)	(1.1)	n.s.
Operating profit (EBIT)	69.4	97.1	(28.5)
% of revenue	12.1	17.2	
Net finance income (costs)	(6.8)	(5.4)	(25.9)
Impairment losses on financial assets	(0.7)	(2.6)	73.1
Share of profit/(loss) of equity-accounted associates	15.0	10.5	42.8
Profit/(loss) before tax	76.9	99.6	(22.7)
% of revenue	13.6	17.6	
Tax	26.6	(22.6)	n.s.
Profit/(loss) for the year	103.5	77.0	34.3
attributable to:			
- Owners of the parent company	68.3	63.5	7.5
- Non-controlling interests	35.2	13.5	n.s.
Cash flows from operating activities	88.8	105.4	(15.7)
Cash flows from investing activities	285.6	156.2	82.8

n.s. not significant

(in millions of euro)	December 31, 2020	December 31, 2019
Total equity	1,524.1	1,474.2
Equity attributable to owners of the parent company	1,330.4	1,358.7
Net financial position	320.8	475.2
Employees (headcount) at the end of the year	2,058	1,776

PERFORMANCE OF THE MAIN GROUP COMPANIES

(in millions of euro)	Revenue			EBITDA		
	Dec. 31, 2020	Dec. 31, 2019	Change %	Dec. 31, 2020	Dec. 31, 2019	Change %
Italmobiliare	67.9	86.1	(21.1)	8.4	45.7	(81.6)
Portfolio companies :						
Caffè Borbone	219.3	172.6	27.1	75.1	52.0	44.4
Officina Profumo-Farmaceutica di Santa Maria Novella ¹	22.6	31.1	(27.3)	3.0	12.4	(75.8)
Sirap	250.6	269.3	(6.9)	24.3	19.9	22.1
Italgen	30.2	34.4	(12.0)	23.6	14.2	66.2
Casa della Salute ¹	16.5	11.7	40.7	1.0	1.2	(16.7)
Capitelli	14.8	14.0	5.7	3.8	3.9	(2.6)
Callmewine ¹	12.4	6.4	91.8	0.5	0.4	25.0
Tecnica Group	382.5	424.0	(9.8)	59.4	51.5	15.3
Autogas - AGN Energia	438.1	495.2	(11.5)	50.7	38.6	31.3
Iseo	128.4	142.7	(10.0)	13.7	15.3	(10.5)
Total portfolio companies	1,515.4	1,601.4	(5.4)	255.1	209.4	21.8

¹ The figures have been prepared according to national accounting principles (ITA GAAP) and the 2019 figures have not been audited.

Bear in mind that Tecnica Group, Autogas-AGN Energia and Iseo have been included in the consolidated financial statements of the Italmobiliare Group using the equity method.

The information in the table relates to the financial statements of each company of the Group regardless of the date of acquisition of control by Italmobiliare.

PORTFOLIO COMPANIES

NAV 1,126.1 € mn

61.3%



CAFFÈ BORBONE

Founded in 1997 on the age-old tradition of Neapolitan coffee, Caffè Borbone is now one of Italy's main producers of coffee in compatible capsules and pods, with a strong commercial network throughout the country and sales volumes that are growing constantly.

The catalogue also includes traditional ground coffee for moka coffee pots and coffee in beans.

60%

INTEREST

SEGMENT

Food

YEAR OF INVESTMENT

2018

STRATEGY AND SUSTAINABILITY

Sustainability underlies Caffè Borbone's strategy along the entire value chain, from the procurement of raw materials to the products' disposal after use.

Quality raw materials responsibly selected on the supply chain, modern and innovative processing methods and special attention to the recyclability of the packaging combine to offer consumers the best of the Neapolitan coffee tradition through the passion of Caffè Borbone: a quality recognised time after time by the experts of the International Taste Institute and by consumers in the Quality Award.

Adding sustainable value to a recognised quality product is a clear line of strategy for Caffè Borbone: excellent coffee, produced with a sense of global responsibility and able to promote Italian social, cultural and artistic values. Since the 2018-2019 season it has been a partner and official supplier of the Teatro alla Scala in Milan, particularly significant support in such a complex period.

REVENUE
219.3 € mn
(+27.1% vs. 2019)

EBITDA
75.1 € mn
(+44.4% vs. 2019)

218
EMPLOYEES


80%
INTEREST

REVENUE
22.6 € mn
 (-27.3% vs. 2019)

EBITDA
3.0 € mn
 (-75.7% vs. 2019)

117
EMPLOYEES

OFFICINA PROFUMO-FARMACEUTICA DI SANTA MARIA NOVELLA

Officina Profumo-Farmaceutica di Santa Maria Novella has been in existence for the last eight centuries, always in the same place in Florence, creating, producing and distributing high-end perfumes and cosmetics, liqueurs and products for health and well-being.

From its origins as the pharmacy of the Dominican friars, the oldest apothecary in Europe, Santa Maria Novella projects its centuries-old history into the present and into the future.

SEGMENT

Cosmetics

YEAR OF INVESTMENT

2020

STRATEGY AND SUSTAINABILITY

From the study of herbs, plants and their active ingredients, which has always been the main feature of the Officina's activity, and from highly selected raw materials, products are created based on historical formulations, but which respond to the new needs of consumers all over the world.

Ever since its foundation, Santa Maria Novella has been - and continues to be - a laboratory of scientific, technological, cultural and iconographic research and innovation. The sense of connection with nature that originates in the friars' botanical garden today gains new momentum in a responsible approach to global challenges, inspired by the beauty and well-being of each individual, of society as a whole and of the entire planet.

Creativity, innovation and continuous research supported by over a hundred years of know-how, experience and competence of the people and the analysis laboratories offer customers throughout the world a new experience every time, together with the most advanced ethical, environmental, hygiene and safety standards.

With over 300 of its own stores and corners present in various countries around the world, as well as digital channels, 61% of sales are made in the EMEA area, 18% in the USA and the other 21% in Asia, particularly South Korea and Japan.



100%
INTEREST

REVENUE
250.6 € mn
(-6.9% vs. 2019)

EBITDA
24.7 € mn
(+24.1% vs. 2019)

1,369
EMPLOYEES

SIRAP

Sirap has been one of the best producers of fresh food containers in Europe for more than 50 years, offering a range of rigid containers in XPS (expanded polystyrene), PET (polyethylene terephthalate) and PP (polypropylene) for all food applications for industry and retail customers.

In January 2021, the Sirap Group completed the sale of the assets operating in Italy, Spain and Poland to the Faerch Group, one of the main European groups in the food packaging sector.

Then, in February 2021, the Sirap Group signed a binding agreement for the sale to Zeus Packaging of the assets in Germany and of the Petruzalek business, which produces and distributes packaging materials in Austria and Eastern Europe.

The new scope of the Sirap Group includes the assets in France and the United Kingdom.

SEGMENT

Packaging for the food sector

YEAR OF INVESTMENT

1990

STRATEGY AND SUSTAINABILITY

Sirap produces packaging that is more and more sustainable, thanks to Eco-design, and encourages its customers to use packaging in a responsible way. This innovative approach involves the entire supply chain, with the awareness that the company plays a key role in pursuing responsible efficiency on the part of the plastic supply chain.

Sirap also recognizes the sensitive aspects of its sector, such as marine litter. Partnerships with R-PET suppliers from the geographical areas most at risk and multiple awareness-raising initiatives on the subject stimulate the circular economy, giving a strong signal on a global level.

Life Cycle Assessment (LCA) studies go in the same direction, measuring the environmental footprint of products over their entire life cycle and identifying any room for improvement, for example through the use of energy from more efficient, renewable sources.

Lastly, for a more sustainable future, Sirap values people and the local and global community, first of all by investing in the health and safety of employees, business partners and customers. It also enhances young talents, promotes work ethic, disseminates clear and verified information on products and organises training and awareness events for the benefit of all stakeholders.



100%
INTEREST

REVENUE
30.2 € mn
(-12.1% vs. 2019)

EBITDA
23.6 € mn
(+66.2% vs. 2019)

70
EMPLOYEES

ITALGEN

Italgen operates as a producer and distributor of electricity from renewable sources thanks to 15 hydroelectric power plants located in Lombardy, Piedmont and Veneto and more than 300 km of transmission lines. The energy generated is sold mainly on the National Power Exchange.

The Company's strategic development plan now includes a partnership in Bulgaria to manage two wind farms for a total of 18 MW and business in the solar photovoltaic sector.

SEGMENT

Renewables

YEAR OF INVESTMENT

2016

STRATEGY AND SUSTAINABILITY

Italgen fully recognises the key role of renewable energies in the transition to a low-carbon economy and the promotion of responsible lifestyles. With this awareness, it supplies electricity with the lowest possible carbon footprint and ensures production efficiency, continuity and safety of distribution, aiming for continuous improvement in the quality of product and service.

Water is its source of energy. Italgen protects it by releasing the minimum vital flow from its plants, conserving the watersheds and protecting biodiversity by building ladders for fish and other living organisms. Moreover, thanks to the installation of self-cleaning grids at its plants, the company is able to filter debris and shrubs from waterways, returning a cleaner resource to the ecosystem.

Since 2019, a centralised supervision and remote control system for its plants and intakes allows timely detection of any anomalies and immediate intervention on a remote basis. An innovative integrated system to protect the management of water resources.

A sense of responsibility towards the environment is also fundamental to a project to redevelop a former industrial area of about 370,000 square metres in the province of Bari. An entrepreneurial intervention to create a new photovoltaic park and a large area returned to nature for public use.

Italgen's attention to the areas where it operates is also reflected in its support for sports, cultural and educational initiatives, mainly dedicated to the very young, and contributions towards environmental and infrastructural redevelopment, which are of great value for the communities that use them.



92.5%
INTEREST

REVENUE
16.5 € mn
(+40.7% vs. 2019)

EBITDA
1.0 € mn
(-16.7% vs. 2019)

122
EMPLOYEES

CASA DELLA SALUTE

Casa della Salute is a network of specialist diagnostic, dental, physiokinesitherapy clinics, currently with a presence in Genoa (3 locations), Sant'Olcese (Ge), Albenga (Sv), Alessandria and Sandigliano (Bi). Its aim has always been to help protect the right to health and to ensure that people had rapid access to high-quality healthcare.

The Clinic was born in 2014 as the first private centre for diagnostics and sports medicine, growing rapidly thanks to its high-quality healthcare service based on the optimisation of internal processes, the use of state-of-the-art technology and highly qualified medical staff.

At Casa della Salute, it is possible to obtain the following types of services: diagnostic imaging, laboratory analyses, specialist visits, sports medicine, aesthetic medicine, dentistry, physiotherapy and functional rehabilitation.

SEGMENT

Healthcare

YEAR OF INVESTMENT

2020

STRATEGY AND SUSTAINABILITY

Casa della Salute is a network of outpatient clinics with the mission of providing a wide range of healthcare services, such as diagnostic imaging or physiotherapy, at affordable prices and with short waiting lists.

The company's growth is based on an innovative business model that uses advanced IT systems and cutting-edge equipment, which make for high operational efficiency, prices close to the NHS prescription charge, optimisation of internal processes and a reduction in the environmental footprint.

Attention to people's well-being is also achieved through a profound sense of social responsibility, including health services for certain categories of patients that are either free or at beneficial prices.

In 2019, the company doubled its business perimeter with the opening of 5 new centres, thereby consolidating its presence in Liguria and entering Piedmont.

More new centres are expected to be opened in 2021 and 2022.



80%
INTEREST

REVENUE
14.8 € mn
(+5.7% vs. 2019)

EBITDA
3.8 € mn
(-2.6% vs. 2019)

34
EMPLOYEES

CAPITELLI

Capitelli, founded in 1976 in Borgonovo Val Tidone (Piacenza), operates in the production and sale of cooked and smoked cold cuts characterised by a careful choice of selected meat, and by a craft manufacturing process, which make them refined and niche products positioned among the Italian food excellences.

The main sales channels are supermarkets, Ho.re.ca. and traditional retailers. The growth of Capitelli in recent years has been reinforced by consumer trends towards high-quality craft food products.

SEGMENT

Food

YEAR OF INVESTMENT

2019

STRATEGY AND SUSTAINABILITY

The cooked ham segment in Italy, currently split among various producers, represents about one third of the entire cured meat sector, in terms of both value and volume. Market fragmentation and growing attention on the part of Italian and international consumers to high-quality products means that Capitelli could potentially see good growth in this sector.

The challenge won by Angelo Capitelli is being able to repeat the craft processing of ham, fully respecting tradition, at an industrial level. This has involved research and experimentation to rediscover an ancient processing method and offer a ham of times gone by.

Raw material from selected Italian farms that are part of the "Capitelli" supply chain in respect of animal well-being, selected directly on the slaughtering lines; then not brine, but an infusion of herbs and spices injected into the vein, as was done in the past, so as not to alter the fibre of the meat. It is then massaged for several days and wrapped in pieces of raw canvas before being cooked for about 24 hours. Recovering the true flavours and values of the age-old Italian tradition of excellence.

*callmewine***60%**
INTERESTREVENUE
12.4 € mn
(+91.8% vs. 2019)EBITDA
0.5 € mn
(+25.0% vs. 2019)**9**
EMPLOYEES

CALLMEWINE

Callmewine, which was founded in 2010 by Paolo Zanetti, is an e-commerce platform that specialises in the sale of wine, where it ranks as one of the market leaders in Italy.

It boasts an extensive catalogue of wines with around 10,000 labels on offer, ranging from big names on the global wine scene to small producers.

SEGMENT

eCommerce wine

YEAR OF INVESTMENT

2020

STRATEGY AND SUSTAINABILITY

By developing the concept of the "personal online sommelier", Callmewine has managed to reach a growing public that uses an online platform not only to buy goods at competitive prices, but also to find advice in selecting the most suitable wines, whether for special occasions or for daily consumption.

Callmewine is characterised by a selection of almost 1900 certified craft, organic and bio-dynamic wines, but also wines that are natural, macerated and produced in amphora. Above all, the craft wines are produced by independent artisans with their own vineyards according to an agricultural model as natural as possible, one that completely excludes the use of synthetic pesticides, herbicides or insecticides.

This same approach includes support for small wineries, offering their wines on the market at fair prices, creating and maintaining solid relationships with niche or little-known producers, all realities that find in Callmewine a commercial partner and an incomparable virtual showcase.

Wine is environment. Callmewine protects it even with attention to the smallest operating details, such as the use of packaging entirely in cardboard, 100% recyclable, and without the use of polystyrene or other plastics.



40%
INTEREST

REVENUE
382.5 € mn
(-9.8% vs. 2019)

EBITDA
59.4 € mn
(+15.4% vs. 2019)

3,135
EMPLOYEES

BLIZZARD

LOWA
simply more...

MOON BOOT®

NORDICA

Rollerblade

TECNICA

TECNICA GROUP

Tecnica Group is a leading manufacturer of outdoor footwear and ski equipment with a portfolio that includes some of the industry's longest standing brand names: Tecnica (ski boots and footwear), Nordica (skis and boots), Moon Boot® (footwear), Lowa (hiking and outdoor shoes), Blizzard (skis) and Rollerblade (inline skates).

Founded in 1962 by Giancarlo Zanatta, it has always been an extremely innovative company. It created the first double-injection plastic ski boot that would revolutionise the sector and invented products that have become design icons, such as the legendary Moon Boot®. Today, it is an international group with 10 subsidiaries and direct agencies and more than 40 distribution partners to serve a total of 80+ countries all over the world. 3,135 employees, including some 300 in Italy, almost all of whom work at the head office in Gaiava del Montello (TV). The Zanatta family, which still leads the Group, decided to open up to external capital in 2017, which is when Italmobiliare joined the shareholder structure.

SEGMENT

Sport system

YEAR OF INVESTMENT

2017

STRATEGY AND SUSTAINABILITY

The Group's industrial strategy is focused on the consumer, aiming to offer extraordinary experiences through exceptional products and inspiring them to have an active outdoor life.

The measures that the Group has decided to take to strengthen the Blizzard, Lowa, Moon Boot, Nordica, Rollerblade and Tecnica brands focus on innovation to come up with highly differentiated products, new distribution channels and programmes to make production and logistics more efficient. In addition, investments to reduce energy consumption, the installation of photovoltaic systems, the updating of industrial lighting systems and the promotion of electric mobility reflect the Group's commitment in favour of the climate.

Tecnica Group lives for the environment and protects it with targeted actions, such as optimising the use of non-renewable resources, plastic in particular. The lining of the inner shoe of its ski boots is made principally by using recycled material derived from plastic bottles, while other pilot initiatives involve its packaging: plastic bags in the packaging of ski boots in biodegradable material and the reduction of single-use packaging using multi-content boxes.

The durability of the products in itself mitigates the environmental footprint. Outdoor footwear is designed and built to last, thanks to the quality of the raw materials used, virgin or recycled, to the technology and the competence and passion of the Group's people. Not only, dedicated repair laboratories permit further creation of sustainable value.



30%
INTEREST

REVENUE
438.1 € mn
(-11.5% vs. 2019)

EBITDA
50.7 € mn
(+31.2% vs. 2019)

555
EMPLOYEES

AUTOGAS - AGN ENERGIA

The history of the Autogas Group began in 1958, in Piedmont and Liguria, a success story that in the last 60 years or more has allowed the Group to establish itself as one of Italy's nationwide leaders in LPG in the domestic, agricultural, industrial and automotive sectors. Over time this has led the Group to diversify and expand its product portfolio in all energy sectors under the AGN ENERGIA brand.

In line with its market development and consolidation strategy, value creation has been achieved mainly by growing through partial or total acquisitions of companies and shareholdings, as well as new start-ups.

SEGMENT

Energy

YEAR OF INVESTMENT

2019

STRATEGY AND SUSTAINABILITY

Sustainability is one of AGN's levers of success. The core business is LPG, a fuel that meets all the requirements of the European Union's Green Deal 2030 and an important source of energy for the transition to the general objectives of the Paris Agreement. In addition, the Group supplies natural gas, energy efficiency solutions, solar and photovoltaic renewables and support for electric mobility.

Sustainability is also a commitment to human resources, by enhancing their talents and skills, training and professional qualifications, paying attention to the health and safety of workers and plants, contractual fairness and transparency, and providing support for local communities. Social commitment is aimed at strengthening collaboration with important partners who give life to concrete projects of social utility, especially those that, in line with the Group's mission, look to young people and the promotion of responsible lifestyles.

Accessible and sustainable tourism projects, rules of good conduct for the protection of the planet, and tree planting projects are among the initiatives brought together in the City of Energy, the stage where all of the social responsibility activities promoted by the AGN ENERGIA brand are recounted, shared and passed on.



39%
INTEREST

REVENUE
128.4 € mn
(-10.0% vs. 2019)

EBITDA
13.7 € mn
(-10.5% vs. 2019)

1,147
EMPLOYEES

ISEO

Founded in 1969 in Pisogne on Lake Iseo, after 50 years Iseo is a leading group at European level in the design, manufacture and sale of products for intelligent access management and anti-intrusion security.

Thanks to the acquisitions made over time, the Group has production sites in Italy, France, Germany, Spain and Romania and trading companies in China, Asia, South Africa, the Middle East and South America.

SEGMENT

Mechatronics

YEAR OF INVESTMENT

2018

STRATEGY AND SUSTAINABILITY

Iseo's growth is based on constant investment in research and development, which has made it possible to introduce innovative access solutions based on mechatronic and digital technologies. One of these is Argo, the app launched in 2015 that permits access management also on a remote basis by smartphone, the new V364 system that makes it possible to manage the accesses of numerous users inside buildings, or the recent Libra electronic cylinder for access via smart card or app.

The Group dedicates a great deal of attention to the protection of health and safety at work, as reflected in the certifications obtained since 2010, through preventive and voluntary training courses and through the definition of plans for improvement of risk management. Of these, the ones dedicated to the car pool, the handling of loads and the ergonomics of workplaces have been confirmed. In a year heavily influenced by the pandemic, the company has invested extraordinary resources to allow everyone to work in a safe environment, in addition to the many activities already planned on the question of the prevention of health risks for personnel.

Improving environmental performance remains one of ISEO's ongoing goals. The interventions that were planned have been completed and others which concern the production process, with even more responsible technical choices, and the efficiency of electrical systems, have been commenced. The effectiveness of the management systems adopted is confirmed by the fact that the company has achieved and maintained environmental and energy certifications (ISO 14001 and ISO 50001).

 CLESSIDRA

100%
INTEREST

ASSETS UNDER
MANAGEMENT
~3.0 € bn

PRIVATE EQUITY
FUNDS
23

FUNDS CURRENTLY
UNDER
MANAGEMENT
3

CLESSIDRA SGR

Clessidra SGR is one of the main managers of Private Equity Funds dedicated to the Italian market. It currently manages the Clessidra Capital Partners II and Clessidra Capital Partners 3 funds, where Italmobiliare is the anchor investor. The investments of the Clessidra funds include: Nexi, L&S, Scrigno, Harmont & Blaine.

An important step in the diversification of the company's activities was the launch of the Clessidra Restructuring Fund (CRF) which, through the transfer of UTP loans by 11 Italian banks and the availability of new finance, will support fourteen Italian companies that are restructuring and relaunching their businesses.

At the end of 2020, Clessidra SGR also acquired Clessidra Factoring, a company that specialises in financing the working capital of companies that are restructuring and small and medium-sized enterprises with good industrial prospects, but which are finding it hard to access bank credit.

SEGMENT

Alternative Investments

YEAR OF INVESTMENT

2016

STRATEGY AND SUSTAINABILITY

The investment in Clessidra permitted a significant diversification of Italmobiliare's activities in the field of Alternative Investments. The company has been operating in the Italian private equity (PE) market since 2003, with a value creation strategy that focuses on the growth and development of its portfolio companies, both organically and through acquisitions. The investment strategy envisages buying controlling or joint-controlling interests in unlisted Italian companies that are market leaders in their particular niche, in partnership with the entrepreneurs and families.

Clessidra proposes itself as an active investor able to provide support to improve the operational management and strategic positioning of its portfolio companies. Two key aspects of its investment approach is getting the acquired companies' management involved in defining and implementing development plans and aligning the interests of investors and other stakeholders, such as the management team of investee companies.

Clessidra was one of the first Italian PE operators to adhere to the United Nations Principles for Responsible Investment (UNPRI), in 2010, recognising the close link between investment returns and environmental, social and corporate governance issues (ESG). Over time, Clessidra has developed and constantly improved a system of internal processes and tools to integrate ESG issues with the investment strategy.

PRIVATE EQUITY

NAV 129.0 € mn

7.0%

CLESSIDRA
Capital Partners 3

CLESSIDRA
Restructuring Fund

BDT CAPITAL
PARTNERS
FUND II

BDT CAPITAL
PARTNERS
FUND III

ICONIQ

ISOMER
CAPITAL

connect

LIG
INVESTMENT MANAGEMENT

LAUXERA
CAPITAL PARTNERS

INVESTMENTS

NAV 146.6 € mn

8.0%

HEIDELBERGCEMENT

Vontobel

SESAAB
L'ECO DI BERGAMO
La Provincia

SES
Gazzetta del Sud
GIORNALE DI SICILIA

Cold Chain Capital®

(GRUPPO FLORENCE)

CASH AND OTHER ACTIVITIES

NAV 436.5 € mn

23.7%

Financial assets, trading and cash / Real estate and related activities

Corporate Bodies

BOARD OF DIRECTORS

(Term ends on approval of financial statements at December 31, 2022)

Laura Zanetti	1-7	Chairman
Livio Strazzera	7	Deputy Chairman
Carlo Pesenti	1-2	Chief Executive Officer - Chief Operating Officer
Vittorio Bertazzoni	1-3-6	
Giorgio Bonomi	4	
Mirja Cartia d'Asero	1-4-5-6	
Marco Cipelletti (*)	6	
Elsa Fornero	1-5-6	
Sebastiano Mazzoleni		
Luca Minoli		
Chiara Palmieri	3-4-5-6	
Marinella Soldi	3-6	

(*) Co-opted on 1.27.2021, in office until the next Shareholders' Meeting.

- 1** Member of the Committee for Sustainability and Social Responsibility
- 2** Director in charge of the Internal Control and Risk Management System
- 3** Member of the Remuneration and Nominations Committee
- 4** Member of the Control and Risk Committee
- 5** Member of the Committee for Transactions with Related Parties
- 6** Independent director (pursuant to the Corporate Governance Code and Legislative Decree no. 58 February 24, 1998)
- 7** Independent director (pursuant to Legislative Decree no. 58 February 24, 1998)

BOARD OF STATUTORY AUDITORS

(Term ends on approval of financial statements at December 31, 2022)

Standing Auditors

Pierluigi De Biasi	Chairman
Luciana Ravicini	
Gabriele Villa	

Alternate Auditors

Michele Casò
Maria Maddalena Gnudi
Tiziana Nesa

FINANCIAL REPORTING MANAGER

Mauro Torri

INDEPENDENT AUDITORS

(Term ends on approval of financial statements at December 31, 2027)

Deloitte & Touche S.p.A.

Professional profiles of the members of the Boards of Directors and Statutory Auditors

BOARD OF DIRECTORS

Laura Zanetti - Director since November 14, 2013 and Chairman since April 19, 2017

Graduated with honours from Bocconi University, where she is Associate Professor with tenure of Corporate Finance as well as Research Fellow of the Baffi-Carefin Research Centre and Academic Director of the Bachelor Degree in Economics and Finance.

Previously, she was Director of the Master of Science in Finance at Bocconi University, Visiting Scholar at both the MIT (Massachusetts Institute of Technology) and the LSE (London School of Economics and Political Science).

She is a Certified Public Accountant, Registered Auditor, Director and Statutory Auditor of various leading companies, and a member of the Board of Assonime.

She is the author of many articles on corporate governance, corporate finance and company valuations.

Livio Strazzerà - Director since May 3, 2002 and Deputy Chairman since April 19, 2017

Degree in Economics & Commerce - Bocconi University, Milan.

Certified Public Accountant in Milan and registered auditor.

Tax consultant, Director and Statutory Auditor of various companies.

Carlo Pesenti - Director since June 17, 1999 and Chief Executive Officer since May 27, 2014

Degree in Mechanical Engineering - Milan Polytechnic.

Master in Economics & Management - Bocconi University, Milan.

Since 1999 he has been a member of the Board of Directors of Italmobiliare, an investment holding company listed on the Milan Stock Exchange. In 2001 he was appointed Chief Operating Officer and in May 2014 he became Chief Executive Officer. During his career he served for more than a decade, till 2016, as CEO of Italcementi.

Along with the positions held in the Italmobiliare Group, he has also been a member of the Boards of Directors of leading companies such as Unicredit S.p.A., RCS S.p.A. and Mediobanca S.p.A. for several terms of office.

He is currently Chairman of Clessidra SGR, the leading Italy-focused private equity firm, and a member of the Board of Directors of Tecnica Group, Caffè Borbone and Officina Profumo-Farmaceutica di Santa Maria Novella (Italmobiliare Group Portfolio Companies). He is also a Director of the San Patrignano Foundation.

Permanent member of the General Board of Confindustria of which he was Vice President (2014-2016). Member of the Advisory Board of Assolombarda.

He is a member of the Board of ISPI and Co-Chairman of the Italy-Thailand Business Forum.

He is Chairman of the Pesenti Foundation, which promotes interaction between profit and non-profit organisations for the diffusion of a culture of innovation to generate projects and activities in the social, environmental and cultural sectors.

Vittorio Bertazzoni - Director since April 19, 2017

Degree in Law from the University of Parma.

After graduation, he began his career at Arthur Andersen in audit, gaining international experience first in the USA, at the New York office, and later in Italy.

Subsequently, he worked with the Research Department of Mediobanca S.p.A.

He is currently Deputy Chairman and Chief Executive Officer of SMEG S.p.A., an Italian manufacturer of electrical household appliances.

He is also Deputy Chairman and Chief Executive Officer of ERFIN S.p.A.

Giorgio Bonomi - Director since May 3, 2002

Degree in Law - Milan State University.

He has practised as a lawyer for the last forty years.

He is a Registered Auditor.

Mirja Cartia d'Asero - Director since April 19, 2017

Degree in Law from the University of Catania. She has been a member of the Italian bar association since 1996, and has a specialisation in real estate finance.

From 1996 to 2005, she worked in banking and finance law at Clifford Chance (Rome-London) and Allen & Overy (Milan). From 2005 to 2017 she was with Lehman Brothers (London-Milan) holding various positions in the Global Real Estate Group and - since 2008 - in Administration. Since 2014 she has been Founder member and Chief Executive Officer of Restar, a non-performing loans platform for the US Varde Fund, which was sold and merged with Guber Banca, in which she acts as Head of Real Estate.

She is a Director of FNM S.p.A., Zurich Investments Life S.p.A. and Il Sole 24 Ore S.p.A.

Marco Cipelletti - Director since January 27, 2021

Degree in Business Economics and Corporate Finance from Bocconi University.

Thirty years of work experience, including more than twenty years in the financial sector (investment analysis and fund management) at Amber Capital, Milan, UBS Investment Bank, Milan, ABN Amro Bank, NV, Milan, Credit Lyonnais Securities, London, San Paolo Bank – Istituto Bancario San Paolo di Torino, London, Actinvest Group Ltd, London, and the last nine years in the real estate sector.

Since May 2011, CEO of Galtrucco S.p.A., a real estate company based in Milan, and of two other minor real estate companies linked to it.

Elsa Fornero - Director since July 27, 2017

Full Professor of Political Economics at the Socio-Economic and Mathematical-Statistical Department (ESOMAS) at the University of Turin; Scientific Coordinator of the Centre for Research on Pensions and Welfare Policies (CeRP); Vice President of SHARE-ERIC (Survey of Health, Ageing and Retirement in Europe); Honorary Senior Fellow at the Carlo Alberto College, Research Fellow at Netspar - Network for Studies on Pensions, Aging and Retirement and Policy Fellow at the IZA - Institute of Labor Economics in Bonn.

She is also a member of the Research Committee of the International Network on Financial Education (INFE) of the OECD and of the Scientific Committee of GFLEC (Global Financial Literacy Excellence Center, Washington DC) and columnist for La Stampa.

She is a Director of Buzzi Unicem S.p.A.

From November 16, 2011 to April 28, 2013 she was Minister of Employment and Social Policies, with responsibility for Equal Opportunities, in the government formed by Mario Monti. As Minister, she introduced reforms in pensions and the jobs market (approved by Parliament at the end of 2011 and in mid-2012 respectively).

She has published articles on public and private pensions systems, pensions reform, the ageing population, household savings, pension and life insurance decisions.

Sebastiano Mazzoleni - Director since May 25, 2011

Degree in Geology - Milan State University.

Master in Business Administration - Bocconi Business School, Milan.

He began his professional career in 1996 with CTG S.p.A. as the person in charge of assessing raw materials for cement production, coordinating work groups in Italy, France, Spain and Thailand.

In 2000, he moved to the Italcementi S.p.A. Marketing Division, with joint responsibility for drawing up new product marketing plans and benchmark analyses for development of competitive positioning models.

In 2003, he was involved in the creation of the new Group division "New Product Marketing", and was head of innovation for USA, Greece, Bulgaria, Turkey, Egypt, Thailand, Kazakhstan and India until 2009. Group manager in charge of the new project for the enhancement of recoverable resources.

Since 2010 he has been involved in non-profit, social entrepreneurship and consultancy on innovation.

Luca Minoli - Director since May 3, 2002

Degree in Law, magna cum laude, 1985 - Milan State University.

Registered member of the Order of Lawyers of Milan since 1988.

Registered member of the Special Order of Cassation Lawyers and Higher Jurisdictions since 2006.

Associate of the Hughes Hubbard & Reed law firm in New York from 1986 to 1987. First associate, then partner of the Ardito law firm from 1991.

Partner of the Dewey & LeBoeuf law firm from 2004 to 2012.

He has been Founder member of the Gattai, Minoli, Agostinelli & Partners law firm since 2013.

Chiara Palmieri - Director since April 19, 2017

She is the Sole Director of Tack SCF S.r.l., a company that provides Family Office services, and a member of the Board of Directors of various companies in Italy.

Previously, she worked as Chief Operating Officer of Laprima Holding S.r.l., Single Family Office, and in investment banks, in London and Milan (Morgan Stanley, Credit Suisse and Goldman Sachs).

She graduated summa cum laude from Bocconi University, she is a Certified Public Accountant and obtained a CEMS Master from HEC-Paris University, after an exchange at the MBA program of the Stern School - New York University.

Marinella Soldi - Director since April 21, 2020

She holds a BSc in Economics at the London School of Economics and an MBA at INSEAD, Fontainebleau, France.

She began her career as a Business Analyst and Associate at McKinsey in London and Milan (1990-1993). From 1995 to 2000 she joined MTV NETWORKS EUROPE, where she was first Business Development Manager in London, then General Manager of MTV Italy in Milan and finally Senior Vice President, Strategic Development, in London.

In 2000 she founded SOLDI COACHING / GLITZ SRL, a leadership development company with offices in London and Milan where she worked until 2009. From 2009 to 2018 she worked for DISCOVERY NETWORKS INTERNATIONAL where she held various positions including Chief Content and Strategy Officer EMEA and CEO Southern Europe in Milan and London.

She is President of the Vodafone Italia Foundation and a Director of Nexi and Ariston Thermo.

BOARD OF STATUTORY AUDITORS**Pierluigi De Biasi**

Degree in Law from the University of Milan.

A lawyer since May 19, 1983, he is listed in the Special Register for Legal Aid before Higher Jurisdictions. In his professional activity he deals with M&A, private equity and financial instruments. Having worked for various Italian and international law firms, he is currently a partner in E. Morace & Co. (Milan-Naples).

He is currently Statutory Auditor of Green Stone SICAF S.p.A., Rome, and Director of 3iP SGR S.p.A., Rome. He was Chairman of the Board of Statutory Auditors of Parmalat S.p.A., Interpump Group S.p.A., Permasteelisa S.p.A. and Banca Italease S.p.A., as well as Independent Director of Guala Closures S.p.A., all listed companies. He has been a Director and Chairman of the Board of Statutory Auditors of various unlisted companies.

He is the author of three monographs and forty articles on commercial, banking and bankruptcy law.

Luciana Ravicini

Degree in Economics & Commerce - University of Brescia.

Certified Public Accountant in Brescia.

Registered Auditor.

She is a practising Certified Public Accountant and Registered Auditor.

Her professional assignments have allowed her to gain broad experience, notably in financial, fiduciary and industrial companies, and detailed knowledge of legal and tax matters.

She is currently Chairman of the Board of Statutory Auditors of Berna Ernesto S.p.A., BMSP S.p.A., Molemab S.p.A., Serum Italia S.p.A. and Iseo Serrature S.p.A.

She is also Sole Statutory Auditor of Autobase S.r.l., Finsippe S.r.l. and Sige S.r.l.; she is a Standing Auditor of Almag S.p.A., AMSA S.p.A., Bival S.p.A., Brawo S.p.A., Carlo Tassara S.p.A. and Metalcam Tools Steel S.p.A.

She has also gained experience as a Director in a company listed on the Milan Stock Exchange, where she chaired the Committee of Independent Directors and was a full member of the Audit and Risk Committee.

Gabriele Villa

Graduated in Economics and Commerce from the Catholic University of Milan.

Associate Professor at the Faculty of Banking, Financial and Insurance Sciences of the Catholic University of Milan.

Certified Public Accountant in Milan. Registered Auditor in the register established at the Ministry of Economy and Finance.

He is a Director and Member of the Executive Committee of Mediobanca S.p.A. and Chairman of the Board of Directors of Spafid S.p.A.

He is a Standing Auditor of Edison S.p.A. and Transalpina di Energia S.p.A., as well as Auditor of the Teatro alla Scala Arts and Crafts Foundation.

Annual Report



DIRECTORS'
REPORT

DIRECTORS' REPORT

General information

INTRODUCTION

The Italmobiliare Group's consolidated financial statements for the year ended December 31, 2020, and the corresponding figures for 2019, have been prepared in compliance with International Financial Reporting Standards (IAS/IFRS).

During 2020, the consolidation area changed following Italmobiliare S.p.A.'s acquisition of an 80% stake in Officina Profumo-Farmaceutica di Santa Maria Novella, a 92.5% stake in Casa della Salute and a 60% stake in Callmewine, as well as Clessidra SGR's acquisition of 100% in Clessidra Factoring.

PERFORMANCE INDICATORS

The Group for several years has consistently used different performance indicators (which are not contemplated by the IFRS) for assisting to understand its consolidated financial data. In particular, the income statement presents the following intermediate indicators/results: gross operating profit/(loss) and operating profit/(loss), computed as the sum of its preceding line items. Similar considerations apply to the statement of financial position with regards to the net financial debt, whose components are detailed in the specific section of the notes and the net asset value. Since the indicators used by the Group are not required by the IFRS, the criteria applied by us for calculating them may be different from the one used by other companies, therefore figures presented by us may not be comparable with those used by other groups (see Annex).

This report contains many financial and non-financial performance indicators, including those indicated above. These indicators, which derives from the financial statements, determine the tables used for summarizing the Group's financial and economic performance, in relation to comparative amounts and to other amounts from the same year (e.g., changes with respect to the previous year in revenue, gross operating profit/(loss), operating profit/(loss) and changes of their incidence over revenue). The use of indicators not directly reflected in the financial statements (e.g., the exchange-rate effect on revenue and on profit or loss) and the presence of comments and analysis contributes to a better understanding of the amounts presented.

The non-financial indicators refer to external and internal elements: the general economic situation and that of the industries in which the Group operates, trends on the various markets and operating segments, trends in sales prices and cost factors, acquisitions and disposals, other significant events of the year, organisational developments, the introduction of new laws and regulations, etc. Furthermore, in the notes, in the net financial debt section are provided information about the economic and financial effects related to interest rates changes and exchange rates changes.

1 Defined as Operating profit, net of "Amortisation and depreciation" and "Impairment losses on non-current assets".

2 Defined as Profit/(loss) for the year, net of "Finance income", "Finance costs", "Exchange-rate differences and net gains (losses) on derivatives", "Impairment losses on financial assets", "Share of profit/(loss) of equity-accounted investees" and "Income tax".

NET ASSET VALUE

The Net Asset Value of Italmobiliare S.p.A. at December 30, 2020 (whose definition and reconciliation is provided in the Annex) excluding treasury shares, amounted to 1,838.2 million euro, showing an increase of 97.1 million euro (after paying dividends for 76 million euro) compared with December 31, 2019 (1,741.1 million euro) and against a capitalization of 1,237.1 million euro which shows a discount on NAV of 32.7%.

(in millions of euro)	December 31, 2020	% of total	December 31, 2019	% of total
Listed equity investments	84.0	4.6%	165.1	9.5%
Portfolio Companies ¹	1,126.1	61.3%	744.9	42.8%
Other investments ²	62.6	3.4%	54.3	3.1%
Private equity funds	129.0	7.0%	158.1	9.1%
Properties and related assets	49.3	2.7%	49.1	2.8%
Financial assets, trading, cash and cash equivalents	387.2	21.1%	569.6	32.7%
Total Net Asset Value	1,838.2	100.0%	1,741.1	100.0%

¹ "Portfolio Companies" includes the investments in Sirap-Gema S.p.A., Italgem S.p.A., Caffè Borbone S.r.l., Clessidra SGR S.p.A. Clessidra Holding S.p.A., Capitelli F.lli S.r.l., Tecnica Group S.p.A., Iseo Serrature S.p.A., Autogas Nord S.p.A. (AGN Energia), Officina Profumo-Farmaceutica di Santa Maria Novella S.p.A., FT2 S.r.l., FT3 S.r.l., Callmewine S.r.l., Casa della Salute S.r.l.; the investments in SES Società Editrice Sud S.p.A., Sesaab S.p.A. and Crédit Mobilier de Monaco have been reclassified to "Other investments", as well as have the corresponding figures for 2019.

² The investment in FTV has been reclassified to "Other investments".

Compared with December 31, 2019, the NAV's increase of 97.1 million euro is mainly due to the overall increase in value of the Portfolio Companies (+190.3 million euro based on the same area of consolidation), offset by the distribution of ordinary and extraordinary dividends by Italmobiliare S.p.A. for a total amount of 76 million euro, by the decrease in listed investments due to the fall in the market value of HeidelbergCement AG (-18.9 million euro) and other listed investments (-4.6 million euro, mainly attributable to the investment in Fin.Priv., a finance company that holds Mediobanca shares). In particular, with regards to the Portfolio Companies, there has been an increase in value of Caffè Borbone, Sirap, Autogas Nord and Capitelli, a reduction in value of Tecnica Group while the value of the other equity investments remained stable.

The acquisition of Officina Profumo-Farmaceutica di Santa Maria Novella S.p.A., Callmewine S.r.l. and Casa della Salute S.r.l. has led to a further increase in the NAV portion represented by the Portfolio Companies for 199.1 million euro, with an equivalent reduction in liquidity. At the same time, some of the HeidelbergCement AG shares were sold for an equivalent of 62.3 million euro.

At December 31, 2020, the NAV per share, excluding treasury shares and after the payment of total dividends for 1.8 euro, amounted to 43.5 euro, showing an increase of 5.02% compared with December 31, 2019 (increase of 9.4% gross of dividends distributed).

NAV calculation at December 31, 2020 was computed by following a specific procedure, based on valuations by independent experts, taking into account:

- the market price at December 31, 2020 of the equity investments in listed companies;
- the value of non-listed companies, determined on the basis of commonly used valuation methods (DCF and/or market multiples) or, whether sufficient information for the application of the methods envisaged by the International Private Equity and Venture Capital (IPEV) valuation guidelines is not available and/or their consistency can be considered immaterial, taking into account their net equity as resulting from the latest approved financial statements, determined according to IAS/IFRS or local accounting standards;

- the market value of real estate assets;
- the deferred tax effect, if any.

The Independent Auditors have performed a limited assurance engagement based on ISAE 3000 to verify that valuation methods adopted by the Directors for calculating the NAV were in line with the IPEV guidelines.

PERFORMANCE OF THE MAIN GROUP COMPANIES (*)

(in millions of euro)	Revenue			Gross operating profit (EBITDA)			Fcf ²
	Dec. 31. 2020	Dec. 31. 2019	Change %	Dec. 31. 2020	Dec. 31. 2019	Change %	2020 Actual
Italmobiliare	67.9	86.1	(21.1)	8.4	45.7	(81.6)	n.s.
Portfolio companies							
Caffè Borbone	219.3	172.6	27.1	75.1	52.0	44.4	39.8
Officina Profumo-Farmaceutica di Santa Maria Novella ¹	22.6	31.1	(27.3)	3.0	12.4	(75.8)	2.8
Sirap	250.6	269.3	(6.9)	24.3	19.9	22.1	18.8
Italgas	30.2	34.4	(12.0)	23.6	14.2	66.2	17.1
Casa della Salute ¹	16.5	11.7	40.7	1.0	1.2	(16.7)	n.s.
Capitelli	14.8	14.0	5.7	3.8	3.9	(2.6)	2.0
Callmewine ¹	12.4	6.4	91.8	0.5	0.4	25.0	n.s.
Tecnica Group	382.5	424.0	(9.8)	59.4	51.5	15.3	50.0
Autogas - AGN Energia	438.1	495.2	(11.5)	50.7	38.6	31.3	18.5
Iseo	128.4	142.7	(10.0)	13.7	15.3	(10.5)	16.1
Total Portfolio companies	1,515.4	1,601.4	(5.4)	255.1	209.4	21.8	165.1

Generally speaking, the 2020 was a positive year for the Portfolio Companies, despite the impact of the current health emergency being significant, in particular for Santa Maria Novella, Tecnica and Iseo as detailed in the rest of the report. Looking at the pro-forma aggregate:

- 2020 revenue amounted to 1.515 million, showing a decrease of 5.4% compared with 2019 neutralising the impact of the change in the Sirap's consolidation area compared with 2019 (closing of the OPS extrusion line at Sirap UK and the Turkish subsidiary of Petruzalek Group) and other contingent factors without impact on the profitability of the companies³;
- Gross operating profit stood at 255.1 million euro, showing an overall improvement of 45.7 million euro compared with the previous year (+21.8%);
- Positive cash flow of 165.1 million, gross of the payment of 42.1 million of dividends paid to shareholders in total in 2020.

Looking at the individual companies for which reference should be made to the relevant sections for further details:

- In the food sector, Caffè Borbone did very well, with revenue up by 27%, substantially confirming the growth rate recorded in 2019, and a gross operating profit of over 75 million euro. Capitelli was slowed down by the impact of the pandemic but is still growing, with revenue at +6% compared with 2019 and gross operating profit substantially in line with the previous year;
- In the energy sector, gross operating profit significantly improved compared with the previous year both for Autogas Nord (+31% vs. 2019), which more than offset the decline in volumes with a growing focus on unit margins and credit management, and for Italgas (+66%), which benefits from a one-off positive impact during the year linked to the closure of the project in Egypt;

n.s. not significant

1 The figures have been prepared according to national accounting principles (ITA GAAP) and the 2019 figures have not been audited.

2 Free cash flow is determined as the difference between the net financial position of the year and the net financial position of the previous year, gross of dividends paid.

3 In particular, pass-through revenues in Italgas and the impact on revenue of the drop of the cost of LPG for Autogas Nord), the decrease in revenue is equal to 3.8%.

Bear in mind that Tecnica Group, Autogas-AGN Energia and Iseo have been included in the consolidated financial statements of the Italmobiliare Group using the equity method

* The information in the table relates to the financial statements of each company of the Group regardless of the date of acquisition of control by Italmobiliare and the percentage held.

- In the industrial sector, Sirap closed the 2020 with a record gross operating profit (+22% vs. 2019) and with the completion of two extraordinary transactions that redesigned the Group's scope. Iseo was affected by the impact of Covid-19 especially in the first half of the year and closed the year with revenue and gross operating profit down by 10% compared with 2019, but with excellent cash generation during the year;
- Tecnica Group's revenue has been hit by the pandemic-related uncertainty about the 2020/21 winter season, but has offset the contraction in revenue with cost containment measures. It therefore managed to close the year with a gross operating profit substantially stable compared with the previous year, net of a higher contribution by Riko, a production company of the recently acquired group that in 2019 was consolidated for only 5 months;
- Officina Profumo-Farmaceutica di Santa Maria Novella continued to suffer the impact of Covid on retail stores in Europe and in the USA in terms of turnover, with a lower gross operating profit compared with 2019 further penalised by a one-off inventory write-down;
- Looking at the two new entries, Casa della Salute recorded growth in revenue compared with 2019, but they were slowed down by the pandemic still in progress; gross operating profit, on the other hand, was affected by costs not related to operational management. Callmewine substantially doubled its turnover in 2020 compared with the previous year, thanks to a further acceleration of the online sale of wine due to Covid-19.

SUMMARY OF RESULTS FOR THE FOURTH QUARTER

(in millions of euro)	Revenue			Mol		
	4th qtr 2020	4th qtr 2019	Change %	4th qtr 2020	4th qtr 2019	Change %
Italmobiliare	17.2	27.4	(37.2)	15.8	16.7	(5.4)
Portfolio companies						
Caffè Borbone	63.5	46.0	38.0	22.7	13.8	64.5
Officina Profumo-Farmaceutica di Santa Maria Novella	6.2	10.0	(38.0)	(0.8)	5.6	(114.3)
Sirap	67.2	66.2	1.5	5.4	7.1	(23.9)
Italgen	8.6	9.2	(6.5)	14.3	4.4	225.0
Capitelli	4.1	3.7	10.8	1.0	1.0	-
Tecnica Group	122.3	133.2	(8.2)	22.2	19.6	13.3
Autogas Nord - AGN Energia	136.7	140.2	(2.5)	17.8	10.3	72.8
Iseo	38.7	37.9	2.1	4.9	3.3	48.5
Total Portfolio Companies	447.3	446.4	0.2	87.5	65.1	34.4

Note that the quarterly figures have not been audited.

The figures of the fourth quarter show how the Portfolio Companies are recovering after a more pronounced impact of the pandemic in the first half of 2020, which makes for an encouraging start to 2021. Looking at the pro-forma aggregate:

- Revenue amounted to 447 million, showing a slight increase compared with 2019. With the exception of Officina Profumo-Farmaceutica di Santa Maria Novella, the growth rate in revenue in the fourth quarter compared with 2019 is higher than the annual average for all of the Portfolio Companies;
- Gross operating profit stood at 87.5 million euro, showing an improvement of 34.4% compared with the previous year.

Italmobiliare Group

KEY CONSOLIDATED FIGURES

(in millions of euro)	2020	2019	Change %
Revenue and income	575.5	565.9	1.7
Gross operating profit (EBITDA)	106.0	125.9	(15.8)
% of revenue	18.4	22.3	
Amortisation and depreciation	(30.2)	(27.7)	(9.0)
Impairment losses on non-current assets	(6.4)	(1.1)	n.s.
Operating profit (EBIT)	69.4	97.1	(28.5)
% of revenue	12.1	17.2	
Net finance income (costs)	(6.8)	(5.4)	(25.9)
Impairment losses on financial assets	(0.7)	(2.6)	73.1
Share of profit/(loss) of equity-accounted in associates	15.0	10.5	42.8
Profit/(loss) before tax	76.9	99.6	(22.7)
% of revenue	13.6	17.6	
Income tax	26.6	(22.6)	n.s.
Profit/(loss) for the year	103.5	77.0	34.3
attributable to:			
- Owners of the parent company	68.3	63.5	7.5
- Non-controlling interests	35.2	13.5	n.s.
Cash flows from operating activities	88.8	105.4	(15.7)
Cash flows from investing activities	285.6	156.2	82.8

n.s. not significant

(in millions of euro)	December 31, 2020	December 31, 2019
Total equity	1,524.1	1,474.2
Equity attributable to owners of the parent company	1,330.4	1,358.7
Net financial position	320.8	475.2
Employees (headcount) at the end of the year	2,058	1,776

- **Revenue and income:** 575.5 million euro compared with 565.9 million euro for the year ended December 31, 2019 (+1.7);
- **Gross operating profit:** 106.0 million euro compared with 125.9 million euro for the year ended December 31, 2019;
- **Operating profit:** 69.4 million euro compared with 97.1 million euro for the year ended December 31, 2019;
- **Profit/(loss) before tax:** a profit of 76.9 million euro compared with 99.6 million euro for the year ended December 31, 2019.

The positive change in Revenue and Income is mainly attributable to Caffè Borbone (+46.7 million euro) and the entry into the consolidation area of Capitelli and Officina Profumo-Farmaceutica di Santa Maria Novella, partially offset by the decline in revenue of other companies.

At December 31, 2020, **total equity** was 1,524.1 million euro, while **equity attributable to the owners of the parent company** was 1,330.4 million euro, compared with 1,474.2 million euro and 1,358.7 million euro respectively at December 31, 2019.

In 2020, **capital expenditure** totalled 285.6 million euro, up compared to 2019 (156.9 million euro).

The consolidated **financial position** at December 31, 2020 showed a positive balance of 320.8 million euro, compared with 475.2 million euro at the end of 2019. The negative change of 154.4 million euro is mainly due to the investments made during the year, as detailed in the section Net financial position of Italmobiliare, partially offset by the improvement in the net financial position of the subsidiaries.

Gross operating profit, equal to 106.0 million euro, has decreased by 19.9 million euro compared with December 31, 2019 (125.9 million euro), mainly due to a decrease of Italmobiliare (-37.4 million euro), partly offset by the increase of Caffè Borbone (+23.2 million euro), Italgas and Sirap.

Operating profit, after an increase in amortisation and depreciation and impairment losses on non-current assets compared with 2019, was 69.4 million euro (97.1 million euro in 2019).

FINANCE COSTS AND OTHER ITEMS

Net finance costs amounted to 6.8 million euro, showing a decrease of 1.4 million euro from December 31, 2019. In particular, these costs mainly refer to Sirap and Caffè Borbone.

The caption did include Italmobiliare's finance income and costs as they form part of the Company's core business and were therefore presented in the line items included in the gross operating profit.

Impairment losses on financial assets amounted to 0.8 million euro (2.6 million euro in 2019).

Share of profit/loss of equity-accounted associates amounted to 15.0 million euro (10.5 million euro in 2019), thanks to positive contributions by Tecnica Group, Iseo, Autogas Nord and Dokimé (vehicle company that held a stake in Alphatest, which was sold during the year).

PROFIT FOR THE PERIOD

The Group generated a **profit before tax** of 76.9 million euro (99.6 million euro in 2019).

After positive taxes for 26.5 million euro (negative for 22.6 million euro in 2019) the Group's **consolidated profit for the year** totalled 103.5 million euro, (of which 68.3 million euro attributable to the owners of the parent company), compared with the consolidated profit of 77.0 million euro for the year ended at December 31, 2019 (of which 63.5 million euro attributable to the owners of the parent company).

REVENUE AND OPERATING PROFIT FOR 2020

CONTRIBUTION TO CONSOLIDATED REVENUE AND INCOME

(net of intragroup eliminations)

(in millions of euro)	2020		2019		Change	
		%		%		% ¹
Business segments						
Italmobiliare	38.9	6.8	72.5	12.8	(33.6)	(6.0)
Caffè Borbone	219.3	38.1	172.6	30.5	46.7	7.6
Officina Profumo-Farmaceutica di Santa Maria Novella	6.4	1.1	-	-	6.4	1.1
Sirap	250.6	43.5	269.3	47.6	(18.7)	(4.1)
Italgen	30.2	5.2	34.3	6.1	(4.1)	(0.9)
Capitelli	14.8	2.6	-	-	14.8	2.6
Other companies ²	15.4	2.7	17.1	3.0	(1.7)	(0.3)
Total	575.6	100.0	565.9	100.0	9.8	-

1 On a like-for-like basis and at constant exchange rates.

2 The figures refer principally to Clessidra

BREAKDOWN OF CONSOLIDATED PROFIT BY SEGMENT

(in millions of euro)	December 2020	% of total	December 2019	% of total
Italmobiliare	31.6	46.3	19.7	31.0
Caffè Borbone	90.5	132.5	20.5	32.3
Officina Profumo-Farmaceutica di Santa Maria Novella	(0.8)	(1.2)	-	-
Sirap	4.5	6.6	1.0	1.6
Italgen	11.3	16.5	7.4	11.7
Casa della Salute	-	-	-	-
Capitelli	2.2	3.2	-	-
Callmewine	-	-	-	-
Tecnica Group	4.0	5.9	4.8	7.6
Autogas - AGN Energia	2.8	4.10	2.0	3.1
Iseo	0.7	1.02	3.0	4.7
Other companies	5.3	7.8	1.7	2.7
Elimination of dividends and intragroup gains/losses	(83.8)	(122.7)	3.4	5.4
Profit/(loss) for the year attributable to owners of the parent company	68.3	100.0	63.5	100.0

STATEMENT OF COMPREHENSIVE INCOME

In 2020, other comprehensive income relating to continuing operations had a negative balance of 30.0 million euro (positive for 114.8 million euro in 2019), mainly due to fair value losses on FVTOCI assets totalling 29.7 million euro, as a result of the negative performance of the HeidelbergCement shares and the sale of part of their shares. Considering the profit for the year of 103.5 million euro and the above items, total comprehensive income in 2020 was positive for 74.8 million euro (positive in 2019 for 194.4 million euro).

The statement of comprehensive income forms part of the consolidated financial statements.

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

(in millions of euro)	December 31, 2020	December 31, 2019
Property, plant & equipment and investment property	167.5	169.0
Intangible assets	553.6	360.5
Other non-current assets	483.7	569.2
Non-current assets	1,204.8	1,098.7
Current assets	608.8	805.1
Assets classified as held for sale	131.4	6.7
Total assets	1,945.0	1,910.5
Equity attributable to owners of the parent company	1,330.4	1,358.7
Non-controlling interests	193.7	115.5
Total equity	1,524.1	1,474.2
Non-current liabilities	177.6	258.5
Current liabilities	183.2	177.3
Total liabilities	360.8	435.8
Liabilities directly linked to discontinued operations	60.1	0.5
Total equity and liabilities	1,945.0	1,910.5

EQUITY

Total equity at December 31, 2020 was 1,524.1 million euro, up 49.9 million euro from December 31, 2019. The overall change was due to:

- the profit for the period for 103.5 million euro;
- dividends of 84.0 million euro paid to Italmobiliare 's shareholders and to non-controlling shareholders of the Portfolio Companies;
- positive change due to the exercise of stock options for 3.3 million euro;
- positive change consolidation area for 49.3 million euro, relating to Officina Profumo-Farmaceutica di Santa Maria Novella, Casa della Salute and Callmewine, shown under "Non-controlling interests";
- reduction in the FVTOCI reserve of 29.6 million euro, net of deferred tax.

NET FINANCIAL POSITION

At December 31, 2020, the **consolidated net financial position** showed a positive balance of 320.8 million euro, down by 154.4 million euro on the figure at December 31, 2019 (+ 475.2 million euro).

Cash flows for the period show a negative balance of 154.4 million euro, mainly due to investments for 249.6 million euro, partially offset by disposals for 123.0 million euro. Furthermore there were dividends paid for 84.0 million euro and proceeds from operating activities for 88.8 million euro.

BREAKDOWN OF THE NET FINANCIAL POSITION

(in millions of euro)	December 31, 2020	December 31, 2019
Current financial assets	456.5	630.9
Current financial liabilities	(67.9)	(67.3)
Non-current financial assets	35.2	31.1
Non-current financial liabilities	(83.2)	(119.6)
NFP of assets held for sale	(19.8)	0.1
Net financial position	320.8	475.2

A breakdown of the "Net financial position" is given in the notes to the consolidated financial statements in the section dedicated to IFRS 7.

CONDENSED STATEMENT OF CASH FLOWS

(in millions of euro)	December 31, 2020	December 31, 2019
Net financial position at the beginning of year	475.2	222.3
Cash flows from operating activities	88.8	105.4
Capital expenditure:		
<i>PPE, investment property and intangible assets</i>	<i>(35.2)</i>	<i>(33.5)</i>
<i>Non-current financial assets</i>	<i>(249.6)</i>	<i>(122.9)</i>
Cash flows from investing activities	(284.8)	(156.4)
Proceeds from disposal of non-current assets	123.0	357.7
Purchase of treasury shares		0.9
Contributions from shareholders and third parties		3.5
Dividends paid	(84.0)	(26.3)
Translation and structure differences	(15.4)	10.3
Other	6.5	(42.2)
Net cash flows for the year	(165.9)	252.9
Cash flows relating to assets classified as held for sale	11.5	
Net financial position at the end of year	320.8	475.2

CAPITAL EXPENDITURE

(in millions of euro)	Investments in non-current financial assets		Investments in PPE and investment property		Investments in intangible assets		Total capital expenditure	
	2020	2019	2020	2019	2020	2019	2020	2019
Business segments								
Italmobiliare	60.4 ¹	96.7 ¹	1.6	1.6		0.2	62.0	98.5
Caffè Borbone			13.4	2.8	0.2	0.3	13.6	3.1
Officina Profumo-Farmaceutica di Santa Maria Novella	162.9		0.5				163.4	
Sirap			14.0	20.5	0.4	0.3	14.4	20.8
Italgen			4.6	3.3		0.1	4.6	3.4
Capitelli		26.1	1.0				1.0	26.1
Callmewine	13.2						13.2	
Other companies	13.1 ²		0.5	5.5	0.1		13.7	5.5
Inter-segment eliminations			(0.3)	(0.5)			(0.3)	(0.5)
Total capital expenditure	249.6	122.8	35.3	33.2	0.7	0.9	285.6	156.9

¹The figure includes Florence InvestCO, Casa della Salute and CCC Holding.

²The figure includes Clessidra Factoring.

Group capital expenditure during the year amounted to 285.6 million euro, showing a significant increase from 2019 (156.9 million euro).

Capital expenditure in non-current financial assets amounted to 249.6 million euro (122.8 million euro in 2019) and are mainly related mainly to Officina Profumo-Farmaceutica di Santa Maria Novella (162.9 million euro), Casa della Salute (24.1 million euro), Callmewine (13.2 million euro), Florence (13.8 million euro) and Clessidra Factoring (13.1 million euro) which was acquired by Clessidra SGR.

Capital expenditure on property, plant and equipment and investment property amounted to 35.3 million euro and referred mainly to Sirap for 14.0 million euro, Italgel for 4.6 million euro and Caffè Borbone for 13.4 million euro.

RECONCILIATION BETWEEN THE PARENT'S PROFIT FOR THE YEAR AND EQUITY, AND THE PROFIT FOR THE YEAR AND EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY

(in millions of euro)	December 31, 2020
Profit for the year of the parent company Italmobiliare S.p.A.	31.6
Consolidation adjustments	
• Profit for the year of consolidated companies (Group share)	64.6
• Adjustment to the carrying amount of equity-accounted investees	18.3
• Derecognition of dividends in the year	(28.0)
• Derecognition of intercompany gains or losses and other changes	(3.2)
• Reversal of write-downs in consolidated equity investments	(15.0)
Profit for the year attributable to owners of the parent company	68.3
Equity of the parent company Italmobiliare S.p.A.	1,280.3
• Derecognition of the carrying amount of consolidated equity investments	
in fully consolidated companies	(680.6)
in equity-accounted associates and subsidiaries	(173.7)
• Recognition of equity of consolidated equity investments	(854.3)
in fully consolidated companies	655.3
in equity-accounted associates and subsidiaries	129.6
• Gains allocated to equity of subsidiaries and associates	128.5
• Elimination of intragroup transactions and other changes	(9.1)
Consolidated equity attributable to owners of the parent company	1,330.3

RISKS AND UNCERTAINTIES

Risks and uncertainty are examined in the sections of the individual segments, since they are different and specific for each Group segment.

INFORMATION ON PERSONNEL AND THE ENVIRONMENT

Information on personnel and the environment is provided in the sections of the individual segments, since each segment presents its own specific characteristics.

Italmobiliare S.p.A.



BUSINESS AND FINANCIAL PERFORMANCE

(in millions of euro)	2020	2019	Change %
Revenue and income	67.9	86.1	(21.1)
Gross operating profit (EBITDA)	8.4	45.7	n.s.
% of revenue	12.4	53.0	(76.7)
Amortization and depreciation	(0.7)	(0.7)	-
Operating profit (EBIT)	7.7	45.0	n.s.
% of revenue	11.3	52.2	(78.3)
Net finance costs	(0.1)	(0.1)	
Impairment of financial assets	18.5	(14.3)	n.s.
Profit/(loss) before tax	26.1	30.6	n.s.
% of revenue	38.4	35.6	8.0
Income tax	5.4	(10.9)	n.s.
Profit/(loss) for the year	31.5	19.7	

n.s. not significant

(in millions of euro)	December 31, 2020	December 31, 2019
Equity	1,280.2	1,347.0
Net financial position	387.2	569.6
Employees (headcount) at the end of the year	38	37

Revenue and income for the year amounted to 67.9 million euro (86.1 million euro in 2019), and consisted mainly of dividends from equity investments (30.3 million euro), gains and fair value gains on equity investments, funds and securities (22.0 million euro), other finance income (14.9 million euro) and revenue from services provided (0.7 million euro).

RESULTS IN ACCORDANCE WITH THE FINANCIAL MODEL

Given the specific nature of the company, in order to allow a full understanding of the Company's performance, the table below sets out its results in the format normally used for financial companies. The model reflects the following classification:

- "Net gains (losses) on equity investments" which includes, with regard to FVTOCI equity investments, the dividends received; on the other hand, with regard to the investments in subsidiaries and associates, the item includes both dividends and gains/losses realized on sales, as well as any impairment losses/value recoveries.
- "Net gains (losses) on investments of cash and cash equivalents", which includes interest income on bank coupons and deposits, impairment gain or losses on bonds and trading equities, gains/losses realized on the sale of trading securities, income/expense on trading derivatives and investment funds, and "Net borrowing costs". "Net borrowing costs" consist essentially of interest expense on borrowings, bank commissions and costs;
- "Other income and expense" include personnel expense and operating expenses for the financial structure, net of amounts recovered from other Group companies or third parties.

(in millions of euro)	2020	2019	Change %
Net gains (losses) on equity investments	48.8	8.1	502.5
Net gains on investments of cash and cash equivalents	7.5	47.2	n.s.
Total finance income/costs	56.3	55.3	1.8
Other expenses	(30.2)	(24.8)	21.8
Income tax	5.4	(10.8)	n.s.
Profit/(loss) for the year	31.5	19.7	59.9

n.s. not significant

Net income and charges from equity investments are positive for 48.8 million euro, showing an increase of over 40 million euro compared with 8.1 million euro at December 31, 2019, due to the revaluation of certain investments (+18.6 million euro at December 31, 2020 against -14.3 million euro at December 31, 2019) and the increase in dividends (+7.8 million euro).

Net gains and losses on investments of cash and cash equivalents, on the other hand, have decreased by 39.7 million euro, mainly due to the reduction in profitability of investments and private equity funds (-26.6 million euro) and the negative performance of held-for-trading investments (-6.0 million euro) and exchange rates (-8.0 million euro).

Other income and expense are negative for 30.2 million euro, showing an increase of 5.4 million euro compared with the previous year, mainly due to higher costs outside of the normal business of 5.8 million euro (MBO and LTI payouts referring to the previous three years and donations).

Taxes are positive for 5.4 million euro, whereas in 2019 they were negative for 10.8 million euro. The change is mainly due to the activation of tax benefits on the tax loss for the year.

Equity of 1,280.2 million euro decreased by 61.8 million euro compared with the previous year, mainly due to the negative change in the FVTOCI reserve for 7.9 million euro, the negative change in the retained earnings of 17.7 million euro due to the sale of FVTOCI equity investments, the distribution of dividends for 76 million euro, net of the profit for the year of 31.5 million euro.

SIGNIFICANT EVENTS DURING THE PERIOD

Starting from February, the situation was dramatically conditioned by the health emergency caused by the Covid-19 pandemic, which resulted in a seriously unfavourable global macroeconomic scenario for the entire year; and despite rapid progress in the field of vaccines development, it continues in a context of high uncertainty in the first part of 2021 as well. The protection measures implemented by the institutions at international level have led to a lockdown of many industrial and commercial activities, with serious consequences for business operations, as well as for people's social life.

Italmobiliare promptly implemented all safety and control measures in favour of employees, both at the Holding Company and at the Portfolio Companies, to limit possible occasions for contagion and to ensure continuity of production and commercial activities. The measures taken to support the Portfolio Companies and the responsiveness shown by them in such a complex situation, have allowed us to limit the impacts of the pandemic essentially to those entities that are exposed to the retail world. They suffered inevitable slowdowns, while continuity of results was achieved in other sectors, as explained later on in this report. In some cases, especially for the companies operating in the food sector, they turned in very positive performances. In all companies, initiatives for the development of alternative commercial channels (e-commerce) were promptly activated to cope with the restrictions on traditional distribution channels, forms of flexibility of production cycles to limit possible inventory increases and careful re-planning of investment flows.

In the meantime, financial risk management made it possible to mitigate the impact of the negative performance of world markets on Italmobiliare's portfolio: thanks to effective diversification both by sector and by exposure to various geographical areas, it has shown considerable resilience, despite all the difficulties. The impacts of the health emergency that can be observed to date have been contained. They involved those components of Italmobiliare's portfolio that were most exposed to the dynamics of financial markets, while the portfolio as a whole recorded positive growth rates, even in such a complex year.

In January, Italmobiliare closed the purchase of a 20% stake in Officina Profumo-Farmaceutica di Santa Maria Novella S.p.A. based in Florence, a top-of-the-range cosmetics company and historical brand, bringing the number of its Portfolio Companies to nine. Italmobiliare S.p.A. invested 40 million euro in the operation, becoming a non-controlling shareholder. In August, Italmobiliare exercised its option to buy another 60% of the share capital and the transaction was closed in September for a total investment in the company of approximately 160 million euro, with the possibility of increasing its stake in the future.

In October Italmobiliare, together with Fondo Italiano d'Investimento Sgr (FII) and Vam Investments, created Florence InvestCO, the first luxury clothing production centre in Italy with the purchase of 100% of Giuntini, Ciemmecci Fashion and Mely's Maglieria. With an investment of 13.8 million euro, Italmobiliare holds in transparency about 15.5% of the consortium led by Vam Investments and FII with the founding families of the three companies as minority shareholders.

In November Italmobiliare, through its subsidiary Sirap Gema, and Faerch Group - a Danish company that is one of the European leaders in the food packaging sector - signed a binding agreement, subsequently completed in January 2021 on the basis of an Enterprise Value of 162 million euro, under which Sirap Gema sold its main assets in Italy, Poland and Spain to Faerch Group. The operation was considered by both groups as an optimal solution in terms of future developments

and value creation. The Sirap Group maintained control of its activities in the other sectors and countries where the Group is present (the Petruzalek group with operations in France, Germany and the United Kingdom). Then, in February 2021, binding agreements were signed for the sale of the Petruzalek group and the activities in Germany.

In December, Italmobiliare completed the agreement for the acquisition of 92.5% of Casa della Salute for 24 million euro. Marco Fertoni, the CEO and founder, keeps the other 7.5% of the share capital, as well as full management powers of the innovative company active in the field of outpatient and diagnostic services. The purpose of Italmobiliare by entering into the capital of Casa della Salute is to provide support over the coming years for the company's ambitious growth programme that began in 2014, when the first clinic was opened in Busalla; it now operates in Liguria and Piedmont, with 8 diagnostic centres.

In December, Italmobiliare finalised an agreement with the shareholders of the company that owns the Callmewine e-commerce platform, for a total investment of 13 million euro through the newco FT3, to partly buy shares and partly for an increase in capital, acquiring a 60% stake in the company ("post-money"). The purpose of Italmobiliare's entry into the capital of Callmewine is to help finance the development plan over the next few years of the company founded in 2010 by Paolo Zanetti, an e-commerce platform specialising in the sale of wines that ranks among the market leaders in Italy.

For Italmobiliare, which is already involved in developing well-known industrial realities, the investments in Casa Della Salute and Callmewine mark the start of another field of activity, with a view to enhancing market opportunities in innovative sectors capable of making changes, even disruptive changes, starting from small companies with strong growth potential (Small Cap Growth), based on niches of excellence in the Italian entrepreneurial landscape based on niches of excellence in the Italian entrepreneurial landscape.

ITALMOBILIARE NET FINANCIAL POSITION

(in millions of euro)	December 31, 2020	December 31, 2019
Current financial assets	367.3	544.9
Current financial liabilities	(7.0)	(2.7)
Current net financial position	360.3	542.2
Non-current financial assets	27.1	27.6
Non-current financial liabilities	(0.2)	(0.2)
Non-current net financial position	26.9	27.4
Net financial position	387.2	569.6

The net financial position of Italmobiliare S.p.A. decreased by 182.4 million euro in 2020, going from 569.6 million euro at December 31, 2019 to 387.2 million euro at the end of December 31, 2020, allocated for 63% to the Vontobel Fund with a defensive risk profile consistent with the Company's investment policies. The main flows include the acquisition of 80% of Officina Profumo-Farmaceutica di Santa Maria Novella (-161 million euro), which took place through the newco FT2, the acquisitions of 92.5% of Casa della Salute (-23.7 million euro), 60% of Callmewine (-13.3 million euro) which took place through the newco FT3, and, lastly, 23.9% of Florence InvestCO (-13.8 million euro), partially offset by the sale of HeidelbergCement shares (+62 million).

The composition of the "Consolidated net financial position" is shown in the notes to the separate financial statements in the section dedicated to IFRS 7.

RISKS AND UNCERTAINTIES

An integrated analysis of the main risk factors and related mitigation measures was carried out during the year. A number of analyses were performed, specifically:

- a quantitative analysis of the risk levels and correlation among the various companies belonging to the Italmobiliare investment portfolio as a whole;
- bottom-up analysis of Group-specific risk factors and related mitigation measures;
- a specific analysis to assess the actual exposure of the investment portfolio to the various geographical areas.

With regards to the equity investment portfolio, an analysis of the most common risks among Group companies, due to the evolution of the reference context, changes in the scope and methodological refinement, revealed widespread new risk issues (e.g. health emergency, climate change, IT Security) and changes in exposure to those already highlighted last year (e.g. greater exposure to potential risks with respect to the new ESG commitments deriving from the formal membership to the Global Compact, organisational structure in relation in particular to the most recent Portfolio Companies; lower exposure to regulatory risk).

Holding Company risks

As mentioned above, for facing the health emergency for the Covid-19 pandemic, Italmobiliare promptly implemented all safety and control measures in favour of employees, both at the Holding Company and at the Portfolio Companies, to limit possible occasions for contagion and to ensure continuity of production and commercial activities. The holding company's operations can continue thanks to a policy preference for remote working.

Constant monitoring of risks, the measures taken to support the Portfolio Companies and the responsiveness shown by them have allowed us to limit the impacts of the pandemic essentially to those entities that are exposed to the retail world. In all companies, initiatives for the development of alternative commercial channels (e-commerce) were promptly activated to cope with the restrictions impacting traditional distribution channels, forms of flexibility of production cycles to limit possible inventory default and a careful rescheduling of investment flows.

In the meantime, financial risk management made it possible to mitigate the impact of the negative performance of world markets on Italmobiliare's portfolio: also thanks to effective diversification both by sector and by exposure to various geographical areas, it has shown considerable resilience, despite all the difficulties.

In the process of managing its investments and selecting further investments, particular attention will be paid to the analysis and management of risks - including the risks deriving from the prolongation of the effects of the pandemic - to sector diversification, also based on the acceleration of macro trends imposed by the pandemic situation and to the particular analysis of aspects such as their technological evolution and the sustainability of their business models over time.

Italmobiliare S.p.A., directly and through its subsidiaries, carries out investment activities involving natural risks arising from the difficulty of identifying new investment opportunities that respond to its objectives, or difficulty in divesting, especially in non-listed companies.

The results of Italmobiliare S.p.A. also depend on:

- gains and losses on equity investments, if any, which characteristically are not of a periodical and/or recurring nature;

- consideration of dividends from non-controlling equity investments, whose distribution and payment policies are independent of the shareholder.

Consequently, business performance may not follow a linear and/or significantly comparable trend from one year to the next.

Italmobiliare S.p.A. also holds investments in listed securities. Exposure to this type of investment is part of following a core business as a long-term investor. Risk is monitored constantly; nevertheless, any adverse change in the share prices of its equity investments could affect its financial position and results of operations.

Italmobiliare S.p.A. is active in a variety of segments and is therefore exposed to the risks typical of the markets and segments in which its investees operate.

Financing risks

Access to the capital market and to other forms of financing, and related costs, depends on the Company's creditworthiness and on the general economic conditions of the market and the credit system. Any downgrade in creditworthiness and/or a general credit squeeze can restrict access and raise the cost of borrowing, with negative repercussions on the financial position and results of operations of the Company or its Portfolio Companies.

The liquidity of the equity and bond portfolio may be influenced by contingent market situations that reduce market variety and efficiency. The Group is committed to maintaining a high level of liquidity in its portfolio by diversifying investments, using financial instruments with systematic pricing, daily evaluation of resources using prudential approaches, and selection of counterparties on the basis of their creditworthiness and reliability. The volatility of the markets and, in particular, contractions in the variety of trading in the presence of systemic events mean, however, that there is no guarantee that divestment strategies can be executed as and when planned.

Risks of fluctuation in interest and exchange rates

A significant portion of cash is invested in bonds: although the interest-rate risk is contained by low average duration, a rise in interest rates could have a negative impact on the value of the bond portfolio.

There is limited exposure to the currency risk. Although exposure constitutes a factor of diversification of the overall risk, hedging transactions are arranged as market opportunities arise. Despite these hedges, sudden fluctuations in exchange rates could have a negative impact on the Company's financial position and results of operations.

Legal and tax risks

Suitable provisions have been accrued with regard to existing legal and tax risks and their related economic effects. Estimates and measurements are based on available information and are in any case regularly reviewed, with immediate recognition of any effects in the financial statements. Nonetheless, it is not possible to exclude future negative impacts connected with these risks on the financial positions and results of operations of Italmobiliare S.p.A. and/or of its subsidiaries and associates.

INSURANCE

Italmobiliare S.p.A. signed insurance policies with leading insurance providers to cover the main risks to people and property, as well as general third-party liability cover.

ENVIRONMENT AND HUMAN RESOURCES

Given the nature of the company, there are no significant environmental problems.

At December 31, 2020, the Company had 38 employees, with the increase of 1 person compared with the end of 2019.

LITIGATION AND DISPUTES PENDING

A description of the main legal and tax disputes involving Italmobiliare S.p.A. is provided in the relevant section on page B57.

OUTLOOK

The business outlook for Italmobiliare S.p.A. is explained in the relevant section on page B58.

Caffè Borbone

(60% INTEREST)



BUSINESS AND FINANCIAL PERFORMANCE

(in millions of euro)	2020	2019	Change %
Revenue and income	219.3	172.6	27.1
Gross operating profit (EBITDA)	75.1	52.0	44.4
% of revenue	34.2	30.1	
Amortization and depreciation	(9.1)	(8.6)	
Impairment losses of non-current assets	-	-	
Operating profit (EBIT)	66.0	43.4	52.1
% of revenue	30.1	25.2	
Net finance income (costs)	(1.9)	(1.7)	n.s.
Profit/(loss) before tax	64.1	41.7	53.7
% of revenue	29.2	24.2	
Income tax	26.4	(7.5)	
Profit/(loss) for the year	90.5	34.2	164.6
Capital expenditure	13.4	2.8	378.6

n.s. not significant.

(in millions of euro)	December 31, 2020	December 31, 2019
Total equity	346.2	275.3
Net financial position	(11.8)	(31.6)
Employees (headcount) at the end of the year	218	199

Caffè Borbone's performance has not been slowed down by the health emergency that characterised the 2020; in particular, Caffè Borbone closed with revenue of 219.3 million euro, confirming a growth rate of 27% compared with the previous year.

With regards to distribution channels, online and mass merchandising channels are growing at above average rates, with Caffè Borbone's growth (+64% on 2019) much higher than the overall growth rate of the single-dose coffee market (+23% in the same period, source Nielsen). At a product level, pods remain the main product, with a growth rate in line with the average; the performance of capsules was also positive. Sales of coffee beans, which in any case have a limited weight on the company's total revenues, fell due to the overall slowdown of the Ho.Re.Ca channel linked to the health emergency.

Gross operating profit was 75.1 million euro, up by 44% compared with 2019 (+120% vs. 2018): profit margins improved significantly to 34% (+4.1% compared with the previous year), thanks to the further increase in the industrial margin and the effect of scale on overheads.

Net of amortisation and depreciation, which have gone up slightly, operating profit was 66.0 million euro, up 52% compared with 2019.

Despite a better net financial position, finance costs slightly increased compared with the previous year, amounting 1.9 million euro, due to the impact of one-off costs of 0.8 million euro for the advance repayment of bank loans.

Taxes are positive for 26.4 million euro, including a one-off impact linked to the Company's decision to realign the statutory and fiscal value of intangible assets for 323 million euro (this "step-up" refers, in particular, to brands, the customer list and goodwill) pursuant to art. 110, paragraph 8, of Legislative Decree 104/2020. This will make possible to deduct the amortisation charge on these items against payment of a substitute tax of 3%. At an accounting level, this decision has resulted in a one-off positive impact on taxes in 2020 of 41.2 million euro, which is the net of the deferred taxes released for 50.9 million euro and the substitute tax for the realignment of 9.7 million euro.

Profit for 2020 came to 90.5 million euro. Without considering the one-off impact linked to the step-up of intangible assets, the profit would have been 49.3 million euro, 44% up compared to the previous year.

Investments totalled 13.4 million euro, higher than in 2019 as the plan to expand production capacity was speeded up during 2020. Note that the figure is shown net of the tax credits for investments made in the South of Italy, for a total of 2.8 million euro.

The net financial position at December 31, 2020 is negative for 11.8 million euro, with positive cash generation during the year of 39.8 million euro, gross of the 20 million euro of dividends paid in 2020.

RISKS AND UNCERTAINTIES

As mentioned in the previous reports, the Caffè Borbone business is exposed to two main areas of risk and uncertainty: competitive pressure on market prices, and trends in commodity prices on the coffee bean procurement market.

The sustained growth of the end market addressed by the company, especially single-dose coffee, could fuel competition and pressure on prices, with a negative impact on volumes and margins. This could happen as a result of hostile pricing strategies by existing key competitors and the entry of potential new competitors. Management constantly monitors competitive dynamics on the markets where Caffè Borbone operates, and activates initiatives to support the distinctive value of its products and transfer it to consumers, also by strengthening the Caffè Borbone brand.

This is compounded by the potential uncertainty over raw material costs. Generally speaking, the coffee bean market is highly volatile and subject to oscillations as a result of the strategies of large commodities investors, climate conditions in a specific year for a specific quality of bean, and geo-political conditions in the main producer countries. The risk of a rise in coffee bean prices is less important in the single-dose segment as it has a lower impact on the cost of the finished product; in any case, this risk is managed through appropriate commercial strategies which envisage corresponding increases in selling prices, if necessary.

ENVIRONMENTAL INITIATIVES

Adding sustainable value to a recognised quality product is a clear line of strategy for Caffè Borbone. In addition to responsible procurement of raw materials and efficient management of the production site, particular attention is given to the choice of ancillary materials used for the production of pods, capsules, ground coffee or beans and their wrappings and packaging.

Over 70% of the materials used in the process and for packaging (100%) are renewable, recycled or containing recycled material, or they are easily recyclable at the end of their life. The pods produced are compostable, paper included, as certified by the Italian Composting Consortium. The paper or cardboard used for packaging is recyclable and certified FSC MIX, i.e. with at least 70% of certified or recycled materials. The aluminium used for packaging contains recycled material and is in turn recyclable. The plastic used for packaging contains recycled material and is in turn recyclable.

Compostable capsules and even more easily recyclable wrappers are the next step, thanks to lower use of poly laminate or otherwise diversified materials.

SAFETY INITIATIVES

The safety management system adopted by Caffè Borbone complied with national regulations, starting with a detailed risk assessment, updated periodically with the support of qualified third parties. Preventive reporting of anomalous or risk conditions by everyone, accurate analysis of any accidents, even if not serious, and adequate training activities all support continuous improvement.

RESEARCH AND DEVELOPMENT

R&D focuses primarily on the continuous improvement of product quality and on the search for new sources of procurement.

The company is heavily committed to the development of sustainable and fully recyclable packaging, an area where Caffè Borbone is already one of the market leaders. Specific projects have been set up in collaboration with suppliers and research centres.

HUMAN RESOURCES AND ORGANIZATION

In 2020, the workforce grew by 19 units, going from 199 to 218 employees, mainly new hires for the production area.

LITIGATION AND DISPUTES PENDING

The company is not involved in any significant dispute that needs to be mentioned in this report.

OUTLOOK

The company expects to continue its growth trend of recent years also in 2021 and the positive trend of sales in the first weeks of the year confirms this expectation.

Also in terms of profit margins, the company substantially expects to repeat the levels achieved in recent years, net of any fluctuations in the coffee purchase costs.

Officina Profumo-Farmaceutica di Santa Maria Novella

(80% INTEREST THROUGH THE
NEWCO FT2 S.r.l.)



BUSINESS AND FINANCIAL PERFORMANCE

The figures refer to the consolidated financial statements of FT2 S.r.l. and Officina Profumo-Farmaceutica di Santa Maria Novella and have been consolidated in Italmobiliare using the equity methods starting from the 1st of January and on a line-by-line basis from October as the acquisition took place in two stages.

The figures have been prepared according to national accounting standards (ITA GAAP) and reclassified according to Group formats;

(*) The 2019 figures have been prepared according to national accounting standards (ITA GAAP) and have not been audited.

(in millions of euro)	2020	2019*	Change %
Revenue and income	22.6	31.1	(27.3)
Gross operating profit (EBITDA)	3.0	12.4	(75.7)
% of revenue	13.3	39.8	
Amortization and depreciation	(2.2)	(1.8)	22.2
Impairment losses of non-current assets	-	-	
Operating profit (EBIT)	0.8	10.6	(92.7)
% of revenue	3.4	34.1	
Net finance income (costs)	(0.7)	(0.2)	
Profit/(loss) before tax	-	10.5	(99.6)
% of revenue	0.2	33.6	
Income tax	(0.1)	(0.1)	
Profit/(loss) for the year	(0.1)	10.3	(101.9)

(in millions of euro)	December 31, 2020	December 31, 2019
Total equity	166.6	46.8
Net financial position	21.5	19.2
Employees (headcount) at the end of the year	117	116

The consolidated operating results of the Santa Maria Novella group at December 31, 2020 show a contraction in revenue due to the closure in the period March-May 2020 of most of the directly-managed stores in accordance with the social distancing measures made necessary by Covid-19 (starting from the historic shop in Florence) and to a significant contraction of international tourist flows in Italy.

The year closed with an overall decline in revenue of 27.3%, which is the result of a sharp contraction in direct physical retail sales in Europe and in the USA, only partially offset by the excellent performance of the direct e-commerce channel. Wholesale revenue also suffered a 6% reduction entirely attributable to Europe (Italy, France, UK), particularly affected by the consequences of Covid-19, albeit offset by a good trend in orders in the APAC area.

With the reopening of the stores from mid-May, the group's activities had gone through a phase of gradual normalisation during the summer, although international tourist flows were significantly lower than pre-Covid-19 levels; however, the Covid-19 second wave and the introduction of new restrictive measures on the movement of people has caused another phase of stagnation in the retail market.

Gross operating profit was 3.0 million euro, 75.7% down compared with the same period in 2019, due to the loss of turnover mentioned above, in addition to some write-downs of slow-moving inventory for 1.5 million euro. Without these write-downs, which can be considered unrelated to operations and non-cash, and another one-off cost linked to the acquisition of the company by Italmobiliare, gross operating profit would have been 5.2 million euro, about 23% of sales.

At December 31, 2020 the net financial position (ITA GAAP) is positive for 21.5 million euro, with cash generation during the year of 2.3 million euro, prior to dividends paid to shareholders.

Given the particularly solid financial position, there are no particularly critical issues related to the post-Covid-19 credit situation.

Since September the company has been led by the new CEO Gian Luca Perris, while Eugenio Alphantery, who remains a 20% shareholder of the company through a vehicle that he controls, has taken the position of Deputy Chairman.

RISKS AND UNCERTAINTIES

The business in which Officina Profumo-Farmaceutica di Santa Maria Novella operates, being essentially a Direct to Consumer business, is largely influenced by the macroeconomic trend and by the trend in consumption, especially relating the domestic market.

As already highlighted in the previous paragraph, for the company the effect of Covid-19 was particularly marked on the Italian stores, which are focus principally on tourism from the United States and the Far East. This meant that online sales were unable to offset the negative effects of the lock-down, unlike what happened in the US market, where the decrease in turnover was limited to -4% compared with the previous year.

To cope with this situation, the company's new management is implementing strategies aimed at strengthening online sales by creating a platform with more appealing and user-friendly content, as well as implementing a strategy to strengthen brand awareness through a broader international vision.

Having a business mainly oriented towards direct sales to the public, the Company is exposed to the risks associated with the healthiness of the products released for consumption. To neutralise this risk, particularly accurate control procedures are put in place in order to guarantee full compliance and safety in terms of the quality and salubrity of all products in accordance with the legal requirements and with high standards of voluntary certification.

ENVIRONMENTAL INITIATIVES

With Italmobiliare taking control, an ESG project has already been drawn up, which envisages that during the year the company will align itself with Italmobiliare's standards on some focal parameters for coordinated implementation of an ESG strategy.

During the year, an internal programme was activated to further strengthen the naturalness of the products marketed, this being one of the strengths for which Officina Profumo-Farmaceutica di Santa Maria Novella is historically recognised. This project will make it possible to select sustainable ingredients, with a specific focus on sourcing, supply chain and human rights, allowing among other things adequate disclosure of the ingredients. Another important environmental issue concerns the launch of a programme aimed at reducing the amount of packaging, both of the products and how they are packed for shipping, through a policy that will be oriented more and more to using sustainable materials.

For the record, the company has never caused any damage to the environment, nor are there any lawsuits or disputes pending nor fines or penalties incurred for environmental crimes or damage.

RESEARCH AND DEVELOPMENT

During the year, Officina Profumo-Farmaceutica di Santa Maria Novella incurred R&D costs on a project to develop an innovative system for controlling and managing its production lines. This project began in July 2018 and ended in July 2020. The project achieved all its objectives, namely the development of a monitoring and management system for processes that was applied to the scales, pre-melters and turbo-emulsifiers department and a prototype of the control software.

The "Information Technology Total Control" project began in November 2020, with the aim of developing, to the level of a pre-industrial prototype, an innovative "total control" management and monitoring system for industrial processes. For Officina Profumo-Farmaceutica di Santa Maria Novella, this system will be applied to all stages of the process of making creams and other products for cosmetics, namely dosage, mixing, bulk, inflating, labelling and packaging.

HUMAN RESOURCES AND ORGANISATION

In 2020, the workforce grew by 1 person, going from 116 to 117 employees.

LITIGATION AND DISPUTES PENDING

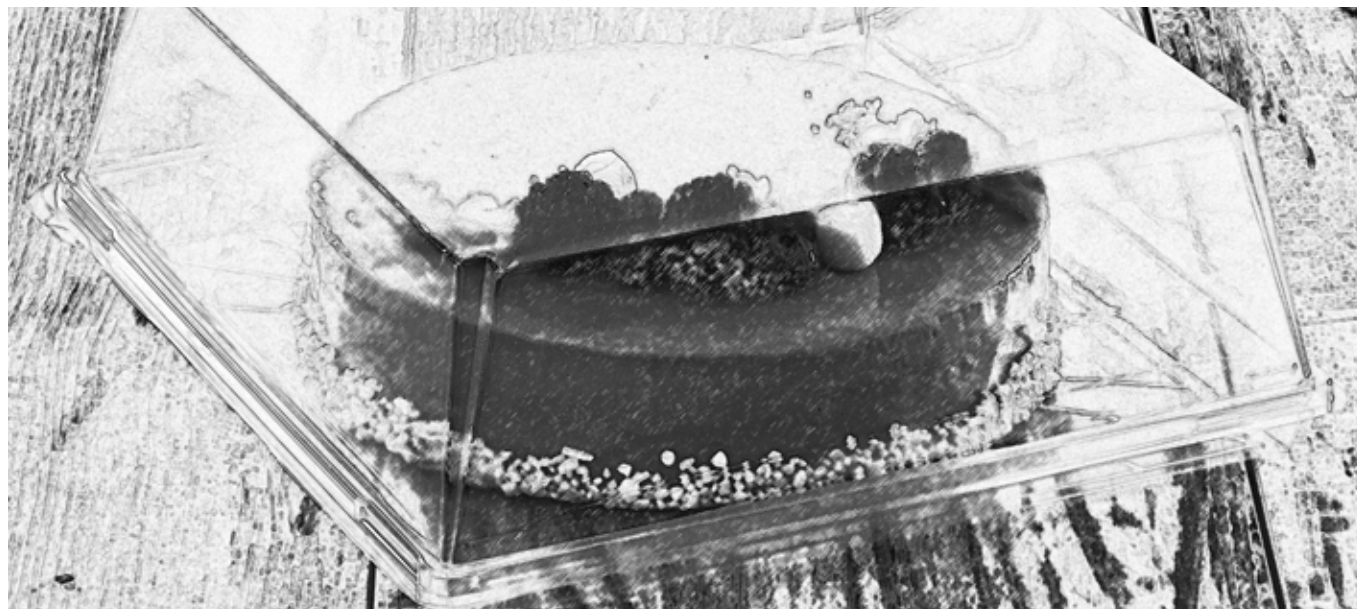
The company is not involved in any significant dispute that needs to be mentioned in this report.

OUTLOOK

Given the uncertainty as to how the pandemic will evolve, the prospects for 2021 suggest that the flow of customers to the Italian stores will again be limited, while the growth trend of the wholesale market, driven by Asian countries, and of online sales should continue, also thanks to the resources invested in launching a new e-commerce site. A slight increase in turnover is therefore foreseeable compared with the current year, but considering the restrictions on international travel and movement within Europe, a return to pre-Covid levels is not yet conceivable.

Sirap

(100% INTEREST)



BUSINESS AND FINANCIAL PERFORMANCE

The figures in the table refer to the Sirap Group.

(in millions of euro)	2020	2019	Change %
Revenue and income	250.6	269.3	(6.9)
Gross operating profit (EBITDA)	24.7	19.9	24.1
% of revenue	9.9	7.4	
Amortization and depreciation	(13.4)	(13.8)	(2.9)
Impairment losses of non-current assets	0.3	(1.1)	n.s.
Operating profit (EBIT)	11.0	5.0	120.0
% of revenue	4.4	1.8	
Net finance costs	(3.6)	(3.7)	
Profit/(loss) before tax	6.7	1.3	415.4
% of revenue	2.7	0.5	
Income tax	(2.3)	(0.3)	
Profit/(loss) for the year	4.5	1.0	350.0
Capital expenditure	14.0	20.5	

n.s. not significant

(in millions of euro)	December 31, 2020	December 31, 2019
Total equity	35.9	34.1
Net financial position	(64.6)	(80.8)
Employees (headcount) at the end of the year	1.369	1.384

The 2020 was a significant year in the history of the Sirap Group. In addition to the sale of some of its main assets at the beginning of 2021, as later explained in this report, 2020 closed with a record result in terms of gross operating profit and completion of all the main activities included in the Business Plan, which effectively redesigned the Group, a fundamental step in preparing for a process of external enhancement. The following matters, in particular, took place during the year:

- Closure of the Italian plant at San Vito and subsequent consolidation of the "Foam" production at the Verolanuova and Castiglione Fiorentino plants;
- Transfer to the new plant of Sirap Spain, which consolidated the Group's activities in that country.

Looking at the results of the Sirap Group before the sale of its assets, turnover amounted to 250.6 million euro, 6.9% down compared with 2019; neutralising the change in the consolidation area compared with the previous year (i.e. OPS leaf production in the UK and Petruzalek's Turkish subsidiary) there was a decrease in turnover of 2.1%, mainly attributable to the impact of Covid on the "rigid" segment during the first lock down.

The gross operating profit of the Group stood at 24.7 million euro, including costs outside of the normal business for 3.4 million euro, mainly relating to the closure of the San Vito plant (1.3 million euro) and a one-off adjustment of the pension fund in France (0.6 million euro); without considering such costs, gross operating profit would have been 28.1 million euro, with an increase of 6.9 million euro compared with the previous year (+33%).

The consolidated net result at December 31, 2020 was positive for 4.5 million euro, with an increase of 3.5 million euro compared with the previous year.

The consolidated net financial position at December 31, 2020 was negative for 64.6 million euro, with an improvement of 16.2 million euro in 2020 thanks to a good cash generation.

The net financial position includes, among assets, the 15 million euro deposited as partial payment of the fine imposed by the European Commission; this payment also helps limit the finance costs relating to the bank guarantee and the deferred contingent liability due to the EU Commission.

RISKS AND UNCERTAINTIES

As mentioned in previous reports, there are two main macro-risks for the company's business, obviously mitigated by the reduction in the scope of the business following the sale of some of its main assets as described below.

On the one hand, uncertainty remains high with regard to the price trend of the raw materials used in making plastic. The Group is continuing to monitor the evolution of these prices in order to optimise procurement and reduce their impact on the bottom line as far as possible.

On the other hand, the plastics sector is affected by possible changes in the regulatory framework, both at European level and in the main markets where the Group operates (e.g. legislation on polystyrene use in France). To counter the possible negative effects of these developments, the company is moving in various directions:

- Continuous improvement in the sustainability of its products, also by reducing the weight of containers, adopting compostable materials and ongoing R&D into new alternatives;
- Membership of associations and lobbying to guide the evolution of the regulatory framework;
- With specific reference to the possible change in the legislation on polystyrene use in France, definition of a timely plan to limit the possible impact on the Group's profitability.

The regulatory changes could be anticipated by consumers who perceive plastic as a non-recyclable material and would like to convince the supermarket chains to restrict their use of traditional plastic products in favour of other materials. For Sirap there is therefore a risk of fall in volumes in the medium-long term.

ENVIRONMENTAL INITIATIVES

Sirap's Corporate Policy, which integrates quality, health and safety, and the environment in a sustainable vision, defines the strategic guidelines transparently for all stakeholders, not only to ensure compliance with all local regulations, but also to apply the best standards of responsibility over time in all of the countries where it is present.

To protect the environment, Sirap uses raw materials responsibly, thanks above all to research, innovation and eco-design applied to processes and products. Over the last few years, Sirap has introduced new product lines with a high content of recycled plastic (rPET) and materials from renewable sources (MaterBi® and PLA). In 2020, a model was defined to calculate the average content of recycled plastic in products, which was also useful in identifying where there was room for improvement. At the same time, the Life Cycle Assessment (LCA) analyses, launched in 2018 and completed in 2020, make it possible to monitor the environmental performance of products.

An Integrated HSE Management System, developed on a voluntary basis for the optimisation and continuous improvement of the processes relating to worker health, safety at work and environmental protection is being progressively implemented at the company's locations. The ISO 14001 environmental certification currently covers over two thirds of the group's operations. The Sirap Group's first Sustainability Report was published in 2020.

SAFETY INITIATIVES

The "We work safely" project has been active for almost ten years and has led to a progressive change in behaviour throughout the organisation. Under the inspiration of an integrated Safety policy, Sirap has developed multiple communication and operational tools, including meters to count the days without accidents, a widespread system for reporting dangerous and near-miss conditions, safe work procedures relating to riskier activities, the 5ESSE project aimed at improving safety, productivity and quality and reducing waste, the Behaviour Observation System (BOS) which provides for checks by General Management at the plants and the HSE Dialogue Sirap observation system, aimed at consolidating positive attitudes, actions and behaviours and identifying areas for improvement. Most of the production sites are OHSAS 18001/ISO 45001 certified.

RESEARCH AND DEVELOPMENT

Projects to support the improvement of manufacturing performance in the plants of the Sirap Group continued for the two main extrusion and thermoforming technologies.

HUMAN RESOURCES AND ORGANIZATION

At December 31, 2020 the Group workforce numbered 1,369 employees, down by 15 compared with the end of 2019. With reference to the new consolidation area of the Sirap Group after selling off part of its assets (limiting its activities to France and UK, as well as the Italian holding company), the workforce at December 31, 2020 came to 330 people.

LITIGATION AND DISPUTES PENDING

With reference to the ongoing dispute with the European Commission, proceedings are pending before the EU Court of Justice (Case C-694/19). See previous reports for a full explanation of what is involved. The Court Chancellery has informed the company that the sentence will be handed down on April 15, 2021.

The company is not involved in any other disputes that are of such significance to be described in this report.

OUTLOOK

In November 2020 Sirap and Faerch Group - a Danish company that is one of the European leaders in food packaging - signed a binding agreement for the sale of Sirap's main assets in Italy, Poland and Spain, based on an Enterprise Value of 162 million euro. The deal, which was completed in January 2021, allows the Sirap Group to obtain full value for the assets sold and it allows Faerch Group to enter certain strategic markets, strengthening its European leadership.

In February 2021 Sirap and Zeus Packaging - an Irish company that operates in the distribution of packaging products - then signed a binding agreement for the sale of the Petruzalek Group and the German subsidiary of the Sirap Group (Sirap GmbH), based on an Enterprise Value of around 12 million euro. The deal, which is subject to usual conditions precedent, will be completed by the end of the second quarter of 2021.

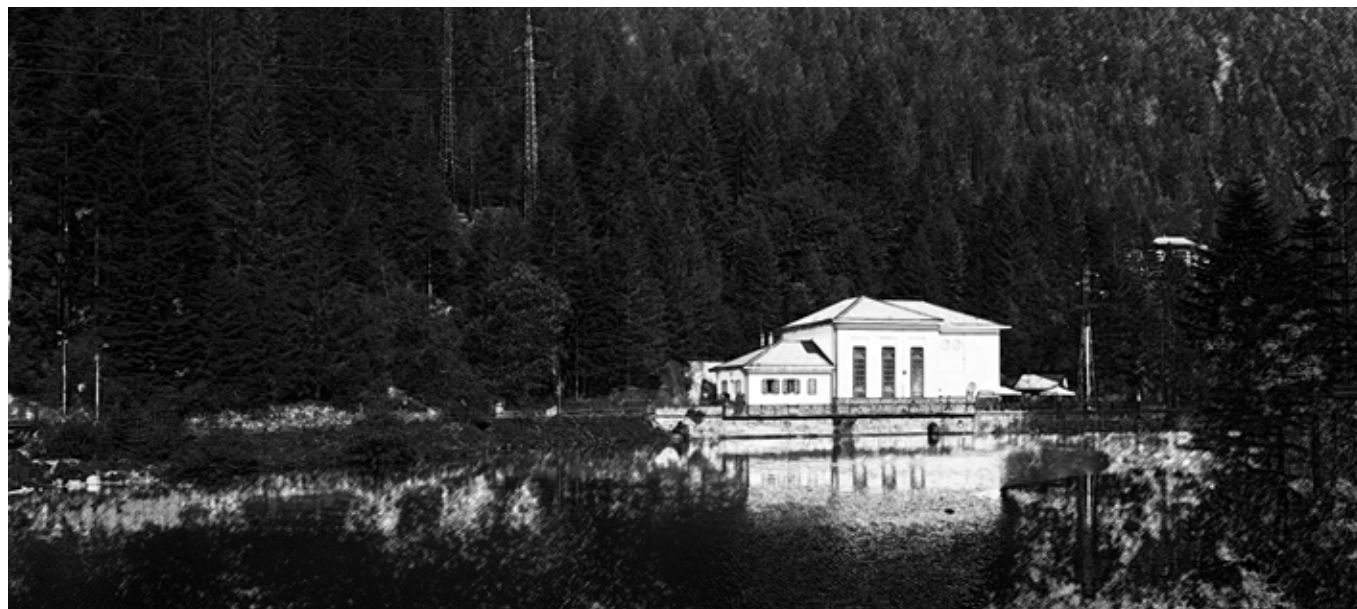
These agreements reflect Italmobiliare's strategic desire to exit the plastic packaging sector, while enhancing the path taken by the Sirap Group in recent years, in terms of both industrial policy and sustainability.

As a consequence of these agreements, the new perimeter of the Sirap Group is formed by the activities in France and the United Kingdom, which in 2020 recorded a turnover of 69 million euro and a gross operating profit of 4.2 million euro, gross of the costs unrelated to operations (the pension fund in France), as mentioned previously.

With reference to the new perimeter, the company expects growth in the turnover of the "Rigid" segment in France and in the United Kingdom in 2021, which have been negatively impacted in 2020 by the lockdown caused by the health emergency; on the other hand, a contraction in volumes is expected for the "Foam" segment in France, partially offset by the planned launch of products due to replace polystyrene starting from the second quarter of 2021. In terms of margins, the company expects gross operating profit to remain substantially stable, also including an increase in the cost of raw materials. Note that in the first few weeks of 2021 the cost of plastic raw material, polystyrene in particular, was very high and if this continues during the current year, it could reduce the company's profit margins.

Italgen

(100% INTEREST)



BUSINESS AND FINANCIAL PERFORMANCE

(in millions of euro)	2020	2019	Change %
Revenue and income	30.2	34.4	(12.1)
Gross operating profit (EBITDA)	23.6	14.2	66.2
% of revenue	78.1	41.4	
Amortization and depreciation	(4.0)	(3.8)	5.3
Impairment losses on non-current assets	(6.1)	-	n.s.
Operating profit (EBIT)	13.5	10.4	29.8
% of revenue	44.7	30.3	
Net finance income (costs)	(0.6)	(0.2)	n.s.
Share of profit (loss) of equity-accounted associates	0.3	0.2	n.s.
Profit/(loss) before tax	13.3	10.4	27.9
% of revenue	44.0	30.4	
Income tax	(2.1)	(3.0)	n.s.
Profit/(loss) for the year	11.2	7.4	51.4
Capital expenditure	4.6	3.3	39.4

n.s. not significant

The figures in the table refer to the Italgen Group.

(in millions of euro)	December 31, 2020	December 31, 2019
Total equity	29.7	21.6
Net financial position	(10.2)	(20.1)
Employees (headcount) at the end of the year	70	70

In 2020 the Hydroelectricity production amounted to 318.3 GWh, showing an increase compared with the previous year (+4%) thanks to above-average rainfall and an excellent level of availability of the plants, which already suffered the shutdown in March of the San Giovanni Bianco plant caused by the continuing maintenance due to the logistical limitations deriving from the lock-down, and the shutdown of the Comenduno plant from July to December due to scheduled revamping activities.

The unit revenue of production was equal to 43.5 €/MWh, showing a reduction of 20% compared with 2019, but 16% higher than the zonal price registered on the power exchange in the same period, thanks to price risk hedging made by the company. Furthermore, the average annual value of the price on the power exchange was strongly affected by the second quarter, which saw prices at historical minimums due to the lockdown; the energy price showed signs of recovery in the third and fourth quarters, confirmed by the trend in early 2021.

In 2020, the Italgas Group's revenue amounted to 30.2 million euro, down by 4.2 million euro compared with the previous year, partly due to the decrease in pass-through revenue without any impact on the company's profitability. Net of pass-through revenue, there was a decrease in revenue versus the previous year of 1.6 million euro, mainly due to the negative price effect.

In 2020, gross operating profit reached 23.6 million euro. As detailed in the previous quarterly report, in October 2020 Italgas signed an amicable settlement with the Egyptian authorities for the reimbursement of the costs incurred for the development of a wind farm in that country: at gross operating profit level, this agreement resulted in a one-off positive impact of 10.5 million euro. Net of this impact and of costs outside of the normal business of 0.8 million euro, mainly attributable to corporate reorganisations, gross operating profit amounted to 13.9 million euro.

The comparison with the previous year, again net of costs not related to operations of 0.4 million euro, shows a decline in gross operating profit of only 0.7 million euro. This was thanks to cost containment measures made during the year that limited the impact of the contraction in revenue by 1.6 million euro.

Write-downs for the year came to 6.1 million euro and are attributable to the agreement with the Egyptian authorities and the subsequent depreciation of the Egyptian assets.

Taking into account amortisation and depreciation of 4.0 million euro, slightly higher than in 2019 due to the investments made in the year, the 2020 operating result was 13.5 million euro.

In 2020, the Italgas Group's profit therefore came to 11.2 million euro, with a one-off impact linked to the settlement of the Egypt project for 4.5 million euro.

Investments made amounted to 4.6 million euro, higher than in previous year and mainly attributable to ongoing revamping projects (1.8 million euro) and capitalised maintenance (1.5 million euro).

The net financial debt of the Italgas Group amounted to -10.2 million euro at the end of 2020, with positive cash generation during the year of 17.1 million euro, gross of dividend payments of 7.2 million euro. With regards to cash, the impact of the closure of the Egypt project was positive for 15.1 million euro. Net of this event, cash generation in 2020 was positive for 2.0 million euro, penalised by the one-off payment of taxes well over what was paid in the past: for example, during 2020 4.6 million euro of taxes were paid on a cash basis, compared with 0.9 million euro in 2019 and 2.1 million euro accrued in the 2020 income statement.

RISKS AND UNCERTAINTIES

Considering the nature of the company's business, and the positive closure in 2020 of the risk associated with the Egypt project mentioned in previous reports, we highlight two main macro-risks.

With regards to the economic and financial results of the stand alone year, the Italgen Group is exposed to the rainfall risk, which can deviate significantly from the historical average in every single year with a direct impact on production volumes, as well as to price risk for non-subsidised production. In recent years, the Company has reduced its fixed cost base in order to be less exposed in the event of particularly dry years; with regards to price risk, the Company has already activated a hedging strategy by selling part of the non-subsidised production on the fixed price market. In fact, to date, the level of coverage over 2021 stands at more than 45% of non-subsidised production.

With regards to the Italian activities of the Italgen Group, as already reported in last year's report, the Vaprio, Mazzunno and Mezzoldo plants (with an installed capacity of 33 MW, out of a Group total of 58.2 MW) have an average annual nominal power in excess of 3,000 kW. They are therefore subject to the so-called Simplification Decree, which governs the conditions of large-scale hydroelectric concessions and provides for a public tender for awarding the concession on expiry. Pending more precise indications from the legislator, it is worth recalling that for the three plants in question, operations on a provisional basis has been extended until December 31, 2021 with a probable extension to July 31, 2024.

ENVIRONMENTAL INITIATIVES

Italgen confirms its commitment to safeguarding the environment by seeking a harmonious integration of the individual plants in the territory and the development of innovative technologies to reduce the consumption of natural resources and increase the use of renewable energy sources.

Italgen has implemented an integrated quality, environmental and safety management system (with ISO 9000 and 14000 certification since 2008 and EMAS registration since 2011). Also, since 2009 it has published an annual Environmental Report with the results of its hydroelectric plants following the introduction of management systems geared to continuous improvement of its environmental performance.

Italgen S.p.A. published its first Sustainability Report in 2020.

SAFETY INITIATIVES

Italgen has made the management approach evolve far beyond simple legislative compliance, finding a foundation in managerial leadership that supports the motivational elements, the organisational structures and the necessary operational tools, such as risk assessment and the analysis of any accidents. The goal is to build and maintain a true culture of safety, protecting the safety of anyone involved in operational activities and, at the same time, improving managerial skills and motivations for the achievement of broader objectives.

The correct functioning of the entire management system adopted in compliance with the UNI-EN-ISO 45001 Guidelines is subject to annual verification by an internal audit team coordinated by an external team leader.

RESEARCH AND DEVELOPMENT

There were no significant research and development activities during 2020.

HUMAN RESOURCES AND ORGANISATION

At December 31, 2020, Italgas had 70 employees, the same as at the end of 2019.

LITIGATION AND DISPUTES PENDING

Italgas is involved in tax and administrative proceedings and in legal actions related to the normal performance of its activities. Any liabilities are adequately covered by the provision for risks in the balance sheet.

In addition to the provision for risks set aside in the financial statements, it is possible that Italgas may sustain other liabilities in the future, in addition to the amounts already provided for, due to uncertainties about possible regulatory developments in the energy sector, as well as the final outcome of certain proceedings still pending, particularly those connected to the so-called "sur-charges" for the provisional operation of the large hydroelectric branches and reimbursement of the additional excise duties on electricity.

OUTLOOK

The company expects profit margins in 2021 to be substantially in line with 2020. In fact, if it is possible to hypothesize a lower level of production compared with the previous year, when rainfall was higher than the historical average, the energy average price recorded in the first few weeks of 2021 corroborates the expectation of an increase in the average level compared to 2020. On this topic, it should be noted that the energy price hedges in place for 2021 today already guarantee the company part of this expected benefit.

Casa della Salute

(92.5% INTEREST)



BUSINESS AND FINANCIAL PERFORMANCE

(in millions of euro)	2020*	2019**	Change %
Revenue and income	16.5	11.7	40.7
Gross operating profit (EBITDA)	1.0	1.2	(16.7)
% of revenue	6.1	7.3	
Amortization and depreciation	(1.4)	(1.2)	
Operating profit (EBIT)	(0.4)	-	n.s.
% of revenue	(2.4)	-	n.s.
Net finance income (costs)	(0.1)	(0.2)	
Profit/(loss) before tax	(0.5)	(0.2)	(150.0)
% of revenue	(3.0)	(1.2)	
Income tax	(0.1)	-	
Profit/(loss) for the year	(0.6)	(0.2)	(200.0)
Capital expenditure	n.a.	n.a.	

n.s. not significant

The figures in the table refer to the Casa della Salute Group

(*) The figures have been prepared according to national accounting standards (ITA GAAP) and reclassified according to Group formats; they have not been consolidated at December 31, 2020 as the acquisition took place in the last quarter of the year.

(**) The 2019 figures have been prepared according to national accounting standards (ITA GAAP) and have not been audited.

(in millions of euro)	December 31, 2020	December 31, 2019
Total equity	0.8	3.6
Net financial position	(16.5)	(6.2)
Employees (headcount) at the end of the year	122	n.a.

In 2020 Casa della Salute's performance was certainly influenced by the ongoing pandemic. The impact of Covid-19 was twofold:

- In terms of revenue, the pandemic and the lockdown lowered the number of people coming to the clinics, especially during the second quarter, with customers tending to postpone unnecessary medical services, including diagnostic imaging which is one of the company's main services. This certainly had a negative effect on the company's revenue, which was only partially offset by the extra income that came from offering Covid-19 swabs and serological tests;
- In terms of costs, management immediately introduced a series of measures to keep the clinics open even during the peak of the pandemic, while ensuring complete safety for all employees. These measures led to an increase in overheads, as detailed in the following section.

Having said this, 2020 closed with revenue of 16.5 million euro, up 40.7% compared with the previous year, also thanks to the gradual entry into operation of the five clinics opened in 2019.

Gross operating profit amounted to 1.0 million euro, 11.4% down compared to the previous year. As mentioned in the introduction, the gross operating profit has been affected by 0.3 million euro of costs relating to Covid-19 for extra sanitisation, personal protective equipment for employees (particularly expensive during the early stages of the pandemic) and a one-off increase in the cost of the personnel needed to guarantee that the clinics were able to open even during the first lockdown. In addition, other costs outside of the normal business had an impact on 2020 for an additional 1.0 million euro, largely attributable to Italmobiliare's entry into the shareholder structure. Net of these two items, gross operating profit totalled 2.3 million euro, which substantially doubles that of 2019.

The net result for 2020 was a loss of 0.6 million euro, also because of the increase in costs explained in the previous paragraph.

The net financial position at December 31, 2020 was negative for 16.5 million euro.

OUTLOOK

For 2021, the company expects revenue to grow, partly for an increase in traffic at the existing clinics with the progressive attenuation of Covid-19 as people will no longer postpone non-essential medical services, and partly for the planned opening of six new clinics during 2021. The positive trend in revenue in the first few weeks of 2021 corroborates this expectation for the existing clinics; for the new openings, the project timelines are currently being met, with three construction sites well underway.

At the gross operating profit level, the company expects significant growth, thanks to higher revenue and the elimination of the types of costs outside of the normal business which weighed on 2020's result, as we said.

Capitelli

(80% INTEREST)



BUSINESS AND FINANCIAL PERFORMANCE

(in millions of euro)	2020	2019	Change %
Revenue and income	14.8	14.0	5.7
Gross operating profit (EBITDA)	3.8	3.9	(2.6)
% of revenue	25.7	27.9	
Amortization and depreciation	(0.8)	(0.1)	
Operating profit (EBIT)	3.0	3.8	(21.1)
% of revenue	20.3	27.1	
Net finance income (costs)	0.1	0.5	n.s.
Profit/(loss) before tax	3.0	4.3	(30.2)
% of revenue	20.3	30.7	
Income tax	(0.8)	(1.2)	n.s.
Profit/(loss) for the year	2.2	3.1	(29.0)
Capital expenditure	1.0	0.2	

n.s. not significant

(in millions of euro)	December 31, 2020	December 31, 2019
Total equity	19.8	26.1
Net financial position	3.7	10.3
Employees (headcount) at the end of the year	34	30

Capitelli's 2020 was undoubtedly impacted by the ongoing pandemic. In fact, if the year ended with positive numbers from the point of view of revenue and profitability, as detailed below, it is undeniable that the current health emergency slowed down the potential growth of the company in several ways:

- The inability to do tastings at supermarkets, which Capitelli often uses to make its products better known and appreciated;
- A change in habits of end-customers, driven by social distancing and health protocols to abandon the gastronomy counter (fundamental for the success of Capitelli as this is where cold cuts are sliced fresh) in favour of pre-wrapped products;
- A slowdown in consumption of the Ho.re.ca. channel, which in 2019 represented about 15% of the company's turnover.

Despite these negative impacts, 2020 closed with revenue of 14.8 million euro, 5.7% up on 2019. In terms of products, "San Giovanni" cooked ham was confirmed as the company's flagship product, with growth above the company's average compared with 2019; sales of "Giovanna" (bacon cooked in three different ways), on the other hand, fell because of the slowdown in the Ho.re.ca. channel. In terms of channels, the large-scale retail trade (i.e. supermarkets) proved yet again to be the main distribution channel.

The gross operating profit was 3.8 million euro, including 0.2 million euro of costs outside of the normal business, mainly attributable to the reverse merger with the newco FT1 S.r.l. (used for the acquisition by Italmobiliare) completed in the third quarter of 2020. Without these costs, gross operating profit would have been 4.0 million euro, up by 4% compared with 2019. The average cost of pork during the year was lower than the historical average, following the shock on consumption in the second quarter due to the lockdown, which contributed to the good economic result for the year.

Amortisation and depreciation of 0.8 million euro, were up compared with 2019 mainly due to the amortisation of the intangibles derived from the merger (0.6 million euro).

During the year, finance costs were positive for 0.1 million euro, down compared to the previous year which benefited from a one-off positive impact linked to the sale of securities.

Capitelli closed the 2020 with a net result of 2.2 million euro, lower than 2019 due to the above increases in amortisation and finance costs

Capital expenditure for the year came to 1.0 million euro, which was higher than average, mainly for the project to expand the production capacity.

The net financial position at December 31, 2020 was positive for 3.7 million euro, already net of the distribution to Italmobiliare of a capital reserve of 8.6 million euro, which took place during the fourth quarter of 2020. Without considering this distribution, cash generation during the year was positive for 2.1 million euro.

RISKS AND UNCERTAINTIES

The main risk for Capitelli undoubtedly concerns the procurement of pork meat, its raw material. There are two types of raw material risk:

- On the one hand, the cost of pork tends to be extremely volatile, a trend that has been exacerbated in recent years by extreme events such as the swine flu in 2019 or the pandemic in 2020. This intrinsic volatility, combined with the difficulty that Capitelli - and the sector in general - has in translating any cost fluctuations into a price adjustment for the end-customer (especially in negotiations with the large-scale retail trade), exposes profitability to the risk of wide fluctuations from one year to the next;
- On the other, procuring high quality raw material is essential to support the excellent positioning of the company's products and is becoming increasingly critical also for specific issues in the sector (e.g. the situation of the Parma Ham circuit).

The company has put a number of specific measures in place to counter these risks. The most important undoubtedly concerns the creation and progressive strengthening of a supply chain dedicated to Capitelli. Indeed, the company already guarantees a safe and certified source of supply for a significant percentage of the company's production through partnerships with breeders and slaughterhouses. From a medium to long-term perspective, the plan is to offer to its partners multi-year agreements at a fixed price, which would help to limit the fluctuation in the cost of raw materials for a certain period of time.

Management also looked into the possibility of hedging the cost of raw material, but came to the conclusion that hedging was not an effective way of achieving Capitelli's strategic objectives, at least not for the time being.

ENVIRONMENTAL INITIATIVES

For Capitelli, the sustainable value of its products comes from the supply chain, with responsible procurement decisions that will be further strengthened through the "Capitelli supply chain". The initiatives aimed at reducing the environmental footprint of production, from renewable energy sources to the search for commercial partners who can valorise processing waste are continuing. Thanks to its close relationship with suppliers, Capitelli is also monitoring the technological opportunities to introduce recycled packaging and other materials and recyclable.

The photovoltaic system installed at the Borgonovo Val Tidone plant produces almost 200,000 electric kilowatt hours per year, more than 70% of which is used directly.

SAFETY INITIATIVES

The safety management system adopted by Capitelli complies with national regulations, starting with a detailed risk assessment, updated periodically with the support of qualified third parties. Preventive reporting of anomalous or risk conditions by everyone, accurate analysis of any accidents, even if not serious, and adequate training activities all support continuous improvement.

RESEARCH AND DEVELOPMENT

There were no significant research and development activities during 2020.

HUMAN RESOURCES AND ORGANISATION

At December 31, 2020, Capitelli had 34 employees, 4 more than last year due to the strengthening of the structure.

LITIGATION AND DISPUTES PENDING

The company is not involved in any disputes that are of such significance as to be described in this report.

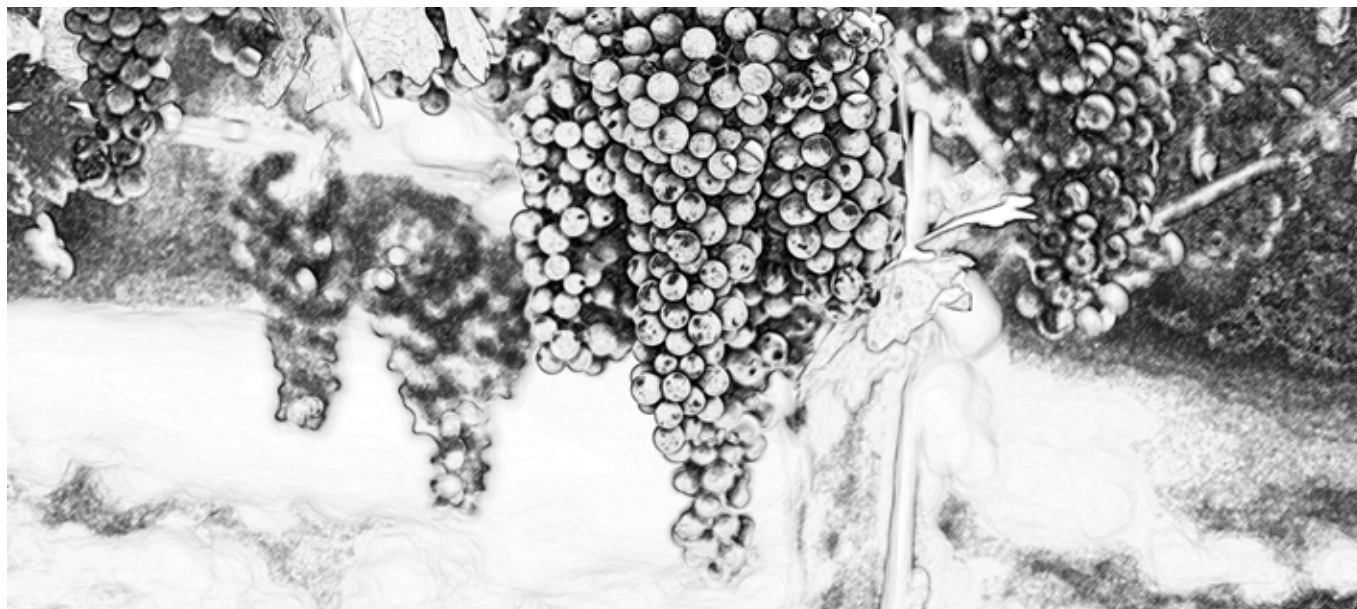
OUTLOOK

Despite the extreme context linked to the pandemic, the company managed to grow thanks to the positive trend in 2020, confirming the appreciation of the end customer for its products. This allowed the company to look to the future with confidence, as demonstrated by the plan to expand the existing production capacity.

The company expects volumes to increase in 2021, even if the pandemic is still likely to affect sales. In terms of margins, the company expects an increase in the price of pork, which was below the historical average in 2020 and not too high in the first part of 2021.

Callmewine

(60% INTEREST)



BUSINESS AND FINANCIAL PERFORMANCE

(in millions of euro)	2020 ^(*)	2019 ^(**)	Change %
Revenue and income	12.4	6.4	91.8
Gross operating profit (EBITDA)	0.5	0.4	33.2
% of revenue	4.0	3.2	
Amortization and depreciation	-	-	
Operating profit (EBIT)	0.5	0.4	25.0
% of revenue	4.0	3.2	
Net finance income (costs)	-	-	
Profit/(loss) before tax	0.4	0.3	33.3
% of revenue	3.2	2.4	
Income tax (expense)	(0.1)	(0.1)	0.0
Profit/(loss) for the year	0.3	0.2	50.0
Capital expenditure	n.a.	n.a.	

(*) The figures have been prepared according to national accounting standards (ITA GAAP) and reclassified according to Group formats; they have not been consolidated at December 31, 2020 as the acquisition took place in the last quarter of the year.

(**) The 2019 figures have been prepared according to national accounting standards (ITA GAAP) and have not been audited.

(in millions of euro)	December 31, 2020	December 31, 2019
Total equity	4.7	0.6
Net financial position	4.8	0.1
Employees (headcount) at the end of the year	9	n.a.

Callmewine closed 2020 with revenue of 12.4 million euro, almost doubling the turnover recorded in the previous year. The overall growth of the wine online sales was in fact further accelerated by the changed consumption habits linked to the pandemic, creating a market window that is certainly interesting for e-commerce players dedicated to this category like Callmewine.

Gross operating profit stood at 0.5 million euro, up by 33.2% compared with the previous year despite 0.1 million euro of costs outside of the normal business, relating to Italmobiliare's entry into the shareholder structure.

Net profit for 2020 amounted to 0.3 million euro, showing an improvement compared with the previous year.

The net financial position at December 31, 2020 was positive for 4.8 million euro, mainly thanks to the resources contributed at the time of the acquisition and intended to finance the company's growth.

OUTLOOK

In 2021 the company expects to continue the growth trend of recent years, which accelerated in 2020, thanks to the positive momentum for this segment.

On the other hand, a reduction in gross operating profit is expected, due to the higher costs that will be incurred during the year both for strengthening the organisational structure and for marketing campaigns in order to lay the foundations for the structural growth of the coming years.

Tecnica Group

(40% INTEREST)



BUSINESS AND FINANCIAL PERFORMANCE

(in millions of euro)	2020	2019	Change %
Revenue and income	382.5	424.0	(9.8)
Gross operating profit (EBITDA)	59.4	51.5	15.4
% of revenue	15.5	12.1	
Amortisation and depreciation	(21.2)	(18.2)	16.5
Operating profit (EBIT)	38.2	33.3	14.8
% of revenue	10.0	7.9	
Net finance income (costs)	(11.5)	(15.4)	(25.5)
Share of profit (loss) of equity-accounted investees	(0.6)	(1.4)	(57.1)
Profit/(loss) before tax	26.2	16.5	58.6
% of revenue	6.8	3.9	
Income tax	(10.1)	0.4	n.s.
Profit/(loss) for the year	16.0	16.9	(5.2)
Capital expenditure	15.7	51.1	n.s.

n.s. not significant

The figures in the table refer to the Tecnica Group.

(in millions of euro)	December 31, 2020	December 31, 2020
Total equity	68.5	55.2
Equity attributable to owners of the parent company	45.1	36.6
Net financial position	(171.1)	(221.1)
Employees (headcount) at the end of the year	3,135	3,292

The impact of Covid-19 on the 2020 results was also significant for the Tecnica Group, in two ways in particular:

- The Tecnica Group's winter brands suffered from the uncertainty regarding the development of the 2020/21 winter season because of the ongoing pandemic which negatively affected the sales campaign. As detailed more fully below, the Group's winter brands closed 2020 with a decrease in turnover, even if it was better than in the most pessimistic scenarios. It remains to be seen if the substantial cancellation of the 2020/21 winter season, at least in Europe, will have an impact on the sell-out of the sales channels and consequently on the sell-in of the Tecnica Group in 2021.
- For all brands, closure during the first lockdown of Retail sales channels in all the main geographical areas in which the Group operates has further slowed down the 2020 turnover.

That said, the Tecnica Group's 2020 closes with revenue of 382.5 million euro, 9.8% down compared to the previous year. Looking at the individual brands, Lowa performed better than the Group's average, with an 8% decrease compared with 2019, concentrated in the first part of the year due to the lockdown; the winter brands (Tecnica/Blizzard and Nordica), on the other hand, closed with decreases in turnover of around 20% compared to the previous year. Rollerblade continued to be an exception, with revenue up 52% compared with 2019, thanks to the momentum of the entire category of in-line skates. Moon Boot suffered in terms of revenue (a 31% contraction versus 2019), even if various strategic initiatives were launched during the course of 2020, as management intends to create solid foundations for the brand's growth in the coming years.

Gross operating profit reached to 59.4 million euro. Neutralising the impact of acquiring Riko, which in 2020 generated a gross operating profit of 7.9 million euro (compared with 0.2 million euro in 2019, when five months of consolidation of Riko's profits were substantially offset by negative one-off effects), gross operating profit was substantially in line with the previous year. Group management has in fact implemented a series of measures to contain fixed costs, which have made it possible to offset the decrease in revenue.

Amortisation and depreciation amounted to 21.2 million euro, showing an increase compared with the previous year, mainly because Riko was consolidated for twelve months.

The operating profit therefore reached to 38.2 million euro, showing an improvement on 2019.

Finance costs were negative for 11.5 million euro, showing an improvement on the previous year mainly due to the decrease in the net financial position during the year. It should be remembered that the 2019 figures were also burdened by one-off expenses for a new bank loan and the simultaneous closure of the old loan.

Income tax was negative for 10.1 million euro. The 2019 figure were influenced by a one-off positive impact of 7.6 million euro due to the effect of recognising deferred tax assets on the losses made by Tecnica Group S.p.A. and Blizzard Sport.

The consolidated profit of the Tecnica Group in 2020 was therefore 16.0 million euro, in line with the previous year.

Investments amounted to 15.7 million euro during the year. The 2019 figure was influenced by the introduction of the IFRS 16; neutralising this one-off accounting effect, capital investments in 2019 would have been 14.4 million euro.

The net financial position at December 31, 2020 was negative for 171.1 million euro, showing an improvement of 50.0 million euro compared with the figure at the end of 2019 thanks to good cash generation, especially at Lowa-Riko, and the big attention given by management to the dynamics of working capital, given the uncertainty over revenue in 2020 due to the pandemic. This uncertainty will continue in 2021, at least for the winter brands of the group.

Autogas - AGN Energia

(30% INTEREST)



BUSINESS AND FINANCIAL PERFORMANCE

(in millions of euro)	2020	2019	Change %
Revenue and income	438.1	495.2	(11.5)
Gross operating profit (EBITDA)	50.7	38.6	31.2
% of revenue	11.6	7.8	
Amortisation and depreciation	(26.5)	(24.8)	6.7
Operating profit (EBIT)	24.2	13.8	75.4
% of revenue	5.5	2.8	
Net finance income (costs)	-	(4.3)	100.0
Share of profit (loss) of equity-accounted investees	0.3	0.7	(57.1)
Profit/(loss) before tax	24.5	10.2	140.2
% of revenue	5.6	2.1	
Income tax	(4.2)	(2.8)	50.5
Profit/(loss) for the year	20.3	7.4	174.3
Capital expenditure	19.0	20.3	(6.4)

The figures in the table refer to the Autogas - AGN Energia Group.

The figures for 2019 have been revised with respect to the preliminary results shown in the previous annual report.

n. s. not significant

(in millions of euro)	December 31, 2020	December 31, 2019
Total equity	169.8	156.5
Equity attributable to owners of the parent company	169.2	155.2
Net financial position	(124.7)	(138.6)
Employees (headcount) at the end of the year	555	571

Autogas closed 2020 with definitely positive results, with a material impact of the pandemic in various areas, among which it is worth mentioning:

- The decrease in consumption of some customer segments, and consequently in the revenue of the Autogas Group. In particular, for the hotels, bars and restaurants in the Ho.re.ca sector or for the self-employed (so-called "partite IVA"), who have been hit particularly badly by the lock-down and by the restrictions introduced by the government's subsequent decrees;
- The drop in the cost of LPG as a raw material in the middle of the year, which determined a contraction in revenue, but without any real impact on the company's profitability. On the other hand, the Group used this window in the market to hedge on the cost of LPG for the winter season 2020/21, which should bring substantial benefits, especially in 2021

In 2020, the Autogas Group continued the corporate rationalisation begun before the acquisition of Lampogas in 2019. Among the goals achieved during the year, it is worth mentioning:

- Autogas Nord's absorption of five wholly-owned companies (Boccigas, Sinergigas, Atesina Gas, Tirolgas and Alpigas), which will permit considerable simplification in terms of governance;
- The purchase of another 49% of Chiurlo Gas S.r.l., which Autogas now controls 100%, enabling it to achieve further synergies and simplifications;
- The sale of the 50% stake in Clodiagas S.r.l. at a higher value than its carrying amount.

Moving on to the Group's economic figures, 2020 closed with a turnover of 438.1 million euro, a decrease compared with 2019, also because of the decrease in the average selling price of LPG (linked to the decrease in the raw material price), without any real impact on the company's profit margins.

Looking at the individual businesses, retail volumes of LPG are down by 6% compared with 2019, partly due to the effect of the pandemic on the consumption of certain customer segments; despite the drop in the average selling price, the margin between the selling and the purchase price of LPG has improved. With regards to the new businesses (electricity, natural gas and energy efficiency), volumes are down compared to the previous year (-8% for electricity, -5% for natural gas), mainly due to the company's strategic decision to reduce the proportion of industrial customers. In line with this strategy, unit margins improved significantly compared with 2019 (+40% for electricity, +18% for natural gas).

Gross operating profit reached 50.7 million euro, showing a marked improvement on the previous year (+31%, a difference of 12.1 million euro). In addition to the attention paid to unit profit margins, which made it possible to keep the Group's value added margin substantially unchanged despite the decline in volumes, this improvement is attributable to the synergies on fixed costs, linked in part to the integration with Lampogas (fixed costs are down by 3.8 million euro overall) and a sharp decline in bad debts (-8.9 million euro compared with 2019), which reflects the improvement in credit management after the problems encountered the previous year.

Amortisation and depreciation for the year amounted to 26.5 million euro, with an operating profit of 24.2 million euro, which also marked an improvement compared with 2019.

Finance income and costs are substantially in line, with finance costs linked to bank debt offset by the capital gain realised on the sale of Clodiagas. Note that the 2019 figure included one-off costs related to the loan taken for the acquisition of Lampogas.

The consolidated net profit of the Autogas Group came to 20.3 million euro, 12.9 million up on 2019.

At December 31, 2020 the net financial position was negative for 124.7 million euro, showing an improvement compared with December 31, 2019 thanks to positive cash generation made during the year of 18.5 million euro, before dividend payments of 4.6 million euro.

Iseo

(39.39% INTEREST)



BUSINESS AND FINANCIAL PERFORMANCE

(in millions of euro)	2020	2019	Change %
Revenue and income	128.4	142.7	(10.0)
Gross operating profit (EBITDA)	13.7	15.3	(10.5)
% of revenue	10.7	10.7	
Amortisation and depreciation	(7.6)	(7.5)	1.3
Operating profit (EBIT)	6.1	7.8	(21.8)
% of revenue	4.8	5.4	
Net finance income (costs)	(0.3)	0.7	(142.9)
Profit/(loss) before tax	5.8	8.5	(31.8)
% of revenue	4.5	5.9	
Income tax	(1.7)	(2.4)	(29.2)
Profit/(loss) for the year	4.1	6.1	(32.8)
Capital expenditure	5.0	4.8	4.2

The figures in the table refer to the Iseo Group.

n. s. not significant

(in millions of euro)	December 31, 2020	December 31, 2019
Total equity	66.9	62.9
Equity attributable to owners of the parent company	64.8	60.6
Net financial position	(19.7)	(34.6)
Employees (headcount) at the end of the year	1,147	1,197

For the Iseo Group, 2020 was the first year of the business plan drawn up by the company's new management. The main goals achieved included the following:

- reorganisation of production activities that will be consolidated in Italy at the Pisogne site, with the closure of the smaller plants at Olso Meccanica, San Cesario sul Panaro (completed in December 2020) and Rovellasca (agreement reached with the trade unions in October 2020; the mechanical and electronic production lines will be transferred in August 2021);
- reorganisation of the subsidiary Liras, which heads up the "Locken" companies (electronics), following the end of the relationship with the minority shareholders who were running the operations; then there was the purchase of their residual shares and the start of a process of integration with Iseo, not only functional, but also operational;
- a new organisational model for the Iseo Group;
- co-investment in the capital of Iseo Serrature S.p.A. by the entire new management team.

The impact of the pandemic was significant also for Iseo in 2020, even if it was concentrated in the first part of the year. As mentioned in the comments in the interim report, the company had to close its factories in Italy and France during the first lockdown; moreover, all the main sales channels were significantly slowed down by the restrictions introduced. Starting from June, the situation gradually got back to normal, in terms of both production and sales channels, albeit considering the inevitable slowdown in the progress and execution of B2B projects, which mainly affected the electronics side of the business.

The numbers corroborate this analysis: the year closed with a turnover of 128.4 million euro, down 10% compared to the previous year, while the second half of 2020 posted a rise in turnover of 2.7% compared to the same period of 2019.

At products level, turnover in the mechanical engineering sector, which is the main part of the business, fell by 10% compared with 2019; within the product families, locks performed better, while panic bars suffered the most the impact of Covid on new building projects. The electronics segment, on the other hand, closed the year with a decline of 4% compared with the previous period. The growth progress of recent years was slowed down by the impact of Covid on the new projects, as mentioned above, and by the persistence of specific problems linked to the "Locken" subsidiaries. With the exit of the minority shareholders, this led to an acceleration of the reorganisation process mentioned above.

In 2020, the gross operating profit amounted to 13.7 million euro, which included approximately 3.0 million euro of costs outside of the normal business, mainly attributable to the closure of the two Italian plants, the "Locken" reorganisation and the implementation of the new organisational model. Without these costs, gross operating profit would have been 16.7 million euro. The steps taken to reduce fixed costs, even before the health emergency, and the subsequent containment of expenses, led to an improvement in the "recurring" gross operating profit of 22.6% in the second half.

Amortisation and depreciation amounted to 7.6 million euro, substantially in line with 2019, with an operating result of 6.1 million euro.

Finance income and costs had a negative balance of 0.3 million euro. Bear in mind that the 2019 figure benefited from a positive adjustment of 1.6 million euro linked to the decrease in the fair value of the put option to buy the remaining shares of the subsidiary Liras; in 2020, on the other hand, the purchase of the residual shares involved the recognition of a gain of 1.4 million euro as the amount recognised was lower than the valuation of the option at the end of the previous year. The profit came to 4.1 million euro, down by 2.0 million euro compared with 2019.

Capital expenditure amounted to 5.0 million euro in 2020, showing a slight increase compared with the previous year.

The net financial position at December 31, 2020 was negative for 19.7 million euro, showing an improvement of 14.9 million euro compared with the figure at the end of 2019, net of dividend payments of 1.2 million euro during the year. Very positive cash generation (which benefited from the share capital increase and the termination of the relationship with the minority shareholders of Liras) thanks to the actions taken for reducing the working capital and the effects attributable to the company's new industrial plan, also with regards to the lower contractual commitments for the right to use the properties in San Cesario sul Panaro and Rovellasca.

Other companies

The caption "Other Companies" of the Italmobiliare Group includes the subsidiary Clessidra SGR SpA (an asset management company authorized and regulated by the Bank of Italy and leading private equity fund manager dedicated exclusively to the Italian market), a number of real estate companies, some service companies that operate essentially within the Group and a bank in the Principality of Monaco. A factoring company (Clessidra Factoring) was also acquired during the year through Clessidra SGR. The segment is of marginal importance within the Italmobiliare Group.

At December 31, 2020, overall revenue and income amounted to 17.8 million euro (mainly composed of Clessidra's revenue for 13.7 million euro), down 2.3 million euro from 2019, with a gross operating loss of -0.5 million euro (profit of +3.2 million euro at December 31, 2019).

After amortisation and depreciation of 1.2 million euro, Clessidra's share of the profit/(loss) of equity-accounted investees of 6.5 million euro and taxes of 0.3 million euro, the result for the year was a profit of 4.9 million euro (1.4 million euro in 2019). The main contributors to these results were Clessidra SGR S.p.A. and Dokimé (the vehicle company that held a stake in Alphatest, which was sold during the year).

CLESSIDRA SGR S.P.A.

During 2020 Clessidra SGR S.p.A. continued managing the investments in the managed funds portfolio.

Specifically, with regard to the CCPII Fund, management activities include searching for a suitable opportunity to dispose of the last company left in the portfolio.

With regard to the CCP3 Fund, on the other hand, the main activities were again to support the growth in value of the companies in portfolio and to search for new investment opportunities.

With regard to the CRF Fund, activities continued to support and enhance the assets in portfolio and to search for new investment opportunities.

Clessidra has decided that it would be opportune to rationalise its structure by separating the business units, splitting the managers on the basis of the type of assets that they have under management, and creating an "investment platform" in the form of a financial group of SGRs coordinated by a sector holding company (Clessidra Holding S.p.A.).

The project also envisaged the acquisition of a financial intermediary, Clessidra Factoring S.p.A. (formerly CoEFI), which was completed on November 16, 2020.

The deal is subject to approval by the Bank of Italy and requires the completion of all the company steps summarised above. The closing is expected to take place by the end of May 2021.

The brokerage margin was positive for 13.3 million euro, represented essentially by the management fees of the Clessidra funds for 13.2 million euro and the result of financial asset management with a positive balance of 0.1 million euro.

Administrative expenses for the year amount to 19.3 million euro and consist of personnel expenses for 11.6 million euro and consulting and operating expenses for 7.7 million euro.

After other operating income and charges of +5.6 million euro and income tax of 0.3 million euro, the year ended with a loss of 0.9 million euro.

MAIN RISKS AND UNCERTAINTIES

The risk factors of the various companies differ, depending on the type of business activity that they perform. Specifically:

- through the funds that it manages, Clessidra SGR performs investment activities that involve risks such as the difficulty of identifying new investment opportunities that respond to its objectives, or difficulty in disposing of investments, especially in non-listed companies. The risks involved in managing these activities could have negative effects on the company's financial position and results of operations;
- the service companies provide general, IT, surveillance and security services, essentially within the Italmobiliare Group, charging the companies they serve on the basis of existing contracts. So they are not exposed to significant risks;
- the real estate companies hold land, buildings and small stakes in non-listed companies. They are exposed to the market trends of the assets that they hold, so fluctuations could impact their values.

INFORMATION ON PERSONNEL AND THE ENVIRONMENT

The number of personnel is adequate for the needs of the companies belonging to this segment. At December 31, 2020, there were 82 employees. There are no material environmental issues.

Main financial assets of Italmobiliare S.p.A.

HEIDELBERGCEMENT

The shock of the pandemic and the subsequent extraordinary anti-cyclical economic policy measures have had an impact on the stock market and, in particular, on the securities most exposed to changes in the economic cycle, such as HeidelbergCement. After collapsing by 54.4% during the first quarter of 2020, HeidelbergCement recorded an increase of 106.9% (between March 19 and December 31), closing the year in line with the STOXX Europe 600 Construction & Materials index, namely -5.8% and -3.9% respectively. The quarterly reports (especially the second and third quarters) showed relative stable revenues compared with its direct competitors, in line with previous recessions. The plans to restructure and to raise efficiency in both the short and medium term, based on cost reduction, portfolio optimisation as part of the capex reduction, as well as digital transformation of processes, fed expectations for the stock. In the face of global stability in the price of cement and downward pressure on energy costs, the measures taken at company level led to an increase in margins in both quarters, with EBITDA up year-on-year. Lastly, a revision of the targets for the reduction of CO₂ emissions set the conditions for an increase in its sustainability rating. The price rebound was an opportunity to reduce the Group's exposure.

PRIVATE EQUITY FUNDS

The Company has invested in a portfolio of select Italian and international Private Equity funds with a view to diversifying its investments by sector and geographical area, including the CCP3 Fund

and Clessidra's Restructuring Fund, the BDT Fund II and III, Isomer Capital I, Connect Ventures 3, Iconiq IV and V and Lindsay Goldberg Fund V. During 2020, the value of the Private Equity funds, which recorded a positive performance overall with an increase in fair value of 18.7 million euro, decreased by 23.0 million euro, mainly due to capital repayments and disposals (52.6 million euro) and exchange rate differences (-5.1 million euro), partially offset by further investments (16.0 million euro) and revaluation of the funds.

Other significant information on the Group

HUMAN RESOURCES

The Italmobiliare Group had 2,058 employees at December 31, 2020, with an increase of 282 employees from December 31, 2019.

The following table provides a breakdown of employees by operating segment.

(headcount)	December 31, 2020		December 31, 2019	
		%		%
Italmobiliare	38	1.8	37	2.1
Caffè Borbone	218	10.6	199	11.2
Officina Profumo-Farmaceutica di Santa Maria Novella	116	5.6	-	-
Sirap	1,369	66.5	1,384	77.9
Italgem	70	3.4	70	3.9
Casa della Salute	122	5.9	-	-
Capitelli	34	1.7	30	1.7
Callmewine	9	0.4	-	-
Other companies	82	4.0	56	3.2
Total	2,058	100.0	1,776	100.0

TRANSACTIONS WITH RELATED PARTIES

For the purposes of the Group's consolidated financial statements, transactions with related parties were with:

- associates and their subsidiaries;
- other related parties.

All transactions with related parties, whether for the exchange of goods and services or of a financial nature, are conducted at normal market conditions and in compliance with the Code of Corporate Governance.

Highlights of transactions with related parties at December 31, 2020 are provided in the notes.

No atypical or unusual transactions as defined by Consob Communication no. DEM/6064293 of July 28, 2006 took place during the year.

Transactions with subsidiaries, associates and their subsidiaries

Transactions with subsidiaries, associates and their non-consolidated subsidiaries are of a commercial nature (exchange of goods and/or services) or of a financial nature.

The parent company Italmobiliare S.p.A. also provides administrative services to certain subsidiaries, which are billed at cost.

Transactions with other related parties

Transactions with other related parties in 2020 were as follows:

- legal consultancy and assistance on judicial and extrajudicial matters provided to Italmobiliare S.p.A. by the Gattai Minoli Agostinelli & Partners law firm, of which the director Luca Minoli is a partner, for fees totalling 140,791 euro;
- legal consultancy and assistance provided to the subsidiary Italgen S.p.A. by the Gattai Minoli Agostinelli & Partners law firm, of which Italmobiliare director Luca Minoli is a partner, for fees totalling 281,967 euro;
- payment of insurance premiums to Assicurazioni Generali S.p.A., where Clemente Rebecchini is a director and also an Italmobiliare board member until April 21, 2020, for a total of 4,631 euro.
- payment of insurance premiums to Zurich Investments Life, of which the Italmobiliare's director Mirja Cartia d'Asero is a director, for a total of 16,286 euro;
- trust management services for securities and assets by Compagnia Fiduciaria Nazionale for a total of 3,000 euro;
- a donation of 800,000 euro and charge back of costs of staff on secondment for 42,944 euro to the "Fondazione Cav. Lav. Carlo Pesenti", whose Board of Directors is chaired by Carlo Pesenti;
- contribution of 38,734 euro to ISPI (Italian Institute for International Political Studies) of which Carlo Pesenti is a director;
- compensation for the work performed as an employee by Giampiero Pesenti, son of Carlo Pesenti, paid by Italmobiliare for a total of 66,522 thousand euro;
- consultancy work performed by Roberto Pesenti, son of Carlo Pesenti, at the subsidiary Franco Tosi Ventures for a total of 40,560 euro.

Fees paid are in line with market conditions for the type of professional service provided.

The equity investments held by Directors, Statutory Auditors, Chief Operating Officer and Financial Reporting Officer in Italmobiliare S.p.A. and subsidiaries, as well as their remuneration for the positions they hold in the Group, are set out in the Remuneration Report.

Highlights of transactions with related parties at December 31, 2020 are provided in the notes.

LEGAL AND TAX DISPUTES

In January 2020, the CTR of Milan, with sentence 157/2020, reconfirmed the sentence of first instance that accepted the appeal regarding controlled foreign companies (CFC) for the year 2012.

On June 19, 2020, the CTP of Milan, with sentence 1373, rejected the appeal relating to CFC for the year 2013. On July 1, 2020, the Company filed an appeal against the assessment notice relating to CFC for the year 2014, simultaneously paying an amount of 1.9 million euro as 1/3 of the higher taxes assessed and interest accrued, directly from the provision that had been set aside. Lastly, on September 28, 2020, with sentence 2625/2020, the CTR of Milan rejected the Company's appeal regarding dividends for the year 2010.

COMPLIANCE WITH THE CONDITIONS FOR LISTING ACCORDING TO CONSOB'S MARKET REGULATION

With reference to the *Conditions for the listing of certain companies*, laid down in art. 15 et seq. of the market regulation adopted by Consob with Resolution no. 20249 of December 28, 2017, on the basis of the Audit Plan, no subsidiary based in a non-European Union country is included in the scope of materiality.

COMPLIANCE WITH SIMPLIFIED RULES PURSUANT TO ARTS. 70 AND 71 OF THE ISSUERS' REGULATION

Italmobiliare S.p.A. has adopted the opt-out regime envisaged by Consob's Issuers' Regulation, exercising the right to waive the obligations to publish disclosure documents required in connection with significant merger and demerger transactions, acquisitions, sales or share capital increases by contributions in kind.

In compliance with this regime, Italmobiliare S.p.A. has provided appropriate disclosures to the market.

CONSOLIDATED NON-FINANCIAL REPORT

The consolidated non-financial report of Italmobiliare S.p.A. drafted pursuant to Legislative Decree no. 254/16 (Sustainability Report) is published separately from this Director's Report, pursuant to art. 5, para. 3.b) of Legislative Decree 254/16, and is available at www.italmobiliare.it in the "Sustainability" section.

Information on "Significant events after the reporting date" is provided in the sections on the individual segments..

Outlook

The recovery of the global economic cycle, which began during the second quarter of 2020, has decelerated in terms of intensity since the end of last year with the reintroduction of social distancing measures, but it has not deteriorated.

However, the global figures contain various different trends between sectors and geographical areas. Manufacturing has stabilised at high levels of growth, with nearly 80% of economies reporting expansion. On the other hand, the trend in services has fallen to levels seen at the start of the second half of 2020. The sectoral slowdown has spread to most geographical areas, particularly in Europe and in those countries, such as Italy, where the economy is most exposed to logistics and hospitality services. This slowdown was accentuated in the first few months of 2021, increasing the risk in Europe of a second technical recession. However, the slowdown is not expected to extend beyond the first quarter of the year.

The economic cycle is being supported by emerging nations, China in particular, the only country to have recorded a positive change in GDP in 2020, and by the United States, whose expansionary phase has shown greater relative solidity among the advanced economies. In the face of global economic policies that remain ultra-expansive and on the assumption that the pandemic will be gradually tamed, global real GDP growth is expected to reach 5.5% on average in 2021 (-3.5% expected as the final result in 2020) with estimates for Italy ranging between 3% and 5.8%. The forecasts are therefore assuming a socio-economic context characterised by revocation of the main lockdown measures during the year and widespread vaccination at the same time.

The measures to support the green economy, linked to strategies of climate neutrality and the focus of fiscal policies on social needs, also have an extraordinary impact on the global growth rate of investments in the short and long term. The risk factors for the current year, however, are connected to the uncertain trajectory of the virus, as well as the effects it might have on financial stability, which could be triggered by accelerations in market expectations about inflation and the consequent repercussions on the dynamics of long-term interest rates.

In a context characterised by high uncertainty, the Company's commitment will remain focused on providing economic and strategic support to the companies in its portfolio, in order to adapt their business models to intercept the acceleration imposed by the pandemic phenomenon on some macro-trends already in place and explore growth opportunities also through acquisitions and extraordinary corporate finance, with particular attention to careful monitoring and risk management.

Further investment opportunities will be evaluated with careful analysis of aspects such as their technological evolution and sustainability of their business models over time, with a focus on macro-sectors where unique and specific skills and product excellence typical of the Italian entrepreneurial landscape can benefit most from the transversal skills offered by the holding company's management team: industrial and financial planning, best practices in terms of governance and sustainability, and international networks of both business and institutional contacts.

The pro-active approach that has characterised Italmobiliare's activity with its portfolio companies will also characterise its commitment to the new companies that have entered the portfolio, starting with Officina Profumo-Farmaceutica di Santa Maria Novella, an iconic brand recognised for its high quality and with high growth potential; as well as the two dynamic "Small cap growth" companies Casa della Salute and Callmewine, in which to combine rapid expansion with structured management and a solid organisation.

The recent investments and positive performance of the companies acquired are reflected in a higher weight of the Portfolio Companies, which by the end of the year had increased to approximately 60% of Italmobiliare's total NAV, with the rest of the portfolio split between Private Equity Funds, other equity investments (including minority interests in listed companies such as HeidelbergCement, which has now fallen below 5% of NAV) and a reserve of cash and cash equivalents to take advantage of market opportunities. With a view to natural rotation of the portfolio, the beginning of 2021 saw the successful sale of an important part of the assets of the Sirap Group, a historic investment, allowing full enhancement of its long development path and ensuring an excellent business combination within the Faerch group.

In the portfolio of Private Equity Funds and alternative investments, where important segments such as Venture Capital and High-Tech Growth Capital have been added, in addition to the American mid cap, the main commitment will remain the continuous support in Italy for Clessidra, both in the development of the traditional Private Equity business and in the most recent initiatives in the credit segment.

Milan, March 4, 2021

**For the Board of Directors
The Chief Executive Officer
(Carlo Pesenti)**

ANNEX

Annex

The Net Asset Value (NAV) of Italmobiliare S.p.A., as a non-GAAP financial measures, is defined as the fair value of financial assets and property investments, net of financial liabilities and the tax effect.

NET ASSET VALUE

(in millions of euro)	Notes	31.12.2020	31.12.2019	Change
Listed equity investments	A	84	165	(81)
Portfolio Companies	B	1,126	745	381
Other equity investments	C	63	54	8
Private equity funds	D	129	158	(29)
Properties and related assets	E	49	49	0
Financial assets, trading, cash and cash equivalents	F	387	570	(182)
Total		1,838	1,741	97

The following is a reconciliation of the captions that make up the NAV with the statement of financial position of Italmobiliare included in the Italmobiliare Group's consolidated financial statements as at December 31, 2020.

(in millions of euro)	Notes	31.12.2020	31.12.2019	Change
Listed equity investments as per NAV	A	84	165	(81)
Investments in other companies				
HeidelbergCement		84	165	(81)
Mediobanca		-	-	-
Total amounts as per statement of financial position	G	84	165	(81)
Difference	G-A	-	(0)	0

(in millions of euro)	Notes	31.12.2020	31.12.2019	Change
Portfolio Companies as per NAV	B	1,126	745	381
Equity investments in subsidiaries and associates				-
Caffè Borbone		144	144	-
Sirap Gema		68	49	19
Italgen		20	20	-
Clessidra		22	19	3
FT1 + Capitelli		-	23	(23)
Fratelli Capitelli		14	-	14
FT2 Santa Maria Novella - Santa Maria Novella increase in capital		162	0	162
Clessidra Holding S.p.A.		1	-	1
FT3 S.r.l. Callmewine - Callmewine increase in capital		13	-	13
Bea S.r.l.		24	-	24
Tecnica		43	43	-
Iseo		43	43	0
Autogas Nord		60	60	0
Total amounts as per statement of financial position	H	614	401	213
Difference	H-B	512	344	168

The difference relates to the fact that in the statement of financial position of Italmobiliare S.p.A. the investments are measured at cost, whereas in the NAV they are valued at fair value.

(in millions of euro)	Notes	31.12.2020	31.12.2019	Change
Other equity investments as per NAV	C	63	54	8
Investments in other companies				
Vontobel		7	7	0
UBI		0	0	(0)
Unicredit		2	3	(1)
Cairo Communication		0	1	(0)
Coima Res		3	4	(1)
SciQuestLLC		-	-	-
Piaggio		0	0	(0)
Sesaab		1	1	0
Fin Priv. - Az. Mediobanca		16	20	(5)
Ideami		-	3	(3)
035 Capital expenditure		0	1	(0)
Compagnia fiduciaria		1	1	(0)
Total	I	31	42	10
Equity investments in subsidiaries and associates				
Crédit Mobilier de Monaco		5	5	-
SES		6	7	(1)
Franco Tosi Ventures		0	-	0
CCC Holdings Europe		5	-	5
Florence Investco		14	-	14
Total	L	31	12	(1)
Total amounts as per statement of financial position	I+L	62	54	(11)
Difference	(I+L)-C	0.8	0.5	19

The difference relates to the fact that in the statement of financial position of Italmobiliare S.p.A. the investment in Crédit Mobilier is valued at cost, whereas in the NAV it is shown at fair value.

(in millions of euro)	Notes	31.12.2020	31.12.2019	Change
Private equity funds as per NAV	D	129	158	(29)
Bonds and mutual funds				
Clessidra (Provisions)		50	69	(19)
AKSIA		0	0	0
BDT 2		48	53	(5)
BDT 3		3	2	0
Amber		0	11	(11)
Draper		0	0	0
Isomer		7	6	1
ICONIQ		11	4.13	7
ICONIQ V		3	0	
LINDSAY		0	-	
Connect Ventures		0	0.18	0
Total	M	123	146	(26)
Equity investments in subsidiaries and associates				
Dokime		2	3	(1)
Total	N	2	3	(1)
Investments in other companies				
Atmos Venture		0	0	0
New Flour S.p.A		4	4	1
Total	O	4	4	1
Total amounts as per statement of financial position	M+N+O	129	153	(24)
Difference	(M+N+O)-D	(0)	5	(5)

The difference in 2019 relates to the fact that in the statement of financial position of Italmobiliare S.p.A. the investment in Dokime was valued at cost, whereas in the NAV it was shown at fair value.

(in millions of euro)	Notes	31.12.2020	31.12.2019	Change
Properties and related assets as per NAV	E	49	49	0
of which properties		45	45	0
of which subsidiaries		4	4	(0)
Property, plant and equipment of Italmobiliare S.p.A.				
Property - Via Borgonuovo, Milan		5	5	(0)
Total	P	5	5	(0)
Investment property of Italmobiliare S.p.A.				
Property - Via Sallustiana, Rome		8	10	(1)
Total	Q	8	10	(1)
Equity investments in subsidiaries and associates (which own properties)				
Punta Ala		2	2	0
Sepac		0	0	0
Finimage		0	0	0
ITM Servizi*		11	11	0
Total	R	13	13	(0)
Investments in other companies				
Astra Immobiliare		0	0	(0)
Total		-	0	(0)
Total amounts as per statement of financial position	(P+Q+R)	26	27	(1)
Difference	(P+Q+R) - E	23	22	2

The difference relates for approximately Euro 23 million to the fact that in the statement of financial position of Italmobiliare S.p.A. properties are valued at cost, whereas in the NAV they are shown at fair value (i.e. the subsidiaries that own the buildings).

(in millions of euro)	Notes	31.12.2020	31.12.2019	Change
Financial assets, trading, cash and cash equivalents as per NAV	F	387	570	(182)
Cash and cash equivalents		55	190	(135)
FV of derivatives receivable		1	1	(0)
Other current assets (1)		312	354	(42)
Non-current financial assets (2)		27	28	(1)
Total cash and cash equivalents		394	573	(178)
Current loans and borrowings		(0)	(0)	(0)
Current financial liabilities		(7)	(2)	(4)
Current options on securities		(1)	(0)	(0)
Non-current lease payables (3)		(0)	-	(0)
Total financial position		(7)	(3)	(5)
Total net financial position	S	387	570	(183)
Difference	S-F	0	(0)	0

(1) this item also includes mutual investment funds, intercompany current accounts, accrued interest and commission income on loans and mutual funds.

(2) this item includes bonds, medium/long-term loans and CASHES (Unicredit convertible bonds).

(3) this item includes intercompany receivables/payables and short-term payables for lease contracts.

RECONCILIATION OF THE PERFORMANCE INDICATORS WITH THE FINANCIAL STATEMENTS

(in millions of euro)	Notes	31.12.2020	31.12.2019	Change
Gross operating profit (EBITDA)	A	106.0	125.9	(19.9)
Revenue and income		575.5	565.9	9.6
Other revenue and income		15.2	11.2	3.9
Change in inventories		1.3	5.0	(3.7)
Internally produced and capitalised assets		0.1	0.3	(0.2)
Raw materials and supplies		(243.1)	(246.1)	3.0
Services		(95.7)	(87.5)	(8.2)
Employee benefits		(111.6)	(103.5)	(8.1)
Other operating income (expense)		(35.8)	(19.5)	(16.3)
Total amounts as per statement of financial position	B	106.0	125.9	(19.9)
Difference	A-B	0	(0)	0

(in millions of euro)	Notes	31.12.2020	31.12.2019	Change
Operating profit (EBIT) as per report	C	69.4	97.1	(27.7)
Revenue and income		575.5	565.9	9.6
Other revenue and income		15.2	11.2	3.9
Change in inventories		1.3	5.0	(3.7)
Internally produced and capitalised assets		0.1	0.3	(0.2)
Raw materials and supplies		(243.1)	(246.1)	3.0
Services		(95.7)	(87.5)	(8.2)
Employee benefits		(111.6)	(103.5)	(8.1)
Other operating income (expense)		(35.8)	(19.5)	(16.3)
Amortisation and depreciation		(30.2)	(27.7)	(2.5)
Impairment losses on non-current assets		(6.4)	(1.1)	(5.3)
Total amounts as per statement of financial position	D	69.4	97.1	(27.6)
Difference	C-D	(0)	0	(0)

(in millions of euro)	Notes	31.12.2020	31.12.2019	Change
Net financial position	E	320.8	475.2	(154.4)
Caption	Financial statement class			
Cash and bank balances	Cash and bank balances	123.1	248.1	(125.0)
Short-term derivatives	Other current assets including derivatives	0.5	0.4	0.1
Equity investments measured at FVTPL	Investments, bonds and current financial receivables	21.2	24.1	(2.9)
Financial assets at amortised cost	Investments, bonds and current financial receivables	1.5	-	1.5
Funds and other financial instruments	Investments, bonds and current financial receivables	285.6	328.8	(43.3)
Other receivables	Investments, bonds and current financial receivables	15.9	19.2	(3.3)
Other loan assets and financial instruments	Other current assets including derivatives	8.6	10.2	(1.5)
Prepaid expenses	Other current assets including derivative financial instruments	0.1	0.1	(0.0)
Total current assets		456.5	630.9	(174.4)
Loans and borrowings	Loans and borrowings	(10.9)	(21.7)	10.7
Financial liabilities	Financial liabilities	(46.9)	(36.4)	(10.5)
Due to financial and private equity companies	Other liabilities	(9.5)	(8.9)	(0.6)
Derivatives	Other liabilities	(0.6)	(0.4)	(0.2)
Total current financial liabilities		(67.9)	(67.3)	(0.6)
Non-current receivables	Trade receivables and other non-current assets	20.8	15.7	5.2
Other	Trade receivables and other non-current assets	2.0	2.5	(0.5)
Financial assets measured at amortised cost	Trade receivables and other non-current assets	9.0	9.0	-
Financial assets at FVTPL in NFP	Trade receivables and other non-current assets	3.3	3.9	(0.6)
Total non-current assets		35.2	31.1	4.1
Borrowings	Financial liabilities	(83.1)	(118.8)	35.8
Derivatives payable on loans	Other non-current payables and liabilities	(0.1)	(0.8)	0.6
Total non-current financial liabilities		(83.2)	(119.6)	36.4
Financial assets held for sale		2.5	0.1	2.4
Liabilities directly associated with assets classified as held for sale	Liabilities directly associated with assets classified as held for sale	(22.3)	-	(22.3)
Net financial position relating to discontinued operations		(19.8)	0.1	(19.9)
Total net financial position	F	320.8	475.2	(134.5)
Difference	E-F	-	-	-

REPORT ON
CORPORATE
GOVERNANCE
AND THE
OWNERSHIP
STRUCTURE
2020

TRADITIONAL ADMINISTRATION
AND CONTROL MODEL

**APPROVED BY THE BOARD OF DIRECTORS
ON MARCH 4, 2021**

REPORT ON CORPORATE GOVERNANCE AND THE OWNERSHIP STRUCTURE 2020

This report on corporate governance and the ownership structure (the "**Report**") explains the corporate governance system adopted by Italmobiliare S.p.A. ("**Italmobiliare**" or the "**Company**").

The Report contains information on the ownership structure and the methods of applying the Corporate Governance Code for listed companies dated July 2018 (the "**Corporate Governance Code**" or the "**Code**", available on the website of Borsa Italiana at www.borsaitaliana.it/comitato-corporate-governance/codice/codice.en.htm), to which the Company adheres.

The Report also gives the reasons why the Company does not apply certain recommendations of the Code that the **Board of Directors** decided not to adopt; it explains the corporate governance practices actually applied and describes the main characteristics of the Company's **Internal Control and Risk Management System ("ICRMS")**, which also applies to the financial and non-financial reporting processes.

The Report refers to the year ended December 31, 2020 but is updated with any significant subsequent events that took place up to the date of its approval.

During the course of 2021, the Company will implement the principles of the new Corporate Governance Code (the "**New Code**"), approved by the Corporate Governance Committee in January 2020 and will provide information on its application in the Corporate Governance report due to be published in 2022.

I. General information and the ownership structure

PROFILE OF THE ISSUER

Founded in 1946 and listed on the Milan Stock Exchange since 1980, Italmobiliare is an investment holding company that holds and manages a diversified portfolio of equity and other investments with a strategic vision based on a financial and industrial history that goes back more than 150 years. The Company plays an active, ongoing role in the process of expanding and enhancing the value of its portfolio, combining development, internationalisation and innovation with an effective governance and risk management model.

Italmobiliare applies a traditional governance model with a Board of Directors and a **Board of Statutory Auditors**, both appointed by the **Shareholders' Meeting**, as this system of corporate governance is deemed to be the most suitable to combine efficient management and effective controls, while at the same time pursuing the interests of Italmobiliare's **Shareholders** and making full use of management's skills.

The Company's Corporate Governance system is defined by the **By-laws** and the Corporate Governance Code, as well as by the following documents, codes and internal regulations:

- a. the Code of Ethics and the Organisation, Management and Control Model pursuant to Legislative Decree 231/2001;
- b. the procedure for the management of relevant and insider information.
- c. the Code of Conduct on Internal Dealing;
- d. the procedure for transactions with related parties
- e. the procedure for maintaining the insider list;

- f. the procedure on market sounding;
- g. the regulations of the **Financial Reporting Officer**.

These documents are available on the Company's website, except for: (i) the Regulations of the Financial Reporting Officer, which are distributed electronically to the members of the Board of Directors and Board of Statutory Auditors, the Financial Reporting Officer and the Heads of Finance, Administration and Control of Italmobiliare Group (the "**Group**") companies; and (ii) the Special Section of the Organisation, Management and Control Model, which is distributed electronically to the Company's Directors, Statutory Auditors and all employees.

INFORMATION ON THE OWNERSHIP STRUCTURE PURSUANT TO ART. 123-BIS OF THE CONSOLIDATED LAW ON FINANCE (CLF)

a) Share capital structure, indicating the various categories of shares, their rights and obligations, as well as the percentage of share capital that they represent

Italmobiliare's share capital amounts to Euro 100,166,937, fully subscribed and paid in, divided into 42,500,000 ordinary shares with no par value, that give a right to vote at the Company's Ordinary and Extraordinary Shareholders' Meetings.

The shares are listed on the electronic stock exchange (Mercato Telematico Azionario) managed by Borsa Italiana. Italmobiliare's shares were admitted to the STAR segment on September 24, 2019.

Each share gives a right to one vote. Holders of Italmobiliare shares can vote at Ordinary and Extraordinary Shareholders' Meetings and exercise the corporate and property rights given them under the laws in force, subject to the limits specified by the latter and by the Company's By-laws. The Company does not currently have any savings shares in issue nor any other categories of shares apart from ordinary shares.

There is currently no stock option plan in force, though at the date of this Report there are still 70,300 stock options exercisable on the basis of previous plans, which were serviced by treasury shares held in the Company's portfolio.

b) Restrictions on share transfers

There are no restrictions on share transfers, such as limits on the possession of shares or clauses involving the acceptance of transfers by the Company or other Shareholders.

c) Significant shareholdings according to the communications in accordance with art. 120 of the CLF

The following is a list of Shareholders with significant shareholdings over 3% of the share capital at the date on which this Report was approved, according to the communications received under art. 120 of the CLF.

SIGNIFICANT SHAREHOLDINGS

Shareholder	No. of shares	% of share capital	% of voting capital
Efiparind B.V, (Indirectly and through Compagnia Fiduciaria Nazionale S.p.A.)	20,969,250	49.339%	49.665%
Serfis S.p.A,	4,765,000	11.212%	11.286%
Mediobanca S.p.A,	2,894,044	6.81%	6.854%

Under Consob Resolution no. 21672 of January 13, 2021 regarding the reduction in the initial relevant percentage threshold for communication pursuant to art. 120, paragraph 2-bis, of Legislative Decree no. 58 of 1998 for holdings in the share capital of listed companies - having Italy as its home Member State - with a high current market value and particularly widespread shareholding, based on the communications received, we would point out that the parties that hold more than 1% of the issued share capital represented by shares with voting rights are:

- Norges Bank (2.348%)
- Antonio Fenaroli (1.953%)
- Inarcassa (1.392%)
- Briarwood Capital Partners GP LLC (1.065%)

d) Shares that confer special control rights

No shares conferring special control rights have been issued.

There are no special powers and the By-laws do not foresee shares with multiple or increased voting rights.

e) Employee shareholdings: mechanism for exercising voting rights

There is no specific system for employees to hold shares in the Company.

f) Restrictions on voting rights

There are no restrictions on the exercise of voting rights.

g) Shareholders' agreements under art. 122 CLF of which the Company is aware

As far as the Company is aware, there are no agreements of any kind regarding the exercise of voting rights assigned to the shares and the transfer of such shares or any of the situations envisaged in art. 122 of the CLF.

h) Change of control clauses and provisions of the By-laws on takeover bids

Generally speaking, if there is a change in control over the Company, the loan contracts signed by the Company and some of its subsidiaries give the lender the right to withdraw from or terminate the loan agreement in advance of the contractual deadline, in accordance with normal business practice, along with the power to demand repayment of the residual capital outstanding and accrued interest or, in the case of derivative-based framework agreements, the right to terminate any outstanding derivative contracts.

With regard to takeover bids, the By-laws do not derogate from the provisions of the CLF in relation to the passivity rule or application of the neutralisation rules.

i) Mandates to increase the share capital and authorisations to purchase treasury shares

There are no mandates to increase the share capital.

The Shareholders' Meeting of April 21, 2020 resolved to: authorize (under art. 2357 of the Italian Civil Code) the purchase of 1,000,000 ordinary shares of the Company on one or more occasions for a period of 18 months from the date of the resolution.

At the date of this Report the Company holds 278,470 treasury shares, purchased under the authorisations previously approved by the Shareholders' Meeting.

The Shareholders' Meeting of April 21, 2021, convened for the approval of the 2020 financial statements, will also be called to vote on renewal of the authorisation to purchase treasury shares pursuant to art. 2357 of the Italian Civil Code, subject to revocation of the previous Shareholders' resolution.

I) Management control and coordination

Based on the information and communications received by the Company under art. 120 CLF, Efi-parind B.V. participates indirectly in Italmobiliare with approximately 49% of the voting share capital through its subsidiary Cemital Privital Aureliana S.p.A. and through fiduciary registration with Compagnia Fiduciaria Nazionale S.p.A.

On February 12, 2021 the Board of Directors again confirmed that, in their opinion, neither Efi-parind B.V. nor any other entity or company exercised management control and coordination over Italmobiliare pursuant to arts. 2497-2497 septies of the Italian Civil Code. In fact:

(a) Italmobiliare does not receive from companies or entities in the investment chain that leads to Efi-parind B.V. any instructions, directives or constraints regarding the preparation or approval of business, financial or strategic plans, nor regarding the approval of budgets or the definition of investment or divestment plans, nor regarding the choice of counterparties with whom to do business;

(b) Italmobiliare is not a party to any industrial or financial policy or practice performed under the direction or through the coordination of companies or entities of the said investment chain, such as cash pooling, tax consolidation or similar sharing of functions;

(c) there is no trace of any contractual relationship currently or previously in place between the Company and other companies or entities in its investment chain, nor with other companies or entities subject to control by, or connected to, companies or entities in its investment chain;

(d) there is no trace of requests for prior approval by companies or entities included in the investment chain of ordinary or extraordinary transactions carried out or seriously considered by the Company;

(e) the Company has not received any policies, regulations or organisational charts from companies or entities in the investment chain;

(f) there are no Executive Directors that are common to the companies or entities in the investment chain and Italmobiliare; incidentally, there is only one common non-Executive Director of Italmobiliare, Luca Minoli, who has not been granted any powers in either of the companies in which he is a board member, namely Italmobiliare and Cemital Privital Aureliana S.p.A.

Note that the information required by art. 123-bis, first paragraph, letter i) on agreements between the Company and the Directors which provide for compensation in the case of resignation or dismissal without just cause or if their employment relationship is terminated following a takeover bid are contained in the remuneration report published in accordance with art. 123-ter of the CLF.

The information required by art. 123-bis, first paragraph, letter l) on the appointment and replacement of Directors and the amendment of the By-laws is provided below in the section in this Report about the Board of Directors.

II. The Board of Directors

ROLE AND DUTIES

The Board of Directors has the task of defining the strategic guidelines of the Company and the Group and is responsible for managing them. It is vested with all powers of ordinary and extraordinary administration of the Company, as all matters not expressly reserved for the Shareholders' Meeting by law and the By-laws fall under its remit.

The Board of Directors evaluates and approves investments in accordance with the Company's mission and with the strategic guidelines approved by the Board during the annual budget review.

In addition to the powers bestowed on it by law and the By-laws, resolutions on the following matters are referred to the Board of Directors, without prejudice to the sphere of competence of the Shareholders' Meeting: absorbing companies that are wholly owned or at least 90% owned; transferring the registered office, providing it remains in Italy; opening or closing branches, whether in Italy or abroad; reducing the share capital in the event of withdrawal by a shareholder; amending the By-laws to comply with mandatory regulations.

Reviewing and approving the Company's strategic plans and monitoring their implementation on a regular basis are reserved to the Board of Directors.

The Board of Directors is responsible, among other things, for *i)* assessing the overall results of operations; *ii)* assessing the adequacy of the organisational, administrative and accounting structure with particular reference to the Internal Control and Risk Management System, monitored by the Director in charge of the ICRMS; *iii)* defining the Company's corporate governance system; *iv)* assigning powers to Executive Directors; *v)* defining the remuneration policy for Executive Directors and key management personnel, as well as setting the remuneration of Directors vested with special powers. The Board of Directors approves transactions of particular importance for Italmobiliare from a strategic, economic, capital or financial point of view, carried out not only by the Company but also by its subsidiaries; it also authorizes transactions with related parties in accordance with the specific procedure adopted by the Company and the processes laid down in it.

On the basis of information received during the year and reports received from the Chief Executive Officer-Chief Operating Officer and by the Control and Risk Committee, the Board of Directors acknowledged that the Company's organisational, administrative and accounting structure is substantially adequate, particularly the internal control and risk management system.

The Directors act and make decisions independently on an informed basis, pursuing the primary objective of creating long-term value for the Shareholders. They hold office while dedicating the time needed for diligent performance of their duties.

The Chairman coordinates the activities and conducts meetings of the Board of Directors and ensures that the documentation relating to items on the agenda is made available to the Directors and Statutory Auditors suitably in advance, when there are no reasons not to permit advance distribution of the material. More in general, the Chairman supervises the regularity of meetings and the work of the corporate bodies.

The Board of Directors has established that support documentation explaining items on the agenda must be distributed at least two days prior to the meeting. This minimum advance notice was normally respected during the 2020 for transactions subject to Board approval. With reference to one disposal project, the supporting documentation was made available with less advance notice, but all clarifications were provided during the Board meeting and adequate insights were ensured to allow the Board to reach an informed decision; likewise, for two meetings convened following the onset of the epidemic in March 2020, the documentation was made available with less notice. The period of notice has never been waived merely for reasons of confidentiality.

On certain occasions, documents providing additional information were made available to the Board shortly before the meeting. In any case, the Chairman makes sure that any details requested by the Directors are made available at Board meetings.

At the meeting on February 12, 2021, the Board of Directors made an assessment of the information provided prior to the meeting and it was deemed adequate.

The Board of Directors meets regularly (at least quarterly) to approve the annual and half-year financial reports and the quarterly figures for the additional periodic reports. At these meetings, the delegated bodies report on the activities that they have carried on in accordance with the powers granted to them. In any case, pursuant to the By-laws, the Board of Directors meets every time it is considered necessary by the Chairman, or the Deputy Chairman, or at the request of any of the Statutory Auditors after notifying the Company's Chairman.

During the examination and approval of the accounting records for the period, in light of the information received by the delegated bodies, the Board of Directors assesses the overall operating performance, comparing the actual results with the budget for the year.

The Shareholders' Meeting has not authorised any derogation from the ban on competition pursuant to art. 2390 of the Italian Civil Code nor is one provided for in the By-laws. Moreover, no Director is a shareholder with unlimited liability in a competitor company, nor do they run a competitor business for themselves or on behalf of third parties, nor are they a director or general manager in competitor companies.

In 2020, the Board of Directors held 13 meetings, lasting for two and a half hours on average, with the Board of Statutory Auditors always in attendance; individual Directors' attendance records are shown in a table at the end of this Report.

During the year, all Board meetings were attended by the Financial Reporting Officer, the CEO's Assistant and the Head of Legal and Corporate Affairs. The Heads of Investment Management, Investor Relations, Internal Audit, Development&Investments, Finance, and Human Resources also attended for matters concerning their sphere of competence.

In December 2020, the Company issued a calendar of corporate events for 2021, which can be found on www.italmobiliare.it. The Board of Directors has met three times in 2021 up to the date of approval of this Report.

APPOINTMENT AND REPLACEMENT OF DIRECTORS

Directors are appointed by the Shareholders' Meeting on the basis of slates submitted by the Shareholders.

The slates must be filed at the registered office at least 25 days prior to the date set for the Shareholders' Meeting at a single calling; this is mentioned in the notice of calling along with the procedures and shareholding required for their submission.

Only shareholders who, alone or with others, have a stake in the share capital with voting rights not lower than the level set by Consob pursuant to current regulations are entitled to present slates. No shareholder can file or participate in the filing of more than one slate, directly or through a nominee or trust company, or vote for different slates. Shareholders belonging to the same group and shareholders who join a shareholders' agreement involving the Company's shares may not file or vote for more than one slate, not even through a nominee or trust companies. Slates filed in violation of these restrictions will not be accepted. Each candidate can only be on one slate under penalty of ineligibility.

Slates that have a total number of candidates equal to or greater than three must be composed of candidates belonging to both genders, to an extent that complies with current regulations on gender balance.

At the time they are filed, slates must include:

- a. the statements in which the individual candidates accept their candidacy and declare, under their own responsibility, that there are no grounds for ineligibility, that they comply with the integrity requirements established by law, and whether or not they meet the independence requirements of the law and the Code. With reference to this last aspect, this principle used to be contained in the Code of Conduct and the Board of Directors decided to maintain it;
- b. a brief *curriculum vitae* on the personal and professional skills of each candidate with an indication of positions they hold as director or statutory auditor in other companies;
- c. information on the identity of the shareholders who have presented slates. The certification or statement proving ownership of the shareholding prescribed by the law in force when the slate is presented may also be produced after the filing of the slate, providing that it reaches the Company before the deadline laid down in current regulations on the publication of slates by the Company;
- d. a statement by shareholders – other than those who have a controlling or majority stake, jointly or severally – acknowledging that they do not have any joint shareholdings, as defined by law.

The By-laws do not set additional integrity and independence requirements to those laid down for Statutory Auditors in the CLF. Any elected Director who, during their term of office, no longer complies with the integrity requirements of law or the By-laws falls from office.

A number of Directors that is not less than the minimum required by law have to meet the independence requirements laid down in current legislation.

If a slate does not comply with these provisions, it will be considered as though not presented.

At least 21 days prior to the date set for the Shareholders' Meeting called to resolve on the appointment of the management bodies, the Company shall make the slates of candidates filed by shareholders and the supporting documentation available to the public at the registered office, the company that runs the stock market and on its own website.

In the event of more than one slate being filed:

- a. all of the Directors on the slate that obtains the highest number of votes at the Shareholders' Meeting are elected in the order in which they are listed, except for the minimum number reserved by law for the minority shareholders' slate;
- b. the minimum number of Directors reserved by law for the minority shareholders are elected from the minority shareholders' slate that obtains the highest number of votes and is not connected in any way, directly or indirectly, with the majority shareholders;
- c. should more than one slate obtain the same number of votes, a run-off is held between these slates by all the shareholders entitled to vote present at the Shareholders' Meeting, and the candidates are elected from the slate that obtains a relative majority of the share capital represented at the Shareholders' Meeting.

For the purposes of apportioning the Directors to be elected, the slates that have not achieved a percentage of votes at least equal to half of the percentage required for the presentation of slates will not be considered.

Should a party connected to a majority shareholder vote for a slate of the minority shareholders, the connection is only considered significant for the purpose of excluding the minority shareholders' elected Director if this vote was crucial for the election of the Director in question.

Should a single slate be filed, all the candidates included in that slate are elected with a simple majority vote of the share capital represented at the Shareholders' Meeting.

If as a result of the voting based on slates or the voting on the only slate presented, the composition of the Board of Directors does not meet the current regulations on gender balance, the necessary replacements will be carried out within the slate that has obtained the highest number of votes or within the only slate presented, starting from the candidate in the last place of the slate in question. Subsequently, if compliance with the gender balance requirement is not ensured in the minimum number required by law, there will be similar replacements, again within the slate that has obtained the highest number of votes, or within the only slate presented.

In the absence of slates, and whenever by means of the slate voting mechanism, the number of candidates elected is lower than the minimum number envisaged in the By-laws for its composition, the Board of Directors is respectively appointed or supplemented by the Shareholders at their meeting with the legal majority, providing that the gender balance required under current legislation is ensured and at least the minimum number of Directors meeting the legal independence requirement is ensured.

If during the year one or more Directors should cease to hold office due to resignation or any other reason, the others shall make provision to replace them with a resolution approved by the Board of Statutory Auditors, providing the Directors appointed by the Shareholders' Meeting continue to constitute the majority. Directors are replaced, in compliance with the above requirements of good reputation and independence, with the appointment of unelected candidates belonging to the same slate as the Directors who no longer serve, following the original order of presentation. If this is not possible, the Board of Directors will act according to the law. All this, in any case, in compliance with the current regulations on gender balance. Directors appointed in this manner hold office until the following Shareholders' Meeting.

The Shareholders' Meeting decides about the replacement of Directors in accordance with the above principles, by a simple majority of the share capital represented at the Shareholders' Meeting. The term of office of Directors appointed this way will end at the same time as that of the Directors already in office at the time of their appointment.

No limits are set on the re-electability of Directors even if having held the same office for more than nine years in the last twelve years could represent a non-peremptory reason for exclusion from the independence requirement under the Code.

At the time of the last renewal of the corporate bodies in 2020, the Board of Directors, assisted by the Remuneration and Nominations Committee, expressed its orientation on the size and composition of the administrative body to be submitted to the shareholders, also giving its opinion, based on a specific benchmark analysis, on the basic remuneration to be granted to the members of the Board and the internal Board Committees. The opinion was published on the Company's website, in the "Governance/Shareholders' Meeting/Shareholders' Meeting archive" section, well in advance of the deadline for filing the slates.

COMPOSITION

The By-laws say that the Company is to be administered by a Board of Directors made up of between five and fifteen members, who remain in office for the period established at the time of appointment, in any case not exceeding three financial years, and cease to hold office on the date of the Shareholders' Meeting called to approve the financial statements relating to the last year of their term of office and that they can be re-elected.

The Board of Directors currently in office, appointed by the Shareholders' Meeting on April 21, 2020 up until approval of the financial statements at December 31, 2022, is made up of twelve directors.

For details on the composition of the Board and participation at Board and Committee meetings, refer to the table provided as an annex to this Report.

At the Shareholders' Meeting in 2020 eleven of the twelve Directors currently in office were selected from the majority slate submitted by the Compagnia Fiduciaria Nazionale S.p.A.: Laura Zanetti, Carlo Pesenti, Livio Strazzera, Vittorio Bertazzoni, Giorgio Bonomi, Mirja Cartia d'Asero, Elsa Fornero, Sebastiano Mazzoleni, Luca Minoli, Chiara Palmieri, Marinella Soldi. Antonio Salerno was chosen from the minority slate presented by RWC Asset Management LLP and Fidelity International.

Antonio Salerno resigned on January 21, 2021. On January 27, 2021, the Board of Directors, co-opted Marco Cipelletti in accordance with the provisions of article 16 of the By-laws; his term of office will expire at the next Shareholders' Meeting. Given that Marco Cipelletti was the first and only unelected candidate on the minority slate presented by RWC Asset Management LLP and Fidelity International at the 2020 shareholders' meeting, he took over from Antonio Salerno (on the same slate) following his resignation.

The minimum shareholding required by Consob to submit a slate was 1%. The slates and supporting documentation, filed and published by the deadlines laid down by law, are available on the website www.italmobiliare.it in the section entitled "Governance/Shareholders' Meeting/Shareholders' Meeting archive".

The *curriculum vitae* of each Director is available in the "Governance/Board of Directors" section of the website www.italmobiliare.it and in the introduction to the Annual Report. The offices held by them in other listed financial, banking and insurance companies or companies of significant size are indicated later in this Report.

Of the twelve Directors currently in office, eleven are non-executive; six of these are independent according to both the CLF and the Code, and two are independent only according to the CLF. In compliance with the provisions on gender quotas, 40% of the positions are reserved for the less-represented gender.

The composition of the Board of Directors at the date of approval of this Report is shown below, specifying the office that each one holds and the Committees that they are members of.

Laura Zanetti*	Chairman, member of the Committee for Sustainability and Social Responsibility
Livio Strazzera*	Deputy Chairman
Carlo Pesenti	Chief Executive Officer-Chief Operating Officer and Chairman of the Committee for Sustainability and Social Responsibility
Vittorio Bertazzoni**	Member of the Remuneration and Nominations Committee and of the Committee for Sustainability and Social Responsibility
Giorgio Bonomi	Member of the Control and Risk Committee
Mirja Cartia d'Asero**	Chairman of the Control and Risk Committee, Member of the Committee for Transactions with Related Parties and of the Committee for Sustainability and Social Responsibility
Marco Cipelletti**	
Elsa Fornero**	Member of the Committee for Transactions with Related Parties and of the Committee for Sustainability and Social Responsibility
Sebastiano Mazzoleni	
Luca Minoli	
Chiara Palmieri**	Chairman of the Committee for Transactions with Related Parties, Member of the Remuneration and Nominations Committee and of the Control and Risk Committee
Marinella Soldi	Chairman of the Remuneration and Nominations Committee

* Director who meets the independence requirements laid down in the CLF

** Director who meets the independence requirements laid down in the CLF and the Corporate Governance Code

LIMITS ON THE ACCUMULATION OF APPOINTMENTS AND OFFICES OF DIRECTORS

With a resolution passed on April 21, 2020, the Board of Directors confirmed that the maximum number of offices that could be held in listed companies on regulated markets, in Italy or abroad, was four, including the office held in Italmobiliare S.p.A., but excluding other companies in the Italmobiliare Group, which can be considered compatible with being an effective Director of Italmobiliare. All of the Directors and Statutory Auditors comply with this limit.

The offices of Director or Statutory Auditor held by each Director in other listed companies in regulated markets, in Italy or abroad, as well as in financial, banking and insurance companies or companies of significant size, are set out below:

Livio Strazzera	Serfis S.p.A.	Sole Director
Carlo Pesenti	Clessidra SGR S.p.A.	Chairman
	Caffè Borbone S.r.l.	Deputy Chairman
	Tecnica Group S.p.A.	Director
Vittorio Bertazzoni	Erfin S.p.A.	Deputy Chairman and CEO
	SMEG S.p.A.	Deputy Chairman and CEO
Mirja Cartia d'Asero	FNM S.p.A.	Director
	Zurich Insurance Life S.p.A.	Director
	Il Sole 240re S.p.A.	Director
Elsa Fornero	Buzzi Unicem S.p.A.	Director
Luca Minoli	Cemital Privital Aureliana S.p.A.	Chairman
Chiara Palmieri	Findomestic Banca S.p.A.	Director
Marinella Soldi	Nexi S.p.A.	Director
	Ariston Thermo Holding S.p.A.	Director

EXECUTIVE DIRECTORS

Of the twelve Directors in office, only Carlo Pesenti, Chief Executive Officer and Chief Operating Officer, qualifies as an Executive Director. The Board of Directors has assigned him duties and powers, setting limits on how they can be exercised.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER-CHIEF OPERATING OFFICER

Within the scope of the Board of Directors, the following powers have been granted.

The following duties have been assigned to the **Chairman**, Laura Zanetti: to submit proposals to be resolved on by the Board of Directors; to supervise and ensure compliance with the principles of Corporate Governance approved by the Company and propose any amendment to them to be submitted to the Board of Directors for approval; to supervise the regularity of meetings and actions of the corporate bodies ensuring that the documentation relating to the items on the agenda is made available to Directors and Statutory Auditors suitably in advance; to supervise the work of the Chief Operating Officer with reference to real estate management transactions; to promote the Company's image; in agreement with and in coordination with the Chief Executive Officer, to maintain relations with the economic-financial community, institutional bodies and authorities.

In addition to the powers of representation, the Chairman has been granted the powers to act, also before a criminal court, to protect the Company's interests, the power to appoint consultants, to negotiate and conclude any transaction or contract to purchase or sell real estate, to exchange and divide real estate, for the establishment of easements or property rights in general, with the limit of Euro 25 million signing jointly together with the Chief Operating Officer.

As **Chief Executive Officer**, Carlo Pesenti has been assigned the following tasks, among others, in addition to the general power of representation of the Company: to submit proposals to be resolved on by the Board of Directors; to oversee the execution and implementation of the investment plans defined by the Board of Directors; to look after the management policies, corporate development strategies of Italmobiliare S.p.A. and its main subsidiaries, held directly or indirectly; to oversee and direct the activities of Italmobiliare S.p.A. and its main direct or indirect subsidiaries; to establish guidelines for managing the main companies in which Italmobiliare S.p.A., directly or indirectly, holds an equity investment that allows it to exercise significant influence; to look after corporate organisation and propose important amendments to the Board of Directors. The CEO has been granted the powers to carry out all tasks relating to administration and arrangements concerning the management of the Company including performing transactions on securities and credit, assume any form of obligations in the name of the Company, even accompanied by collateral security, accept guarantees, provide collateral security and guarantees for third parties, as long as they are direct or indirect subsidiaries of Italmobiliare, buy and sell government bonds, corporate bonds, mortgage bonds, equities, company quotas, carry out repo transactions and advances on security transactions. As **Chief Operating Officer**, he has been granted powers in the administrative, financial, commercial and real estate areas.

The powers granted for the office of Chief Operating Officer can be exercised within a limit of Euro 25 million per individual transaction, except for real estate transactions exceeding Euro 10 million and up to Euro 25 million, which need the joint signature of the Chairman; the powers granted for the office of Chief Executive Officer can be exercised within a limit of Euro 25 million, except for funding transactions and transactions on derivatives which can be made within a limit of Euro 50 million, and transactions to sell securities of listed companies, which can be made within a limit of Euro 100 million per single open market day.

The Chief Executive Officer-Chief Operating Officer qualifies as the main person responsible for the Company's management.

The Chief Executive Officer-Chief Operating Officer is not a Director in any other listed company not belonging to the Group at which a Company Director is the chief executive officer.

To manage current operations, powers have been granted to managers of the Company, within the scope of their respective remits.

SUCCESSION PLANS

The Board of Directors has assigned the Remuneration and Nominations Committee the task of drawing up succession plans for Executive Directors, which the Board of Directors has to decide whether to adopt.

Considering the nature of Italmobiliare as a Holding Company and its organizational structure, on the Committee's recommendation, the Board of Directors has not adopted a formal succession plan, but it has ensured that, should an extraordinary situation occur, suitable controls (in the form of an emergency plan) are in place that would enable it to manage the Company, as well as to start the selection of new management.

INDEPENDENT DIRECTORS

According to the provisions of the CLF, at least one of the members of the Board of Directors, or two if it is made up of more than seven members, has to meet the independence requirements laid down by law for the members of the Board of Statutory Auditors. The Code also states that the number and expertise of the Independent Directors must be adequate in relation to the size of the Board of Directors and the business carried on by the Company; they must make it possible to establish Committees within the Board of Directors; the Code also says that there must be at least two Independent Directors.

If the independence requirements laid down by law are no longer met, the Director concerned must immediately notify the Board of Directors. This circumstance entails removal from office of the Director concerned, except in cases where the requirements are still met by at least the minimum number of Directors needed under current legislation.

Immediately after its appointment in April 2020, the Board of Directors assessed the independence of its members based on the provisions of the CLF and the criteria laid down in the Code, the results of which were disclosed to the market. The Board of Statutory Auditors checked that the criteria were applied correctly.

At the meeting on February 12, 2021, the Board of Directors verified that the independence requirements were met by each of the non-Executive Directors, based on the parameters laid down in the Code. The Board of Statutory Auditors has checked correct application of the criteria and the assessment procedures adopted by the Board of Directors to assess its members' independence.

As a result of these assessments, the following qualify as Independent Directors under the provisions of the CLF and the criteria laid down in the Code: Vittorio Bertazzoni, Mirja Cartia d'Asero, Marco Cipelletti, Elsa Fornero, Chiara Palmieri, Marinella Soldi.

The next independence assessment will take place on the basis of the criteria laid down in the New Code and will be included in the Report on Corporate Governance to be published in 2022.

The Directors who qualified as independent according to both the Code and the CLF met once during 2020 in the absence of the other Directors.

Laura Zanetti and Livio Strazzeria qualify as Independent Directors only under the CLF.

LEAD INDEPENDENT DIRECTOR

The Code provides that, if the Chairman of the Board of Directors is the main person responsible for managing the Company, and also when the position of Chairman is held by the person who controls the Company, the Board of Directors should appoint an Independent Director as "Lead Independent Director" to act as a point of reference for the non-Executive Directors and, in particular, those that are independent, coordinating their requests and contributions.

As these conditions were not met, at the meeting on April 21, 2020, the Board of Directors resolved not to appoint a "Lead Independent Director" for the 2020-2022 term of office.

SELF-ASSESSMENT

The Directors are required to perform an assessment each year on the composition and role of the Board and its Committees and how they function. Since 2018, the self-assessment has also covered the Board of Statutory Auditors. The Chairman of the Board of Directors supervises and coordinates the process with the support of the Corporate Affairs Department.

At the close of 2020, the Company distributed to all Directors and Statutory Auditors a questionnaire prepared in-house with the help of the Chairman and without any assistance from an external consultant. The purpose of the questionnaire was to carry out a full assessment of the functioning and composition of the Board of Directors and its Committees, giving participants a chance to make recommendations or comments. Each recipient was asked to make their assessment based on a scale of values ranging from 1 to 6, updated with respect to last year, based on the observations made by the Directors.

The questionnaire was returned anonymously by fifteen of the seventeen persons consulted.

The results of the self-assessment were presented to the Board of Directors at the meeting on February 12, 2021, together with opinions expressed by the directors and statutory auditors and the suggestions they made to improve the functioning of the corporate governance bodies.

In general terms, the opinions of the Directors and Statutory Auditors confirmed the widespread satisfaction with the procedural and operational aspects, the Chairman's role and relations with the other Directors, as well as the contribution and effectiveness of the Committees.

INDUCTION PROGRAMME

With the help of the various company departments, the Chairman works to ensure that the Directors and Statutory Auditors participate in initiatives aimed at increasing their knowledge of the Company's situation and dynamics and are informed about the main legislative and regulatory changes that concern the Company and its corporate bodies.

Two induction sessions were held in 2020: one dedicated to the associate ISEO Serrature S.p.A., the other to in-depth analysis of Italmobiliare's strategy and positioning.

INTERNAL COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors has set up a Remuneration and Nominations Committee, a Control and Risk Committee and a Committee for Sustainability and Social Responsibility, whose roles are to give advice and make proposals to the Board of Directors; as well as a Committee for Transactions with Related Parties in accordance with the relevant Consob Regulation.

In carrying out their functions, the Committees are entitled to access the corporate information and functions that they need to perform their duties. They can also use external consultants at the Company's expense.

Each Committee appoints a Secretary, who does not have to be a member of it. The Secretary's main task is to draw up minutes of the meetings.

Detailed information on the Remuneration and Nominations Committee, the Control and Risk Committee and the Committee for Sustainability and Social Responsibility is provided below, whereas details of the Committee for Transactions with Related Parties can be found in the section entitled "Codes of conduct, procedures and other corporate governance practices".

REMUNERATION AND NOMINATIONS COMMITTEE

The Remuneration and Nominations Committee, made up solely of Independent Directors who meet the requirements laid down in the Code and the CLF, according to the board resolution passed on April 21, 2020, currently consists of Marinella Soldi, Chairman, Vittorio Bertazzoni and Chiara Palmieri.

All of the members have adequate experience in accounting, financial and remuneration policy matters, as assessed by the Board at the time of appointment and which was disclosed to the market. Meetings are minuted regularly and the Chairman informs the Board of the Committee's proceedings at the first possible meeting.

The Board of Statutory Auditors and the Head of Human Resources are regularly invited to attend Committee meetings. No Director is present at the meeting when their remuneration is discussed.

The Committee has regular access to the Company's information and departments needed to perform its tasks; it has an annual budget of Euro 50,000 assigned by the Board of Directors. The Committee can seek assistance from independent consultants.

Its proceedings are governed by a regulation that is approved by the Board of Directors.

In its role as the Remuneration Committee, it performs the following functions, among others: it drafts proposals to the Board of Directors to define a policy for the remuneration of Executive Directors, of Directors vested with special powers and of key management personnel; it submits proposals to the Board of Directors on the remuneration of Executive Directors and the other Directors vested with special powers; it assesses proposals to introduce short- and long-term incentive schemes, cash- and share-based, to be submitted for the approval of the Board of Directors; it proposes performance objectives to the Board, linked to the variable component of the remuneration of Executive Directors, Directors vested with special powers and key management personnel; it checks whether the performance objectives linked to the long-term incentive plans and short-term variable remuneration have been achieved, also making use of information received from the relevant company departments. As the Nominations Committee, it also expresses opinions on the size and composition of the Board and makes recommendations on the professional figures whose presence on the Board is deemed appropriate; it also conducts preliminary investigations to prepare and review any succession plans for Executive Directors which the Board of Directors has decided to adopt.

The Committee met four times during the year 2020, with the Board of Statutory Auditors in attendance; meetings lasted more than one hour on average. The Committee was assisted by Willis Tower Watson as external consultant to prepare the remuneration policy for 2020 and the new long-term incentive plan, which was submitted for approval by the Shareholders' Meeting on April 21, 2020, as well as for a benchmark analysis relating to the remuneration of directors and statutory auditors.

During 2020, the Committee carried out the following activities involving remuneration matters: it examined the remuneration policy to be submitted to the Board of Directors and to the subsequent binding vote of the Shareholders' Meeting; it checked whether the performance objectives had been achieved in order to determine the short-term variable remuneration to be assigned to the Chief Executive Officer-Chief Operating Officer and key management personnel (2019 MBO); it made a proposal to the Board of Directors on the variable remuneration of the Chief Executive Officer-Chief Operating Officer and of key management personnel for 2020 (MBO 2020); it explained to the Board of Directors the proposal for the adoption of the "Italmobiliare 2020-2022 Phantom Stock Grant Plan", subsequently approved by the Shareholders' Meeting of April 21, 2020; it explained to the Board of Directors the proposals regarding the assignment of the "Italmobiliare 2020-2022 Phantom Stock Grant Plan" as well as the remuneration pursuant to art. 2389 of the Italian Civil Code to be assigned to the Chairman, Deputy Chairman and Chief Executive Officer.

The Committee has met twice in 2021 up to the date of approval of this Report. Its activities on remuneration matters included the following: it examined the regulatory changes introduced by the new provisions of the Issuers' Regulation on Remuneration Policy; it examined the Company's remuneration policy for 2021 to be submitted to the Board of Directors and the subsequent binding vote of the Shareholders' Meeting; it checked whether the performance objectives had been achieved in order to determine the short-term variable remuneration to be assigned to the Chief Executive Officer-Chief Operating Officer and key management personnel (2020 MBO); it made a proposal to the Board of Directors on the variable remuneration of the Chief Executive Officer-Chief Operating Officer and of key management personnel for 2021 (MBO 2021).

The Committee also reviewed the results of the self-assessment process.

In view of the Shareholders' Meeting of April 21, 2020, in its capacity as the Nominations Committee, it gave an opinion on the composition of the newly appointed Board of Directors, subsequently approved by the Board and available to the shareholders on the Company's website.

For further information on the duties of the Remuneration and Nominations Committee, and in general on the remuneration policy for 2021, approved by the Board of Directors on the Committee's proposal, please refer to the remuneration report drawn up in accordance with art. 123-ter of the CLF, which will be published by the legal deadline.

COMMITTEE FOR SUSTAINABILITY AND SOCIAL RESPONSIBILITY

In 2020, the Company set up the Sustainability Department, in line with the Company's commitment to Sustainable Development, having been one of the first companies in Italy to adopt ESG factors as an integral part of its business strategy.

In view of the renewal of the corporate bodies, the Board of Directors decided to set up a Committee for Sustainability and Social Responsibility, made up of Carlo Pesenti Chief Executive Officer-Chief Operating Officer – who assumed the office of Chairman –, Laura Zanetti, and the Independent Directors, Vittorio Bertazzoni, Mirja Cartia d'Asero and Elsa Fornero.

The Committee has a duty to provide the Board with advice and proposals in order to implement a development strategy focused on sustainability, consistent with Italmobiliare's mission in all its

components: governance, economic, social and environmental (ESG). In particular, with reference to all these issues and in the sphere of influence of the Company and the Group, it assists the Board in relation to:

- i. defining Italmobiliare's business strategy and mission, also as regards the evolution of its internal processes;
- ii. analysis and research;
- iii. promotion of an integrated culture; as well as
- iv. generating long-term shared value for the Company and the Group.

Among its specific functions, the Committee:

- a. verifies and assesses the sustainability strategy adopted (as defined in the policy, including the related plan), designed to ensure the creation of value over time for the shareholders and for all the other stakeholders, in compliance with the commitments deriving from adherence to international ESG principles;
- b. promotes, also through the competent company functions, the adoption of sustainability principles, and defines the objectives, monitoring their achievement;
- c. proposes initiatives and projects and indicates "best practices" in order to strengthen the culture of sustainability throughout the Group and to help implement lines of strategy in full compliance with the ESG principles;
- d. monitors the implementation of the Investment and Development Guidelines adopted by the Company as regards sustainability issues;
- e. assesses the Sustainability Report, submitted annually to the Board of Directors, which contains the non-financial report (NFR) and, in general, the documents published by the Company because of its adherence to international ESG principles.

In 2020, the Committee met three times with all of its members and those of the Board of Statutory Auditors in attendance. The average duration of the meetings was just under two hours. In 2021, it has met once up to the date of approval of this Report.

Please refer to the 2020 Non-Financial Report for further information on the activities carried out by the Committee in 2020 and 2021 up to the date of approval of the Sustainability Report.

CONTROL AND RISK COMMITTEE

Following its appointment in April 2020, the Board of Directors set up the Control and Risk Committee (formerly the Risks and Sustainability Committee, up until April 21, 2020), which currently consists of Mirja Cartia d'Asero, Chairman, Chiara Palmieri, both Independent Directors, and Giorgio Bonomi, non-Executive Director.

The Chairman of the Committee sits on the Committee for Sustainability and Social Responsibility as well, also to make sure that the activities of the two bodies are aligned.

All of the members have adequate experience in finance, accounting and risk management, as assessed by the Board at the time of its appointment and disclosed to the market.

The Committee has a duty to provide the Board with advice and proposals on: *i)* the Internal Control and Risk Management System (ICRMS); and *ii)* periodic financial reporting; the duties assigned to the Risks and Sustainability Committee in office until April 21, 2020 on social sustainability matters connected with the Company's business were attributed to the Committee for Sustainability and

Social Responsibility on the renewal of the corporate bodies, as mentioned above. The Committee also performs its duties on the basis of information flows received from the Head of Internal Audit of the Company, as regards Italmobiliare S.p.A. and its subsidiaries that do not have autonomous third-level control systems and structures. As regards the other subsidiaries, which may also include entities subject to monitoring by control authorities, the Committee uses the information flows laid down in the Guidelines of the ICRMS and, in particular, information received from their equivalent departments, where present.

The Committee provides the Board with a preventive opinion on:

- a. the definition of the ICRMS guidelines, so that the main risks pertaining to the Company and its subsidiaries are correctly identified and adequately measured, handled and monitored, determining the degree of compatibility of these risks with a business management approach consistent with the strategic objectives set;
- b. the assessment of the adequacy and efficiency of the ICRMS with respect to the characteristics of the business and the risk profile assumed;
- c. approval of the work plan prepared by the Head of Internal Audit;
- d. adequate representation in the annual report on corporate governance of the main characteristics of the internal control and risk management system and the methods of coordination between the parties involved in it;
- e. an assessment of any issues that emerged during the external audit, after consulting the Board of Statutory Auditors.

The Committee will assist the Board, also by performing the following tasks:

- a. after consulting the Board of Statutory Auditors and the External Auditor, together with the Financial Reporting Officer, it assesses the correct use of the accounting standards and their consistency in drawing up the financial statements;
- b. it expresses opinions on specific aspects regarding the identification, assessment and monitoring of the main risks run by the Company;
- c. it examines the periodic reports on the assessment of the ICRMS and those of particular importance prepared by the Internal Audit Department;
- d. it monitors the independence, adequacy, efficiency and effectiveness of the Internal Audit Department;
- e. it supports, with adequate preparatory work, the assessments and decisions of the Board on the management of risks deriving from potentially harmful situations that have come to the Board's notice;
- f. it examines the periodic reports on internal control and risk management received from the subsidiaries of Italmobiliare S.p.A. and, in particular, those prepared by the equivalent Committees;
- g. it reports to the Board of Directors, at least once every six months, usually at the time of approval of the financial statements and the interim report, on the activities carried out as a whole and on the adequacy of the ICRMS and, through its Chairman, informs it about the meetings held at the first possible meeting of the Board of Directors;
- h. it carries out any additional tasks assigned to it by the Board.

Lastly, the Committee expresses its opinion on the appointment and removal of the Head of Internal Audit, also in connection with setting this person's remuneration in line with company policies.

Meetings are minuted regularly and the Chairman informs the Board of the Committee's proceedings at the first possible meeting. The managers responsible for the areas being discussed are regularly invited to meetings of the Committee to provide suitable in-depth analyses; the Financial Reporting Officer and the Head of Internal Audit attend all of the meetings in any case. The Committee has an annual budget of Euro 50,000 assigned by the Board of Directors.

In 2020, the Committee held a total of seven meetings, lasting two hours on average, with all its members always in attendance. The Board of Statutory Auditors always attended these meetings.

During 2020, the Committee, among other things:

- a. examined and approved the Company's approach to carrying out impairment tests; it also reviewed and took note of the results;
- b. examined the draft Non-Financial Report for 2019, which was subsequently approved by the Board of Directors;
- c. assessed correct use of the accounting standards and their consistency in drawing up the period financial report, together with the Financial Reporting Officer, after consulting the Board of Statutory Auditors and the External Auditor;
- d. reviewed the Audit Plan for 2020, which was subsequently approved by the Board of Directors, and monitored its implementation;
- e. analysed the results of risk management;
- f. examined the reports prepared by the Head of Internal Audit to check the adequacy, efficiency and effective functioning of the Internal Control and Risk Management System;
- g. examined the updates to be made to the Guidelines of the Internal Control and Risk Management System, which was subsequently approved by the Board of Directors;
- h. met the equivalent departments at the main subsidiaries;
- i. received periodic updates on the impact of Covid-19 on the Company and its subsidiaries;
- j. received periodic updates on the state of outstanding disputes for and against the Company;
- k. exchanged information with the Board of Statutory Auditors and the Supervisory Body on their activities.

In 2021, up to the date of approval of this Report, the Committee met three times in the presence of the Board of Statutory Auditors to examine, inter alia: the impairment test methodology applied in 2020 and the results; the results of risk management; the accounting policies used for drawing up the financial report; updates on outstanding disputes and the impact of the epidemiological emergency on the Company and its subsidiaries; the results of the 2020 Audit and the 2021 Audit Plan. The Committee also reviewed the section of this Report that describes the Internal Control and Risk Management System, agreeing on its content.

A total of six meetings are scheduled for 2021.

III. The Internal Control and Risk Management System

DEFINITION AND OBJECTIVES

The Internal Control and Risk Management System ("**ICRMS**") of Italmobiliare is an essential part of the Corporate Governance system and is a set of organisational rules, procedures and structures intended to enable the identification, measurement, management and monitoring of the main risks facing the Company and its subsidiaries.

The Board of Directors defined and continuously updated the Internal Control and Risk Management System Guidelines ("**Guidelines**"), in compliance with the recommendations of the Code and having obtained the favourable opinion of the Control and Risk Committee. Taking into account the specific structure of the Group, which includes companies – among which there may be entities subject to the supervision of Supervisory Authorities – with internal control systems and structures in turn responsible for overseeing the ICRMS of their respective sub-groups (so-called "Group of groups"), the Guidelines seek to ensure consistency and harmonization between the various control tools that exist. This entails establishing the roles and departments involved in the identification, measurement, management and monitoring of the main risks of the Company and its subsidiaries.

The Guidelines were sent to the subsidiaries so that the latter could take account of them in the definition and maintenance of their own ICRMS, without prejudice to each company's autonomy and independence.

The ICRMS must contribute to the running of the Company in line with the corporate objectives laid down by the Board of Directors, encouraging informed decision-making. It helps to ensure the safeguarding of company assets, the efficiency and effectiveness of company processes, the reliability of financial reporting, compliance with laws and regulations and with the By-laws and internal procedures.

The ICRMS is broken down into three levels of control, in line with the best national and international standards and with the provisions of the Organisation, Management and Control Model pursuant to Legislative Decree 231/2001:

1st level: represented by line checks designed to ensure that operations are performed correctly, in line with the Company's business and governance objectives; these checks are carried out by the heads of the operating areas who identify and assess the risks and lay down specific steps for managing them;

2nd level: functions in charge of establishing the methodologies and tools for risk management and performance of risk monitoring activities;

3rd level: the Internal Audit function, as well as any other parties that provide objective and independent assurance as to the design and functioning of the overall System.

The Guidelines provide for the involvement of the following corporate bodies and functions:

the **Board of Directors**, with the following tasks:

- examining and approving strategic plans, periodically monitoring their implementation;
- periodically examining the main corporate risks and processes implemented to prevent, reduce and manage them;

- defining the risk profile, both as to nature and level of risks, in a manner consistent with the Company's strategic objectives, as determined by the Board of Directors at the time the Strategic Plan is approved, amended or revised;
- evaluating the adequacy of the Company's organisational, administrative and accounting structure as well as of its strategically significant subsidiaries, particularly with regard to the Internal Control and Risk Management System;
- examining and approving the financial statements for the period;

the **Board of Directors**, having obtained the opinion of the Control and Risk Committee, with the following tasks:

- defining the Internal Control and Risk Management System Guidelines in line with the Company's risk profile, while ensuring that it is updated, so that the main risks pertaining to the Company and its subsidiaries are correctly identified and adequately measured, handled and monitored, also determining the degree of compatibility of these risks with a business management approach that is consistent with the strategic objectives set;
- assessing, at least once a year, the adequacy and effectiveness of the Internal Control and Risk Management System with respect to the Company's characteristics and risk profile, ensuring that:
 - duties and responsibilities are allocated in a clear and appropriate manner;
 - the control departments, including the Head of Internal Audit, the Financial Reporting Officer and the **Supervisory Body**, have been given adequate resources to perform their respective duties with an appropriate level of decision-making autonomy within the overall corporate structure.
- approving, at least once a year, the work plan proposed by the Head of Internal Audit, having consulted the Director in charge of the ICRMS and the Board of Statutory Auditors (the work plan also has to cover the reliability of the IT systems);

the **Board of Directors**, upon the proposal of the **Director in charge of the ICRMS**, having also consulted the Board of Statutory Auditors and the Control and Risk Committee, with the following tasks:

- appointing and removing the Head of Internal Audit, ensuring that the latter has adequate resources to carry out their duties and establish their remuneration in line with company policies.

The Board of Directors, with the assistance of the Control and Risk Committee and the Committee for Sustainability and Social Responsibility, also determines the criteria for measuring the compatibility of the risks facing the Company and its subsidiaries and, once a year, assesses the adequacy, efficiency and effective functioning of the ICRMS with respect to the characteristics of the business, taking into consideration the matters reported by the Committees.

With reference to subsidiaries with autonomous internal control structures with similar tasks to those assigned by the Code to the Control and Risk Committee, the activities performed by the Control and Risk Committee of Italmobiliare essentially involve reviewing and assessing the reports received from these structures.

During the course of the year, when the Board of Directors carried out their investment analyses, it did not find any risk profiles that were incompatible with the Company's strategic objectives, also with a view to their sustainability over the medium to long-term.

The Board of Directors approved the work plan prepared by the Head of Internal Audit, having consulted the Board of Statutory Auditors and the Director in charge of the ICRMS.

This process is operating in the main subsidiaries.

THE DIRECTOR IN CHARGE OF THE ICRMS

At the meeting on April 21, 2020, the Board of Directors confirmed the Chief Executive Officer-Chief Operating Officer Carlo Pesenti as the Director in charge of the ICRMS.

He has the task of:

- a. identifying the main risks, taking into account the characteristics of the business activities carried on by the Company and its subsidiaries, and submitting them periodically to review by the Board of Directors;
- b. applying the Guidelines, overseeing the planning, implementation and management of the ICRMS, checking its adequacy and effectiveness on an ongoing basis;
- c. after obtaining the opinion of the Control and Risk Committee and having consulted the Board of Statutory Auditors, proposing to the Board of Directors the appointment, removal and remuneration of the Head of Internal Audit; also ensuring their independence and operating autonomy from the heads of the operating areas, checking that they have appropriate means to perform their duties effectively;
- d. adjusting the Internal Control and Risk Management System to the dynamics of operating conditions and the legislative and regulatory framework;
- e. reporting promptly to the Control and Risk Committee (or to the Board of Directors) issues and problems identified during his activity or of which he becomes aware, so that the Committee (or Board of Directors) can take appropriate action.

The Director in charge of the ICRMS can also ask the Internal Audit Department to carry out reviews of specific operational areas and whether business operations comply with the rules and internal procedures, giving simultaneous notice to the Chairman of the Board of Directors, the Chairman of the Control and Risk Committee and the Chairman of the Board of Statutory Auditors.

The Director in charge of the ICRMS has the task of issuing, together with the Financial Reporting Officer, statements regarding the adequacy and effective application of the administrative and accounting procedures, the compliance of the documents with international accounting standards, that the documents correspond to the contents of the accounting books and records, and the suitability of the documents to provide a true and fair view of the key financial data of the Company and of the Group.

HEAD OF INTERNAL AUDIT

Delia Strazzarino was appointed Head of Internal Audit by the Board of Directors, on the proposal of the Director in charge of the ICRMS and having consulted the Board of Statutory Auditors.

On the proposal of the Director in charge of the ICRMS and having consulted the Board of Statutory Auditors and the Control and Risk Committee, the Board of Directors established the remuneration of the Head of Internal Audit in line with company policies and ensured that this role had adequate resources to perform their duties.

The Head of Internal Audit is tasked with checking that the ICRMS is operational and adequate, providing the corporate bodies and top management with an objective assessment. She therefore has direct access to all information needed to carry out her role, she is not responsible for any operating area and reports hierarchically to the Board of Directors.

The Head of Internal Audit reports on the methods used to manage risk, compliance with the plans to mitigate risk, and informs the Board of Directors, the Control and Risk Committee, the

Director in charge of the ICRMS and the Board of Statutory Auditors about her assessment of the appropriateness of the ICRMS. The Head of Internal Audit provides the Board of Directors with an annual outline, as part of the audit plan, of the structure of her department which she deems fit, in both numerical and professional terms, to perform the tasks assigned to it. She prepares periodic reports containing suitable information on her department's activities, the methods used to manage risk and compliance with the plans to mitigate risk, in addition to an assessment of the appropriateness of the ICRMS and any reports on particularly important events, and sends them to the Chairman of the Board of Statutory Auditors, the Chairman of the Control and Risk Committee and the Chairman of the Board of Directors, as well as to the Director in charge of the ICRMS. She also verifies the reliability of the information systems, including the accounting systems.

As part of its "Quality Assurance and Improvement Programme", the Internal Audit Department undergoes a Quality Assurance Review by an independent external body at least once every five years; the last review, which was completed at the beginning of 2020, ended with an assessment of substantial compliance with the standards for professional practice and the Code of Ethics of Internal Audit.

After obtaining the opinion of the Control and Risk Committee and having consulted with the Director in charge of the ICRMS and the Board of Statutory Auditors, the Board of Directors approved:

- the mandate of the Internal Audit Department, last amended by resolution on March 2, 2017, which formally defines the mission, objectives, organisational context and responsibilities of the department in line with the definition of Internal Auditing, with the Code of Ethics and the international standards as per the *International Professional Practices Framework* of the *Institute of Internal Auditors*;
- the work plan for 2021 prepared by the Head of Internal Audit, reviewed at the meeting on January 27, 2021.

The Internal Audit Department carries out its duties directly in all areas of the Italmobiliare Group, except for the subsidiaries that have an independent Internal Audit function.

At Group level, the Internal Audit Department coordinates with the equivalent functions at the subsidiaries in order to encourage a uniform approach to the operational and adequacy checks of the ICRMS, taking into account the autonomy, independence and responsibilities of the subsidiaries and their corporate bodies.

THE ORGANISATION, MANAGEMENT AND CONTROL MODEL PURSUANT TO LEGISLATIVE DECREE 231/2001 AND THE SUPERVISORY BODY

In order to make the internal control and corporate governance system more effective, in order to prevent the perpetration of corporate offences and those against the Public Administration, since 2004 the Company has adopted an Organisation, Management and Control Model (the "**Model**"), in application of Legislative Decree 231/01, updated over the years and last amended by resolution of the Board of Directors on November 5, 2020.

By adopting the Model, the Company intends to disseminate and establish a corporate culture based on legality, with the express censure of all conduct contrary to the law and the regulations contained in the Model.

There have been several updates to incorporate changes made to the law which have gradually extended the scope of application of Legislative Decree 231/01 to additional categories of offences with respect to those originally included. All updates to the Model, except those of a purely formal nature, have been carried out on the basis of targeted risk assessments performed by consultants specialized in the matters taken into consideration on each occasion.

In 2020, the updates submitted for approval by the Board concerned both the General Part and the Special Part and refer to tax offences and the trafficking of illicit influences. In the General Part, the Model was also updated to ensure better coordination with the Code of Ethics in the parts on whistleblowing and the penalty system.

The General Section of the Model is available on the Company's website www.italmobiliare.it, in the "Governance/Organisation, Management and Control Model" section.

The main subsidiaries also have an organisation, management and control model pursuant to Legislative Decree 231/01.

The task of continuously supervising effective functioning and compliance with the Model, as well as proposing updates to it, is assigned to the Supervisory Body, appointed by the Board of Directors to which it reports directly, and given adequate resources to ensure autonomy, professionalism and independence in the exercise of its duties.

In accordance with the Model, the Supervisory Body appointed by the Board of Directors on April 21, 2020 is currently made up of Paolo Sfameni (Chairman), an external consultant and independent director up to April 21, 2020, Luciana Ravicini, standing auditor, and Delia Strazzarino, the Company's Head of Internal Audit.

As part of its duties, the Supervisory Body periodically meets with the Company Executives in charge of sensitive areas as defined by Legislative Decree no. 231/01, the Board of Statutory Auditors, the Control and Risks Committee, the Financial Reporting Officer and representatives of the Independent Auditors to discuss any matters concerning the prevention of offences specified in the Model, including those relating to financial reporting. The Supervisory Body is granted autonomous initiative and control powers within the Company in order to carry out its functions effectively.

The Supervisory Body periodically, and at least once every six months, prepares a written report on its activities, sending it with a documented expense report to the Chairman of the Board of Directors, the Chairman of the Board of Statutory Auditors, the Chairman of the Control and Risk Committee and the Financial Reporting Officer. Such reports contain any proposals for additions and amendments to the Model. This periodic report must at least contain or highlight:

- a. any problems that have arisen with regard to the methods of implementing the procedures laid down in the Model;
- b. the reports received from internal and external parties with comments they may have on the Model;
- c. disciplinary procedures and penalties, if any, applied by the Company, with exclusive reference to activities at risk;
- d. a complete assessment of how the Model functions with any indications for supplements, corrections or amendments.

INTERNAL CONTROL AND FINANCIAL REPORTING

The Internal Control and Risk Management System relating to the process of financial reporting is made up of a series of company rules and procedures adopted by the various operating structures to ensure the soundness, accuracy, reliability and timeliness of financial reports.

Italmobiliare has defined its own operating Model to comply with the Law on savings ("**Operating Model**"), detailing the operational approach for carrying out its activities. This Model is based on the principles contained in the CoSO framework and in the document "Internal Control over Financial Reporting - Guidance for Smaller Public Companies", also developed by CoSO.

In this operating Model, the Internal Control and Risk Management System is considered together with the internal control system in relation to the financial reporting process.

The Operating Model defined by Italmobiliare is based on the following main elements:

- a. Preliminary analysis.** This activity, carried out on an annual basis and whenever deemed necessary, is aimed at identifying and assessing the risks related to the Internal Control and Risk Management System with regard to financial reporting, in order to determine priorities for the steps to be taken in terms of documentation, assessment and testing of administrative and accounting procedures and related controls. The identification of the relevant entities and processes is based on both quantitative factors (proportion of revenue and assets of a single entity compared with the consolidated amounts, the size of consolidated balance sheet items related to a particular process) and qualitative factors (the country in which an entity operates, specific risks, risk levels assigned to the various items);
- b. Operational planning.** Every year, activities are planned on the basis of the priorities identified through the preliminary analysis and any other assumptions;
- c. Analysis of controls at company level.** The individual companies within the scope of intervention, identified in the preliminary analysis, are responsible for the related activities *i)* assessment of the effectiveness of the Internal Control and Risk Management System in relation to the governance principles operating at company level (Entity Level Controls), as well as *ii)* overall management of the information systems used in processes relevant for financial reporting and the related IT infrastructure (Information Technology General Controls), to be carried out in accordance with the timing established during the operational planning phase and on the basis of the guidelines, instructions and templates provided by the Financial Reporting Officer;
- d. Analysis of controls at process level.** The individual companies within the scope of intervention, identified in the preliminary analysis, are responsible for the related activities: *i)* documenting, with varying levels of detail depending on the level of risk allocated, the administrative and accounting processes previously identified, *ii)* performing tests to check the effective operation of controls, in accordance with the deadlines established during operational planning and on the basis of guidelines, instructions and templates provided by the Financial Reporting Officer;
- e. Assessment of the adequacy and effective operation of the administrative and accounting procedures and the related controls.** In order to guarantee compliance with the key requirements for financial reporting ("financial statement assertions"), on the basis of the results of the activities carried out and the documentation obtained, the Financial Reporting Officer assesses the overall adequacy and effective operation of the system of administrative and accounting procedures and related controls, and more generally, the Internal Control System for these areas.

With reference to the financial reporting process, the ICRMS also benefited from: the continuous development of an integrated corporate governance system (Service Orders, company processes and procedures); more accurate organisation and programming in relation to the provisions of Law no. 262 of December 28, 2005, containing "Provisions on the protection of savings and the regulation of financial markets" and subsequent corrective decrees ("Savings Law"), issued by the legislator for the purpose of increasing transparency in corporate reporting and strengthening the internal control systems of listed issuers.

INDEPENDENT AUDITORS

The auditing of the company's accounts, as required by the current law, has been entrusted to Independent Auditors appointed by the Shareholders' Meeting on the proposal of the Board of Statutory Auditors. The assignment to audit the separate financial statements of Italmobiliare and the consolidated financial statements of the Group and to perform a limited audit of the condensed half-year consolidated financial statements of the Group for the years 2019-2027 was awarded to Deloitte & Touche S.p.A. by the Shareholders' Meeting on April 17, 2019 upon the Board of Statutory Auditors' recommendation.

FINANCIAL REPORTING OFFICER

At the board meeting on April 21, 2020 the Board of Directors confirmed Mauro Torri as the Financial Reporting Officer, pursuant to art. 154-bis of the CLF and art. 29 of the By-laws. According to the By-laws, the Financial Reporting Officer has to be a manager and meet the integrity requirements established by law for members of the Board of Directors; he must also have acquired at least three years' experience in administration, accounting, finance or control at the Company or its subsidiaries or at other joint-stock companies.

At the time of his appointment, on the proposal of the Remuneration Committee in office at the time and with the favourable opinion of the Board of Statutory Auditors, the Board of Directors established the compensation of the Financial Reporting Officer and granted him full spending autonomy to exercise the powers conferred on him, with the obligation to report to the Board of Directors on a half-yearly basis on how funds have been spent.

In view of the Law on Savings, the Company has adopted a specific Regulation, which in compliance with the law, the By-laws and following current best practices, among other things:

- a. defines the responsibilities and powers of the Financial Reporting Officer of Italmobiliare;
- b. identifies the responsibilities and method for the appointment, removal and termination of office of the Financial Reporting Officer, the term of office and requirements in terms of professional skills and integrity;
- c. lays down the principles of conduct which the Financial Reporting Officer has to observe in the event of conflicts of interest, as well as the confidentiality that has to be maintained while carrying out their activities;
- d. indicates the responsibilities, powers and resources granted to the Financial Reporting Officer for the exercise of their duties, identifying the financial and human resources needed to carry out the mandate;
- e. defines dealings with other Company entities and functions, with the corporate bodies, the internal and external control bodies and with subsidiaries, regulating the information flows between them;
- f. explains the process of internal and external attestation with reference to: the Financial Reporting Officer's statements that the Company's acts and communications disclosed to the market agree with the supporting documentation, books of account and accounting entries; statements made by the Financial Reporting Officer and delegated administrative bodies relating to the financial statements, the condensed interim financial statements and the consolidated financial statements.

The Regulation, last updated in January 2021, applies to all entities, functions and corporate bodies of Italmobiliare, as well as all its direct or indirect subsidiaries. The Regulation has been circulated to the staff of the Company, the subsidiaries, as well as to all those affected by its contents.

The functions and duties of the Financial Reporting Officer laid down in the Regulation include:

- a. ensuring there are adequate administrative and accounting procedures for the drafting of the financial statements, the condensed interim financial statements and the consolidated financial statements, as well as any other financial and non-financial reporting drawn up under Legislative Decree 254/2016, updating such procedures and ensuring dissemination and compliance, as well as verifying that they are applied in practice;
- b. assessing, together with the Control and Risk Committee and the Independent Auditors, correct application of the accounting standards and their consistency for the purpose of the financial statements mentioned above;
- c. reporting periodically to top management and the Board of Directors on the activities performed;
- d. periodically reviewing the assessment of financial reporting risks and updating the mapping of such risks;
- e. participating in the design of IT systems that have an impact on the Company's results and financial position.

RISK MANAGEMENT

The Company develops and maintains a risk management model aimed at identifying, assessing and managing the main business risks on the basis of the guidelines defined periodically by the Board of Directors.

Within the context of the ICRMS, the head of risk management:

- proposes a system of governance of enterprise risk management to the Board of Directors;
- coordinates the risk assessment activities carried out by the other corporate functions involved (the "risk experts") for specific insights, to the extent of their sphere of competence;
- coordinates the process of analysis and management of the risks that are considered relevant to the Group, consolidating the results of the risk assessment carried out by the investee companies;
- ensures the definition, evolution and updating over time of the methodology to support the risk management process, providing methodological support to the individual functions involved.
- prepares a system of periodical risk reporting for top management, the Control and Risk Committee and the Board of Directors;
- at least once every six months, monitors implementation of the strategies adopted to mitigate the main risks that have emerged.

Responsibility for risk management is entrusted to the Head of Internal Audit, who does not take any decisions regarding risk management, but carries out work that involves assessment and monitoring. Specific actions to handle risks are decided by management.

Analysis of risk events that could affect achievement of the objectives of the Company and the Group continued in 2020 and up to the date of approval of this Report. In particular, the impact of the Covid-19 emergency on the Company and its affiliates was constantly monitored, and the Control and Risk Committee and the Board of Directors were periodically informed.

COORDINATION BETWEEN PARTIES INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The various parties involved in the Internal Control and Risk Management System (Board of Directors, Director in charge of the ICRMS, Control and Risk Committee, Committee for Sustainability and Social Responsibility, Internal Audit Department, Financial Reporting Officer, the Board of Statutory Auditors, Supervisory Body and other roles and company departments with specific duties regarding internal control and risk management) are coordinated through an exchange of information and meetings scheduled ad hoc or at meetings of the individual bodies.

ASSESSMENT OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

On the basis of the assessments and information received, with the support of the activities carried out by the Control and Risk Committee and with the contribution of the Director in charge of the ICRMS, the Head of Internal Audit and the Financial Reporting Officer, the Board of Directors acknowledged that there had been no reports of problem areas that could invalidate the overall adequacy and effectiveness of the Internal Control and Risk Management System with respect to the structure of the Company and the Group and the characteristics of the business. In fact, the Internal Control and Risk Management System is subject to ongoing improvement by means of systematic monitoring and planning of improvement initiatives, in line with international standards.

IV. Board of Statutory Auditors

APPOINTMENT OF THE STATUTORY AUDITORS

The members of the Board of Statutory Auditors are appointed on the basis of slates submitted by the Shareholders, according to a system designed to allow the minority to appoint a Standing Auditor, who assumes the office of Chairman, and an Alternate Auditor. The appointment is made in accordance with current regulations on gender balance.

The slates must be filed at the Company's registered office or sent to the certified email address indicated in the notice of calling of the Shareholders' Meeting, at least 25 days prior to the date set for the Shareholders' Meeting; this is mentioned in the notice of calling along with the procedures and shareholding required for their submission.

Only Shareholders who, alone or with others, can provide evidence that they have a stake in the share capital with voting rights not lower than the level set by Consob pursuant to current regulations for the appointment of the Board of Directors are entitled to present slates.

No shareholder may file or participate in the filing of more than one slate, directly or through a nominee or trust company, or vote for different slates. Shareholders belonging to the same group and shareholders who join a shareholders' agreement involving the Company's shares may not file or vote for more than one slate, not even through a nominee or trust companies. Slates filed in violation of these restrictions will not be accepted.

Each candidate can only be on one slate under penalty of ineligibility.

Slates that have a total number of candidates equal to or greater than three must be composed of candidates belonging to both genders, to an extent that complies with current regulations on gender balance. This applies to candidates for the office of Standing Auditor, as well as to candidates for the office of Alternate Auditor.

At the time they are filed, slates must include:

- a. the statements in which the individual candidates accept their candidacy; a statement, under their own responsibility, that they meet the professionalism requirements laid down in the By-laws, that there are no grounds for ineligibility or incompatibility, that they meet the integrity requirements established by law, and whether they satisfy the independence requirements of the law and the Code;
- b. a brief *curriculum vitae* on the personal and professional skills of each candidate with an indication of positions they hold as director or statutory auditor in other companies;
- c. information on the identity of the shareholders who have presented slates. The certification or statement proving ownership of the shareholding prescribed by the law in force when the slate is presented may also be produced after the filing of the slate, providing that it reaches the Company before the deadline laid down in current regulations on the publication of slates by the Company;
- d. a statement by shareholders - other than those who have a controlling or majority stake, jointly or severally - acknowledging that they do not have any joint shareholdings, as defined by law.

If a slate does not comply with these provisions, it will be considered as though not presented.

In the event that, by the deadline of 25 days prior to the date of the Shareholders' Meeting, only one slate has been filed, or only slates presented by shareholders who are connected to each other pursuant to current regulations, further slates can be presented up to the third day subsequent to that date and the threshold indicated in the notice of calling is halved.

At least 21 days prior to the date set for the Shareholders' Meeting called to resolve on the appointment of the control bodies, the Company shall make the slates of candidates filed by shareholders and the relative documentation available to the public at the registered offices, the market management company and on its website.

In the event of more than one slate being filed:

- the slate that obtains the highest number of votes at the Shareholders' Meeting elects two Standing Auditors and two Alternate Auditors, in the order in which they are listed in the sections of the slate;
- the minority shareholders' slate that obtains the highest number of votes among the slates presented and voted by shareholders who are not connected in any way, directly or indirectly, with the majority shareholders, elects the third Standing Auditor and the third Alternate Auditor, in the order in which they are listed in the sections of the slate;
- should more than one slate obtain the same number of votes, a run-off is held between these slates by all the shareholders with voting rights present at the Shareholders' Meeting, and the candidates are elected from the slate that obtains a majority of the share capital represented at the Shareholders' Meeting.

Should a party connected to a majority shareholder vote for a slate of the minority shareholders, the connection is only considered significant for the purposes of excluding the minority shareholders' elected Statutory Auditor if this vote was crucial for the election of the Auditor in question.

Should a single slate be filed, all the candidates included in that slate are elected with a simple majority vote of the share capital represented at the Shareholders' Meeting.

If, as a result of voting several slates or voting the only slate presented, the composition of the Board of Statutory Auditors, as to its standing members, does not meet the current regulations on gender balance, the necessary replacements will be made choosing from among candidates to the office of Standing Auditor on the slate that has obtained the highest number of votes or from within the only slate presented, starting from the last candidate on that slate.

Should no slates be filed, the Shareholders' Meeting appoints the Board of Statutory Auditors with a simple majority vote of the share capital represented at the Shareholders' Meeting, providing gender balance is ensured in accordance with current legislation.

The Chairmanship of the Board of Statutory Auditors lies with the person indicated in first place on the slate presented and voted by the minority shareholders, or with the first person listed if only one slate is presented, or with the person appointed as such by the Shareholders' Meeting should no slates be presented.

Pursuant to the By-laws, those who find themselves in an incompatible situation as defined by law, or those who have exceeded the limit on the accumulation of appointments established by current regulations may not be elected as Statutory Auditors, and if they have been elected shall fall from office. Should an elected Statutory Auditor during their term of office no longer meet the requirements envisaged by the law or the By-laws, they fall from office.

When it is necessary to replace a Standing Auditor, the Alternate Auditor belonging to the same slate as the outgoing Auditor takes over. In their absence, in accordance with the original order of presentation, the candidate from the same slate as the outgoing Auditor takes over, without taking the initial section into account. If the replacement involves the Chairman of the Board of Statutory Auditors, the position will be taken over by the Auditor representing the minority shareholders. The Statutory Auditors appointed in this way as replacements remain in office until the following Shareholders' Meeting.

If it is necessary to integrate the Board of Statutory Auditors:

- to replace a Statutory Auditor elected from the majority shareholders' slate, the appointment takes place with a simple majority vote of the share capital represented at the Shareholders' Meeting, choosing from among the candidates indicated in the original majority shareholders' slate;
- to replace a Statutory Auditor elected from the minority shareholders' slate, the appointment takes place with a simple majority vote of the share capital represented at the Shareholders' Meeting, choosing from among the candidates indicated in the original minority shareholders' slate;
- for the simultaneous replacement of Auditors elected in both the majority and minority shareholders' slates, the appointment takes place with a simple majority vote of the share capital represented at the Shareholders' Meeting, choosing from among the candidates indicated on the slate to which each Statutory Auditor to be replaced belonged, with a number of Statutory Auditors equal to the number of outgoing Statutory Auditors belonging to the same slate.

Where it is not possible to proceed as described above, the Shareholders' Meeting called to integrate the Board of Statutory Auditors decides by relative majority of the share capital represented at the Shareholders' Meeting, without prejudice to the principle according to which the minority will always be entitled to appoint one Standing Auditor and one Alternate Auditor. In any case, the Chairmanship of the Board of Statutory Auditors must be assigned to the Statutory Auditor representing the minority shareholders. The procedures on replacements as indicated in the previous paragraphs must in any case ensure compliance with current legislation on gender balance.

Pursuant to the Code, the Statutory Auditors are chosen from among people who would also qualify as independent under the criteria laid down for Directors.

COMPOSITION AND FUNCTIONING OF THE BOARD OF STATUTORY AUDITORS

The Board of Statutory Auditors, in office for the duration of three years up to approval of the financial statements at December 31, 2022, was appointed by the Shareholders' Meeting on April 21, 2020 and is made up of Pierluigi De Biasi, Chairman, Gabriele Villa and Luciana Ravicini. Alternate Auditors are Maria Maddalena Gnudi, Michele Casò and Tiziana Nesa.

The Board of Statutory Auditors in office was appointed using the slate voting system: Gabriele Villa, Luciana Ravicini, Maria Maddalena Gnudi and Michele Casò were selected from the majority slate submitted by the Compagnia Fiduciaria Nazionale S.p.A.; Pierluigi De Biasi and Tiziana Nesa were selected from the minority slate submitted by institutional investors (RWC Asset Management LLP and Fidelity International). The slates are available in the "Governance/Shareholders' Meeting/Shareholders' Meeting archive" section of the Company's website. Further detailed information on the Board of Statutory Auditors is provided in the table set out at the end of this Report.

All members are independent pursuant to the CLF and also meet all of the independence requirements laid down by the Code for Directors. Immediately after their appointment, the Board of Statutory Auditors verified that they met the independence requirements and informed the Board accordingly. The requirements were last verified in February 2021 and the Board was informed of the results of the assessment.

In compliance with the provisions on gender quotas in force at the time of appointment, one third of the positions are reserved for the less represented gender.

The *curriculum vitae* of each Standing Auditor is available in the "Governance/Statutory Auditors" section of the website www.italmobiliare.it and is also in the incipit of the Annual Financial Report together with the offices they hold.

During 2020, the Board of Statutory Auditors held a total of 18 meetings (7 meetings of the Board in office up to April 21, 2020 and 11 meetings of the Board in office from April 21, 2020) lasting for

an hour and a half on average, with the attendance shown in the tables at the end of this report, as well as having taken part in all meetings of the Company's Board Committees. The independent auditors, the Chief Executive Officer-Chief Operating Officer, the Financial Reporting Officer, the Head of Internal Audit and other heads of department were invited to meetings of the Board of Statutory Auditors to provide appropriate insights into the items on the agenda.

In accordance with the CLF, the Board of Statutory Auditors oversees: *i)* compliance with the law and the By-laws; *ii)* compliance with the principles of correct administration; *iii)* the adequacy of the Company's organisational structure for the aspects within its sphere of competence, the internal control system and the administrative-accounting system, as well as its reliability in giving a true and fair view of the Company's operations; *iv)* the ways in which the rules laid down in the Corporate Governance Code adopted by the Company are implemented in practice; *v)* the adequacy of the instructions that the Company issues to its subsidiaries to ensure the correct fulfilment of the reporting obligations laid down by law.

Moreover, pursuant to art. 19 of Legislative Decree 39/2010, the Board of Statutory Auditors, as the "Internal Control and Auditing Committee" is responsible for:

- a. informing the Board of Directors of the outcome of the external audit, sending it the additional report prepared by the independent auditors, accompanied by any observations;
- b. monitoring the financial reporting process and presenting recommendations or proposals intended to ensure its integrity;
- c. checking the efficiency of the internal quality control and business risk management systems and of the internal audit, as regards the financial reporting of Italmobiliare, without infringing their independence;
- d. monitoring the external audit of the annual and consolidated financial statements, also taking into account the results and conclusions of any quality checks carried out by Consob;
- e. checking and monitoring the independence of the independent auditors, particularly as regards the adequacy of services provided other than audit;
- f. the procedure for selecting the external or independent auditors, and once the selection process has been carried out, recommending to the Shareholders' Meeting which external or independent auditors should be appointed.

The Chairman of the Board of Directors has arranged for the Statutory Auditors to participate in the most appropriate forms in initiatives designed to provide them with adequate knowledge of the sector in which the Company operates, the corporate dynamics and their evolution, the principles of correct risk management and the regulatory and self-regulatory framework of reference. In particular, in 2020, the Statutory Auditors were able to participate in the induction meetings organised by the Company for the Directors and to hold meetings with the Chief Executive Officer-Chief Operating Officer for an exchange of information.

The remuneration of the Statutory Auditors is commensurate with the commitment required, the relevance of their role and the size and sector-related characteristics of the business.

The Company requires any Statutory Auditor who, on their own behalf or on behalf of third parties, has an interest in a specific Company transaction, to inform the other Statutory Auditors and the Chairman of the Board of Directors promptly and in detail about the nature, terms, origin and extent of such interest.

In performing its activities, the Board of Statutory Auditors coordinated with Internal Audit and with the Control and Risk Committee. This coordination is guaranteed by the Board of Statutory Auditors attending all meetings of the Control and Risk Committee, continuous exchanges of information between the Chairmen of the two corporate bodies as necessary, regarding issues of interest to both, and frequent meetings with the Head of Internal Audit at meetings of the Board of Statutory Auditors and those of the Control and Risk Committee.

V. Relations with Shareholders

The Company makes sure that there is continuous dialogue with the Shareholders and the market, in accordance with the laws and regulations on the disclosure of insider information. The Company's behaviour and procedures are designed, among other things, to anticipate and avoid information asymmetries and to ensure proper application of the principle whereby all investors and potential investors are entitled to receive the same information in order to make sound investment decisions.

With regard to market relations, the Chairman and the Chief Executive Officer-Chief Operating Officer, within the sphere of their respective responsibilities, provide the guidelines that the structures involved should follow when dealing with institutional investors and other Shareholders. The Investor Relations department was established for this purpose. The Board of Directors is periodically updated on its activities.

Information of major interest to investors is made available on the Company's website, in the "Investor" section. The "Governance" section includes information on Shareholders' Meetings, with particular reference to how to participate and exercise the right to vote, the documentation on items on the agenda, including reports on the matters on the agenda and the slates of candidates for the offices of Director and Statutory Auditor with an indication of their personal and professional characteristics.

SHAREHOLDERS' MEETING

The Shareholders' Meeting is called, according to the laws and regulations for companies whose shares are listed on regulated markets, to pass resolutions on the matters reserved for it by law. The decisions taken in accordance with the law and the By-laws are binding on all shareholders, including those absent or dissenting, without prejudice to the right of withdrawal in certain situations. The majorities required to amend the By-laws are those established by law.

The Board of Directors recommends to all of its members to participate regularly in Shareholders' Meetings and seeks to encourage and facilitate the widest possible participation of Shareholders and to facilitate the exercise of voting rights.

The Board of Directors reports to the Shareholders' Meeting on its past activities and future plans and acts to ensure that the Shareholders have adequate information to allow them to take the decisions required of the Shareholders' Meeting on an informed basis.

All those who have the right to vote as certified by the legally required communication received by the Company by the end of the third open market day prior to the date set for the Shareholders' Meeting at a single calling are entitled to attend the Shareholders' Meeting. The right to attend and vote is retained if the communications are received by the Company after the deadline, as long as they are received before proceedings of the Shareholders' Meeting at single calling begin.

Shareholders who, individually or jointly, own at least one fortieth of the share capital represented by shares with voting rights can, by the legal deadline, ask for items to be added to the agenda, stating in their request what other issues they have proposed for discussion or what other motions they have suggested on matters already on the agenda.

The Company can designate a person, giving a clear indication thereof in the notice of calling, for each Shareholders' Meeting to whom all eligible parties may grant a proxy with voting instructions on all or some of the proposals on the agenda, in the manner provided for by law.

A specific regulation governing Shareholders' Meetings has not been adopted as the extensive powers attributed to the Chairman by law and doctrine are considered adequate enough to ensure the orderly conduct of Shareholders' Meetings, also because art. 13 of the By-laws expressly gives the Chairman the power to direct the debate and establish the order and methods of voting, providing it is open.

In 2020, considering the Covid-19 health crisis and in accordance with the provisions of Decree Law no. 18 of March 17, 2020 "Measures to strengthen the national health service and economic support for families, workers and companies connected to the epidemiological emergency caused by Covid-19", and in particular of art. 106 of the Decree, the Shareholders' Meeting was held allowing the participation of those entitled to vote exclusively through the "Representative Appointed" by the Company pursuant to art. 135-undecies of the CLF.

The Shareholders' Meeting was held on April 21, 2020 to vote on the following agenda:

1. Financial statements at December 31, 2019, distribution of the dividend and an additional extraordinary dividend, also out of reserves.
2. Report on the remuneration policy and on the remuneration paid, pursuant to art. 123-ter of the Consolidated Law on Finance:
 - 2.1 remuneration policy for 2020;
 - 2.2 consultation on the remuneration paid in 2019.
3. Appointment of the Board of Directors:
 - 3.1 determination of the number of members;
 - 3.2 determination of the term of office;
 - 3.3 appointment of the members;
 - 3.4 determination of the directors' remuneration.
4. Appointment of the Board of Statutory Auditors for the three-year period 2020-2022:
 - 4.1 appointment of the members and Chairman of the Board of Statutory Auditors;
 - 4.2 determination of the remuneration of the Board of Statutory Auditors.
5. Authorisation to buy and sell treasury shares, following revocation of the authorisation given by the Shareholders' Meeting held on April 17, 2019.
6. Incentive plan based on financial instruments pursuant to art. 114 bis of the Consolidated Law on Finance.

VI. Codes of conduct, procedures and other corporate governance practices

DIVERSITY AND GENDER BALANCE POLICIES IN THE COMPOSITION OF CORPORATE BODIES

The composition of the Board of Directors and Board of Statutory Auditors of Italmobiliare has evolved over time in accordance with best practices, in order to ensure adequate representation in terms of experience, age and gender.

In January 2020, the Board of Directors approved an amendment to the By-laws on this matter to ensure compliance with the new legal provisions, which now provide that 2/5 of the members of the corporate bodies are to go to the less represented gender.

In view of the renewal of the corporate bodies approved by the Shareholders' Meeting in April 2020, the outgoing Board of Directors, helped by the Remuneration and Nominations Committee, issued a guidance opinion on the qualitative and quantitative composition and professional skills of the new Directors, aware that the enhancement of diversity is a fundamental element of sustainability of the business in the medium to long term, both for Group employees and for the members of Italmobiliare's administrative and control bodies.

Adequate gender representation is ensured on the current Board of Directors, with the presence of 5 female Directors out of 12, i.e. 42%. The average age of the Directors is 56. Thanks to the variety of their professional training and careers, the members currently in office guarantee the contribution of qualified and complementary skills to the Company's governance.

Likewise for the current Board of Statutory Auditors: one out of three Standing Auditors and one out of three Alternate Auditors are female.

It is worth remembering that following the self-assessment process, the positive opinion on the composition of the Board in terms of skills and experience and the representation of diversity was confirmed for 2020 as well.

Lastly, in addition to the above, it is worth remembering that in 2019 the Company's Board of Directors approved the sustainability policy, which includes among its pillars the "Enhancement and Growth of People". This is because Italmobiliare is aware of the fact that the Group's development and success also depend on the ability to attract and retain people with different, complementary skills and on the training of leaders able to guide company growth by aligning the interests of management and shareholders and promoting the sustainable creation of value in the medium to long term.

PROCEDURES FOR MANAGING INSIDER INFORMATION AND THE INSIDER LIST

The Company has adopted a procedure for the management of insider information, i.e. information of a precise nature, not yet made public, directly or indirectly concerning Italmobiliare or its financial instruments and, if made public, likely to have a significant effect on the price of listed financial instruments issued by Italmobiliare, or on the prices of related derivatives. The procedure, available on the Company's website in the "Governance/Documents and Procedures" section, was last updated in 2018 for the purpose of incorporating the Consob Guidelines on insider information and relevant information, as well as the provisions of Legislative Decree 107/2018.

The rules of conduct and principles set out in the procedure aim to:

- guarantee the utmost confidentiality of the insider information and relevant information (i.e. information that could become insider information at some later date, even quite soon), balancing the interest in ensuring the confidentiality of the information as it is being created with the duty to ensure non-selective disclosure;
- protect investors and market integrity, preventing situations of information asymmetry and preventing certain parties from using non-public information to operate on the markets;
- define the process for identifying and managing relevant information;
- define the processes for identifying and managing insider information;
- protect the Company in relation to any liability it might incur as a result of unlawful conduct involving market abuse adopted by persons traceable to the Company and, in more general terms, as a result of conduct that violates the principle of confidentiality.

The procedure is an essential component of the Company's Internal Control and Risk Management System and of the overall system for preventing the offences mentioned in Legislative Decree 231/2001 and, in particular, of the Organisational Model adopted by the Company for this purpose. It is available on the Company's website www.italmobiliare.it in the "Governance/Documents and Procedures" section.

The rules contained in the procedure bind all Company employees, the members of the Board of Directors and of the Board of Statutory Auditors, and all those who have advisory or collaboration relationships with the Company and/or the Group.

The Company has also adopted a new procedure for registering individuals with access to insider information (so-called "insider list procedure") which is strictly linked to internal regulations on the management and publication of insider information. The procedure, which was also updated in 2018, was adopted in order to fulfil the obligation to draw up a list of people who, based on their work or professional activities, or on the basis of the functions they perform, have access to insider information concerning Italmobiliare. It is available on the Company's website www.italmobiliare.it in the "Governance/Documents and Procedures" section.

THE CODE OF CONDUCT ON INTERNAL DEALING

The Code of Conduct on Internal Dealing, last amended on July 31, 2018, governs the conduct and information requirements relating to transactions involving financial instruments issued by the Company carried out by "relevant persons" - identified as the Company's Directors, Statutory Auditors and key management personnel - and people closely related to them, or by those who hold a number of shares amounting to or exceeding 10% (ten per cent) of the Company's share capital, represented by shares with voting rights, as well as any other entity that controls the Company.

The code of conduct is an essential component of the Company's Internal Control and Risk Management System and of the overall system for preventing the offences mentioned in Legislative Decree 231/2001 and, in particular, of the Organisational Model adopted by Italmobiliare for this purpose.

According to the Code, the reporting requirement applies if the overall amount of the transactions involving Italmobiliare shares comes to more than € 20,000 in a year.

The Code of Conduct also stipulates that relevant persons and persons closely related to them must abstain from carrying out transactions on the listed financial instruments issued by Italmobi-

liare in the 30 calendar days prior to the Italmobiliare Board meeting called to approve the annual and interim financial statements, up until publication of the press release containing the results.

The Code is available on the Company's website www.italmobiliare.it in the "Governance/Documents and Procedures" section.

INTERESTS OF DIRECTORS AND TRANSACTIONS WITH RELATED PARTIES

Since 2010, the Board of Directors has adopted the Procedure for Related-Party Transactions in accordance with Consob's Regulation of March 12, 2010.

The Procedure aims to ensure that transactions with related parties and subjects comparable to them, directly or through the subsidiaries of Italmobiliare, are carried out in a transparent way and in compliance with the criteria of substantial and procedural correctness, also to facilitate the identification and allow adequate management of situations in which a Director has an interest, on their own behalf or on behalf of third parties.

The Procedure was initially amended in 2013 with an extension of the scope of correlation to members of the Supervisory Body and the introduction of a differentiation between the minimum thresholds to assess relevance for transactions in which the counterparty is a natural person and those in which the counterparty is a legal entity.

It was then updated in 2014 to confirm the Company's commitment to adhere to the rules of best practice and the Supervisory Authority's guidelines. The main changes concern: definition of the concept of ordinary transaction; identification of some indicators of correlation which would permit specific monitoring by the Company of transactions with counterparties who are not formally related but who, on a substantial level, could influence the decision-making process; the idea of an informative quarterly report for members of the Committee on transactions with counterparties that have an indicator of correlation; conferral of power to the Committee to identify transactions to be submitted in advance to the preliminary procedure for transactions of lesser importance on the basis of indicators of significance relating to transactions with counterparties showing some correlation.

In 2018, having obtained the favourable opinion of the Committee for Transactions with Related Parties, the Board of Directors further updated the Procedure.

The main changes introduced in 2018 regard the aspects outlined below.

Application of the Procedure was extended, under the same terms set for related parties, to the new category of "identified parties" which includes, in addition to the members of the Company's Supervisory Body, each mutual fund, foundation or non-profit association, established and/or managed by, or in any case referable or connected to related parties, as well as each entity that participates together with the Company, or with one or more subsidiaries of the Company, in joint ventures of significant economic importance for the Company.

In relation to the existing category of subjects with an indicator of correlation (now called "parties with a correlation index"), to whom the Procedure already applied, direct application of control measures for transactions of lesser importance has been established, where the single transaction with a party with an indicator of correlation exceeds the amount of € 750,000, or where transactions accumulated with the same party with an indicator of correlation exceed the amount of € 1,500,000 in one year.

As regards ordinary transactions, the "ordinary investment transactions" category has been introduced, which includes transactions in which the Company subscribes to shares in mutual funds established and/or managed by, or in any case referable or connected to, related parties; as is the case for ordinary transactions, ordinary investment transactions can also be exempt from applica-

tion of the Procedure where certain conditions specifically identified exist cumulatively.

The definition of "small amount transactions" has been supplemented, exempted from the application of the Procedure, in that, leaving untouched the thresholds of € 300,000 per single transaction with natural persons and € 500,000 per single transaction with legal entities, it is specified that, in any one year, the total amounts of € 600,000 and € 1,000,000, respectively, for transactions with the same counterparty may not be exceeded; it was then clarified that application of these thresholds for legal entities includes professional associations.

The Procedure distinguishes "transactions of greater importance" from those of "lesser importance" on the basis of specific criteria predetermined by Consob. This distinction serves to determine the applicable transparency rules, which are simpler in cases of transactions of lesser importance and stricter for transactions of greater importance.

Both types of transactions require the prior opinion of the Committee for Transactions with Related Parties.

This Committee has: the duty to express a reasoned opinion on transactions, both of lesser importance (non-binding opinion) and of greater importance (binding opinion); the right to participate in the negotiation phase and the investigation phase of transactions of greater importance through the receipt of a complete and timely flow of information and the right to request information and make observations to the delegated bodies and the persons appointed to conduct the negotiations or investigation; the right to be assisted by independent experts of its choice at the Company's expense.

In the case of transactions of lesser importance, the Procedure provides the possibility of implementing the transaction even if the Committee expresses a negative opinion, as long as this is disclosed to the market in a specific document that also explains the reasons for this decision.

The Company's By-laws also provide for: i) the possibility that transactions of greater importance with related parties may be completed, despite the negative opinion of the Committee, as long as the completion of these transactions is authorised by the Shareholders' Meeting, on the condition that the majority of the non-related voting shareholders do not vote against the transaction and that the non-related shareholders in attendance at the Shareholders' Meeting represent at least 10% of the share capital with voting rights (so-called "whitewash"); ii) the right for the Company to use the emergency procedure in cases where the transaction is not within the remit of the Shareholders' Meeting and does not have to be authorised by it.

The Procedure does not apply, *inter alia*, to ordinary transactions (carried out within the ordinary course of business and related financial activities of the Company and the Group in general) as long as they are concluded at standard conditions or at terms equivalent to market conditions; to ordinary investment transactions, in the presence of certain conditions; to transactions with or between subsidiaries or with associated companies, unless other related parties of the Company have significant interests in the subsidiaries or associated companies that are counterparties in the transaction; to urgent transactions outside the remit of the Shareholders' Meeting.

On April 21, 2020, after obtaining the favourable opinion of the Board of Statutory Auditors, the Board of Directors appointed the new Committee made up of the independent directors Chiara Palmieri, Chairman, Mirja Cartia d'Asero and Elsa Fornero.

The Committee met three times during 2020; on average, the meetings lasted for less than one hour.

The Procedure governing how transactions with related parties should be carried out is available on the Company's website www.italmobiliare.it in the "Governance/Documents and Procedures" section. In the first half of 2021, steps will be taken to incorporate the amendments to Consob Regulation 17221/2010, approved in December 2020, into the Procedure.

Without prejudice to the provisions contained in the Procedure, also pursuant to the Code of Ethics adopted by Italmobiliare, the members of the corporate bodies must refrain from engaging

in actions that could harm Italmobiliare and from participating in the approval of resolutions by the body to which they belong regarding matters that present even potential conflicts of interest.

CODE OF ETHICS

The Company introduced a Code of Ethics for the first time in 1993 and since then it has been amended and updated. A new text was adopted in 2018 and approved by the Board of Directors.

The Code of Ethics is a set of values and principles underlying Italmobiliare's business and establishes its rules of behaviour and conduct. For the Company and its subsidiaries it represents a solid platform of values, a necessary condition to guarantee constructive dialogue with all interested parties; it also reaffirms the defence of ethical principles and legality as an essential asset for doing business.

The Group's main subsidiaries have in turn adopted their own Code of Ethics.

The Code of Ethics is available on the Company's website www.italmobiliare.it in the "Company/Code of Ethics" section.

GENERAL DATA PROTECTION

The Company completed the activities necessary to adapt to Regulation (EU) 2016/679 - General Data Protection Regulation (GDPR).

The Data Controller is identified as the Company, represented by the Chief Executive Officer-Chief Operating Officer, assisted, until the date of this Report, by a "Data Protection Committee" made up of three internal managers. On the other hand, a Data Protection Officer has not been designated, as the appointment of this figure is not mandatory because Italmobiliare does not handle sensitive, health-related or legal data, nor does it monitor or regularly and systematically handle large masses of personal data.

The Company has implemented the provisions of the GDPR by adopting certain governance tools, such as:

- the "organisational model", which identifies the "Data Protection Committee" as the GDPR guidelines and governance body; the internal contact persons and the internal/external subjects authorised to perform processing as the executive body, leaving the control functions to the Internal Audit Department (and to the government authorities responsible for this);
- the "operating model" containing the implementing provisions (such as, for example, the information notices and requests for consent to process data, the procedures for security and data breach/protection measures);
- the "architectural model" for common data, particular categories of data and for data relating to criminal convictions and offences, checking that the physical/logical security measures exist with respect to the requirements laid down in the new legislation for the applications and infrastructure in place.

The Board of Directors and the Board of Statutory Auditors were informed about the recommendations made in a letter from the Chairman of the Corporate Governance Committee dated December 22, 2020.

As regards the recommendations made in it, the following should be noted:

- i. the Company makes every effort to integrate sustainability into its value creation strategy in a way that is as effective as possible. ESG integration concerns operating processes and risk assessment as well. The relevant ESG issues were considered in the definition of the remuneration policy that will be submitted to the next Shareholders' Meeting. Furthermore, at the time of renewal of the Board, the Company established the Committee for Sustainability and Social Responsibility, chaired by its Chief Executive Officer-Chief Operating Officer, who has the responsibilities described above;
- ii. the information sent to the Board of Directors, its completeness, usability and timeliness are adequate, as assessed by the Board;
- iii. the criteria established by the Code for the purpose of assessing independence have been rigorously applied. The amount above which a director cannot qualify as independent pursuant to letter c) of art. 3C1 of the Code has been set at € 200,000 per year and the additional amount above which a director cannot qualify as independent pursuant to letter d) of art. 3C1 of the Code has also been set at € 200,000 per year. However, up until now, it has not been considered appropriate to introduce qualitative criteria to assess whether the independence requirements are still being satisfied pursuant art. 3C1, letters c) and d), of the current Code;
- iv. the Remuneration and Nominations Committee - also in view of the renewal of the corporate bodies resolved in April 2020 - examined, subsequently reporting to the Board, an analysis of benchmarks concerning the remuneration of non-Executive Directors, members of the Board Committees and of the Board of Statutory Auditors. On this basis, the Board of Directors expressed its opinion as guidance on the composition of the Board published before the Shareholders' Meeting, on the basic remuneration to be assigned to the members of the Board and of the Board Committees. Further detailed information on variable remuneration and end-of-term indemnity are contained in the report on the remuneration policy and on the remuneration paid.

For the various recommendations included in the letter from the Chairman of the Corporate Governance Committee not specifically referred to here, reference should be made to the corresponding paragraphs of the Report.

Unless otherwise indicated in the preceding sections, at the end of 2020, no changes had occurred that might significantly affect the contents of this Report.

Structure of the Board and its Committees

Board of Directors in office until December 31, 2020													Control and Risk Committee		Remuneration and Nominations Committee		Committee for Transactions with Related Parties		Committee for Sustainability and Social Responsibility	
Position	Members	Year of birth	Date of first appointment *	In office since	In office until	Slate **	Exec.	Non-Exec.	Indep. Code	Indep. CLF	No. of other offices ***	(*)	(*)	(**)	(*)	(**)	(*)	(**)	(*)	(**)
Chairman	Laura Zanetti	1970	14.11.2013	21.04.2020	Fin. Stats. 2022	M		•		•	0	13/13							3/3	M
Deputy Chairman	Livio Strazzera	1961	03.05.2002	21.04.2020	Fin. Stats. 2022	M		•		•	1	12/13								
CEO-COO ♦	Carlo Pesenti	1963	17.06.1999	21.04.2020	Fin. Stats. 2022	M	•				3	13/13							3/3	C
Director	Vittorio Bertazzoni	1976	19.04.2017	21.04.2020	Fin. Stats. 2022	M		•	•	•	2	12/13			4/4	M			3/3	M
Director	Giorgio Bonomi	1955	03.05.2002	21.04.2020	Fin. Stats. 2022	M		•			0	13/13	7/7	M						
Director	Mirja Cartia d'Asero	1969	19.04.2017	21.04.2020	Fin. Stats. 2022	M		•	•	•	3	13/13	7/7	C			3/3	M	3/3	M
Director	Elsa Fornero	1948	27.07.2017	21.04.2020	Fin. Stats. 2022	M		•	•	•	1	13/13					3/3	M	3/3	M
Director	Sebastiano Mazzoleni	1968	25.05.2011	21.04.2020	Fin. Stats. 2022	M		•			0	13/13								
Director	Luca Minoli	1961	03.05.2002	21.04.2020	Fin. Stats. 2022	M		•			1	12/13								
Director	Chiara Palmieri	1970	19.04.2017	21.04.2020	Fin. Stats. 2022	M		•	•	•	1	12/13	4/4		4/4	M	2/2			
Director	Antonio Salerno ⁽¹⁾	1974	19.04.2017	21.04.2020	21.1.2021	m		•	•	•	0	13/13								
Director	Marinella Soldi	1966	21.04.2020	21.04.2020	Fin. Stats. 2022	M		•	•	•	2	6/7			2/2	C				
Number of Board meetings held during the year: 13													Control and Risk Committee: 7		Remuneration and Nominations Committee: 4		Committee for Transactions with Related Parties: 3		Sustainability Committee: 3	
Quorum required for minorities to submit slates to elect one or more members (pursuant to Art. 147-ter CLF): 1%																				

NOTES

• This symbol indicates the director in charge of the internal control and risk management system.

♦ This symbol indicates the main person responsible for managing the issuer (Chief Executive Officer or CEO).

* Date of first appointment of each director means the date on which the director was appointed for the very first time to the BoD of the issuer.

** This column indicates the slate from which each director was chosen ("M": majority slate; "m": minority slate; "BoD": slate presented by the Board of Directors).

*** This column indicates the number of offices as director or statutory auditor held by the person concerned in other companies listed in regulated markets, including foreign markets, in finance, banking, insurance or other sizeable companies.

(*) This column indicates the attendance of Directors at the meetings respectively of the Board and of Board Committees.

(**) This column shows the status of the Director within the Committee: "C": Chairman; "M": Member.

(1) Antonio Salerno resigned as a Director on January 21, 2021; Marco Cipelletti, the first and only unelected candidate, belonging to the same minority list presented by RWC Asset Management LLP and Fidelity International from which Antonio Salerno had been taken, was co-opted by the Board of Directors on January 27, 2021 to replace him. Marco Cipelletti will remain in office until the next Shareholders' Meeting.

Directors who resigned during 2020

Position	Members	Year of birth	Date of first appointment *	In office since	In office until	Slate **	Exec.	Non-exec.	Indep. Code	Indep. CLF	Risks and Sustainability Committee			Remuneration and Nominations Committee		Committee for Transactions with Related Parties	
											(*)	(*)	(**)	(*)	(**)	(*)	(**)
Director	Valentina Casella	1979	19.04.2017	19.04.2017	Fin. Stats. 2019	M		•	•	•	5/5	3/3	M			1/1	C
Director	Clemente Rebecchini	1964	25.05.2011	19.04.2017	Fin. Stats. 2019	M		•	•	•	3/5						
Director	Paolo Domenico Sfameni	1965	25.05.2011	31.07.2018	Fin. Stats. 2019	M		•	•	•	5/5			2/2	C		

NOTES

* Date of first appointment of each director means the date on which the director was appointed for the very first time to the Board of the issuer.

** This column indicates the slate from which each director was chosen ("M": majority slate; "m": minority slate; "BoD": slate presented by the Board of Directors).

(*) This column indicates the attendance of Directors at the meetings respectively of the Board and of Board Committees in the period 1.01.2020 - 21.04.2020.

(**) This column shows the status of the Director within the Committee: "C": Chairman; "M": Member.

Board of Statutory Auditors

appointed by the Shareholders' Meeting of April 21, 2020

Position	Members	Year of birth	Date of first appointment *	In office since	In office until	Slate **	Indep. Code	Attendance at BoSA meetings ***	Attendance at BoD meetings From 21.04.2020	No. of other offices ****
Chairman	Pierluigi De Biasi	1956	21.04.2020	21.04.2020	Fin. Stats. 2022	m	•	11/11	8/8	2
Standing Auditor	Gabriele Villa	1964	21.04.2020	21.04.2020	Fin. Stats. 2022	M	•	10/11	8/8	5, of which 2 listed
Standing Auditor	Luciana Ravicini	1959	25.05.2011	21.04.2020	Fin. Stats. 2022	M	•	11/11	12/13	14
Alternate Auditor	Maria Maddalena Gnudi	1979	21.04.2020	21.04.2020	Fin. Stats. 2022	M	N.A.	-	-	-
Alternate Auditor	Michele Casò	1970	21.04.2020	21.04.2020	Fin. Stats. 2022	M	N.A.	-	-	-
Alternate Auditor	Tiziana Nesa	1973	21.04.2020	21.04.2020	Fin. Stats. 2022	m	N.A.	-	-	-

Number of meetings held during 2020 since the Shareholders' Meeting on April 21, 2020 that appointed them: 11

Quorum required to submit slates by the minority parties for election of one or more members (pursuant to Art. 148 of the CLF): 1%

NOTES

* Date of first appointment of each statutory auditor means the date on which the statutory auditor was appointed for the very first time to the Board of Statutory Auditors of the issuer.

** This column indicates the slate from which each statutory auditor was chosen ("M": majority slate; "m": minority slate).

*** This column indicates the attendance of statutory auditors at the meetings of the Board of Statutory Auditors.

**** This column indicates the number of offices as director or statutory auditor held by the person concerned, considered significant pursuant to Article 148-bis of the CLF and the relative implementing provisions contained in Consob's Issuers' Regulation.

Board of Statutory Auditors

in office until the Shareholders' Meeting of April 21, 2020

Position	Members	Year of birth	Date of first appointment *	In office since	In office until	Slate **	Indep. Code	Attendance at BoSA meetings 1.1.2020 - 21.04.2020 ***	Attendance at BoD meetings 1.1.2020 - 21.04.2020
Chairman	Francesco Di Carlo	1969	25.05.2011	19.04.2017	Fin. Stats. 2019	m	•	7/7	5/5
Standing Auditor	Angelo Casò	1940	25.05.2011	19.04.2017	Fin. Stats. 2019	M	•	7/7	5/5
Standing Auditor	Luciana Ravicini	1959	27.05.2014	19.04.2017	Fin. Stats. 2019	M	•	7/7	5/5
Alternate Auditor	Alberto Giusani	1946	19.04.2017	19.04.2017	Fin. Stats. 2019	M	N.A.	-	-
Alternate Auditor	Giovanna Rita	1973	19.04.2017	19.04.2017	Fin. Stats. 2019	M	N.A.	-	-
Alternate Auditor	Paolo Ludovici	1965	25.05.2011	19.04.2017	Fin. Stats. 2019	m	N.A.	-	-

Number of meetings held during 2020 up to the Shareholders' Meeting on April 21, 2020: 7

Quorum required to submit slates by the minority parties for election of one or more members (pursuant to Art. 148 of the CLF): 1%

NOTES

* Date of first appointment of each statutory auditor means the date on which the statutory auditor was appointed for the very first time to the Board of Statutory Auditors of the issuer.

** This column indicates the slate from which each statutory auditor was chosen ("M": majority slate; "m": minority slate).

*** This column indicates the attendance of statutory auditors at the meetings of the Board of Statutory Auditors.

ITALMOBILIARE
GROUP

CONSOLIDATED
FINANCIAL
STATEMENTS
2020

FINANCIAL STATEMENTS

Statement of financial position

(in thousands of euro)	Notes	31.12.2020	31.12.2019	Change
Non-current assets				
Property, plant and equipment	1	159,857	161,033	(1,176)
Investment property	2	7,632	7,919	(287)
Goodwill	3	250,723	181,864	68,859
Intangible assets	4	302,832	178,592	124,240
Investments in associates	5	183,749	164,147	19,602
Other equity investments	6	119,737	210,531	(90,794)
Trade receivables and other non-current assets	7	161,404	180,909	(19,505)
Deferred tax assets	22	18,177	13,075	5,102
Non-current receivables from employees		612	648	(36)
Total non-current assets		1,204,723	1,098,718	106,005
Current assets				
Inventories	8	48,057	57,202	(9,145)
Trade receivables	9	76,892	96,646	(19,754)
Other current assets including derivative financial instruments	10	19,461	22,953	(3,492)
Tax assets	11	17,125	8,089	9,036
Equity investments, bonds and current financial receivables	12	324,174	372,150	(47,976)
Cash and cash equivalents	13	123,066	248,112	(125,046)
Total current assets		608,775	805,152	(196,377)
Assets classified as held for sale	14	131,531	6,713	124,818
Total assets		1,945,029	1,910,583	34,446
Equity				
Share capital	15	100,167	100,167	
Share premium account	16	55,607	55,607	
Reserves	16	(6,495)	1,236	(7,731)
Treasury shares	17	(6,620)	(12,154)	5,534
Retained earnings		1,187,705	1,213,873	(26,168)
Equity attributable to owners of the parent company		1,330,364	1,358,729	(28,365)
Non-controlling interests	18	193,766	115,467	78,299
Total equity		1,524,130	1,474,196	49,934
Non-current liabilities				
Financial liabilities	20	83,050	118,817	(35,767)
Employee benefits	19	12,007	12,525	(518)
Provisions	21	64,175	64,107	68
Non-current tax liabilities	21	13,733	8,358	5,375
Other non-current payables and liabilities		597	861	(264)
Deferred tax liabilities	22	4,004	53,843	(49,839)
Total non-current liabilities		177,566	258,511	(80,945)
Current liabilities				
Loans and borrowings	20	10,937	21,658	(10,721)
Financial liabilities	20	46,907	36,416	10,491
Trade payables	23	51,497	68,857	(17,360)
Provisions	21	1,608	788	820
Tax liabilities	24	16,722	2,252	14,470
Other liabilities	25	55,560	47,338	8,222
Total current liabilities		183,231	177,309	5,922
Total liabilities		360,797	435,820	(75,023)
Liabilities directly associated with assets classified as held for sale	14	60,102	567	59,535
Total equity and liabilities		1,945,029	1,910,583	34,446

Income statement

(in thousands of euro)	Notes	2020	%	2019	%	Change	%
Revenue		521,734		476,982		44,752	
Gains on disposal							
Other income		53,786		88,893		(35,107)	
Total revenue and income	26	575,520	100,0	565,875	100,0	9,645	1.7
Other revenue and income		15,152		11,216		3,936	
Changes in inventories		1,313		5,000		(3,687)	
Internally produced and capitalised assets		112		326		(214)	
Raw materials and supplies	27	(243,087)		(246,091)		3,004	
Services	28	(95,701)		(87,472)		(8,229)	
Personnel expenses	29	(111,555)		(103,458)		(8,097)	
Other operating income (expenses)	30	(35,764)		(19,488)		(16,276)	
Gross operating profit		105,990	18.4	125,908	22.3	(19,918)	-15.8
Amortisation and depreciation	31	(30,169)		(27,704)		(2,465)	
Impairment losses on non-current assets	32	(6,381)		(1,119)		(5,262)	
Operating profit		69,440	12.1	97,085	17.2	(27,645)	-28.5
Finance income	33	482		326		156	
Finance costs	33	(5,787)		(6,026)		239	
Exchange-rate differences and net gains (losses) on derivatives	33	(1,455)		316		(1,771)	
Impairment of financial assets	34	(749)		(2,601)		1,852	
Share of profit/(loss) of equity-accounted associates	35	15,015		10,475		4,540	
Profit/(loss) before tax		76,946	13.4	99,575	17.6	(22,629)	-22.7
Income tax	36	26,528		(22,537)		49,065	
Profit/(loss) from continuing operations		103,474	18.0	77,038	13.6	26,436	34.3
Profit/(loss) from discontinued operations, net of tax							
Profit/(loss) for the year		103,474	18.0	77,038	13.6	26,436	34.3
Attributable to:							
Owners of the parent company		68,315	11.9	63,520	11.2	4,795	7.5
Non-controlling interests		35,159	6.1	13,518	2.4	21,641	n.s.
Earnings per share	38						
Basic ordinary shares		1.619 €		1.514 €			
Diluted ordinary shares		1.616 €		1.510 €			

n.s. not significant

Statement of comprehensive income

(in thousands of euro)	Notes	2020	%	2019	%	Change	%
Profit/(loss) for the period		103,474	18.0	77,038	13.6	26,436	34.3
Other comprehensive income (expense) from continuing operations	37						
Items that will not be reclassified subsequently to profit or loss							
Remeasurement of net defined benefit liability		(405)		(304)		(101)	
Remeasurement of net defined benefit liability/(asset) - investments in equity-accounted investees		(46)		(36)			
Fair value gains/(losses) on investments in equity instruments at FVTOCI		(29,709)		114,651		(144,360)	
Income tax		101		502		(401)	
Total items that will not be reclassified to profit or loss		(30,059)		114,813		(144,862)	
Items that may be reclassified subsequently to profit or loss							
Foreign exchange differences on translation of foreign operations		1,604		1,471		133	
Foreign exchange differences on translation of foreign operations - investments in equity-accounted investees		(1,558)		523		(2,081)	
Fair value gain/(loss) on cash flow hedging derivatives		619		(194)		813	
Fair value gain/(loss) on cash flow hedging derivatives - equity-accounted investees		913		518		395	
Income tax		(182)		182		(364)	
Total items that may be reclassified subsequently to profit or loss		1,396		2,500		(1,104)	
Total other comprehensive income for the year		(28,663)		117,313		(145,966)	
Total comprehensive income for the year		74,811	13.0	194,351	34.3	(119,540)	-61.5
Attributable to:							
owners of the parent company		39,472		180,866		(141,394)	
non-controlling interests		35,339		13,485		21,854	

Consolidated statement of changes in equity

	Attributable to owners of the parent company											Non-controlling interests	Total equity
(in thousands of euro)	Reserves												
	Share capital	Share premium	Fair value reserve FVTOCI	FVTOCI fair value reserve	Hedging reserve	Actuarial gains/ losses on defined benefit plans	Other reserves	Treasury shares	Translation reserve	Retained earnings	Total share capital and reserves		
Balances at December 31, 2018	100,167	177,191		(42,246)	(619)	(381)	12,072	(134,659)	(6,338)	1,097,274	1,202,461	99,775	1,302,236
Profit/(loss) for the year										63,520	63,520	13,518	77,038
Total other comprehensive income (expense) from continuing operations				115,123	513	(284)			1,994		117,346	(33)	117,313
Total comprehensive income				115,123	513	(284)			1,994	63,520	180,866	13,485	194,351
Stock option													
Dividends										(23,071)	(23,071)	(3,200)	(26,271)
Sale of treasury shares								921			921		921
Reclassifications for cancellation of treasury shares		(121,584)						121,584					
Reclassifications reserve for stock options							(10,456)			10,456			
% change in control and consolidation area and reclassifications				(73,139)		58	595		(82)	70,120	(2,448)	5,407	2,959
Balances at December 31, 2019	100,167	55,607		(262)	(106)	(607)	2,211	(12,154)	(4,426)	1,218,299	1,358,729	115,467	1,474,196
Profit/(loss) for the year										68,315	68,315	35,159	103,474
Total other comprehensive income (expense) from continuing operations				(29,645)	1,119	(345)			28		(28,843)	180	(28,663)
Total comprehensive income				(29,645)	1,119	(345)			28	68,315	39,472	35,339	74,811
Dividends										(75,999)	(75,999)	(8,000)	(83,999)
Purchase of treasury shares								5,534		(2,231)	3,303		3,303
Other				21,805	(2)	(186)	(477)		(1,200)	(15,081)	4,859	50,960	55,819
Balances at December 31, 2020	100,167	55,607		(8,102)	1,011	(1,138)	1,734	(6,620)	(5,598)	1,193,303	1,330,364	193,766	1,524,130

The change of 21.8 million euro, classified as "Other", refers to the reclassification of the losses realized in the divestment of the FVTOCI.

The increase of the non-controlling interests, classified as "Other" is mainly related to the acquisition of Officina Profumo-Farmaceutica di Santa Maria Novella and Callmewine occurred during the year as better described in the following paragraphs.

Statement of cash flows

(in thousands of euro)	Notes	2020	2019
A) Cash flows from operating activities:			
Profit/(loss) before tax		76,946	99,575
Adjustments for:			
Amortisation, depreciation and impairment		37,328	31,595
Reversal of share of profit/(loss) of equity-accounted associates		(15,015)	(10,475)
(Gain)/loss on non-current assets		(1,442)	(5,410)
Change in employee benefits and other provisions		1,421	(13,421)
Reversal of net finance costs and income		273	(6,088)
Cash flows from operating activities before tax, finance income/costs, working capital		99,511	95,776
Change in working capital:			
Inventories		(912)	1,220
Trade receivables		(3,402)	(1,868)
Trade payables		5,716	(10,640)
Other receivables/liabilities, accruals and deferrals		12,471	24,728
Cash flows from operating activities before tax and finance income/costs		113,384	109,216
Net finance costs paid		54	(1,983)
Dividends received		2,561	9,971
Income tax paid		(19,598)	(11,505)
Exit from derivatives		(1,026)	(342)
		(18,009)	(3,859)
Cash flow from operating activities relating to discontinued operations		(6,575)	(183)
Total A)		88,800	105,174
B) Cash flows from investing activities:			
Capital expenditure:			
Property, plant, equipment and investment property		(28,791)	(15,676)
Intangible assets		(684)	(857)
Financial assets (equity investments and funds) net of cash acquisitions (*)		(227,988)	(112,922)
Total capital expenditure		(257,463)	(129,455)
Proceeds from disposal of non-current assets		129,463	357,650
Disposal of discontinued operations			
Total disposals		129,463	357,650
Total B)		(128,000)	228,195
C) Cash flows from financing activities:			
Change in financial payables		(46,896)	(31,582)
Change in financial assets		40,464	(163,587)
Change in current equity investments		2,896	9,624
Purchase of treasury shares		5,533	921
Dividends paid		(83,999)	(26,271)
Third-party contributions (Capitelli/Caffè Borbone non-controlling interests)			3,503
Other changes		(1,538)	(266)
Total C)		(83,540)	(207,658)
D) Translation differences and other changes			
Translation differences and other changes		65	284
Translation differences and other changes relating to assets classified as held for sale		(2,371)	187
Total D)		(2,306)	471
E) Cash flows for the period (A+B+C+D)		(125,046)	126,182
F) Cash and cash equivalents at the beginning of the year		248,112	121,930
Cash and cash equivalents at the end of the year (E+F)	13	123,066	248,112
cash and cash equivalents of assets classified as held for sale at the end of the year		2,371	
cash and cash equivalents of continuing operations at the end of the year	13	120,695	248,112
(*) Cash and cash equivalents from acquired and consolidated companies		21,634	9,950
		123,066	248,112

The main changes of the Cash flows from investing activities are discussed in the "Statement of cash flows" section of the notes.

NOTES

The consolidated financial statements of Italmobiliare S.p.A. for the year ended December 31, 2020 were approved by the Board of Directors on March 4, 2021. During the meeting, the Directors authorised also the publication of a press release dated March 4, 2021, containing the above mentioned financial statements' key information.

The financial statements have been prepared on a going-concern basis. Despite a general economic and financial situation characterised by volatility, the Group assessed that there are not significant uncertainties on its going concern, thanks also to its financial solidity (net financial position of 321 million euro at December 31, 2020), to the actions already taken to respond to the changes in demand of the portfolio companies (as detailed in the Directors' report) and to the economic results achieved in 2020.

Core businesses

Italmobiliare S.p.A. is a legal entity established in accordance with the laws of the Republic of Italy. It has been listed on the Milan Stock Exchange since 1980. It operates as an investment holding company and consequently manages a diversified portfolio of investments and equity investments.

Accounting policies

These consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS) applicable at December 31, 2020 as endorsed by the European Union, and with the provisions issued in the implementation of article 9 of Legislative Decree no. 38/2005. The term IFRS also includes all revised international accounting standards (IAS) and all the interpretations issued by the IFRS Interpretation Committee (formerly IFRIC), previously called SIC.

The Italian laws that enact EU Directive 2013/34 also apply, where compatible, to companies that prepare the financial statements in accordance with the IFRS. Consequently, these financial statements are compliant with the Italian Civil Code and the corresponding indications of the Consolidated Law on Finance (CLF) for listed companies with regard to the Directors' report, the statutory audit and the publication of the financial statements. The consolidated financial statements and related notes also set out the details and additional disclosures required under the articles of the Italian Civil Code governing financial statements, since such requirements are not in conflict with the IFRS, and under other Consob regulations and dispositions governing financial statements.

In compliance with European Regulation no. 1606 of July 19, 2002, the policies adopted do not include the standards and interpretations published by the IASB and the IFRS IC at December 31, 2020 but not yet endorsed by the European Union as of that date, except as indicated below.

ACCOUNTING STANDARDS, AMENDMENTS AND IFRS INTERPRETATIONS APPLIED FROM JANUARY 1, 2020

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

- On October 31, 2018, the IASB published the document "Definition of Material (Amendments to IAS 1 and IAS 8)". The document introduced a change in the definition of "material" contained in IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. This amendment has the aim of making the definition of "material" more specific, introducing the concept of "obscured information" alongside the concepts of omitted or incorrect information already present in the two standards subject to modification. The amendment clarifies that information is "obscured" if it has been described in such a way as to produce for the main readers of a set of financial statements an effect similar to that which would have occurred if the information had been incorrect or omitted altogether.
- On March 29, 2018, the IASB published an amendment to its "References to the Conceptual Framework in IFRS Standards". The amendment is effective for periods starting on January 1, 2020 or later, but early application is allowed. The Conceptual Framework defines the fundamental concepts for financial reporting and guides the Board in the development of IFRS. The document helps ensure that the standards are conceptually consistent and that similar transactions are treated the same way, in order to provide useful information to investors, lenders and other creditors. The Conceptual Framework supports companies in the development of accounting standards when no IFRS are applicable to a particular transaction and, more generally, helps interested parties to understand and interpret the Standards.
- On October 22, 2018, the IASB published the document "Definition of a Business (Amendments to IFRS 3)". The document provides some clarifications regarding the definition of a business for the correct application of IFRS 3. In particular, the amendments clarify that while a business usually produces an output, the presence of an output is not strictly necessary to identify the business in the presence of an integrated set of activities or processes and assets. However, to meet the definition of a business, an integrated set of activities or processes and assets must include, at least, an input and a process which together contribute significantly to the ability to create output. To this end, the IASB replaced the term "ability to create output" with "ability to contribute to the creation of output" to clarify that a business can exist even without there being all the inputs and processes necessary to create an output. The amendment also introduced an optional test (called a "concentration test"), which makes it possible to exclude a business if the price paid was essentially for a single asset or group of assets. The amendments apply to all business combinations and acquisitions of activities subsequent to January 1, 2020, but early application is allowed.
- On May 28, 2020, the IASB published an amendment called "Covid-19 Related Rent Concessions (Amendment to IFRS 16)". The document gives lessees the right to account for rent reductions connected with Covid-19 without having to analyse the contracts to decide whether there has been a lease modification as defined by IFRS 16. Lessees who apply this option will therefore be able to record the effects of any rent reductions directly in the income statement at the effective date of the reduction.

The adoption of these standards and amendments did not have any effect on the Group's financial statements.

ACCOUNTING STANDARDS, AMENDMENTS AND IFRS AND IFRIC INTERPRETATIONS ENDORSED BY THE EUROPEAN UNION, NOT YET COMPULSORILY APPLICABLE AND NOT ADOPTED IN ADVANCE BY THE COMPANY AT DECEMBER 31, 2020

- On May 28, 2020 the IASB published the amendment called "Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)". The amendments allows insurance companies to extend the temporary exemption from application of IFRS 9 until January 1, 2023. These changes come into force on January 1, 2021.
- In light of the reform of interbank interest rates such as the IBOR, on August 27, 2020, the IASB published its "Interest Rate Benchmark Reform – Phase 2", which contains amendments to the following standards:
 - IFRS 9 Financial Instruments;
 - IAS 39 Financial Instruments: Recognition and Measurement;
 - IFRS 7 Financial Instruments: Disclosures;
 - IFRS 4 Insurance Contracts; and
 - IFRS 16 Leases.

All changes come into force on January 1, 2021.

The directors do not expect these amendments to have a significant effect on the Group's financial statements.

STANDARDS AND INTERPRETATIONS PUBLISHED BY THE IASB AND THE IFRIC AT DECEMBER 31, 2020, BUT NOT ENDORSED BY THE EUROPEAN UNION AT THAT DATE

At the date of these financial statements the competent bodies of the European Union have not yet completed the approval process necessary for adoption of the amendments and principles described below.

- On May 18, 2017, the IASB published IFRS 17 - Insurance Contracts which is intended to replace IFRS 4 - Insurance Contracts. The objective of the new standard is to ensure that an entity provides relevant information that faithfully represents the rights and obligations deriving from insurance contracts. The new standard measures an insurance contract based on a General Model, or a simplified version of it called the Premium Allocation Approach ("PAA").
- The entity shall apply the new standard to insurance contracts issued, including reinsurance contracts issued, to reinsurance contracts held and to investment contracts with a discretionary participation feature (DPF). The standard comes into force from January 1, 2023 but earlier application is allowed, only for entities that apply IFRS 9 - Financial Instruments and IFRS 15 - Revenue from Contracts with Customers.
- On January 23, 2020 the IASB published its "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 short or long term liabilities. The changes come into force from January 1, 2023; earlier application is permitted, however.

- On May 14, 2020, the IASB published the following amendments called:
 - Amendments to IFRS 3 Business Combinations: the purpose of the amendments is to update the reference in IFRS 3 to the Conceptual Framework in the revised version, without this entailing changes to the provisions of IFRS 3.
 - Amendments to IAS 16 Property, Plant and Equipment: the amendments are intended not to allow the amount received from the sale of goods produced during the test phase of a fixed asset to be deducted from its cost. Such revenues and the related costs are to be recorded in the income statement.
 - Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: the amendment clarifies that all costs directly attributable to the contract must be considered when estimating whether a contract could make a loss. This means that when assessing whether a contract could make a loss, one has to include not only the incremental costs (e.g. the cost of direct materials used in processing), but also any other costs that the company cannot avoid as it has stipulated the contract (e.g. a share of the labour cost and depreciation of the machinery used to fulfil the contract).
 - Annual Improvements 2018-2020: amendments have been made to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples of IFRS 16 Leases.

All changes come into force on January 1, 2022.

- On January 30, 2014, the IASB published IFRS 14 - Regulatory Deferral Accounts, which allows only those who adopt IFRS for the first time to continue to recognize the amounts relating to activities subject to regulated tariffs (so-called "Rate Regulation Activities") according to the previous accounting principles adopted. As the Group is not a first-time adopter, this standard is not applicable.

The directors do not expect these standards to have a significant effect on the Group's consolidated financial statements.

Measurement criteria and basis of presentation

The consolidated financial statements adopt the cost method, with the exception of derivatives and financial assets, which are measured at fair value. The consolidated financial statements are presented in euro, the functional currency of the parent Italmobiliare S.p.A. All amounts in the accounting schedules and in the notes are rounded to thousands of euro, unless otherwise specified.

The basis of presentation of the Group financial statements is as follows:

- current and non-current assets and current and non-current liabilities are presented as separate classifications on the statement of financial position. Current assets, which include cash and cash equivalents, are assets that the Group intends to realize, sell or consume during its normal business cycle; current liabilities are liabilities that the Group expects to settle during the normal business cycle or in the twelve months after the end of the reporting period;
- on the income statement, costs are analysed by nature;
- with regard to comprehensive income, the Group presents two statements: the first statement reflects traditional income statement components and the profit (loss) for the year, while the second statement, beginning with the profit (loss) for the year, presents other comprehensive income (distinguishing between the components that may, or may not, be subsequently recycled to the income statement): fair value gain and losses on investments in equity instruments measured at FVTOCI and derivatives designated as hedge accounting, translation differences and effects of the remeasurement of defined benefit plans;
- the indirect method is used for the statement of cash flows.

USE OF ESTIMATES

In preparing the consolidated financial statements, the following significant judgements were made when applying the Group's accounting standards.

Sirap Group - In November 2020, Sirap and Faerch Group signed a binding agreement for the sale of Sirap's main assets in Italy, Poland and Spain, based on an enterprise value of approximately 162 million euro. In these financial statements, the assets and liabilities included in such transaction have been presented as assets and liabilities held for sale, in line with IFRS 5. In February 2021 Sirap and Zeus Packaging signed a binding agreement for the sale of the Petruzalek Group and the German subsidiary of the Sirap Group (Sirap GmbH), based on a price aligned to the carrying amount of the assets and liabilities to be sold (such assets and liabilities have not been classified as assets and liabilities held for sale, as their disposal at 31 December 2020 was not considered highly probable).

These transactions are not part of a single coordinated plan for the sale of the entire Sirap Group, being rather a "piecemeal disposal". In these financial statements, the income statement items of the disposal group relating to the net assets in Italy, Spain and Poland contributed to the "result of continuing operations" and represented approximately 50% of revenues and 70% of the Sirap Group's gross operating margin, meaning that based on this transaction the entire Sirap Group did not satisfy the definition of "discontinued operation".

Revaluation/tax realignments - The directors of Caffè Borbone have decided to make use of the "step-up provisions" in art. 110 8th comma, paragraph 8, of Legislative Decree 104/2020 in its statutory 2020 financial statements, prepared in accordance with IFRS, to realign the carrying amounts of its assets with their tax bases. This was done for the following assets whose amounts are in line with the balances shown in the current consolidated financial statements: trademarks with an indefinite useful life, "customer list" and goodwill, obtaining a net benefit in the income statement of 41,216 thousand euro deriving from the release of the deferred tax liabilities offset by the cost of the substitute tax. Although the tax effect of this benefit starts from the year in which the substitute tax is paid (i.e. 2021), this decision represents the directors' choice to apply alternative methods of payment of taxes already in force at 31 December 2020, so it is entirely under the control of the directors.

Even if currently there are uncertainties on a possible change of the tax law, the directors based their decision on the tax rules in force at the date of approval of the current financial statements.

The directors of Officina Profumo-Farmaceutica di Santa Maria Novella have also decided to make use of the "step-up provisions" in art. 110 1st comma, paragraph 8, of Legislative Decree 104/2020 to revalue for statutory and tax purposes the Officina Profumo-Farmaceutica di Santa Maria Novella trademark in its 2020 financial statements, prepared in accordance with Italian accounting standards. This decision was also reflected in the provisional Purchase Price Allocation exercise prepared by the Parent Company's directors, as it involves a choice to apply alternative methods to pay taxes already in force at the date of acquisition of the subsidiary (not recognizing deferred tax liabilities on the fair value of the trademark for 34,586 thousand euro and recording a tax payables of 3,719 thousand euro, equal to the amount of the substitute tax to be paid). Even though there are currently uncertainties from the Tax Authority as to the possibility of applying the tax revaluation base for trademarks never recorded in the financial statements, even if legally protected, the directors believe that this is the most probable scenario and have therefore reflected it in the provisional version of the Purchase Price Allocation exercise.

In October 2020 Italgen signed an Amicable Settlement with the Egyptian authorities for the reimbursement of the costs incurred for the development of a wind farm in that country. This settlement entailed the recognition of net proceeds of 14.7 million euro in "Other operating income (expenses)", the impairment loss of fixed assets under construction for 6.1 million euro and the recycle of the translation reserve for 4.2 million euro in "Other operating income (expenses)". In fact, the agreement with the Egyptian authorities provided for a settlement of the project run by Misr for Energy (through its subsidiary Energy for Misr BV) by paying a sum of money to Italgen S.p.A. At the completion of the settlement with the Egyptian authorities, procedures began for the

liquidation of the Dutch and Egyptian companies created for the development of the project. In essence, the settlement is considered similar to a partial disposal (as per IAS 21: 48D), where the Egyptian subsidiary has reimbursed its net assets to the parent company, pending its liquidation.

The estimates that have had a significant effect on the amounts recognised in the financial statements are shown below.

The main assumptions regarding the future and the main causes of uncertainty in the estimate at the close of the year that present a significant risk of giving rise to significant adjustments to the carrying amounts of assets and liabilities during the next financial year are shown below:

- indefinite useful life of trademarks (for further details, see the paragraph on intangible assets);
- provisions (for further details, see the paragraph on current and non-current provisions);
- impairment of goodwill (for further details, see the paragraph on goodwill);
- fair value of financial assets: as regards investments in listed companies, the fair value is calculated on the basis of the stock market price at the reporting date and could undergo significant changes during the following year; while for financial assets valued with a level 2 and 3 fair value, there is a high degree of judgement due to the elements of complexity inherent in the valuation techniques and significant inputs.

Basis of consolidation

The consolidated financial statements are based on the financial statements for the year ended December 31, 2020 of the parent Italmobiliare S.p.A. and the consolidated companies, in compliance with the Group accounting policies.

SUBSIDIARIES

Subsidiaries are companies in which the Group is exposed to variable returns, or holds rights to such returns, by virtue of its relationship with the companies in question, and simultaneously has the ability to affect such returns by exercising its power.

The Group ascertains the existence of control on the basis of the existence of three elements:

- power: the current ability of the Group, arising from substantial rights, to determine the key operations of operations that have a material impact on the company's returns;
- the exposure of the Group to the variability of the returns of the investee;
- correlation between power and returns, the Group has the ability to exercise its power to affect the returns arising from the relationship.

Subsidiaries are consolidated on a line-by-line basis as from the date at which control is obtained and until control is transferred out of the Group.

ASSOCIATES

Associates are companies in which the Group has significant influence over administrative and management decisions even though it does not hold control. Generally speaking, significant influence is assumed to exist when the Group holds, directly or indirectly, at least 20% of voting rights or, even if it holds a lower percentage of voting rights, when it is entitled to take part in financial and

management policy decisions by virtue of a specific juridical status including, but not limited to, participation in shareholders' agreements or other forms of material exercise of rights of governance. Investments in associates are measured using the equity method, whereby they are recognized initially at cost, and subsequently adjusted to reflect changes in the value of the Group's interest in the associate's equity. The Group's share of an associate's profit or loss is recognized in a specific income statement caption from the date at which the Group exerts significant influence until it relinquishes such influence.

TRANSACTIONS ELIMINATED DURING CONSOLIDATION

All intragroup balances and transactions, including any unrealized gains in respect of third parties, are eliminated in full. Unrealized losses in respect of third parties deriving from intragroup transactions are eliminated, except in cases where it will not subsequently be possible to recover such losses.

Unrealized gains in respect of third parties deriving from transactions with associates are eliminated against the equity investment carrying amount. Losses are eliminated proportionately to the Group's interest, unless it will not subsequently be possible to recover such losses.

CONSOLIDATION AREA

A list of companies and how they are consolidated (line-by-line, proportionately or under equity method) is provided in the annex to these notes.

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Assets and liabilities held for sale and discontinued operations are classified as such when their carrying amount will be recovered chiefly through sale rather than through continuing use; such operations must be a significant autonomous business operation or geographical area of operation.

The conditions indicated are deemed to exist when the sale is considered highly likely and the assets and liabilities are immediately available for sale in their current condition.

Assets held for sale are recognized at the lower of their net carrying amount and fair value, less costs to sell.

Once property, plant and equipment and intangible assets have been classified as held for sale, they should no longer be depreciated or amortized.

In the income statement, profit (loss) relating to discontinued operations, together with fair value gains (losses) less costs to sell and gains or losses arising from the sale of the operation, are reflected in a single item separately from profit (loss) relating to continuing operations.

Cash flows relating to discontinued operations are shown separately in the statement of cash flows.

A similar disclosure is also presented for the comparative period.

PURCHASE PRICE OF BUSINESS COMBINATIONS

Under IFRS 3 revised, the purchase price is the sum of the acquisition-date fair value of the consideration transferred and the amount of any non-controlling interests in the acquired entity. For each business combination, any non-controlling interests in the acquired entity must be measured at fair value or in proportion to their non controlling interest in the identifiable net assets of the acquired entity.

IFRS 3 provides that costs relating to the acquisition be expensed in the periods in which they are incurred and the services are received.

ALLOCATION OF THE CONSIDERATION OF BUSINESS COMBINATIONS

Goodwill is measured as the positive difference between:

- the sum of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquired entity and the fair value at the acquisition date of the equity interest in the acquired entity that the acquirer held previously
- and the net fair value of assets and liabilities identifiable at the acquisition date.

Negative differences are recognized immediately to the income statement.

If on initial recognition the purchase price allocation can only be determined provisionally, the allocated amounts are adjusted within twelve months of the acquisition date (measurement period).

BUSINESS COMBINATIONS ACHIEVED IN STAGES

When a business combination is achieved in stages, through a series of share purchases, for each transaction the fair value of the previously held interest is re-determined and any gain or loss is taken to the income statement.

PURCHASE OF NON-CONTROLLING INTERESTS

Acquisitions of additional shares after acquisition of control do not require re-determination of identifiable asset and liability amounts. The difference between the consideration and the acquired equity interest is recognized as equity attributable to owners of the parent. Transactions that reduce the percentage interest held without loss of control are treated as sales to non-controlling interests and the difference between the interest sold and the price paid is recognized in equity attributable to the owners of the parent.

COMMITMENTS TO PURCHASE NON-CONTROLLING INTERESTS

A put option granted to non-controlling interests of a company controlled by the Group is initially recognized by recording the purchase value as a liability, since the value in question is the present value of the put option exercise price.

The complementary acquisition of non-controlling interests with put options is recognized in the financial statements:

- the non-controlling interests to which the put option refers are eliminated from equity and re-classified under liabilities and the difference between the fair value of the purchase commitment liabilities and the carrying amount of the non-controlling interests is recognized under equity attributable to owners of the parent;
- subsequent changes in liabilities are recognized to the income statement.

TRANSACTIONS IN CURRENCIES OTHER THAN THE FUNCTIONAL CURRENCY

The functional currency of the subsidiaries located outside the Eurozone is usually the local currency.

Foreign currency transactions are initially translated into the functional currency using the exchange rate at the transaction date. At the reporting date, foreign currency monetary assets and liabilities are translated into the functional currency at the closing rate. Exchange-rate gains and losses are taken to the income statement.

Non-monetary foreign currency assets and liabilities measured at cost are translated at the exchange rate ruling at the transaction date; those measured at fair value are translated with the exchange rate at the date fair value was determined.

TRANSLATION OF THE FINANCIAL STATEMENTS OF FOREIGN OPERATIONS

At the reporting date, the assets, including goodwill, and liabilities of consolidated companies that report in currencies other than the euro are translated into the presentation currency of the Group's consolidated accounts at the closing rate. Income statement items are translated at the average rate for the year. Gains and losses arising from the translation of opening equity at the closing rates and those arising from the different method used to translate profit or loss for the year are recognized in a specific equity item. In the event of subsequent disposal of a foreign operation, the cumulative translation differences are taken to the income statement.

PROPERTY, PLANT & EQUIPMENT

Recognition and measurement

Property, plant and equipment are recognized at cost, less accumulated depreciation and any impairment losses. Cost includes the purchase or production cost and the directly attributable costs of bringing the asset to the location and the conditions required for its operation. Production cost includes the cost of materials and direct labour costs. Finance costs relating to the purchase, construction and production of qualifying assets are capitalized. The carrying amount of some assets existing at the IFRS first-time adoption date of January 1, 2004, reflects revaluations applied in prior periods in connection with specific local laws, based on the real economic value of the assets in question. The revalued amount recognized in accordance with IFRS 1 was assumed as cost at the IFRS transition date.

Assets acquired through business combinations are stated at fair value, determined on a provisional basis at the acquisition date and subsequently adjusted where necessary within the following twelve months.

Subsequent to initial recognition, property, plant and equipment are carried at cost and depreciated over the asset's useful life, less any impairment losses.

Assets under construction are recognized at cost; depreciation begins when the assets are available for use.

When an asset consists of components with a significant cost and different useful lives, initial recognition and subsequent measurement are carried out separately for each component.

Subsequent expense

Repair and maintenance expense is normally recognized as incurred. Component replacement

costs are treated as separate assets and the carrying amount of the replaced component is eliminated with a balancing entry in the income statement.

Amortisation and depreciation

Depreciation is generally calculated on a straight-line basis over the estimated useful life of each component of property, plant and equipment. Land is not depreciated.

Useful life determines the depreciation rate until such time that the residual useful life is revised. The useful life range adopted for the various categories of assets is disclosed in the notes.

Leases

The Group must assess whether the contract is or contains a lease on the date it was entered into. The Group recognises the Right of Use and the related Lease Liability for all the lease contracts in which it acts as a lessee, with the exception of short-term ones (lease contracts with a duration of 12 months or less) and leases relating to low-value goods (i.e. goods with a value of less than Euro 5,000 when new). The contracts for which this exemption has been applied fall mainly into the following categories:

- Computers, telephones and tablets;
- Printers;
- Other electronic devices;
- Furniture and fittings.

With regard to these exemptions, the Group recognises the related payments in the form of operating costs on a straight-line basis over the duration of the contract.

The lease liability is initially recognised at the present value of future payments at the start date of the contract. Since there is no implicit interest rate in most of the rental contracts entered into by the Group, the discount rate to be applied to future payments of rents was determined as the risk-free rate of each country in which the contracts are entered into, with maturities in line with the duration of the specific rental contract, increased by the credit spread that is specific to the subsidiary or Group.

Lease payments included in the Lease Liability include:

- The fixed component of lease payments, net of any incentives received;
- Payments of variable lease fees based on an index or rate, initially valued using the index or rate on the date the contract begins;
- The amount of guarantees for the residual value that the lessee expects to pay;
- The exercise price of the purchase option, which should only be included if it is deemed reasonably certain that the option will be exercised;
- Penalties for early termination of the contract, if the lease term provides an option to cancel the lease and it is reasonably certain that it will be exercised.

After initial recognition, the book value of the Lease Liability increases due to the interest accrued (using the effective interest method) and decreases to take into account the payments made under the lease contract.

The Group restates the value of Lease Liability (and adjusts the value of the corresponding Right of Use) if:

- The duration of the lease changes or there is a reassessment of whether the option right will be exercised; in this case, the Lease Liability is recalculated by discounting the new lease payments at the revised discount rate.
- The value of lease payments changes as a result of changes in the indices or rates, in such cases the Lease Liability is recalculated by discounting the new lease payments at the initial discount rate (unless payments due under the lease contract change following a fluctuation in interest rates, in which case a revised discount rate must be used).
- A lease contract has been modified and the change is not one of the situations leading to separate recognition of the lease contract. In such cases, the Lease Liability is recalculated by discounting the new lease payments at the revised interest rate.

The Group did not find any of such changes during the period.

The Right of Use asset includes the initial assessment of the Lease Liability, the lease payments made before or on the date of the contract and any other initial direct costs. The Right of Use is recorded in the financial statements net of depreciation and any impairment losses.

The incentives linked to the lease (for example, free lease periods) are recognised as part of the initial value of the Right of Use and the Lease Liability over the contractual period.

The Right of Use is depreciated on a straight-line basis over the lower of the lease term and the residual useful life of the underlying asset. If the lease contract transfers ownership of the asset or the cost of the Right of Use reflects the Group's willingness to exercise the purchase option, the Right of Use is depreciated over the useful life of the asset in question. Depreciation begins from the start of the lease.

The Right Of Use asset is shown under "Property, plant and equipment" in the consolidated statement of financial position.

The Group applies IAS 36 Impairment of Assets in order to identify any impairment losses.

Variable lease payments that do not depend on an index or rate are not included in the value of the Lease Liability or the Right of Use. The related payments are accounted for in accordance with the accrual principle and are included in "other expenses" in the income statement.

In the consolidated cash flow statement, the Group divides the total amount paid between the principal portion (recognised in cash flows from financing activities) and the interest portion (recorded in cash flows from operating activities).

Investment property

Investment property is land and/or buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods and services. Investment property is initially recognized at purchase cost, including costs directly attributable to the purchase. Subsequent to initial recognition, investment property is measured at amortized cost, based on the asset's useful life less any impairment losses.

Goodwill

Goodwill recognized in accordance with IFRS 3 is allocated to the cash-generating units that are expected to benefit from the synergies created by the acquisition. Goodwill is stated at the original value less any impairment losses identified through tests carried out on an annual basis or more frequently if there are signs of impairment.

When goodwill is allocated to a cash-generating unit part of whose assets are disposed of, the goodwill associated with the sold assets is taken into account when determining any gain or loss arising from the transaction.

Intangible assets

Intangible assets acquired separately are capitalized at cost, while those acquired through business combinations are recognized at fair value.

Subsequent to initial recognition, intangible assets are carried at cost amortized over the asset's useful life.

Other than goodwill, the Group has identified trademarks as intangible assets with an indefinite useful life.

Impairment

Goodwill and intangible assets with an indefinite useful life are systematically tested for impairment on an annual basis or more frequently if there are signs of impairment.

Property, plant and equipment and investment property, as well as intangible assets subject to amortisation, are tested for impairment if indication of impairment will emerge, in accordance with IAS 36. Investments in associates are tested for impairment if indications of impairment emerged.

An impairment loss is the difference between the asset carrying amount and its recoverable amount. Recoverable amount is the higher of fair value, less costs to sell, of an asset or cash-generating unit, and its value in use, determined as the present value of future cash flows. Fair value less costs to sell is determined through application of suitable valuation models. These calculations are carried out adopting appropriate income multipliers, quoted share prices on an active market for similar enterprises, comparable transactions on similar assets or other available fair value indicators applicable to the assets being measured.

The discount rate is determined using the weighted average cost of capital method (WACC).

If an impairment loss on an asset other than goodwill subsequently reverses in full or in part, the asset carrying amount is increased to reflect the new estimated recoverable amount, which may not exceed the amount that would have been reflected in the absence of the impairment loss. Impairment losses and reversals of impairment losses are taken to the income statement.

Impairment losses on goodwill cannot be reversed.

Financial assets

All financial assets are recognized initially at cost at the trade date. Cost corresponds to fair value plus additional costs attributable to the purchase with the exception of financial assets held for trading (fair value through profit or loss).

All financial assets must subsequently be recognised at amortized cost or fair value based on the entity's business model for the management of financial assets and the characteristics of the financial asset's contractual cash flows.

Specifically:

- Debt instruments held as part of a business model whose objective is to hold financial assets in order to collect contractual cash flows, and which have cash flows represented only by payments of principal and interest on the amount of principal to be returned, are subsequently valued at amortised cost;

- Debt instruments held as part of a business model whose objective is achieved both through the collection of contractual financial flows and through the sale of financial assets, and which have cash flows represented only by payments of principal and interest on the amount of principal to be returned, are subsequently measured at fair value with changes recorded through other comprehensive income (FVTOCI);
- All other debt instruments and investments in equity instruments are subsequently valued at fair value with changes recognised through profit or loss (FVTPL).

Notwithstanding the above, on January 1, 2019, or after initial recognition, the Group irrevocably designated investments in equity instruments, previously classified as available for sale, to the FVTOCI category, except for the investment in Tri Alpha Energy, which is measured at FVTPL.

When an investment in a debt instrument measured at FVTOCI is eliminated, the accumulated gain or (loss) previously recognised in other comprehensive income is reclassified from equity to profit or loss for the year by means of a reclassification adjustment. On the other hand, when an investment in a equity instrument representing capital designated at FVTOCI is eliminated, the accumulated gain or loss previously recognised in other comprehensive income is subsequently transferred to retained earnings without passing through the income statement. Dividends received from investments in equity instruments are recognised in the income statement.

Debt instruments subsequently valued at amortised cost or FVTOCI are subject to impairment.

Impairment of financial assets

As regards the impairment of financial assets, the Group has applied a model based on expected credit losses, with reference to:

- Investments in debt instruments subsequently valued at amortised cost or FVTOCI;
- Trade receivables and contract assets;

In particular, the Group measures the provision to cover losses of a financial asset at an amount equal to lifetime expected credit losses (or Lifetime ECL) if the credit risk of this financial asset has significantly increased after initial recognition, or if the financial instrument is an impaired financial asset that has been purchased or originated. However, if the credit risk of a financial instrument has not increased significantly after initial recognition, the Group has to measure the provision to cover losses for the financial instrument at an amount equal to the expected losses on receivables deriving from a default event in the next 12 months (or "12-months expected credit losses").

The Group adopts the simplified method to measure the provision to cover losses for trade receivables and contract assets by estimating the expected losses throughout the life of the receivables, also using a Group procedure that requires customer-by-customer analysis of past due loans that are unlikely to be collected.

The financial assets included in the net financial position (also "NFP") are those that accrue interest and/or have a financial counterparty. The net financial position is therefore made up of all financial assets and liabilities, with the exception of equity instruments valued at FVTOCI/FVTPL and Private Equity funds (also referred to below as "non-NFP"), and cash and cash equivalents.

Inventories

Inventories are measured at the lower of purchase/production cost (using the weighted average cost method) and net realizable value.

Purchase cost includes costs incurred to bring assets to the warehouse, less allowances for write-downs of obsolete and slow-moving items.

Production cost of finished goods and semi-finished goods includes the cost of raw materials, direct labour and a portion of general production costs, determined on the basis of normal plant operations. Financial costs are not included.

The net realizable value of raw materials, consumables and supplies is their replacement cost.

The net realizable value of finished goods and semi-finished goods is the estimated selling price in the ordinary course of business, less estimated cost of completion and estimated costs to sell.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank demand deposits and other treasury investments with original maturity of not more than three months. Current account overdrafts are treated as source of financing and not as cash and cash equivalents.

The definition of cash and cash equivalents in the statement of cash flows is identical to that in the statement of financial position.

Derecognition of financial assets

The Group derecognizes financial assets in whole or in part when:

- the contractual rights attributable to the assets in question have expired;
- it transfers the risks and rewards incidental to ownership of the asset or does not transfer and does not even substantially maintain all the risks and rewards but transfers control of the assets;
- Receivables sold as a result of factoring transactions are eliminated from the statement of financial position, but only if transferred without recourse and if substantially all of the risks relating to the receivables are transferred. Receivables sold without recourse, or in any case without the transfer of all the risks, remain in the financial statements and a financial liability of the same amount is recorded under liabilities for the advance received.

Employee benefits expense

The Group operates pension plans and post-employment benefits. It also has other commitments, in the form of bonuses payable to employees on the basis of length of service in some Group companies ("Other long-term benefits").

Post-employment benefits (TFR)

From January 1, 2007, companies with more than 50 employees at the date of introduction of the reform have an obligation to pay the new severance indemnity (TFR) flows to pension schemes chosen by the employees or, in the event that they have opted to keep these flows in the company, to a treasury account set up at INPS.

For employees of Italian companies with less than 50 employees, the former severance indemnities (now known as post-employment benefits) at December 31, 2020 are configured as a defined benefit plan.

For the Group, only the severance indemnities accrued at December 31, 2006 continue to be included in the "defined benefit plans", while those accrued after that date are considered, for all employees, as a "defined contribution plan", because all of the company's obligations end with the periodic payment of a contribution to third-party entities. The portions accrued by employees who have opted to maintain their severance indemnities in the company as a defined benefit plan are an exception.

Defined contribution plans

Defined contribution plans are structured post-employment benefit programs where the Group pays fixed contributions to an insurance company or pension fund and will have no legal or constructive obligation to pay further contributions if the fund does not dispose of sufficient assets to pay all the employee benefits accruing in respect of services rendered during the current year and in previous years.

These contributions are paid in exchange for the services rendered by employees and recognized as an expense as incurred.

Defined benefit plans

Defined benefit plans are structured post-employment benefit programs that constitute a future obligation for the Group. In substance, the company assumes the actuarial and investment risks of the plan. In accordance with IAS 19, the Group uses the unit credit projection method to determine the present value of obligations and the related current service cost.

These actuarial calculations require use of consistent and objective actuarial assumptions about demographic variables (mortality rate, personnel turnover rate) and financial variables (discount rate, future increases in salaries and medical benefits).

When a defined benefit plan is funded in full or in part by contributions paid to a fund that is a separate legal entity or to an insurance company, the plan assets are estimated at fair value.

Benefit obligations are therefore recognized net of the fair value of the plan assets that will be used to settle the obligations.

Employment termination plans

Employment termination plans include provisions for restructuring costs recognized when the Group company in question has approved a detailed formal plan that has already been implemented or notified to the third parties concerned.

Actuarial gains and losses

Actuarial gains and losses on post-employment defined benefit plans may arise as a result of changes in the actuarial assumptions used in two consecutive years or as a result of changes in the obligation value in respect of the actuarial assumptions used at the beginning of the year.

Actuarial gains and losses are recognized immediately under other comprehensive income (expense).

Actuarial gains and losses relating to "Other long-term benefits" (service medals, length of service benefits) and to early retirement benefits are recognized in profit or loss immediately.

Past service cost

Changes in liabilities resulting from a change to an existing defined benefit plan are recognized in the income statement for the year, as are costs that vest immediately upon changes to a plan.

Curtailment and settlement

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized as profit or loss when the curtailment or settlement occurs. The gain or loss includes changes in the present value of the obligation, changes in the fair value of plan assets, actuarial gains or losses and past service costs not previously accounted for.

At the curtailment or settlement date, the obligation and the fair value of the plan assets are re-measured using current actuarial assumptions.

Net finance costs

Net finance costs on defined benefit plans consist of the following measurements:

- finance costs computed on the present value of the defined benefit plan liability;
- finance income arising from measurement of the plan assets;
- finance costs or income arising from any limits on recognition of plan surpluses.

Net finance costs are determined by applying to all the above items the discount rate adopted at the beginning of the year to measure the defined benefit plan obligation.

Net finance costs on defined benefit plans are recognized under finance income/costs on the income statement.

Share-based payments

Options for the subscription and purchase of shares granted by Group companies to employees and directors give rise to recognition of a cost classified under personnel expense, with a corresponding increase in equity.

Options for the subscription and purchase of shares are measured at fair value at the grant date and amortized over the vesting period. Fair value at the grant date is determined using the binomial method, and taking account of dividends. Future volatility is determined on the basis of historic market prices, after adjustment for non-recurring events or factors.

The cost of granted options is reviewed on the basis of the actual number of options that have vested at the beginning of the exercise period.

Provisions for risks and charges

The Group recognizes provisions for risks and charges when a present or constructive obligation arises as a result of a past event, the amount of which can be reliably estimated, and use of resources is probable to settle the obligation. Provisions reflect the best estimate of the amount required to settle the obligation or transfer it to third parties at the reporting date. If the present value of the financial resources that will be used is material, provisions are determined by discounting expected future cash flows at a rate that reflects the current market assessment of the time value of money and, where appropriate, the risks specific to the liability. When discounting is performed, movements in provisions due to the effect of time or changes in interest rates are recognized in financial items.

Changes in estimates are recognized in the income statement in the year in which the change occurs.

Restructuring costs are provided when the Group company concerned has approved a detailed formal plan that has already been implemented or notified to the relevant third parties.

Loans and borrowings

Loans and borrowings are initially recognized at the fair value of the consideration paid/received less charges directly attributable to the financial asset/liability.

After initial recognition, loans and borrowings are measured at amortized cost using the effective interest-rate method.

Trade payables and other payables

Trade payables and other payables are stated initially at the fair value of the original consideration received and subsequently measured at amortized cost.

REVENUE, OTHER REVENUE, INTEREST INCOME AND DIVIDENDS

Sale of goods and services

Revenue is measured taking into account the consideration specified in the contract with the customer. The Group recognizes revenue when the control of the goods or service is transferred.

Revenue is recognized by applying a five-stage model:

- Identification of the contract with the customer;
- Identification of the performance obligations set out in the contract;
- Determination of the transaction consideration;
- Apportionment of the consideration to the individual performance obligations;
- Recognition of revenue upon (or during) satisfaction of the individual performance obligation.

Revenue is recognized to the extent that it is probable that the economic benefits associated with the sale of goods or rendering of services are collected by the Group and the amount in question can be reliably determined.

Revenue is recognized at the fair value of the consideration received or due, taking account of any trade discounts given and volume discounts.

Revenue from the sale of goods is recognized when the company transfers the material risks and rewards incidental to ownership of the goods to the purchaser.

In the caption "Revenue and income" the sub-item "income" includes dividends received, interest and commission income earned by the financial and banking companies, and remeasurement gains and gains realized on financial assets measured at FVTPL.

Contracts with clients generally include a single performance obligation. The performance obligation is considered satisfied:

- upon delivery of the goods for Caffè Borbone, Capitelli and the Sirap group,
- for online sales by Caffè Borbone and Officina Profumo-Farmaceutica di Santa Maria Novella, on delivery to the distributor or shipper,
- for Italgas, revenue is recognized on an hourly basis according to the output of the company's hydroelectric plants and existing sales contracts,
- and lastly, for Italmobiliare, dividends are accounted for on the approval date of the investee company; interest, commissions and rents according to the terms of the individual contract (this revenue of Italmobiliare is shown in the Revenue sub-item "Other revenue and income").

Rental income

Rental income is recognized as other revenue, as received, at constant amounts over the rental period.

Costs

Costs are recognized on an accruals basis in accordance with the matching principle.

Interest income

Interest income earned by companies that are not financial or banking companies is recognized as finance income on an accruals basis using the effective interest method.

Dividends

Dividends are recognized as shareholders' right to receive payment arises, in accordance with local laws, and are classified under "Net finance income (costs)", with the exception of dividends earned by banking and finance companies, which are classified under "Revenue".

Government grants

Government grants are recognized when there is a reasonable certainty that they will be received and all the requirements on which receipt depends have been fulfilled.

Grants related to the purchase or production of non-current assets (grants related to assets) are recognized as deferred income and taken to profit or loss over the useful life of the underlying assets.

Derivatives

The Group uses derivatives such as options and futures to manage market risks.

Derivatives are measured and recognized at fair value.

Derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The fair value of foreign-currency forward contracts is determined on the basis of the current forward exchange rates for contracts with similar maturity profiles.

The fair value of derivatives is determined using the swap curve weighted to take account of the counterparty credit risk.

The fair value of interest-rate contracts is determined on the basis of discounted flows using the zero coupon curve.

Derivatives, with the exception of those that qualify for hedge accounting, are classified under current assets and fair value gains and losses are taken directly to profit or loss.

Hedging transactions

Under IFRS 9, derivatives may be designated as hedging instruments when:

- the hedging relationship is formally designated and documented at inception;
- the hedging relationship is expected to be highly effective;
- effectiveness can be reliably measured;

- the hedging relationship can pass effectiveness tests at its inception in all the accounting periods in which it is in operation.

Cash flow hedges protect against exposure to fluctuations in cash flows attributable to a particular risk linked to a recognized liability (i.e. interest on floating rate loans). The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized under comprehensive income (expense), while the non-effective component is recognized in the income statement.

Amounts deferred in equity are transferred to the income statement when the hedged transaction affects profit or loss.

Income tax

Current income taxes are provided in accordance with local tax laws in the countries where the Group operates.

Deferred tax is recognized on the basis of temporary differences between the tax base of assets and liabilities and their carrying amount in the statement of financial position.

Deferred tax liabilities are recognized on all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, unused tax losses and unused tax assets, to the extent that it is probable that future taxable income will be available against which such differences, losses or credits may be reversed.

Taxable or deductible temporary differences do not generate recognition of deferred tax liabilities or assets only in the following cases:

- taxable temporary differences arising from the initial recognition of goodwill, except when such goodwill is tax-deductible;
- taxable or deductible temporary differences arising from initial recognition of an asset or a liability in transactions that are not business combinations and affect neither accounting profit nor taxable profit at the transaction date;
- equity investments in subsidiaries, associates and joint ventures when:
 - the Group is able to control the timing of reversal of the taxable temporary differences and it is probable that such differences will not reverse in the foreseeable future;
 - it is not probable that the deductible temporary differences will reverse in the foreseeable future and that taxable profit will be available against which the temporary difference can be reversed.

Deferred tax assets are reviewed at each reporting date and reduced to the extent that sufficient taxable income is no longer likely to be available in the future against which the assets can be used in full or in part.

Deferred tax assets and liabilities are determined at tax rates expected to apply when the deferred tax asset (liability) is realized (settled), based on rates that have been enacted or substantially enacted at the reporting date.

Taxes relating to items recognized directly in equity are recognized in equity, not in the income statement.

Deferred tax assets and deferred tax liabilities are not discounted to present value.

The Parent Company has established a National Tax Consolidation contract with the main Italian subsidiaries which makes it possible to offset the various companies' tax profits and losses for IRES purposes.

Exchange rates used to translate the financial statements of foreign operations

Exchange rates for 1 euro:		Average rate		Closing rate	
Currencies		2020	2019	December 31, 2020	December 31, 2019
Czech koruna		26.45593	25.67045	26.24200	25.40800
Serbian dinar		117.61515	117.81816	117.40970	117.83190
Moroccan dirham		10.82339	10.76576	10.91900	10.78100
US dollar		1.14218	1.11947	1.22710	1.12340
Hungarian florin		351.25241	325.29675	363.89000	330.53000
Swiss franc		1.07052	1.11245	1.08020	1.08540
Ukrainian hryvnia		30.84948	28.92195	34.76890	26.71950
Croatian kuna		7.53842	7.41796	7.55190	7.43950
Moldavian leu		19.71093	19.64567	21.06930	19.29880
Bulgarian lev		1.95583	1.95583	1.95583	1.95583
Egyptian pound		18.06501	18.83827	19.31680	18.01920
Bosnian mark		1.95580	1.95580	1.95580	1.95580
New Turkish lira		8.05414	6.35777	9.11310	6.68430
New Romanian leu		4.83828	4.74535	4.86830	4.78300
Pound sterling		0.88970	0.87777	0.89903	0.85080
Polish zloty		4.44318	4.29762	4.55970	4.25680

The exchange rates used to translate the financial statements of foreign operations are those published by the Bank of Italy.

Impact of Covid

Starting from February, the situation was dramatically conditioned by the health emergency caused by the Covid-19 pandemic, which resulted in a seriously unfavourable global macroeconomic scenario for the entire year; and despite the rapid progress on the vaccines development, it continues in a context of high uncertainty in the first part of 2021 as well. The protection measures implemented by the institutions at international level have led to a lockdown of many industrial and commercial activities, with serious consequences for business operations, as well as for people's social life.

Italmobiliare promptly implemented all safety and control measures in favour of employees, both at the Holding Company and at the Portfolio Companies, to limit possible occasions for contagion and to ensure continuity of production and commercial activities. The measures taken to support the Portfolio Companies and the responsiveness shown by them in such a complex situation, have allowed us to limit the impacts of the pandemic essentially to those entities that are exposed to the retail world. They suffered inevitable slowdowns, while continuity of results was achieved in other sectors. In some cases, especially for the companies operating in the food sector, they turned into very positive performances. In all companies, initiatives for the development of alternative commercial channels (e-commerce) were promptly activated to cope with the restrictions on traditional distribution channels, forms of flexibility of production cycles to limit possible inventory increases and careful re-planning of investment flows.

For further information of the pandemic's impact on the economic performances, future plans and other details, please refer to the specific paragraphs of each individual portfolio companies in the Director's report.

In terms of government grants, it should be noted that some Group companies were able to benefit from the temporary lay-offs paid for by the Italian government during the lockdown period.

Relating the subsidy on the 2020 first instalment of IRAP cancellation, the Group benefited from it within the limit of 800 thousand euro; the modification of the threshold for government grants at Group level to 1,800 thousand euro will be considered in 2021.

Lastly, it should be noted that the Group has not suffered significant impacts on liquidity due to Covid-19; in fact, the Group can count on a decidedly positive cash position that should leave ample room for manoeuvre, avoiding any liquidity tension. Please refer to the part of the notes relating to the net financial position for further information (the Group have not applied for any subsidized/guaranteed loans).

Changes in the consolidation area

The main changes with respect to December 31, 2019 are as follows:

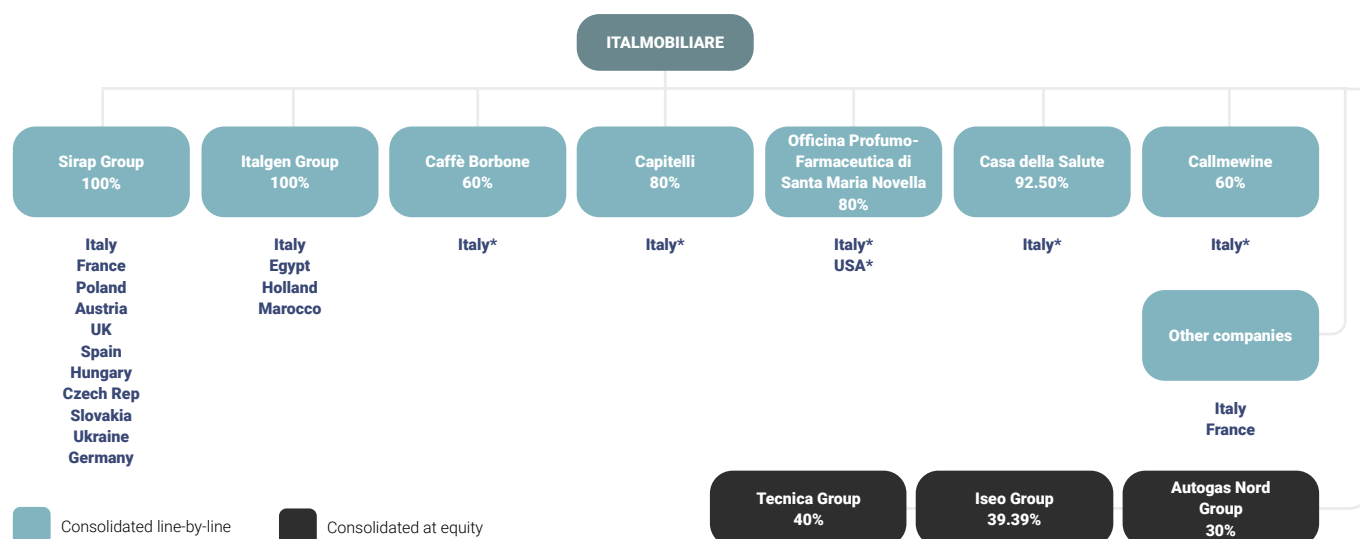
- line-by-line consolidation of FT3 S.r.l. (Italy) in which Italmobiliare holds 100%;
- line-by-line consolidation of the balance sheet of Callmewine S.r.l. (Italy) in which FT3 holds 60% as it was acquired in December 2020;
- the incorporation and line-by-line consolidation of Clessidra Holding S.p.a. (Italy) in which Italmobiliare holds 100%;
- the incorporation and line-by-line consolidation of Clessidra Capital Credit SGR S.p.A. (Italy) in which Clessidra Holding S.p.A. holds 100%;
- the incorporation and line-by-line consolidation of Faerch Italy S.r.l. (Italy) in which Sirap Gema S.p.A. holds 100%;
- the incorporation and line-by-line consolidation of Petruzalek Italia S.p.A. (Italy) in which Petruzalek Gesellschaft mbH (Austria) holds 100%;
- the consolidation at equity of CCC Holding Europe S.p.A. (Italy) and its subsidiaries (two in Italy and one in Slovakia), in which Italmobiliare holds 16.37%;
- the consolidation at equity of Florence InvestCo S.r.l. and its subsidiaries (Italy), in which Italmobiliare holds 23.875%;
- line-by-line consolidation of the balance sheet and income statement of the last quarter of Officina Profumo-Farmaceutica di Santa Maria Novella S.p.A. and its subsidiaries (Italy and the United States) as control was acquired at the end of the third quarter in which Italmobiliare holds 80% (the result for the first nine months of 2020 was consolidated as an equity-accounted associate as in that period Italmobiliare's interest was 20%);
- line-by-line consolidation of the balance sheet of Bea S.p.A. and its subsidiaries (Italy) in which Italmobiliare holds 92.50%, as it was acquired in December 2020;
- line-by-line consolidation of the balance sheet of Compagnia Europea Factoring Industriale S.p.A., now renamed Clessidra Factoring S.p.A. (Italy) as it was acquired in November 2020;
- sale of Clodiagas S.r.l. held by Autogas Nord S.p.A.

It should also be noted that with effect from January 1, 2020:

- FT 1 S.r.l. was merged into Capitelli F.Ili S.r.l. (Italy); through a reverse merge;
- Alpigas S.r.l. was merged by incorporation into Autogas Nord S.p.A. (Italy);
- Atesina Gas S.r.l. was merged by incorporation into Autogas Nord S.p.A. (Italy);
- Bocci Gas S.r.l. was merged by incorporation into Autogas Nord S.p.A. (Italy);
- Sinergigas S.r.l. was merged by incorporation into Autogas Nord S.p.A. (Italy);
- Tirolgas S.r.l. was merged through a reverse merger into Autogas Nord S.p.A. (Italy).

Subsidiaries with non-controlling interests

The chart below illustrates the structure of the Italmobiliare group:



There are no restrictions on access to or use of the company's assets.

At December 31, 2020, the majority of the non-controlling interests refer to the 40% of Caffè Borbone whose financial data are set out below:

	Caffè Borbone	
(in thousands of euro)	2020	2019
Revenue	219,261	172,624
Profit/(loss) for the year	90,546	34,218
Profit attributable to non-controlling interests of the Italmobiliare group	36,218	13,687
Total comprehensive income	90,980	34,136
Total comprehensive income attributable to non-controlling interests of the Italmobiliare group	36,392	13,654
Non-current assets	353,354	348,849
Current assets	74,087	63,072
Non-current liabilities	(40,908)	(109,121)
Current liabilities	(40,258)	(27,497)
Net assets	346,275	275,303
Net assets attributable to non-controlling interests of the Italmobiliare group	138,510	110,121
Dividends paid	20,000	8,000
Dividends paid to non-controlling interests of the Italmobiliare group	8,000	3,200

The following are the figures at December 31, 2020 of Capitelli F.lli S.r.l. with a 20% non-controlling interests:

	Capitelli	Consolidated
(in thousands of euro)	2020	2019
Revenue	14,797	
Profit/(loss) for the year	2,179	
Profit attributable to non-controlling interests of the Italmobiliare group	436	
Total comprehensive income	2,164	
Total comprehensive income attributable to non-controlling interests of the Italmobiliare group	433	
Non-current assets	18,713	15,882
Current assets	6,763	13,021
Non-current liabilities	(3,015)	(576)
Current liabilities	(2,704)	(2,142)
Net assets	19,757	26,185
Net assets attributable to non-controlling interests of the Italmobiliare group	3,951	5,237
Dividends paid		
Dividends paid to non-controlling interests of the Italmobiliare group		

The following are the figures at December 31, 2020 of the Officina Profumo-Farmaceutica di Santa Maria Novella group and the sub-consolidated figures of FT2, the vehicle used by the Group for the acquisition, with a 20% non-controlling interests:

	Consolidated	Officina Profumo-Farmaceutica di Santa Maria Novella
(in thousands of euro)	FT2 and Santa Maria Novella	2020
Revenue	6,399	6,399
Profit/(loss) for the year	(2,380)	(2,335)
Profit attributable to non-controlling interests of the Italmobiliare group	(476)	(467)
Total comprehensive income	(2,335)	(2,290)
Total comprehensive income attributable to non-controlling interests of the Italmobiliare group	(467)	(458)
Non-current assets	191,097	155,730
Current assets	31,354	31,271
Non-current liabilities	(11,877)	(11,877)
Current liabilities	(10,227)	(8,314)
Net assets	200,347	166,810
Net assets attributable to non-controlling interests of the Italmobiliare group	40,069	33,362
Dividends paid		
Dividends paid to non-controlling interests of the Italmobiliare group		

The following are the balance sheet figures at December 31, 2020 of the Casa della Salute group with a 7.5% non-controlling interests:

	Casa della Salute
(in thousands of euro)	2020
Non-current assets	21,648
Current assets	2,459
Non-current liabilities	(16,638)
Current liabilities	(6,683)
Non-controlling interests	(51)
Net assets	735
Net assets attributable to non-controlling interests of the Italmobiliare group	55
Dividends paid	
Dividends paid to non-controlling interests of the Italmobiliare group	

The following are the balance sheet figures at December 31, 2020 of Callmewine and the sub-consolidated figures of FT3, the vehicle used by the Group for the acquisition, with a 40% non-controlling interests:

	Consolidated	Callmewine
(in thousands of euro)	FT3 and Callmewine	2020
Non-current assets	17,384	107
Current assets	7,296	7,143
Non-current liabilities	(295)	(286)
Current liabilities	(2,292)	(2,283)
Net assets	22,093	4,681
Net assets attributable to non-controlling interests of the Italmobiliare group	8,837	1,872
Dividends paid		
Dividends paid to non-controlling interests of the Italmobiliare group		

Acquisitions of subsidiaries and associates

In January, Italmobiliare closed the purchase of a 20% stake in "Officina Profumo-Farmaceutica di Santa Maria Novella S.p.A." based in Florence, a top-of-the-range cosmetics company and historical brand, bringing the number of its portfolio companies to nine. Italmobiliare S.p.A. invested 40 million euro in the operation, becoming a non-controlling shareholder. In August, Italmobiliare exercised its option to buy another 60% of the share capital closing the transaction in September for a total investment in the company of approximately 160 million euro, with the possibility of increasing its stake over the time.

The preliminary purchase price allocation (PPA) of the Officina Profumo-Farmaceutica di Santa Maria Novella group is summarised below:

(in thousands of euro)	100% statutory amount of companies acquired	Fair value adjustment	Fair value
Net property, plant & equipment and other non-current assets	31,518		31,518
Intangible assets	407	123,968	124,375
Trade receivables and other current assets	18,901	(1,900)	17,001
Cash and cash equivalents	15,142		15,142
Trade payables and other current liabilities	(2,844)		(2,844)
Provision for risks and charges and deferred tax liabilities	(22)	(3,718)	(3,740)
Employee benefits	(1,672)		(1,672)
Financial payables and other financial liabilities (current and non-current)	(11,679)		(11,679)
Fair value of net assets acquired	49,751	118,350	168,101
Goodwill			35,355
Non-controlling interests at fair value			(40,691)
Total consideration			162,765

(in thousands of euro)	
Cash consideration	162,765
Cash and cash equivalents acquired	(15,142)
Net cash outflow arising on acquisition	147,623

The non-controlling interest is measured at fair value using the full goodwill method (the amount is included in those estimated provisionally).

In December, Italmobiliare completed the agreement for the acquisition of the 92.5% of Casa della Salute for 24 million euro. Marco Fertonani, the CEO and founder, keeps the other 7.5% of the share capital, as well as full management powers of the innovative company active in the sector of outpatient and diagnostic services. The purpose of Italmobiliare entry into the capital of Casa della Salute is to provide support over the coming years for the company's ambitious growth programme that began in 2014, when the first clinic was opened in Busalla; it now operates in Liguria and Piedmont, with 8 diagnostic centres.

The preliminary purchase price allocation of the Casa della Salute group is summarised below:

(in thousands of euro)	Statutory book value acquired
Net property, plant & equipment and other non-current assets	20,700
Intangible assets	948
Trade receivables and other current assets	1,823
Cash and cash equivalents	636
Trade payables and other current liabilities	(5,288)
Payables and other non-current liabilities	(455)
Employee benefits	(418)
Financial payables and other financial liabilities (current and non-current)	(17,160)
Statutory book value of net assets acquired	786
Goodwill	25,324
Non-controlling interests at fair value	(2,005)
Total consideration	24,105
(in thousands of euro)	
Cash consideration	24,105
Cash and cash equivalents acquired	(636)
Net cash outflow arising on acquisition	23,469

The non-controlling interest is measured at fair value using the full goodwill method (the amount is included in those estimated provisionally).

In December, Italmobiliare finalised an agreement with the shareholders of the company that owns the Callmewine e-commerce platform, for a total investment of 13 million euro through the newco FT3, made partially through acquisition of shares and partially through a capital increase, acquiring a 60% stake in the company ("post-money"). The purpose of Italmobiliare's entry into the capital of Callmewine, an e-commerce platform specialising in the sale of wines that ranks among the market leaders in Italy, is to help finance the development plan of the company founded in 2010 by Paolo Zanetti over the next few years.

The preliminary purchase price allocation of Callmewine is summarised below:

(in thousands of euro)	Statutory book value acquired
Net property, plant & equipment and other non-current assets	107
Trade receivables and other current assets	2,104
Cash and cash equivalents	5,039
Trade payables and other current liabilities	(2,095)
Employee benefits	(65)
Financial payables and other financial liabilities (current and non-current)	(409)
Statutory book value of net assets acquired	4,681
Goodwill	17,277
Non-controlling interests at fair value	(8,783)
Total consideration	13,175
(in thousands of euro)	
Cash consideration	13,175
Cash and cash equivalents acquired	(5,039)
Net cash outflow arising on acquisition	8,136

The non-controlling interest is measured at fair value using the full goodwill method (the amount is included in those estimated provisionally).

The provisional purchase price allocation of Clessidra Factoring is detailed below:

(in thousands of euro)	Statutory book value acquired
Net property, plant & equipment and other non-current assets	494
Intangible assets	20
Trade receivables and other current assets	11,713
Cash and cash equivalents	759
Trade payables and other current liabilities	(1,000)
Employee benefits	(1)
Financial payables and other financial liabilities (current and non-current)	(4,216)
Statutory book value of net assets acquired	7,769
Goodwill	5,381
Total consideration	13,150
(in thousands of euro)	
Cash consideration	13,150
Cash and cash equivalents acquired	(760)
Net cash outflow arising on acquisition	12,390

The final purchase price allocation exercised to acquire control of Capitelli is detailed below:

(in thousands of euro)	Statutory book value acquired	Fair value adjustment	Fair value
Net property, plant & equipment and other non-current assets	1,144	7,028	8,172
Intangible assets	4	2,282	2,286
Trade receivables and other current assets	2,981		2,981
Cash and cash equivalents	9,950		9,950
Trade payables and other current liabilities	(2,094)		(2,094)
Provision for risks and charges and deferred tax liabilities	(244)	(2,598)	(2,842)
Employee benefits	(332)		(332)
Financial payables and other financial liabilities (current and non-current)	(3)		(3)
Fair value of net assets acquired	11,406	6,712	18,118
Goodwill	14,723	(6,712)	8,011
Total consideration	26,129		26,129

Lastly, in October Italmobiliare, together with Fondo Italiano d'Investimento Sgr (FI) and Vam Investments, created Florence, the first luxury clothing production centre in Italy with the purchase of 100% of Giuntini, Ciemmecci Fashion and Mely's Maglieria. With an investment of 13.8 million euro, Italmobiliare holds in transparency about 15.5% of the consortium led by Vam Investments and FI with the founding families of the three companies as minority shareholders.

The contribution to the Group's revenue and result of the acquired companies between the date of acquisition and year end is indicated in the section below entitled "Operating segment disclosure", while to understand the contribution to the Group's revenue and result of the acquired companies as the acquisitions had been completed on the first day of current year, please refer to the paragraphs of each individual portfolio companies in the Directors' report.

Operating segment disclosure

The Group's operating sectors for segment reporting purposes as required by IFRS 8 correspond to its main subsidiaries and associates (Caffè Borbone, Sirap, Italgem, Capitelli, Officina Profumo-Farmaceutica di Santa Maria Novella, Casa della Salute, Callmewine, Tecnica group, Iseo Serrature, Autogas and "Other companies", including Clessidra SGR, Crédit Mobilier de Monaco and Italmobiliare Servizi, which make up 98% of that segment's revenue). The comparative figures for 2019 have been restated for consistency with those of the year under review.

The Group management and organizational structure reflects the disclosure by business segment described above. Identification of the operating segments is based on the elements used by Group senior management to take decisions regarding allocation of resources and evaluation of results.

The table below sets out revenue and income and the results by segment for 2020:

(in thousands of euro)	Revenue and income	Intercompany sales	Contribution revenue	Gross operating profit (EBITDA)	Operating profit (EBIT)	Net finance income/(costs)	Impairment of financial assets	Share of profit (loss) of equity-accounted investees	Profit (loss) before tax	Income tax
Italmobiliare	67,921	(29,046)	38,875	8,346	7,659					
Caffè Borbone	219,261	(4)	219,257	75,194	66,003					
Sirap	250,582		250,582	24,676	10,950					
Italgem	30,218		30,218	23,594	13,527			362		
Capitelli	14,797	(1)	14,796	3,785	2,997					
Officina Profumo-Farmaceutica di Santa Maria Novella	6,399	(21)	6,378	(1,204)	(2,524)					
Tecnica Group								4,009		
Iseo								671		
Autogas Nord								2,819		
Other companies	17,767	(2,353)	15,414	(531)	(1,748)		(749)	7,154		
Unallocated items and adjustments	(31,425)	31,425		(27,870)	(27,424)	(6,760)			76,946	26,528
Total	575,520		575,520	105,990	69,440	(6,760)	(749)	15,015	76,946	26,528

The table below sets out revenue and income and the results by segment for 2019:

(in thousands of euro)	Revenue and income	Intercompany sales	Contribution revenue	Current EBITDA	Operating profit (EBIT)	Net finance income/(costs)	Impairment of financial assets	Share of profit (loss) of equity-accounted investees	Profit (loss) before tax	Income tax
Italmobiliare	86,118	(13,585)	72,533	45,665	44,965		(2,601)			
Caffè Borbone	172,624		172,624	52,015	43,446			270		
Sirap	269,300		269,300	19,921	4,954					
Italgem	34,304		34,304	14,216	10,410			195		
Capitelli Consolidation										
Tecnica Group								4,747		
Iseo								3,030		
Autogas Nord (*)								1,952		
Other companies	20,081	(2,967)	17,114	3,198	2,048			281		
Unallocated items and adjustments	(16,552)	16,552		(9,107)	(8,738)	(5,384)			99,575	(22,537)
Total	565,875		565,875	125,908	97,085	(5,384)	(2,601)	10,475	99,575	(22,537)

* Figures at September 30, 2019

The table below sets out other segment figures at December 31, 2020:

(in thousands of euro)	December 31, 2020		December 31, 2020			
	Total assets	Total liabilities	Capital expenditure	Non-current financial investments	Amortization and depreciation	Impairment losses of non-current assets
Italmobiliare	1,339,569	59,227	1,626	60,418	(687)	
Caffè Borbone	427,441	81,166	13,594	6	(9,190)	
Sirap	99,592	130,855	14,412		(13,399)	(325)
Italgen	61,647	32,005	4,568		(4,011)	(6,056)
Capitelli	25,477	5,720	978		(788)	
Officina Profumo-Farmaceutica di Santa Maria Novella	222,451	22,104		162,873	(1,320)	
Casa della Salute	24,108	23,321				
Callmewine	24,680	2,586		13,175		
Tecnica Group	48,816					
Iseo	45,700					
Autogas Nord (*)	62,081					
Other companies	99,227	30,555	549	13,150	(1,217)	
Inter-segment eliminations	(667,291)	(26,742)	(262)		443	
Total	1,813,498	360,797	35,465	249,622	(30,169)	(6,381)

The table below sets out other segment figures at December 31, 2019:

(in thousands of euro)	December 31, 2019		December 31, 2019			
	Total assets	Total liabilities	Capital expenditure	Non-current financial investments	Amortization and depreciation	Impairment losses of non-current assets
Italmobiliare	1,401,792	54,772	1,766	95,970	(700)	
Caffè Borbone	411,921	136,618	3,040	8	(8,561)	
Sirap	239,869	205,767	20,815		(13,849)	(1,119)
Italgen	57,647	42,179	3,414		(3,806)	
Capitelli consolidation	28,903	2,718		26,129		
Tecnica Group	45,432					
Iseo	45,218					
Autogas Nord	66,739					
Other companies	74,240	24,047	5,548		(1,150)	
Inter-segment eliminations	(463,035)	(30,281)	(485)		362	
Total	1,908,726	435,820	34,098	122,107	(27,704)	(1,119)
From assets classified as held for sale	6,713	567				
Total	1,915,439	436,387	34,098	122,107	(27,704)	(1,119)

ASSETS

Non-current assets

1) PROPERTY, PLANT AND EQUIPMENT

(in thousands of euro)	Land and buildings	Technical plant, materials and equipment	Other property, plant & equipment	Total
Gross amount	105,893	291,542	38,691	436,126
Accumulated depreciation	(38,555)	(209,880)	(26,658)	(275,093)
Carrying amount at December 31, 2019	67,338	81,662	12,033	161,033
Investments	9,004	16,745	9,545	35,294
Change in the consolidation area, reclassifications, other	39,845	14,188	(1,068)	52,965
Decreases	(11)	(573)	(814)	(1,398)
Depreciation	(4,928)	(14,294)	(2,774)	(21,996)
Impairment losses	(993)	(73)	(4,787)	(5,853)
Translation differences	(870)	(750)	(464)	(2,084)
Reclassification to assets classified as held for sale	(32,757)	(27,481)	2,134	(58,104)
Carrying amount at December 31, 2020	76,628	69,424	13,805	159,857
Gross amount	106,656	207,500	41,307	355,463
Accumulated depreciation	(30,028)	(138,076)	(27,502)	(195,606)
Carrying amount at December 31, 2020	76,628	69,424	13,805	159,857

The changes in the consolidation area are mainly related to the first-time consolidation of the Officina Profumo-Farmaceutica di Santa Maria Novella group and the Casa della Salute group.

The net carrying amount of the right-of-use assets amounts to 39,693 thousand euro at December 31, 2020 (20,451 thousand euro at December 31, 2019) and includes buildings for 35,000 thousand euro, plant for 2,406 thousand euro and vehicles for 2,287 thousand euro. The variations of the period are mainly linked to new investments for 5,733 thousand euro and the first-time consolidation of the new companies for 22,923 thousand euro.

"Other property, plant and equipment" includes assets under construction for 6,853 thousand euro.

The useful lives adopted by the group for the main asset categories are as follows:

Civil and industrial buildings	10 - 33 years
Plant and machinery	5 - 30 years
Other property, plant and equipment	3 - 10 years

The range between the above minimum and maximum limits indicates the presence for the same asset category of different useful lives.

2) INVESTMENT PROPERTY

(in thousands of euro)	
Gross amount	9,030
Accumulated depreciation	(1,111)
Carrying amount at December 31, 2019	7,919
Decreases	(116)
Depreciation and impairment losses	(307)
Reclassifications and other changes	136
Carrying amount at December 31, 2020	7,632
Gross amount	8,919
Accumulated depreciation	(1,287)
Carrying amount at December 31, 2020	7,632

Investment property, with an estimated useful life of 33 years, is measured at cost.

The fair value of these investments at December 31, 2020 was 21,838 thousand euro (23,276 thousand euro at December 31, 2019). The designation of their fair value is a level 3 calculated by verifying the value of comparable transactions and based on the appraisal prepared by independent external experts.

3) GOODWILL

(in thousands of euro)	
Carrying amount at December 31, 2019	181,864
Increases	77,573
Reclassification to assets classified as held for sale	(8,714)
Carrying amount at December 31, 2020	250,723

The change in goodwill is due to the acquisition of the investments in the Officina Profumo-Farmaceutica di Santa Maria Novella group, Clessidra Factoring, Callmewine and the Casa della Salute group occurred during the second half of 2020. Such amount is to be considered provisional until the completion of the purchase price allocation process.

The assets classified as held for sale refers to the goodwill of the Sirap CGUs sold in January 2021 (Faerch Italy (Sirap Gema Italia), Inline Poland and Sirap Iberica), for which all the related information have been already provided.

Goodwill impairment test

Goodwill, coming from the acquisition method of accounting for a business combination, is allocated to cash-generating units (CGUs). The Group tests goodwill recoverability at least once a year or more frequently if there are signs of impairment. The method used to determine the recoverable amount of goodwill is described in the section "Basis of consolidation", paragraph "Impairment".

The following table shows the goodwill amounts divided by CGU:

(in thousands of euro)	Carrying amount of goodwill	
	December 31, 2020	December 31, 2019
Cash-generating units		
Sirap	1,594	10,308
Caffè Borbone	153,839	153,839
Capitelli	8,011	14,723
Officina Profumo-Farmaceutica di Santa Maria Novella	35,355	
Casa della Salute	26,272	
Callmewine	17,277	
Other companies	8,375	2,994
Total	250,723	181,864

Investments in the Casa della Salute group, Callmewine and Clessidra Factoring were acquired at the end of 2020 (with only the balance sheet consolidated at December 31, 2020). For this reason, in the absence of any impairment indicators, the price paid was considered equal to the recoverable amount of the cash-generating units on that date.

Caffè Borbone

The goodwill allocated to the subsidiary Caffè Borbone, which is a single cash generating unit (CGU) for the purposes of the Italmobiliare Group consolidated financial statements, was tested for impairment in accordance with IAS 36. The recoverable amount of the CGU was estimated with the assistance of an independent expert using the value in use configuration, based on the present value of expected future cash flows. The analytical projections of (unlevered) future cash flows, net of tax, are based on the 2021 budget approved by the company's Board and on the plan's financial and business projections for the period 2022-2024 prepared by its management. The 2020-2024 CAGR of revenues foreseen in the budget/plan is equal to 11.4%, compared with an actual growth rate of 27.0% in 2020 and 27.6% in 2019. The cash flows were discounted using a post-tax discount rate (WACC) of 7.8%, including an additional premium with respect to the Capital Asset Pricing Model (CAPM) for the specific risk. For the purpose of estimating the terminal value, an annual growth rate for long-term sustainable revenue (g rate) of 1.4% was used from 2025 onwards. The test did not identify any evidence of impairment losses on goodwill.

The sensitivity analysis showed that an increase of 100 basis points (+1%) in the discount rate (WACC), even in conjunction with a 100 basis point reduction in the growth rate (g) in the terminal value, would not generate any impairment loss.

Furthermore, reducing the CAGR 2020-2024 of revenue to 5% (reduction of 6.4 percentage points compared with the 11.4% foreseen in the budget/plan), with the same discount rate (WACC) and growth rate (g) in the terminal value, no impairment loss would emerge.

Sirap

For the Sirap group, the impairment test consists of verifying whether the recoverable amount of the goodwill allocated to the cash generating unit (CGU) that coincides with the Sirap Gema group is higher or lower than its carrying amount. To this end, given that the whole of Sirap Gema was considered as a single CGU for the purposes of management control and strategic planning by Italmobiliare's management, the overall goodwill allocated to this CGU in Italmobiliare's consolidated financial statements was equal to the sum of the various items of goodwill shown in the consolidated financial statements of Sirap Gema (allocated to the specific CGUs of the Sirap Group and subjected to first level impairment tests for the purposes of its consolidated financial statements).

The recoverable amount of the operating net invested capital of the Sirap Gema CGU was estimated by an independent expert. In particular, the Sum-of-the-Parts (SOTP) approach was adopted, which determines the overall recoverable amount of the operating net invested capital of the Sirap Gema CGU by aggregating: i) the recoverable amounts of the CGUs Sirap France (Rigid and Foam) and Sirap UK, on the basis of the 2021-2025 plan (updated in January 2021) and the related terminal value using the value in use configuration, based on an asset-side approach and ii) the consideration for the sale of the various components of the CGU (assets in Italy, Poland and Spain already classified as held for sale at December 31, 2020 and the Petruzalek Group together with Sirap GmbH).

With reference to the Petruzalek Group CGU within the Sirap group (which includes the residual amount of goodwill of 1,594 thousand euro), the price considered was the one included in the binding agreement of February 2021, which also includes the assets in Germany.

For the Faerch Italy CGUs (Sirap Gema Italy), Inline Poland and Sirap Iberica (which include the amount of goodwill equal to 8,714 thousand euro and reclassified under assets held for sale), reference was made to the price indicated in the binding agreement of November 2020.

In fact, for the purpose of estimating the overall recoverable amount of the Sirap CGU, the same level of analytical detail adopted internally by the Sirap Group makes it possible to reflect in the valuation the peculiar characteristics of each CGU in terms of products sold, profit margins, reference markets, expected growth and exposure to various risk factors. The analytical projections of future cash flows (unlevered) used in the asset-side DCF method are based on the plan's financial and business projections for the period 2021-2025 prepared by its management, suitably adjusted on a pro-forma basis according to the scope of the various CGUs involved (France and UK). These analytical projections for each CGU are the best estimates of Sirap Gema S.p.A. management consistently with current market trends, the assumptions underlying the 2021 budget and the strategic measures envisaged by the plan. The CAGR 2021-2025 envisaged by the plan for the remaining CGUs of the Sirap Group ranges from -8% to +15%.

The values in use of the net operating assets of the CGUs Sirap France Rigid, Sirap France Foam and Sirap UK were estimated using the cash flow projections, the discount rate and the nominal growth rate in the terminal value (rate g) expressed in Euro.

The table below sets out the post-tax discount rates (post-tax weighted average cost of capital) and the nominal growth rate (g) used in the terminal value to determine value in use of each CGU:

in %	Weighted average cost of capital (WACC)	Growth rate (g)
Rigid Division France CGU	7.30	1.60
Foamed Container Division France CGU	7.40	(1.00)
CGU Sirap UK	7.30	1.70

The differences between the g rates of certain CGUs – which are in any case aligned with long-term inflation – are also explained by the effects expected in the medium/long term of a partial shift in demand from Foam to Rigid, in line with the institutional and market orientation aimed at favouring products and production processes that allow more and more recyclable material to be used.

The test did not identify any evidence of goodwill impairment loss for the Sirap Gema CGU.

The sensitivity analysis showed that an increase of 100 basis points (+1.00%) in the discount rate (WACC), even in conjunction with a 100 basis point reduction in the growth rate (g) used in the terminal value, would not generate any impairment loss for the entire Sirap Gema CGU.

Officina Profumo-Farmaceutica di Santa Maria Novella

The goodwill allocated to the Officina Profumo-Farmaceutica di Santa Maria Novella Group, which is a single cash generating unit (CGU) for the purposes of the Italmobiliare Group consolidated financial statements, was tested for impairment in accordance with IAS 36. The recoverable amount of the CGU was estimated with the assistance of an independent expert using the value in use configuration, based on the present value of expected future cash flows. The analytical projections of (unlevered) future cash flows, net of tax, are based on the 2021 budget approved by the company's Board and on the plan's financial and business projections for the period 2022-2026 prepared by its management. The cash flows were discounted using a post-tax discount rate (WACC) of 9.8%, including an additional premium with respect to the Capital Asset Pricing Model (CAPM) for the specific risk. For the purpose of estimating the terminal value, an annual growth rate for long-term sustainable revenue (g rate) of 1.4% was used from 2027 onwards. The test did not identify any evidence of impairment losses on goodwill.

The sensitivity analysis showed that an increase of 100 basis points (+1%) in the discount rate (WACC), even in conjunction with a 100 basis point reduction in the growth rate (g) in the terminal value, would not generate any impairment loss. At the same long-term growth rate (g), an increase in the discount rate of 196 basis points (+1.96%) would lead to a recoverable amount in line with the carrying amount. Furthermore, by reducing the EBITDA margin of each year included in the plan by 7.5%, with the same discount rate (WACC) and growth rate (g) in the terminal value, no impairment loss would emerge.

Capitelli

The goodwill allocated to Capitelli, which is a single cash generating unit (CGU) for the purposes of the Italmobiliare Group consolidated financial statements, was tested for impairment in accordance with IAS 36. In particular, the recoverable amount of the CGU was estimated with the help of an independent expert using the fair value configuration on the basis of the EV/EBITDA multiple applied to the 2020 EBITDA prudentially adjusted to take into account the reduced prices of raw materials in 2020. The test did not identified any evidence of impairment losses on goodwill.

The sensitivity analysis carried out indicates that even in the event of significant changes (-15%) in the EBITDA used, there would be no evidence of impairment. Furthermore a reduction of 28% in the multiple will determine a value in line with the carrying amount of the CGU.

Other companies

With reference to the other companies, goodwill was attributable only to the CGU represented by Clessidra SGR S.p.A. and its subsidiary Clessidra Factoring.

The Sum-of-the-Parts (SOTP) approach was adopted, which determines the overall recoverable amount of the operating net invested capital of the CGU. The first CGU, being a financial company that performs management services and investment activities and subject to the regulatory framework provided by the specific Supervisory Authorities, the recoverable amount was determined according to an equity-side approach based on an estimate of the present value of future financial flows available for the shareholders; while for the second CGU, it was considered its purchase price as it was acquired in November 2020.

In particular, the recoverable amount was estimated with the help of an independent expert using the value in use configuration on the basis of existing liquidity and the present value of future cash flows available for the shareholders taken from the economic-financial projections for the period 2021-2025 prepared by the company. Given the particular nature of Clessidra's business and the importance of human resources, a "finite" perspective has been adopted which considers only the projections of future cash flows expected in the five years covered by the budget/plan. The cash flows were discounted using a post-tax discount rate of 9.8%, including an additional premium with respect to the Capital Asset Pricing Model (CAPM) for the specific risk. The test did not identified any impairment losses on goodwill.

The sensitivity analysis showed that an increase of 100 basis points (+1%) in the discount rate would not result in any goodwill impairment loss.

Market capitalisation

During the year, Italmobiliare S.p.A. market capitalization recorded an increase with respect to December 31, 2019 (passing from 1,014.0 million euro to 1,237.1 million euro) thanks to the positive results of the main portfolio companies, even with the reduction of the stock market, the FTSE Italia All-Share Index, which fell by -5.6%.

NAV reported an increase, as explained in the Directors' report, lower than the increase in market capitalisation; consequently, the discount against equity decreased.

Management believes, nevertheless, that the difference between the two measures is characteristic of the current situation and that the amounts reflected by the valuations, which were also based on external and market parameters, confirm consistency with the equity amounts recognized in the Group consolidated financial statements.

4) INTANGIBLE ASSETS

(in thousands of euro)	Brands, patents and licenses	Other intangible assets	Total
Gross amount	109,149	95,139	204,288
Accumulated amortisation	(14,718)	(10,978)	(25,696)
Carrying amount at December 31, 2019	94,431	84,161	178,592
Investments	664	20	684
Acquisitions after business combinations and other	127,490	4,634	132,124
Decreases	(3)	(17)	(20)
Amortisation and impairment losses	(1,050)	(6,813)	(7,863)
Translation differences	(37)		(37)
Reclassification to assets classified as held for sale	(638)	(10)	(648)
Carrying amount at December 31, 2020	220,857	81,975	302,832
Gross amount	225,465	101,375	326,840
Accumulated amortisation	(4,608)	(19,400)	(24,008)
Carrying amount at December 31, 2020	220,857	81,975	302,832

The item "Trademarks, patents and licences" mainly includes the Caffè Borbone trademark (value at December 31, 2020 equal to 92,033 thousand euro) and Officina Profumo-Farmaceutica di Santa Maria Novella acquired during the year. In fact, the most significant change in the period concerns the registration and revaluation of the Officina Profumo-Farmaceutica di Santa Maria Novella trademark with an indefinite useful life for 123,969 thousand euro in line with the fair value of such intangible asset for the purposes of the PPA.

Since an indefinite useful life was attributed to the Caffè Borbone trademark on apportionment of the acquisition price, the Group conducts an impairment test to check the recoverability of the carrying amount at least on an annual basis, or more frequently if events or circumstances suggest on impairment. For the impairment test at December 31, 2020, carried out with the help of an independent expert, the estimated recoverable amount of the trademark was based on the so-called "Relief-from-royalty-rate method", which considers the present value of the royalty flows, net of tax, that the company theoretically saves in relation to the future trend in turnover envisaged by the plan and long-term sustainable growth assumptions. Royalty flows were discounted using a discount rate (WACC) of 7.8%, including an additional premium with respect to the Capital Asset Pricing Model (CAPM) for specific risk. Terminal value was estimated with reference to a long-term sustainable growth rate (g rate) of 1.4%. The test confirmed the full recoverability of the trademark's carrying amount.

The sensitivity analysis showed that an increase of 25 basis points (+0.25%) in the discount rate, at the same royalty and long-term growth rate (g), would not generate any impairment loss. At the same royalty rate and long-term growth rate (g), an increase in the discount rate of 560 basis points (+5.6%) would lead to a recoverable amount in line with the carrying amount of the brand.

Furthermore, reducing the CAGR 2020-2024 of revenue to 5% (reduction of 6.4 percentage points compared with the 11.4% foreseen in the budget/plan), with the same discount rate (WACC) and growth rate (g) in the terminal value, no impairment loss would emerge.

Given that an indefinite useful life was attributed to the Officina Profumo-Farmaceutica di Santa Maria Novella trademark during the provisional PPA, Group policy is to carry out an impairment test to check the recoverability of the carrying amount at least once a year, or more frequently if events or circumstances suggest that there may be impairment. For the impairment test at December 31, 2020, carried out with the help of an independent expert, the estimated recoverable amount of the trademark was based on the so-called "Relief-from-royalty-rate method", which considers the present value of the royalty flows, net of tax, that the company theoretically saves in relation to the future trend in turnover envisaged by the plan and long-term sustainable growth assumptions. Royalty flows were discounted using a discount rate (WACC) of 9.8%, including an additional premium with respect to the Capital Asset Pricing Model (CAPM) for specific risk. Terminal value was estimated with reference to a long-term sustainable growth rate (g rate) of 1.4%. The test confirmed the full recoverability of the trademark's carrying amount.

The sensitivity analysis showed that an increase of 25 basis points (+0.25%) in the discount rate, at the same royalty and long-term growth rate (g), would not generate any impairment loss. At the same royalty rate and long-term growth rate (g), an increase in the discount rate of 53 basis points (+0.53%) would lead to a recoverable amount in line with the carrying amount of the brand.

The method used for impairment testing trademarks is in line with that used to determine the fair value of these assets during the PPA.

The item "Other intangible assets" mainly includes customer lists. The intangible asset based on the "Customer relationships" of Caffè Borbone has a net carrying amount at December 31, 2020 of 77,489 thousand euro. Given that it has a finite useful life and is subject to amortisation, the first consideration was whether or not there were any indication of impairment, as required by IAS 36. As an analysis of actual customer performance of the customer relationships and other relevant evidence and circumstances led to the exclusion of any presumption of impairment, we did not carry out an analytical impairment test of the customer relationships.

5) INVESTMENTS IN ASSOCIATES

This caption reflects the portions of net equity held in equity-accounted investments in associates. The main equity-accounted investments in associates are listed below:

(in thousands of euro)	Carrying amount of securities		Share of profit (loss)	
	December 31, 2020	December 31, 2019	2020	2019
Associates				
Tecnica Group	48,816	45,432	4,009	4,747
Iseo	45,700	45,219	671	3,030
Autogas Nord	60,791	61,883	2,819	1,952
S.E.S.	6,400	7,000		
Dokimè	1,981	3,706	6,560	281
Florence	13,800			
Other	6,261	907	956	465
Total associates	183,749	164,147	15,015	10,475

Information on the main investments in associates is set out below.

Tecnica Group

(in thousands of euro)	2020	2019
Revenue	382,508	423,998
Profit (loss) for the year attributable to owners of the parent company	10,022	11,478
Profit (loss) for the year attributable to non-controlling interests	6,014	5,433
Profit (loss) for the year	16,036	16,911
Other comprehensive income (expense)	(1,684)	2,749
Total comprehensive income for the year	14,352	19,660
Non-current assets	144,319	153,017
Current assets	261,623	259,111
Non-current liabilities	(205,348)	(193,569)
Current liabilities	(132,075)	(163,320)
Non-controlling interests	(23,455)	(18,636)
Net assets	45,064	36,603
Equity interest	40.0%	40.0%
Equity interest at the beginning of the year	45,432	46,042
Change during the year	3,384	(610)
Equity interest at the end of the year	48,816	45,432
Dividends received in the year		

Iseo Group

(in thousands of euro)	2020	2019
Revenue	128,422	142,666
Profit (loss) for the year attributable to owners of the parent company	3,761	5,587
Profit (loss) for the year attributable to non-controlling interests	293	491
Profit (loss) for the year	4,054	6,078
Other comprehensive income (expense)	(244)	(95)
Total comprehensive income for the year	3,810	5,983
Non-current assets	64,728	67,761
Current assets	119,654	97,347
Non-current liabilities	(58,394)	(41,966)
Current liabilities	(59,109)	(60,267)
Non-controlling interests	(2,058)	(2,272)
Net assets	64,821	60,603
Equity interest	39.4%	40.0%
Equity interest at the beginning of the year	45,218	42,601
Change during the year	482	2,617
Equity interest at the end of the year	45,700	45,218
Dividends received in the year	480	480

Autogas Nord Group

(in thousands of euro)	2020	2019*
Revenue	438,111	355,007
Profit (loss) for the year attributable to owners of the parent company	20,035	6,506
Profit (loss) for the year attributable to non-controlling interests	285	413
Profit (loss) for the year	20,320	6,919
Other comprehensive income (expense)		
Total comprehensive income for the year	20,320	6,919
Non-current assets	259,235	249,291
Current assets	157,256	138,129
Non-current liabilities	(114,716)	(11,324)
Current liabilities	(132,007)	(212,827)
Non-controlling interests	(629)	(1,134)
Net assets	169,139	162,135
Equity interest	30.0%	30.0%
Equity interest at the beginning of the year	61,883	60,313
Change during the year	(1,092)	1,570
Equity interest at the end of the year	60,791	61,883
Dividends received in the year	1,290	1,075

S.E.S. Group

(in thousands of euro)	2020*	2019**
Revenue	22,590	27,332
Profit (loss) for the year	(2,924)	(7,015)
Other comprehensive income (expense)		
Total comprehensive income for the year	(2,924)	(7,015)
Non-current assets	51,570	52,475
Current assets	30,977	35,289
Non-current liabilities	(13,743)	(14,972)
Current liabilities	(16,206)	(16,586)
Non-controlling interests	(8,933)	(9,479)
Net assets	43,665	46,727
Equity interest net of treasury shares	33.7%	33.7%
Equity interest at the beginning of the year	7,000	9,600
Impairment	(600)	(2,600)
Equity interest at the end of the year	6,400	7,000
Dividends received in the year		

* Figures at December, 31 2020 ITA GAAP

** Figures at December, 31 2019 ITA GAAP

Test of the carrying amount of equity-accounted investees

For the purpose of impairment testing the carrying amount of the investments in associates, the recoverable amount has been estimated in the fair value configuration on the basis of appropriate multiples derived from a sample of comparable listed companies, as further explained below. The sensitivity analysis was based on the (negative) change in the economic variables applied to the related multiples within reasonable intervals.

With regards to the associate Tecnica Group S.p.A., the recoverable amount was determined in the fair value configuration on the basis of the multiple average EV/EBITDA 2020-2021 (using actual 2020 data and the 2021 budget approved by the company's Board of Directors), as this approach is more prudent. In particular, reference was made to the EV/EBITDA multiple implicit in the option to repurchase the investment held by the controlling shareholder, after verifying that this multiple was lower than the current market multiples referring to a sample of comparable listed companies. Since the fair value of the investment estimated on the basis of this multiple is significantly higher than the carrying amount of the investment, there is no evidence of an impairment loss on the investment. The sensitivity analysis carried out indicates that even in the event of significant changes (-20%) in the EBITDA used, there would be no evidence of impairment.

An impairment test was also carried out for the two associates ISEO Serrature S.p.A. and Autogas Nord S.p.A. based on an estimate of the fair value of the investment. The latter was determined by applying the market multiples method (specifically, EV/EBITDA 2020 was used for Iseo, EV/EBITDA 2020-2021 for Autogas). The expected 2021 result of Autogas (in terms of EBITDA) is the one shown in the budget according to Italian accounting standards approved by its Board of Directors, further adjusted to reflect the best available estimate of the effects of applying IFRS. In both cases, an adequate discount was taken into account with respect to the reference rate which consisted of the average of market multiples recorded for a sample of reference listed companies. Its measurement was defined in relation to facts and circumstances concerning the specific situation of the subsidiary considered and the effective level of comparability in terms of size, profitability and risk of the listed companies that make up the sample. There is no impairment loss for Autogas, whereas an impairment adjustment was made for Iseo to bring the carrying amount in line with its fair value. The write-down amounted to 3,745 thousand euro.

With regard to Autogas, the sensitivity analysis carried out indicates that even in the event of significant changes (-20%) in the EBITDA used, there would be no evidence of impairment. A 21% reduction in the multiple would result in a recoverable value in line with the carrying amount of the investment.

With regards to the investment in the associate Società Editrice Sud S.p.A. (S.E.S.), an impairment loss of 600 thousand euro was recognised to align the carrying amount with its estimated fair value. Since the company reported a negative consolidated EBITDA at December 31, 2019 and since there are no further updates to the accounting data, nor any forward-looking indications formalized in a budget/plan document, the fair value of the investment was estimated based on the median EV/Sales trailing multiple obtained from a sample of listed companies in the same sector. Since these companies have sizes and business profiles that are sometimes significantly different, an appropriate discount was used to determine the fair value of the investment compared with the value implicit in a straightforward application of the average multiple for the sample. The estimate of the fair value of the equity investment carried out according to the criteria described above is 600 thousand euro lower than the previous carrying amount of the investment, resulting in the impairment loss mentioned above.

6) OTHER EQUITY INVESTMENTS

This caption, classified under the non-current assets reflects equity investments measured at FVTOCI as required by the IFRS 9.

in thousands of euro)	
At December 31, 2019	210,531
Increases	593
Sales and repayments	(83,464)
Fair value changes taken to equity reserves	(7,908)
Impairment	(28)
Other	
Reclassification to assets classified as held for sale	(14)
At December 31, 2020	

The increases mainly concern further investments in New Flour for 509 thousand euro and in 035 Investimenti for 74 thousand euro.

"Sales and repayments" mainly concern the partial disposal of HeidelbergCement shares for 79,958 thousand euro, and the disposal of all the shares in Ideami for 3,000 thousand euro.

"Fair value changes of equity reserves" relate essentially to the shares in HeidelbergCement for -1,176 thousand euro, Fin Priv S.p.A. for -4,605 thousand euro, Unicredit for -1,098 thousand euro, Vontobel for 147 thousand euro, Coima Res for -932 thousand euro, Cairo Comunicazioni for 275 thousand euro and 035 Investimenti for -265 thousand euro. The above amounts include both the change in the fair value for the period and the fair value differences recorded in the equity reserves following the disposals.

The fair value changes in FVTOCI relating to listed securities and recognized during 2020 amounted overall to -7,783 thousand euro.

The impairment relates to the investment in Tri alpha energy measured at FVTPL.

Other equity investments at December 31, 2020 were as follows:

(in thousands of euro)	Number of shares	December 31, 2020
Investments in listed companies		
HeidelbergCement	1,372,000	83,994
Vontobel	115,238	7,489
Coima Res	412,332	2,705
Unicredit	204,331	1,563
Cairo Communication	189,198	239
Piaggio	169,699	457
Can Fite	204	
Total		96,447
Equity investments in non-listed companies		
Fin Priv		15,868
New Flour		4,216
Sesaab		1,300
Other		1,906
Total		23,290
At December 31, 2020		119,737

The fair value of listed companies is determined on the basis of the official share price of the last accounting day while for the unlisted investments, in accordance with IFRS 13, the fair value was determined using different methods based on the characteristics and available data, like the fair value less cost to sell, the discounted cash flow or the equity.

7) TRADE RECEIVABLES AND OTHER NON-CURRENT ASSETS

"Trade receivables and other non-current assets" were made up as follows:

(in thousands of euro)	December 31, 2020	December 31, 2019	Change
Non-current receivables	23,127	19,313	3,814
Financial assets measured at amortised cost	9,000	9,000	
Financial assets at FVTPL in NFP	3,318	3,916	(598)
Financial assets at FVTPL not in NFP	122,814	145,768	(22,954)
Guarantee deposits	1,130	447	683
Other	2,015	2,465	(450)
Total	161,404	180,909	(19,505)

The main movements on this caption were:

- the purchase of mutual fund, bonds and private equity funds for +15,980 thousand euro;
- the partial reimbursement of private equity funds for -52,586 thousand euro;
- revaluation of the private equity funds for 18,757 thousand euro;
- the decrease of exchange rates differences for 5,082 thousand euro;
- impairment losses on financial assets measured at FVTPL for -598 thousand euro recognised under the caption "Other operating expense";
- the long-term reclassification of the receivables from the associate Gardawind for 3,659 thousand euro after the renegotiation of the payment terms.

Current assets

8) INVENTORIES

"Inventories" are made up as follows:

(in thousands of euro)	December 31, 2020	December 31, 2019	Change
Raw materials, consumables and supplies	25,246	22,234	3,012
Work in progress and semifinished goods	2,873	8,383	(5,510)
Finished goods	18,855	26,174	(7,319)
Payments on account	1,083	411	672
Total	48,057	57,202	(9,145)

Inventories mainly refer to the Sirap Group and Caffè Borbone and are shown net of allowances totalling 1,736 thousand euro (3,109 thousand euro at December 31, 2019) accounted for mainly to cover the risk of slow-moving.

Spare parts at December 31, 2020 amounted 460 thousand euro (623 thousand euro at December 31, 2019).

9) TRADE RECEIVABLES

This caption is made up as follows:

(in thousands of euro)	December 31, 2020	December 31, 2019	Change
Gross amount	81,859	100,617	(18,758)
Bad debt reserve	(4,967)	(3,971)	(996)
Total	76,892	96,646	(19,754)

The change is due to reclassification of the receivables related to the companies being sold (Faerch Italy, Inline Poland and Sirap Iberica) to "Assets held for sale".

10) OTHER CURRENT ASSETS INCLUDING DERIVATIVE FINANCIAL INSTRUMENTS

(in thousands of euro)	December 31, 2020	December 31, 2019	Change
Receivables from employees and social security bodies	373	4,289	(3,916)
Indirect tax credits	3,562	1,782	1,780
Prepaid expenses	1,781	1,426	355
Accrued income	1,094	991	103
Short-term derivatives	539	431	108
Other receivables and financial instruments	8,644	10,157	(1,513)
Other amounts due	3,468	3,877	(409)
Total	19,461	22,953	(3,492)

Other bank loans and financial instruments include loans to customers of Crédit Mobilier de Monaco and receivables from the Clessidra SGR funds.

Derivatives

The method adopted by the group to determine the impact of credit/counterparty risk on its measurements at the reporting date applies a default probability to each flow in order to incorporate the adjustment for credit/counterparty risk into the measurement.

Default probabilities are computed using secondary bond market data through calculation of the implicit "credit default swaps" (CDS).

The loss given default (LGD) is set at 60% in line with market standards.

The table below shows the fair value of the financial instruments recognized in the statement of financial position, subdivided by type of hedge:

(in thousands of euro)	December 31, 2020		December 31, 2019	
	Assets	Liabilities	Assets	Liabilities
Interest-rate derivatives hedging cash flows		(48)		(26)
Derivatives on shares and securities	539	(506)	431	(370)
Total current instruments	539	(554)	431	(396)
Interest-rate derivatives hedging cash flows		(86)	32	(759)
Interest-rate derivatives to hedge fair value		(35)		
Interest-rate derivatives		(121)	32	(759)
Total long-term instruments		(121)	32	(759)
Total	539	(675)	463	(1,155)

The interest-rate derivatives used to hedge cash flows are variable-rate to fixed-rate IRSs stipulated by Casa della Salute and Officina Profumo-Farmaceutica di Santa Maria Novella; the derivatives relating to Caffè Borbone and Italgen have expired.

Derivatives on equities and securities mainly refer to purchases of put options and sales of call options on shares in portfolio and valued at FVTOCI, not designated in "hedge accounting".

Derivatives are measured at fair value, including the impact of the counterparty risk.

11) TAX ASSETS

Tax assets amount to 17,125 thousand euro (8,089 thousand euro at December 31, 2019) and refer principally to Italmobiliare for tax credits resulting from the tax consolidation.

12) EQUITY INVESTMENTS, BONDS AND CURRENT FINANCIAL RECEIVABLES

This caption is broken down as follows:

(in thousands of euro)	December 31, 2020	December 31, 2019	Change
Equity investments measured at FVTPL	21,228	24,124	(2,896)
Funds and other financial instruments	287,073	328,845	(41,772)
Other amounts due	15,873	19,181	(3,308)
Net amount	324,174	372,150	(47,976)

"Funds and other financial instruments", measured at FVTPL, include the Vontobel Fund for 243,661 thousand euro (277,078 thousand euro at December 31, 2019), which increased during the year for further investments made for 90,000 thousand euro, offset by a decrease of 122,946 thousand euro, and for the negative fair value changes for 461 thousand euro.

Other receivables decreased due to the long-term reclassification of receivables from the associate Gardawind for 3,659 thousand euro after renegotiation of the payment terms.

13) CASH AND CASH EQUIVALENTS

(in thousands of euro)	December 31, 2020	December 31, 2019	Change
Cash and cheques in hand	3,407	4,462	(1,055)
Bank and postal accounts	119,659	243,650	(123,991)
Net amount	123,066	248,112	(125,046)

Cash and cash equivalents are also shown under "Cash and cash equivalents at the end of the year" on the statement of cash flows.

The Group does not have any restricted accounts.

14) ASSETS CLASSIFIED AS HELD FOR SALE

The caption includes the residual assets of the Italgen Group in Morocco and Egypt for 125 thousand euro (6,713 thousand euro at December 31, 2019) and the assets of Faerch Italy, Inline Poland and Sirap Iberica (companies belonging to the food packaging sector) for a total of 131,531 thousand euro. The assets held for sale are mainly attributable to the three food packaging companies and relate to property, plant & equipment and investment properties for 55,218 thousand euro, intangible assets for 646 thousand euro, goodwill for 8,714 thousand euro, other non-current assets for 896 thousand euro, inventories for 20,136 thousand euro, trade receivables for 36,249 thousand euro and other current assets for 2,576 thousand euro.

The liabilities of the Italgen Group in Morocco and Egypt and those of Faerch Italy, Inline Poland and Sirap Iberica have been classified in the same way under "Liabilities directly associated with assets classified as held for sale" for 60,102 thousand euro (567 thousand euro at December 31, 2019). Liabilities directly associated with assets held for sale are mainly attributable to the three food packaging companies and relate to financial payables for 22,306 thousand euro, trade payables for 27,384 thousand euro and other liabilities for 10,345 thousand euro.

With regards to the Petruzalek group and Sirap GmbH, if the assets and liabilities had been reclassified as held for sale at December 31, 2020, they would have amounted to 29,816 thousand euro and 20,534 thousand euro respectively.

EQUITY AND LIABILITIES

Share capital, reserves and retained earnings

15) SHARE CAPITAL

At December 31, 2020, the parent company's fully paid-up share capital amounted to 100,166,937 euro represented by 42,500,000 no-par ordinary shares.

Number of shares	December 31, 2020	December 31, 2019	Change
Ordinary shares	42,500,000	47,633,800	(5,133,800)
Cancelled shares		(5,133,800)	5,133,800
Total	42,500,000	42,500,000	

16) RESERVES

Share premium

It amounts to 55,607 thousand euro, with no changes compared with 2019.

Other reserves

The change in the fair value reserve for the period amount -7,840 thousand euro and refers to the change in fair value for -11,965 thousand euro and to the sale of equity investments for 4,125 thousand euro.

17) TREASURY SHARES

At December 31, 2020 the carrying amount of treasury shares in portfolio stood at 6,620 thousand euro, showing a decrease from December 31, 2019 following the exercise of the stock option made by some managers. Treasury shares were as follows:

	No. ordinary shares	Carrying amount (in thousands of euro)
At December 31, 2019	517,070	12,154
Decreases	(233,600)	(5,534)
At December 31, 2020	283,470	6,620

Ordinary treasury shares in portfolio at December 31, 2020 are partly related to stock option plans for directors and managers.

Stock options

The Group has arranged stock option plans for directors and managers who hold specific roles in Italmobiliare S.p.A.

The stock options granted by the parent Italmobiliare S.p.A. refer to ordinary shares: they may be exercised between the beginning of the fourth year and the end of the tenth year after the grant date; Directors whose term of office is not renewed may exercise their options immediately, and in any case within ten years of the grant date; as a general rule, unexercised stock options assigned to managers are not recognized in the event of termination of employment in the Group, except in the case of retirement.

Stock options are exercised at a rate of one share per option.

The terms and conditions of the Italmobiliare S.p.A. stock option plans at December 31, 2020, are set out below:

Grant date	No. of options granted	Exercise period	Options exercised	Options cancelled	Options not exercised	Unit subscription price
30 March 2011	225,800	30/3/2014 - 30/3/2021	155,500		70,300	€ 13.7345
Total	225,800		155,500	-	70,300	

The grant date is the date of the Board of Directors' meeting that approved the stock option plan. The vesting period of these plans had already ended at the beginning of 2019, so costs relating to stock options in 2019 and 2020 are not accounted for under "Employee benefits expense".

The table below sets out the number and average exercise price of stock options in the years in question:

	December 31, 2020		December 31, 2019	
	Number of options	Average subscription price	Number of options	Average subscription price
Options not exercised at the beginning of the year	312,800	€ 14.0541	360,700	15,28,75
Exercised during the period	(233,600)		(40,000)	
Expired during the period	(8,900)		(7,900)	
Options not exercised at the end of the period	70,300	€ 13.7345	312,800	€ 14.0541
Options vested at the end of the year	70,300		312,800	

The average ordinary share price in 2020 was 27.511 euro (21.113 euro in 2019).

The weighted average residual life of unexercised options is 2 months.

The option exercise price at December 31, 2020 was 13.7345 euro.

Dividends paid

The parent Italmobiliare S.p.A. paid the following ordinary dividends in 2020 and 2019:

	2020	2019	2020	2019
	(euro per share)	(euro per share)	(in thousands of euro)	(in thousands of euro)
Ordinary shares	1.800	0.550	75,999	23,071
Total dividends			75,999	23,071

Translation reserve

This reserve includes differences on the translation of the financial statements of consolidated foreign companies. At December 31, 2020, the balance on the reserve was negative, at 5,598 thousand euro, referring to the currencies of the following countries:

(in thousands of euro)	December 31, 2020	December 31, 2019	Change
Egypt (Pound)		(4,181)	4,181
Ukraine (Hryvnia)	(2,489)	(1,828)	(661)
UK (Pound Sterling)	(66)	627	(693)
Poland (Zloty)	(1,795)	(570)	(1,225)
Other countries	(1,248)	1,526	(2,774)
Net amount	(5,598)	(4,426)	(1,172)

Other reserves

It is in the intention of Caffè Borbone to propose to the decision-making bodies the constitution of a tax suspension constraint on the equity items at December 31, 2020 for a total of 313,622 thousand euro, corresponding to the total value of the intangible assets subject to the tax-base re-alignment procedure (323,322 thousand euro), net of the 3% substitute tax of 9,670 thousand euro.

Also Officina Profumo-Farmaceutica di Santa Maria Novella intends to propose to the decision-making bodies the constitution of a tax suspension constraint on the equity items at December 31, 2020 for a total of 120,249 thousand euro, corresponding to the total value of intangible assets subject to the "step-up" (123,968 thousand euro), net of the 3% substitute tax of 3,719 thousand euro.

18) NON-CONTROLLING INTERESTS

Equity attributable to non-controlling interests at December 31, 2020 amounted to 193,766 thousand euro, up by 78,299 thousand euro from December 31, 2019, largely for the profit attributable to non-controlling interests for 35,159 thousand euro, and for the 20% non-controlling interest of the Officina Profumo-Farmaceutica di Santa Maria Novella group, the 7.5% of the Casa della Salute group and the 40% of Callmewine, which joined the Italmobiliare group at the end of the year, net of the dividend paid to the non-controlling interests of Caffè Borbone of 8,000 thousand euro.

Non-current and current liabilities

19) EMPLOYEE BENEFITS

Employee benefits at December 31, 2020 amounted to 12,007 thousand euro (12,525 thousand euro at December 31, 2019).

	Opening amount	Increases	Decreases	Translation differences	Delta in the consolidation area	Other changes	Closing amount
(in thousands of euro)							
Defined benefit/contribution plans	9,060	2,586	(3,106)		92	157	8,789
Defined benefit pension plans	2,161	849	(275)		2		2,737
Provisions for medical expenses							
Provisions for long-term benefits	391	19	(36)	(22)	(322)		30
Provisions for retirement benefits	913	12	(474)				451
Total	12,525	3,466	(3,891)	(22)	(228)	157	12,007

Defined benefit plans

The group operates pension plans and other long-term benefits.

Plans in favour of employees are generally not funded.

With regard to the post-employment benefits for personnel of the Group's Italian companies, liabilities in respect of post-employment benefits accrued and optioned by employees as from 2007 no longer qualify as defined benefit plans. They are treated as quotas of defined contribution plans.

In some companies in Austria, France, Germany and Italy, the Group also recognizes liabilities in respect of future commitments, in the form of bonuses payable to employees on the basis of length of service; these liabilities are measured with actuarial assumptions. Net liabilities for pension plans and post-employment benefit plans are determined with actuarial calculations performed by independent actuaries.

In the tables set out below, the column "Pension plans and other long-term benefits" includes, besides pension plans, post-employment benefits other than medical care, termination benefits and employee length-of-service bonuses.

The change in defined benefit obligations during the period, for the companies to which it is applicable, is made up as follows:

	Pension plans and other long-term benefits	
(in thousands of euro)	31-dec-20	31-dec-19
Defined benefit obligations at the end of the previous year	10,969	10,189
Service cost:		
current service cost	978	730
prior year social contributions	634	
Finance costs	120	174
Cash flows:		
amounts paid by plans	(36)	
amounts paid by employer	(1,023)	(1,006)
Other significant events:		
(increase)/decrease due to business combinations, investments and disposals	1,312	332
Changes arising from remeasurement:		
effects due to change in demographic assumptions		(90)
effects due to change in financial assumptions	305	548
experience adjustments (change since previous measurement not in line with assumptions)	202	92
Defined benefit obligations at the end of the year	13,461	10,969

Actuarial assumptions

The actuarial assumptions used to determine obligations arising from the Group's pension plans and other long-term benefits are set out below:

	Europe	
(in %)	2020	2019
Inflation rate	1.00 - 1.75	1.00 - 1.75
Future wage and salary increases	1.10 - 2.22	1.50 - 2.36

Discount rates:

Discount rates	2020	2019
Europe		
Italy	1.14	1.14
Austria	1.25	1.25
France	0.80	0.80
Germany	1.01	1.01

The discount rate was determined with reference to market yields on high-quality corporate bonds, using the market yields on government bonds and the Eurozone Mercer Yield curve at December 31, 2020.

The table below sets out expected plan contributions for next year and a year-by-year breakdown of benefit payments:

	Pension plans and other long-term benefits
(in millions of euro)	December 31, 2020
Expected plan contributions for next year	471
Benefit payment maturities:	
2021	480
2022	304
2023	469
2024	319
2025	308
2026-2030	2,694
Total	5,045

Sensitivity analysis

The table below sets out the sensitivity analysis for the key assumptions at December 31, 2020:

(in thousands of euro)	Pension plans and other long-term benefits	
Change	-0.25%	+0.25%
Discount rate	13,933	13,012
Average duration of defined benefit obligation (in years)	13.83	13.56
Inflation rate	12,418	12,709
Wage and salary increases	13,279	13,657

Employment termination plans

At December 31, 2020, provisions for termination plans totalled 451 thousand euro (913 thousand euro at December 31, 2019).

20) NON-CURRENT AND CURRENT FINANCIAL LIABILITIES, LOANS AND BORROWINGS

Loans and borrowings are shown below by category, broken down by current and non-current liabilities:

(in thousands of euro)	December 31, 2020	December 31, 2019	Change
Bank loans and borrowings	54,182	104,704	(50,522)
Other loans and borrowings	873	1,601	(728)
Lease payables	27,995	12,512	15,483
Non-current loans and borrowings	83,050	118,817	(35,767)
Fair value of hedging derivatives	121	759	(638)
Total non-current financial liabilities	83,171	119,576	(36,405)
Bank overdrafts	10,937	21,658	(10,721)
Current portion of borrowings	34,050	27,541	6,509
Other loans and borrowings	17,405	13,989	3,416
Lease payables	4,762	3,373	1,389
Accrued interest expense	196	373	(177)
Loans and borrowings and current financial liabilities	67,350	66,934	416
Fair value of derivatives	554	396	158
Total current financial liabilities	67,904	67,330	574
Total financial liabilities	151,075	186,906	(35,831)

The change is mainly due to the reclassification for -22,306 thousand euro of the financial payables of Faerch Italy, Inline Poland and Sirap Iberica to the liabilities directly associated with assets classified as held for sale for the repayment of payables at the due date by Sirap Gema for -24 million euro, for the early repayment of the financial payable of Caffè Borbone for -54,000 thousand euro, replaced by two lines of credit for a total of +30,000 thousand euro, and for the consolidation of the Officina Profumo-Farmaceutica di Santa Maria Novella group, Casa della Salute group and Callmewine for +30,780 thousand euro, of which 20,081 thousand euro for leases.

This difference does not equal the change in financial payables resulting from the statement of cash flows (46,896 thousand euro), mainly due to the reclassification of certain items to the assets and liabilities held for sale caption and to the fact that the balance sheet items of the companies acquired at the end of 2020 had no impact on the statement of cash flows.

Non-current loans and borrowings by currency were as follows:

(in thousands of euro)	December 31, 2020	December 31, 2019	Change
Euro	78,309	114,138	(35,829)
U.S. dollar	4,555		4,555
Polish zloty		4,138	(4,138)
Other	186	541	(355)
Total	83,050	118,817	(35,767)

Non-current loans and borrowings by maturity were as follows:

(in thousands of euro)	December 31, 2020	December 31, 2019	Change
2020		514	(514)
2021		25,896	(25,896)
2022	44,365	39,265	5,100
2023	9,292	40,661	(31,369)
2024	7,373	4,006	3,367
2025	5,896	3,758	2,138
2026	4,996	2,503	2,493
Beyond	11,128	2,214	8,914
Total	83,050	118,817	(35,767)

Main bank loans, drawings on lines of credit, available lines of credit:

- a. Italmobiliare has undrawn uncommitted lines of credit with a number of banks, totalling 208 million euro;
- b. In May 2020, Italgem S.p.A. arranged a new floating-rate loan maturing on June 30, 2026 with Intesa San Paolo; net of repayments made up to December 31, 2020, the loan had a residual amount of 12.1 million euro;
- c. on March 21, 2016, Sirap-Gema S.p.A. arranged a loan with Banco BPM for 5 million euro, maturing on March 31, 2021; the residual debt is 320 thousand euro;
- d. on October 19, 2016, Sirap-Gema S.p.A. arranged a loan with Unicredit for 5 million euro, maturing on December 31, 2021; the residual debt is 1,020 thousand euro;
- e. on February 22, 2017, Sirap-Gema S.p.A. arranged a loan with Banco BPM for 5 million euro, maturing on March 31, 2021; the residual debt is 357 thousand euro;
- f. on December 20, 2018, Sirap-Gema S.p.A. arranged a loan with Unicredit for 25.0 million euro, maturing on December 31, 2023; the residual debt is 21,425 thousand euro;
- g. Caffè Borbone S.r.l. has a hot money line of credit with Banca Nazionale del Lavoro S.p.A. as a result of the contract arranged on September 25, 2020, for a maximum amount of principal of 20,000 thousand euro, drawn down for 15,000 thousand euro, at an annual rate of 0.05%, debited on the date of repayment of the loan, and a quarterly CAPC of 0.02% on the total amount of the loan, with settlement expected in a lump sum 18 months from the date of signing the contract;
- h. Caffè Borbone S.r.l. has a line of credit with Intesa San Paolo S.p.A. as a result of the contract arranged on September 25, 2020, for a total amount of principal of 15,000 thousand euro, at an annual rate equal to 3-month Euribor plus a spread of 0.55%, with settlement expected in a lump sum 18 months from the date of signing the contract.

Information on available lines of credit and covenants is provided in the section on IFRS 7.

21) PROVISIONS AND NON-CURRENT TAX LIABILITIES

Non-current and current provisions totalled 65,783 thousand euro at December 31, 2020, showing an increase of 562 thousand euro from December 31, 2019.

(in thousands of euro)	Opening amount	Increases	Decreases	Translation differences	Reclassification from liabilities classified as held for sale	Other changes	Total changes	Closing amount
Environmental restoration	348							348
Disputes	37,787	726	(198)	(3)	(236)	109	398	38,185
Other provisions	26,760	2,236	(1,438)	(8)	(588)	288	490	27,250
Total	64,895	2,962	(1,636)	(11)	(824)	397	888	65,783
Non-current portion	64,107	1,685	(1,636)	(7)	(371)	397	68	64,175
Current portion	788	1,277		(4)	(453)		820	1,608
Total	64,895	2,962	(1,636)	(11)	(824)	397	888	65,783

"Disputes" largely reflects provisions for risks from the sale of investments, provisions relating to antitrust proceedings and provisions for disputes with employees.

"Other provisions" reflects the amounts provided in connection with contractual and commercial liabilities.

The main disputes pending at December 31, 2020 are summarised below.

With regard to Italmobiliare S.p.A., as already illustrated in previous financial reports, the Italcementi share sales agreement signed with HeidelbergCement AG envisaged the usual agreements relating to the interim period between the signing and closing dates, certain guarantees and possible indemnity obligations. Most of the claims regarding the application of these agreements were resolved in a settlement reached in 2017. The company is involved in an adversarial procedure with the purchaser and is closely monitoring developments regarding a number of claims on which agreement has not been reached as regards the applicability of a contractual guarantee.

The company also examined the effects of some disputes relating to BravoSolution S.p.A., the majority shareholding in which was sold to third parties in December 2017.

In relation to these disputes, in light of the agreements entered into with the various counterparties, including the agreed contractual deductibles, the Company has made the necessary provisions so that any indemnities can be adequately covered in the provision for risks posted in the financial statements of Italmobiliare S.p.A.

With reference to the ongoing dispute with the European Commission against Sirap Gema, proceedings are pending before the EU Court of Justice (Case C-694/19). See previous reports for a full explanation of what is involved. The Court Chancellery has informed the company that the sentence will be held on April 15, 2021.

Italgen is involved in tax and administrative proceedings and in legal actions related to the normal performance of its activities. Any liabilities are adequately covered by the provision for risks in the balance sheet. In addition to the provision for risks set aside in the financial statements, it is possible that Italgen may sustain other liabilities in the future, in addition to the amounts already provided for, due to uncertainties about possible regulatory developments in the energy sector, as well as the final outcome of certain proceedings still pending, particularly those connected to the so-called "surcharges" for the provisional operation of the large hydroelectric branches and reimbursement of the additional excise duties on electricity.

Appropriate provision has been made on an accruals basis for legal and tax disputes concerning other Group companies, in cases where, with respect to risks that have emerged and assessment of related risks, potential liabilities are probable and measurable.

Non-current tax payables amounted to 13,733 thousand euro (8,358 thousand euro at December 31, 2019), the difference compared with 2019 is due to Italmobiliare's utilizations for 1,903 thousand euro and the accrual of 865 thousand euro accounted for in application of the requirements of IFRIC 23, and to Caffè Borbone for the 3% substitute tax payable on the tax-based realigned values (for a total of 9,699 thousand euro) whose non-current portion amounts 6,466 thousand euro.

In January 2020, the CTR of Milan, with sentence 157/2020, reconfirmed the sentence of first instance that accepted the appeal regarding controlled foreign companies (CFC) for the year 2012.

On June 19, 2020, the CTP of Milan, with sentence 1373, rejected the appeal relating to CFC for the year 2013. On July 1, 2020, the Company filed an appeal against the assessment notice relating to CFC for the year 2014, simultaneously paying an amount of 1.9 million euro as 1/3 of the higher taxes assessed and interest accrued, reducing the provision that had been previously accounted for. Lastly, on September 28, 2020, with sentence 2625/2020, the CTR of Milan rejected the Company's appeal regarding dividends for the year 2010.

22) DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

Total deferred tax assets net of deferred tax liabilities amounted to 14,173 thousand euro at December 31, 2020, were as follows:

(in thousands of euro)	December 31, 2019	Impact on the income statement	Other changes	December 31, 2020
Tax benefit on carry-forward losses	4,133	(1,307)	668	3,494
Property, plant and equipment	(2,025)	(57)	4,265	2,183
Other equity investments	(460)		460	
Inventories	560	45	267	872
Financial liabilities	(200)	10	2	(188)
Non-current provisions and employee benefits	6,700	(94)	496	7,102
Other	(49,476)	51,724	(1,538)	710
Total	(40,768)	50,321	4,620	14,173
of which:				
Deferred tax assets	13,075			18,177
Deferred tax liabilities	(53,843)			(4,004)
Total	(40,768)			14,173

Deferred tax assets consist of amounts computed on tax losses. The assets were recognized on the basis of a forecast made by the companies included in the current domestic tax consolidation system, which considers that sufficient taxable income is likely to be made in the coming year to offset the carry-forward tax losses.

Deferred tax liabilities, shown under the caption "Other" in the table, at December 31, 2019 included 50,916 thousand euro relating to the tangible and intangible assets that arose during the PPA of Caffè Borbone, which the company has opted to realign by paying the substitute tax.

At December 31, 2020, the amount of net deferred tax liabilities recorded in equity reserves was 114 thousand euro (197 thousand euro at December 31, 2019).

Unrecognised deferred tax assets relating to losses for the year and previous years amounted to 2,081 thousand euro (1,841 thousand euro at December 31, 2019); the amount referred to losses reported by Group companies not included in the Italian tax consolidation, which are unlikely to be recovered.

23) TRADE PAYABLES

"Trade payables" consisted entirely of amounts due to suppliers, and totalled 51,497 thousand euro (68,857 thousand euro at December 31, 2019). The change is due to the reclassification of the receivables of the companies being sold (Faerch Italy, Inline Poland and Sirap Iberica) to "Liabilities directly associated with assets classified as held for sale".

24) TAX LIABILITIES

Tax liabilities amounted to 16,722 thousand euro (2,252 thousand euro at December 31, 2019) and refers mainly to the Parent Company for amounts due to the tax authorities for income taxes accrued during the year.

25) OTHER LIABILITIES

The balance on this caption was as follows:

(in thousands of euro)	December 31, 2020	December 31, 2019	Change
Due to employees	15,239	18,509	(3,270)
Due to social security bodies	5,422	6,100	(678)
Due to tax authorities	15,430	5,467	9,963
Accrued expenses and deferred income	2,280	2,756	(476)
Derivatives	554	396	158
Due to financial and private equity companies	9,506	8,860	646
Advances from customers	916	629	287
Due to suppliers for non-current assets	3,075	2,344	731
Other liabilities	3,138	2,277	861
Total	55,560	47,338	8,222

The change in tax payables is attributable to the first-time consolidation of the Officina Profumo-Farmaceutica di Santa Maria Novella group, the Casa della Salute group and Callmewine and the higher amount owed by Caffè Borbone for the 3% substitute tax for the tax-base realignment of certain assets.

Amounts due to financial and private equity companies include payables to customers of Crédit Mobilier de Monaco and payables to Clessidra SGR funds.

Commitments

(in thousands of euro)	December 31, 2020	December 31, 2019
Collateral given	43,333	77,246
Deposits, guarantees, sureties, commitments and other	206,271	164,083
Total	249,604	241,329

Tecnica Group S.p.A. shares, acquired in 2018, have been pledged as collateral for bank loans granted to Tecnica Group S.p.A.

The second line item of the table includes guarantees provided by Italmobiliare S.p.A. for subsidiaries and guarantees provided in connection with the ongoing proceeding with the European Commission on breaches of competition laws. The usual guarantees are provided on the sale of equity investments.

Commitments include a residual amount of 54,912 thousand euro (55,410 thousand euro at December 31, 2019) for the subscription of private equity funds, as well as the commitment to Clessidra SGR S.p.A. to co-invest in the capital of Bacco S.p.A. (the vehicle company established and controlled by Fondo Clessidra Capital Partners 3 for the purpose of acquiring a majority stake in Botter S.p.A. indirectly through a subsidiary company) for 60,000 thousand euro.

There are no irrevocable commitments for raw material purchases.

Income statement

It should be remembered that in the consolidated income statement, the Officina Profumo-Farmaceutica di Santa Maria Novella group's figures for the first nine months were consolidated at 20% as an equity-accounted investee, whereas the fourth quarter was consolidated line-by-line.

The income statements of the companies acquired in the last two months of the year have not been consolidated.

Lastly, with regards to the companies of the Sirap group sold in the early days of 2021, their income statement was consolidated line-by-line.

26) REVENUE AND INCOME

Revenue from sales and services and income totalled 575,520 thousand euro, divided as follows:

(in thousands of euro)	2020	2019	Change	Change %
Industrial revenue				
Product sales	490,840	441,752	49,088	11.1%
Services provided	30,647	34,666	(4,019)	-11.6%
Other revenue	178	178		
Total	521,665	476,596	45,069	9.5%
Financial revenue and income				
Interest	2,753	2,980	(227)	-7.6%
Dividends paid	2,555	9,971	(7,416)	-74.4%
Gains realised and other revenue	34,945	62,564	(27,619)	-44.1%
Commissions	13,533	13,468	65	0.5%
Total	53,786	88,983	(35,197)	-39.6%
Revenue from other activities				
Other revenue	69	296	(227)	-76.7%
Total	69	296	(227)	-76.7%
Grand total	575,520	565,875	9,645	1.7%

The line item "Product sales" is mainly attributable to the Sirap group, Caffè Borbone and Capitelli, and to the Officina Profumo-Farmaceutica di Santa Maria Novella group for three months; the change is mainly attributable to the higher revenue of Caffè Borbone for 46,637 thousand euro.

The line item "Services provided" is attributable almost exclusively to the Italgen group.

The line item "Gains realised and other revenue" mainly refers to the Parent Company and includes revaluations of FVTPL securities for 20,620 thousand euro (42,976 thousand euro in 2019).

The item "Commissions" refers to Clessidra SGR.

27) RAW MATERIALS AND SUPPLIES

Raw materials and supplies amounted to 243,087 thousand euro, divided as follows:

(in thousands of euro)	2020	2019	Change	Change %
Raw materials and semfinished goods	116,391	120,221	(3,830)	-3.2%
Fuel	1,660	1,347	313	23.2%
Materials and machinery	55,639	47,988	7,651	15.9%
Finished goods	59,278	56,907	2,371	4.2%
Electricity and water	15,017	19,892	(4,875)	-24.5%
Change in inventories of raw materials, consumables and other	(4,898)	(264)	(4,634)	n.s.
Total	243,087	246,091	(3,004)	-1.2%

The increase in "Raw materials and supplies" is linked to the increase in revenue.

28) SERVICES

Expense for services amounted to 95,701 thousand euro, divided as follows:

(in thousands of euro)	2020	2019	Change	Change%
Services	18,509	16,643	1,866	11.2%
Maintenance	5,585	5,289	296	5.6%
Transport	23,491	23,157	334	1.4%
Legal fees and consultancy	13,588	10,591	2,997	28.3%
Rents	5,501	5,018	483	9.6%
Insurance	2,361	1,942	419	21.6%
Membership fees	453	417	36	8.6%
Other expense	26,213	24,415	1,798	7.4%
Total	95,701	87,472	8,229	9.4%

"Legal fees and consultancy" increased due to higher costs incurred by Italmobiliare and Caffè Borbone, and for the consolidation of Capitelli for twelve months in 2020.

"Other expense" largely consisted of commission expense on trading activities, communication and marketing expense, and entertainment expense, mainly relating to the Group's industrial companies.

29) PERSONNEL EXPENSES

Personnel expenses amounted to 111,555 thousand euro, broken down as follows:

(in thousands of euro)	2020	2019	Change	Change %
Wages and salaries	78,265	75,086	3,179	4.2%
Social security contributions	25,725	22,864	2,861	12.5%
Other expense	7,565	5,508	2,057	37.3%
Total	111,555	103,458	8,097	7.8%

This item increased for Caffè Borbone and Italmobiliare, for the line-by-line consolidation of Capitelli in 2020, and for the Officina Profumo-Farmaceutica di Santa Maria Novella group for three months.

The cost of the year includes also the LTI accrual for the period.

"Other expense" is mainly related to costs of temporary personnel, canteen costs, employee insurance costs, travel costs and personnel training and recruitment costs.

The number of employees is shown below:

(headcount)	2020	2019	Change
Number of employees at year end	2,058	1,776	282
Average number of employees	1,817	1,776	41

The increase in the final number of employees is attributable to the consolidation of the companies of the Officina Profumo-Farmaceutica di Santa Maria Novella Group, the Casa della Salute group, Clessidra Factoring and Callmewine.

30) OTHER OPERATING (INCOME) EXPENSES

Other operating expenses, net of other operating income, amounted to 35,764 thousand euro, broken down as follows:

(in thousands of euro)	2020	2019	Change	Change %
Other tax	6,712	6,479	233	3.6%
Provision for bad debt reserve	2,279	1,573	706	44.9%
Interest expense and other expense financial companies	33,799	15,956	17,843	111.8%
Amounts set aside to provisions and other expense	11,065	5,908	5,157	87.3%
Other income	(5,192)	(7,042)	1,850	-26.3%
Net gains from the sale of non-current assets	(1,302)	(4,807)	3,505	-72.9%
Personnel expense for re-organizations	167	652	(485)	-74.4%
Other (income) expense	(11,764)	769	(12,533)	n.s.
Total	35,764	19,488	16,276	83.5%

"Interest expense and other expense financial companies" include write-off expenses and losses on financial assets valued at FVTPL for 11,349 thousand euro and the release of the exchange-rate reserve on the Egyptian Lira for 4,249 thousand euro (1,665 thousand euro at December 31, 2019).

"Other income" mainly includes insurance indemnities, reimbursements and compensation. It also includes the positive impact of 15,058 thousand euro relating to the amicable settlement between Italgas and the Egyptian authorities for the reimbursement of the costs incurred for the development of a wind farm in Egypt that was not built.

31) AMORTISATION AND DEPRECIATION

The total amount of 30,169 thousand euro (27,704 thousand euro in 2019) includes the depreciation of property, plant and equipment for 21,998 thousand euro (20,044 thousand euro in 2019), the depreciation of investment property for 307 thousand euro (473 thousand euro in 2019) and the amortisation of intangible assets for 7,864 thousand euro (7,187 thousand euro in 2019).

Depreciation of property, plant and equipment includes 4,999 thousand euro (4,353 thousand euro at December 31, 2019) relating to the depreciation of the right of use on leased assets, following the application of IFRS 16.

32) IMPAIRMENT LOSSES ON NON-CURRENT ASSETS

In 2020, plant was written down for 6,381 thousand euro (1,094 thousand euro at December 31, 2019), of which 325 thousand euro refer the Sirap group and 6,056 thousand euro refer to the Italgas group, specifically for the plant in Egypt. There were no impairment losses on intangible assets (25 thousand euro at December 31, 2019).

33) FINANCE INCOME AND COSTS, NET GAINS (LOSSES) ON EXCHANGE-RATE DIFFERENCES AND DERIVATIVES

Net finance costs amount to 6,760 thousand euro. This amount is composed as follows:

(in thousands of euro)	2020		2019	
	Income	Costs	Income	Costs
Interest income	64		30	
Interest expense		(3,206)		(3,548)
Dividends and income (costs) from equity investments	105	(29)	193	(172)
Gains/losses on sale of equity investments				
Other finance income	313		103	
Capitalised interest expense				
Other finance costs		(2,552)		(2,306)
Total finance income (costs)	482	(5,787)	326	(6,026)
Gains/(losses) from derivatives on exchange risk		(10)		
Net exchange rate differences		(1,445)	316	
Exchange-rate differences and net gains (losses) on derivatives		(1,455)		316
Total finance income (costs), exchange-rate differences and net gains (losses) on derivatives		(6,760)		(5,384)

The caption mainly consists of interest on loans for 2,807 thousand euro (2,800 thousand euro in 2019), interest expenses for leases for 399 thousand euro following the application of IFRS 16 (748 thousand euro in 2019) and bank charges and commissions of 1,647 thousand euro (1,470 thousand euro in 2019).

34) IMPAIRMENT OF FINANCIAL ASSETS

In 2020, following the impairment test performed, the investment in SES was written down for 600 thousand euro and the other companies were written down for 149 thousand euro (2,601 thousand euro at December 31, 2019).

35) SHARE OF PROFIT/(LOSS) OF EQUITY-ACCOUNTED INVESTEEs

(in thousands of euro)	2020	2019	Change	Change %
Tecnica Group	4,009	4,747	(738)	-15.5%
Iseo	671	3,030	(2,359)	-77.9%
Autogas Nord	2,819	1,952	867	44.4%
Officina Profumo-Farmaceutica di Santa Maria Novella	360		360	n.s.
Dokimè	6,560	281	6,279	n.s.
CCCHE	(33)		(33)	n.s.
Gardawind	362	195	167	85.6%
MFS Web	267	270	(3)	-1.1%
Total	15,015	10,475	4,540	43.3%

This item includes the result of the Officina Profumo-Farmaceutica di Santa Maria Novella group for the first nine months, consolidated using the equity method as it was held only for 20%, and the impairment loss resulting from the impairment test performed on the Iseo group.

With regards to Dokimè, the item includes the result of the period from which the company then distributed a dividend in 2020 deriving from the capital gains on the sale of investments.

36) INCOME TAX

Income tax for the period was positive for 26,528 thousand euro, analysed as follows:

(in thousands of euro)	2020	2019	Change	Change %
Current tax	(19,805)	(22,512)	2,707	-12.0%
Prior-year tax and other prior-year tax items	2,804	509	2,295	n.s.
Deferred tax	43,529	(534)	44,063	n.s.
Total	26,528	(22,537)	49,065	n.s.

Income tax has been significantly affected for 50,916 thousand euro by the positive effect of the release of deferred tax liabilities due to the decision of Caffè Borbone's directors to take advantage of the tax-base realignment pursuant to art. 110, 8th comma, eighth paragraph, of Legislative Decree 104/2020. This allows companies that apply IFRS to make deductible the amortisation on intangible assets that have a different statutory value from their tax base (for both IRES and IRAP purposes); these intangible assets are trademarks with an indefinite useful life, "customer list" and goodwill, recognised in the financial statements at December 31, 2019 for 92 million euro, 77.5 million euro and 153.8 million euro respectively, which can be realigned by paying a substitute tax of 3% of their value, 9.7 million euro, also accounted for under income tax for the year. With regards to the current income tax, it should be noted that the tax effect for 2020 benefits not only from the "hyper-accelerated depreciation", but also from the 2020 part of the subsidy related to the agreement reached with the Naples tax authorities in 2019 for the so-called "Patent Box" tax relief on income deriving from the use of the Borbone trademark, for a total of 5,036 thousand euro.

In Italy, the IRES tax rate applied by the Italian companies on estimated taxable profit for the year was 24%. Taxes for Group companies in other countries are calculated using local tax rates.

The reconciliation between the tax charge reflected in the income statement and the theoretical tax charge does not consider IRAP, since IRAP uses a taxable base other than profit before tax.

The reconciliation between the theoretical tax charge and the tax charge reflected in the income statement is set out below:

(in thousands of euro)	2020
Consolidated profit (loss) before tax relating to continuing operations	76,946
Current IRES tax rate	24.0%
Theoretical tax charge	(18,467)
Tax effect on permanent differences	
- foreign dividends and other exempt income	11,212
- non-deductible costs	(8,808)
Net effect for the year of deferred tax assets and liabilities not recognized on temporary differences	41,917
Recovery in year of deferred tax assets not recognised in previous years on deductible temporary differences and/or tax losses	125
Effect of change in tax rates	2
Withholdings on foreign dividends	(737)
Effect of estimate adjustments and/or recognition of previously unrecognised deferred tax	
Effect of difference between Italian and foreign tax rate	33
Other changes	(2,535)
Effective income tax charge	-29.6% 22,742
Effective IRAP tax charge	3,818
Other components not related to income for the year	(32)
Total income tax relating to continuing operations	-34.5% 26,528

No offsets were made in the item "net effect for the year of deferred tax assets and liabilities not recognized on temporary differences".

The item "Other changes" mainly refers to the Caffè Borbone patent box.

37) STATEMENT OF COMPREHENSIVE INCOME

	Gross amount	Income tax	Net amount
Financial assets measured at FVTOCI	(29,709)	64	(29,645)
Derivatives	1,532	(182)	1,350
	46		46
	(451)	37	(414)
	(28,582)	(81)	(28,663)

The change in financial assets valued at FVTOCI is made of -11,965 thousand euro for changes in fair value and -17,680 thousand euro for losses on sales.

38) EARNINGS PER SHARE

Earnings per share at December 31, 2020 and 2019, were determined on the parent profit for the respective periods.

Basic earnings per share

The weighted average number of shares and attributable profit are shown below:

	2020	2019
(no. shares in thousands)	Ordinary shares	Ordinary shares
No. shares at January 1	42,500	47,634
Treasury shares at January 1	(512)	(5,686)
Weighted average number of treasury shares sold in the year	211	
Total	42,199	41,948
Attributable profit in thousands of euro	68,315	63,520
Basic earnings per share in euro	1.619	1.514

Profit attributable by share category was determined as follows:

	2020	2019
(in thousands of euro)	Ordinary shares	Ordinary shares
Residual profit apportioned to all shares	68,315	63,520
Total	68,315	63,520

Diluted earnings per share

Diluted earnings per share are computed in the same way as basic earnings per share, taking account of the dilutive effect of stock options.

The weighted average number of shares and attributable profit are shown below:

	2020	2019
(thousands of shares)	Ordinary shares	Ordinary shares
Weighted average number of shares at December 31	42,199	41,948
Dilutive effect of stock options	83	105
Total	42,282	42,053
Attributable profit for diluted earnings per share in thousands of euro	68,315	63,520
Diluted earnings per share in euro	1.616	1.510

Profit attributable by share category was determined as follows:

	2020	2019
(in thousands of euro)	Ordinary shares	Ordinary shares
Residual profit apportioned to all shares	68,315	63,520
Total	68,315	63,520

IFRS 7

Net financial position

The net financial position at December 31, 2020 is set out below:

in thousands of euro)	Caption	NOT NFP	NFP	Current assets	Current liabilities	Non-current assets	Non-current liabilities	NFP held for sale
Trade receivables and other non-current assets	161,404	126,225	35,179			35,179		
Other current assets including derivative financial instruments	19,461	10,196	9,265	9,265				
Investments, bonds and current financial receivables	324,174		324,174	324,174				
Cash and cash equivalents	123,066		123,066	123,066				
Non-current financial liabilities	(83,050)		(83,050)				(83,050)	
Other non-current payables and liabilities	(14,330)	(14,209)	(121)				(121)	
Bank loans and overdrafts	(10,937)		(10,937)		(10,937)			
Current financial liabilities	(46,907)		(46,907)		(46,907)			
Other liabilities	(55,560)	(45,500)	(10,060)		(10,060)			
Total	417,321	76,712	340,609	456,505	(67,904)	35,179	(83,171)	
Assets classified as held for sale	131,531	129,002	2,529					2,529
Liabilities directly associated with assets classified as held for sale	(60,102)	(37,795)	(22,307)					(22,307)
Total	488,750	167,919	320,831	456,505	(67,904)	35,179	(83,171)	(19,778)

The net financial position at December 31, 2020 amounted to 320,831 thousand euro, as follows:

(in thousands of euro)	December 31, 2020	December 31, 2019	Change
Current financial assets	456,505	630,936	(174,431)
Cash and cash equivalents	123,066	248,112	(125,046)
Derivative financial instruments	539	431	108
Other current financial assets	332,900	382,393	(49,493)
Current financial liabilities	(67,904)	(67,330)	(574)
Bank loans and overdrafts	(10,937)	(21,658)	10,721
Borrowings	(56,413)	(45,276)	(11,137)
Derivative financial instruments	(554)	(396)	(158)
Non-current financial assets	35,179	31,059	4,120
Non-current financial assets	35,179	31,027	4,152
Derivative financial instruments		32	(32)
Non-current financial liabilities	(83,171)	(119,576)	36,405
Borrowings	(83,050)	(118,817)	35,767
Derivative financial instruments	(121)	(759)	638
Net financial position relating to continuing operations	340,609	475,089	(134,480)
Assets classified as held for sale	2,529	147	2,382
Liabilities directly associated with assets classified as held for sale	(22,307)		(22,307)
Net financial position relating to discontinued operations	(19,778)	147	(19,925)
Total net financial position	320,831	475,236	(154,405)

The net financial position at December 31, 2020, computed in compliance with the Consob communication no. DEM/6064293 of July 28, 2006 (i.e., not including non-current financial assets and assets held for sale) was positive at 305,430 thousand euro (positive at 444,030 thousand euro at December 31, 2019).

COMPARISON BETWEEN FAIR VALUE AND CARRYING AMOUNT AND HIERARCHY

The table below compares the carrying amount and the fair value of financial assets and liabilities at December 31, 2020, divided on the basis of the new IFRS 9 categories and the related hierarchy:

Carrying amount							Fair value			
(in thousands of euro)	FVTPL	FVTOCI	Amortised cost	FV hedges	Other financial liabilities	Total	level 1	level 2	level 3	Total
Financial assets										
Other equity investments		119,737				119,737	96,447	15,868	7,422	119,737
Trade receivables and other non-current assets	126,132		35,272			161,404	248	3,070	122,814	126,132
Financial assets at amortised cost			9,000			9,000				
Financial assets at FVTPL in NFP	3,318					3,318	248	3,070		3,318
Financial assets at FVTPL not in NFP	122,814					122,814			122,814	122,814
Non-current receivables			23,127			23,127				
Trade receivables			2,015			2,015				
Derivatives										
Guarantee deposits			1,130			1,130				
Decrease/(increase) in trade receivables			76,892			76,892				
Current assets including derivative financial instruments	539		18,922			19,461		539		539
Derivatives	539					539		539		539
Trade receivables			8,644			8,644				
Other amounts due			10,278			10,278				
Equity investments, bonds and current financial receivables	308,301		15,873			324,174	64,548	243,661	92	308,301
NFP Equity investments FVTPL	21,228					21,228	21,193		35	21,228
Financial assets at amortised cost										
Financial assets at FVTPL in NFP	287,073					287,073	43,355	243,661	57	287,073
Financial receivables and accruals			15,873			15,873				
Cash and cash equivalents			123,066			123,066				
Total	434,972	119,737	270,025			824,734	161,243	263,138	130,328	554,709
Borrowings										
Non-current financial liabilities					83,050	83,050		83,050		83,050
Loans and borrowings					54,182	54,182		54,182		54,182
Finance lease payables					27,995	27,995		27,995		27,995
Other loans and borrowings					873	873		873		873
Other non-current payables and liabilities			476	121		597		121		121
Derivatives				121		121		121		121
Other non-current payables			476			476				
Bank loans and overdrafts					10,937	10,937		10,937		10,937
Current financial liabilities					46,907	46,907		46,907		46,907
Loans and borrowings					34,050	34,050		34,050		34,050
Finance lease payables					4,762	4,762		4,762		4,762
Other loans and borrowings					7,899	7,899		7,899		7,899
Other financial payables					196	196		196		196
Trade payables			51,497			51,497				
Other liabilities	554		55,006			55,560		554		554
Derivatives	554					554		554		554
Trade receivables			9,506			9,506				
Other payables, accruals and deferrals			45,500			45,500				
Total	554		106,979	121	140,894	248,548		141,569		141,569

The table below compares the carrying amount and the fair value of financial assets and liabilities at December 31, 2019, divided on the basis of the new IFRS 9 categories and the related hierarchy:

Carrying amount							Fair value			
(in thousands of euro)	FVTPL	FVTOCI	Amortised cost	FV hedges	Other financial liabilities	Total	level 1	level 2	level 3	Total
Financial assets										
Other equity investments		210,531				210,531	183,089	20,473	6,969	210,531
Trade receivables and other non-current assets	149,716		31,193			180,909		3,700	146,016	149,716
Financial assets at amortised cost			9,000			9,000				
Financial assets at FVTPL in NFP	3,916					3,916		3,668	248	3,916
Financial assets at FVTPL not in NFP	145,768					145,768			145,768	145,768
Non-current receivables			19,313			19,313				
Trade receivables			2,433			2,433				
Derivatives	32					32		32		32
Guarantee deposits			447			447				
Decrease/(increase) in trade receivables			92,043			92,043				
Current assets including derivative financial instruments	431		22,522			22,953		431		431
Derivatives	431					431		431		431
Trade receivables			10,157			10,157				
Other amounts due			12,365			12,365				
Equity investments, bonds and current financial receivables	352,969		19,181			372,150	55,163	297,680	126	352,969
NFP Equity investments FVTPL	24,124					24,124	24,089		35	24,124
Financial assets at amortised cost										
Financial assets at FVTPL in NFP	328,845					328,845	31,074	297,680	91	328,845
Investments at FVTOCI										
Financial receivables and accruals			19,181			19,181				
Cash and cash equivalents			121,930			121,930				
Total	503,116	210,531	286,869			1,000,516	238,252	322,284	153,111	713,647
Borrowings										
Non-current financial liabilities					118,817	118,817		118,817		118,817
Loans and borrowings					104,704	104,704		104,704		104,704
Finance lease payables					12,512	12,512		12,512		12,512
Other loans and borrowings					1,601	1,601		1,601		1,601
Other non-current payables and liabilities			102	759		861		759		759
Derivatives				759		759		759		759
Other non-current payables			102			102				
Bank loans and overdrafts					21,658	21,658		21,658		21,658
Current financial liabilities					36,416	36,416		36,416		36,416
Loans and borrowings					27,541	27,541		27,541		27,541
Finance lease payables					3,373	3,373		3,373		3,373
Other loans and borrowings					266	266		266		266
Other financial payables					5,236	5,236		5,236		5,236
Trade payables			68,857			68,857				
Other liabilities	396		46,942			47,338		396		396
Derivatives	396					396		396		396
Trade receivables			8,860			8,860				
Other payables, accruals and deferrals			38,082			38,082				
Total	396		115,901	759	176,891	293,947		178,046		178,046

Trade receivables and payables were short term current assets and liabilities and their amounts were reasonable approximations of their fair value.

Derivatives are measured and recognized at fair value.

The fair value of foreign-currency assets and liabilities is determined using the closing rates. The fair value of fixed-rate assets and liabilities is determined using a fixed rate with no credit margin, net of transaction costs directly attributable to the financial assets and financial liabilities.

In determining and documenting the fair value of financial instruments, the Group uses the following hierarchy based on different measurement methods:

- level 1: financial instruments with prices quoted on active markets;
- level 2: prices quoted on active markets for similar financial instruments, or fair value determined with other measurement methods where all significant inputs are based on observable market data;
- level 3: fair value determined with measurement methods where no significant input is based on observable market data.

Information on the fair value of financial assets and financial liabilities not measured at fair value is excluded, when carrying amount is a reasonable approximation of fair value.

Movements on level 3 financial instruments at December 31, 2020 were as follows:

(in thousands of euro)	Level 3 31/12/2019	Increases						Decreases							Level 3
		Purchases	Gains on disposals in income statement	Other gains in income statement	Gains in equity	Other changes	Transfers from other levels	Sales	Repayments	Losses on disposals in income statement	Other losses in income statement	Losses in equity	Other changes	Transfers to other levels	
Non-current equity investments	6,969	664			157	26					(28)	(359)	(7)		7,422
Receivables and other non-current assets	146,016	15,980		18,757					(52,586)		(23)		(5,082)	(248)	122,814
Equity investments, bonds and current financial receivables	126			(34)											92

No reclassifications from categories measured at fair value to categories measured at amortized cost were made in the year under review or in the previous year, in the Group financial asset portfolio.

The fair value of level 3 non-current equity investments has been estimated. For further information, please refer to the paragraph "Other equity investments".

Currency risk hedges and Hedge accounting

The Group has no currency risk hedges.

Variable-rate to fixed-rate IRS contracts were arranged by Italgen for a nominal amount of 13.4 million euro, by the Casa della Salute group for a nominal amount of 2.5 million euro and by the Officina Profumo-Farmaceutica di Santa Maria Novella group for a nominal amount of 1 million euro to hedge the floating rate loans taken out by them.

Financial risk management policy and objectives

INTRODUCTION

The Italmobiliare Board of Directors defines general Group principles and management policy for the parent. In the other Group segments, management policy for financial risks and financial instruments is defined by the parent of each segment or by individual companies on the basis of the characteristics of the segment, and consistently with general Group principles.

The "Other companies" segment does not present material financial risks and therefore does not formulate a specific policy.

For discussion of management policies and objectives in each segment, the reader is referred to the specific section.

Notional amount of derivatives

Financial risk management is an integral part of Group asset management, and is conducted by each segment on the basis of the guidelines drawn up with reference to the type of business. The Group uses derivatives to optimize its risk/yield profile.

The notional amount of derivative contracts at December 31, 2020, is set out below, subdivided by operating segment and maturity:

(in millions of euro)	Italmobiliare	Italgas	Casa della Salute	Officina Profumo-Farmaceutica di Santa Maria Novella	Total
Derivatives on interest rates		13.4	2.4	1.0	16.8
Exchange-rate derivatives	3.8				3.8
Derivatives on shares	36.4				36.4
Total	40.2	13.4		1.0	57.0

Notional amounts					
(in millions of euro)	< 1 year	1 - 2 years	2 - 5 years	> 2 years	Total
Derivatives on interest rates	3.9	3.5	8.1	1.3	16.8
Exchange-rate derivatives	3.8				3.8
Derivatives on shares	36.4				36.4
Total	44.1	3.5	8.1	1.3	57.0

FINANCIAL RISKS

Credit risk

Credit risk is the risk that a counterparty might default on its obligations and generate a financial loss for the Group.

Credit risk is managed by each segment in relation to its type of business.

Liquidity risk

Liquidity risk is the risk that due to an inability to raise new funds or sell assets on the market, the company might be unable to settle its payment obligations. This would impact on the results of operations if the group was obliged to sustain additional costs to meet its commitments, or conditions of insolvency putting the company's ability to continue as a going concern at risk.

The table below shows consolidated net financial debt by maturity (without the fair value of derivatives and financial receivables) compared with undrawn lines of credit and cash and cash equivalents.

At December 31, 2020:

(in millions of euro)	Maturity				Total
	< 1 year	1 - 2 years	2 - 5 years	Beyond	
Total financial liabilities	(80.9)	(42.3)	(7.8)	(19.4)	(150.4)
Undrawn committed lines of credit	27.6				27.6
Cash and cash equivalents	125.5				125.5

The group also has uncommitted lines of credit for 258.6 million euro.

At December 31, 2019:

(in millions of euro)	Maturity				Total
	< 1 year	1 - 2 years	2 - 5 years	Beyond	
Total financial liabilities	(66.8)	(51.9)	(60.1)	(7.0)	(185.8)
Undrawn committed lines of credit	19.3				19.3
Cash and cash equivalents	248.1				248.1

The group also has uncommitted lines of credit for 247.5 million euro.

Market risks

INTEREST RATE RISK

The Group is exposed to the risk of changes in market interest rates, as follows:

- the risk of variations in the fair value of fixed-rate financial assets and liabilities. A change in interest rates affects the fair value of fixed-rate assets and liabilities;
- the risk linked to future cash flows on floating-rate financial assets and liabilities. A change in interest rates has a limited impact on the fair value of floating-rate financial assets and liabilities, but may affect future cash flows and profits.

In the industrial companies, management of the interest-rate risk has a dual purpose, to minimize the cost of net financial debt and reduce exposure to fluctuation.

In the financial companies, interest-rate risk management is an integral part of the core business, and is based on investment and debt policies established by the governing bodies of the companies in question.

The Group may hedge interest-rate risks with derivatives such as interest-rate swaps, forward rate agreements, futures and interest-rate options arranged from time to time with leading banks.

Net financial debt at inception and after interest-rate hedges recorded at notional value was as follows at December 31, 2020:

(in millions of euro)	
Balance at December 31, 2020	
Fixed-rate financial liabilities	(26.1)
Fixed-rate financial assets	21.6
Fixed-rate NFP at inception	(4.5)
Fixed-rate/Floating-rate hedging	
Floating-rate/Fixed-rate hedging	(14.4)
Fixed-rate NFP after hedging	(18.9)
Floating-rate financial liabilities	(104.5)
Floating-rate financial assets	34.3
Floating-rate NFP at inception	(70.2)
Fixed-rate/Floating-rate hedging	
Floating-rate/Fixed-rate hedging	14.4
Floating-rate NFP after hedging	(55.8)
Other instruments not subject to interest-rate risk	395.5
Total NFP	320.8

CURRENCY RISK

The table below details consolidated net exposure by currency, showing financial assets and liabilities denominated in currencies other than the local currency.

(in millions of euro)	euro (*)	USD (*)	Other (*)
Financial assets (**)			
Financial liabilities (**)	0.7		
Net exposure by currency	0.7		

(*) assets and liabilities are stated at their nominal amount in euro when the local currency is not euro

(**) excluding trade payables and receivables

Group companies are structurally exposed to currency risk on cash flows from operating activities and on financing activities denominated in currencies other than their respective functional currencies.

The impact of currency translation on subsidiaries' equity is recorded in a separate equity reserve.

EQUITY PRICE RISK

The Group is exposed to the risk of market fluctuations on listed equities and other instruments in portfolio.

Exposure is concentrated in Italmobiliare, to which reference should be made for further details.

(in thousands of euro)	December 31, 2020	December 31, 2019	Change
Investments at FVTOCI	96,447	183,089	(86,642)
Equity investments FVTPL	21,192	24,088	(2,896)
Overall exposure	117,639	207,177	(89,538)

In addition, the Group is exposed to changes in the fair value of financial assets measured at fair value levels 2 and 3.

COMMODITY PRICE RISK

The Group is exposed to a commodity price risk on raw materials and energy products.

These risks are managed by the individual segments, through diversification of procurement sources.

ITALMOBILIARE

Risk management policies

OBJECTIVES

For Italmobiliare, exposure to financial risk is an opportunity to generate profits within the constraints established for the purposes of careful and prudent management of financial resources.

FINANCIAL INSTRUMENTS

Group guidelines define the types of financial instruments allowed, maximum amounts, counterparties and methods of approval.

Derivatives may be used both as risk management instruments and as instruments relating to market positioning.

Credit risk

Italmobiliare is exposed to credit risk with respect to issuers of financial instruments and counterparties on financial transactions.

The guidelines establish minimum rating levels for individual investments (where applicable), for type of instrument, for rating class and maximum exposure in relation to individual counterparties.

A monitoring and reporting system has also been established for senior management.

Italmobiliare has no significant exposure to trade credit risks.

The table below illustrates the level of credit risk exposure for each instrument (bonds, deposits, other financial assets) and with respect to the counterparties to derivatives.

(in millions of euro)	Fair Value	Average rating	Residual average life (in years) (*)
Bonds at FVTPL	22.4	Baa1	6.35
Bonds at amortised cost	9.0	n/a	2.00
Deposits	54.6	n/a	n/a
Derivatives on shares	0.0	n/a	< 1

(*) determined on first call

Assuming a parallel shift of +100 bps in the credit curve of CDS, the estimated total change in financial instruments would be -1.1 million euro, reflected entirely in the income statement.

Deposits are subject to counterparty risk, but a shift of +100 bps in the curve would not have an impact on the amount thereof.

Other financial assets and derivatives are excluded from the sensitivity analysis since their fair value does not depend on the creditworthiness of the counterparty.

Liquidity risk

Italmobiliare risk management policy is designed to optimize financial resources through effective management (in terms of maturities, costs and liquidity) of the segment's assets and liabilities.

The Net Financial Position (hereinafter "NFP") at December 31, 2020 reflected a strong positive position: a regular report is drawn up analysing the NFP trend in relation to the segment's requirements.

The table below sets out debt by maturity (residual life) compared with financial assets and undrawn lines of credit.

(in millions of euro)	Maturity				Total
	< 1 year	1 - 2 years	2 - 5 years	Beyond *	
Total financial liabilities	(3.7)	(1.1)	(1.3)	(1.1)	(7.2)
Total financial assets	93.8	10.1	16.1	274.4	394.4
Total NFP	90.1	9.0	14.8	273.3	387.2
Undrawn committed lines of credit					

(*) including financial assets with no maturity

Short-term drawings on committed lines of credit are reclassified on expiry of the respective facility.

Undrawn uncommitted lines of credit stand at 208.0 million euro.

Market risks

INTEREST RATE RISK

Fluctuations in interest rates affect the fair value of financial assets and liabilities and the level of net finance costs.

Regular reports are drawn up analysing the NFP and detailing asset and liability management.

The table below illustrates the NFP of Italmobiliare at December 31, 2020, and exposure to interest-rate risk; reference should be made to the specific note for a detailed breakdown of the NFP.

(in millions of euro)	
Balance at December 31, 2020	
Fixed-rate financial liabilities	(0.3)
Fixed-rate financial assets	12.9
Fixed-rate NFP at inception	12.6
Fixed-rate/Floating-rate hedging	
Floating-rate/Fixed-rate hedging	
Fixed-rate NFP after hedging	12.6
Floating-rate financial liabilities	(2.0)
Floating-rate financial assets	23.1
Floating-rate NFP at inception	21.1
Fixed-rate/Floating-rate hedging	
Floating-rate/Fixed-rate hedging	
Floating-rate NFP after hedging	21.1
Assets not exposed to interest-rate risk	358.4
Liabilities not exposed to interest-rate risk	(4.9)
Total NFP	387.2

Floating-rate assets include amounts due from Group companies and floating-rate bonds; fixed-rate liabilities include amounts due to Group companies and lease liabilities.

A sensitivity analysis was performed to determine the change in the fair value of the total net financial position caused by an instantaneous shift of 100 bps in forward interest rates (assuming a parallel shift in the curve). Modified Duration was used as the sensitivity criterion.

The analysis found an overall estimate of -3.4 million euro, with an effect exclusively on the income statement.

On demand and time deposits, an instantaneous shift in the curve would not generate an automatic effect on the income statement.

Symmetrical results would be generated by an instantaneous parallel downward shift in the rate curve.

CURRENCY RISK

Overall exposure to the currency risk is limited. Currency positions are limited and used with the objective of de-correlating the risk of traditional financial assets in the liquidity management portfolio.

OTHER PRICE RISKS

Italmobiliare is particularly exposed to the risk of fluctuations in the prices of listed equities carried at fair value.

Since Italmobiliare is a holding company, exposure to the equity risk is inherent to its core business. In some cases, for limited amounts, the Policies set out procedures and approvals for the use of derivatives to reduce this risk.

At December 31, 2020, listed financial assets exposed to price risk amounted to 117.6 million euro, of which 96.4 million euro measured at FVTOCI and 21.2 million euro measured at FVTPL.

A hypothetical reduction of 5% in share prices would have a negative impact of 5.9 million euro on the assets' fair value, of which 4.8 million euro on equity and 1.1 million euro on the income statement.

(in millions of euro)	Fair value	Share price delta	Impact on income statement	Impact on equity
Shares at FVTPL	21.2	-5%	(1.1)	
Shares at FVTOCI	96.4	-5%		(4.8)

ITALGEN

The segment is exposed to the following risks arising from the use of financial instruments:

- credit risk;
- market risk.

Information about group exposure to each of the listed risks, the goals and processes of risk management policy and the methods used to assess risk is provided below.

Credit risk

During 2018, Italgén changed its commercial policy by giving preference to selling on an electricity exchange at a variable price rather than selling to third-party customers at a fixed price. The new strategy allowed a drastic reduction in credit risk as most of the production is sold on the National Electricity Exchange and to highly rated wholesalers. The company is therefore exposed to a very low risk of trade receivables not being collectible.

Market risks

Market risk is the risk of fluctuation in the fair value or future cash flows of a financial instrument due to variations in market prices as a result of changes in exchange and interest rates. The aim of market risk management is to keep exposure to the risk within acceptable limits and, at the same time, to optimize return on investment.

INTEREST RATE RISK

Italgén is exposed to an interest-rate risk since its total gross debt is at a floating rate, indexed to 3- and 6-month Euribor.

In addition, the loan contracts of Italgem S.p.A. have covenants requiring compliance with financial indicators, typically on an annual basis. The financial indicator of reference is leverage (gross financial debt, net of cash and cash equivalents/gross operating profit), with a top limit of 3.5. Failure to comply with covenants leads to termination and consequent early repayment, although the covenants also include a stand-by period prior to actual execution. Italgem complied with the covenants at December 31, 2020.

At December 31, a positive change of 1% in the reference rates would have led to another 67 thousand euro of finance costs.

CURRENCY RISK

Italgem operates in emerging countries (Egypt and Morocco) through companies that are controlled directly and indirectly. Italgem S.p.A. is not exposed to exchange rate risk as it does not have any financial assets or liabilities denominated in currencies other than the euro; however, note that the settlement agreement signed on October 12, 2020 with the Egyptian authorities led to receipts of USD 18 million.

Liquidity risk

Italgem has unconfirmed credit lines for a total of 23 million euro. These credit lines cover the financial requirements caused by the seasonal nature of the business which typically results in a rise of the net financial position in the first half and a subsequent decline in the second half of the year.

During the periodic refinancing of the medium-term gross debt, the company aims to maintain at least 50% of the repayment instalments with a maturity of more than 12 months.

SIRAP

Risk management policy

In order to adopt a uniform financial risk management policy for the Sirap group, on July 31, 2013, the Sirap-Gema S.p.A. Board of Directors approved the Italmobiliare Group's "Financial Resources Management Regulation: structure of investment process governance and portfolio constraints", to be extended to all companies it controls directly and indirectly in the food packaging segment. An update to the regulation was issued on December 6, 2013, and was adopted by the Board of Directors on February 28, 2016.

OBJECTIVES

The objective of the above policy is to reduce the financial risks to which the Sirap group is exposed in its operations, by indicating application procedures, instruments and limits.

Since the Sirap group's activities are mainly business operations in food packaging, use of instruments will be limited to hedging risks associated with its core business, excluding speculative policies or policies designed purely to maximize financial profit.

FINANCIAL INSTRUMENTS

The financial instruments adopted in the segment are intended solely to provide it with the funds required to conduct its core business. Consequently, amounts, terms and conditions of financial instruments are designed to meet the needs of the transaction to which they refer.

Financial risk management

CREDIT RISK

The segment is exposed to credit risk on sales of products and services on its core markets.

The policy sets out criteria for establishing customer creditworthiness, credit limits and risk containment measures.

It also assigns responsibility for approving amounts in excess of such limits and for drafting management reports.

An analysis of overdue receivables for the main companies in the Sirap group found the following due day situation:

(in millions of euro)	0-30 days	31-60 days	61-90 days	more than 90 days	Total
Sirap Gema	1.8	0.1			1.9
Sirap Gema France	1.0			0.7	1.7
Inline Poland	0.4				0.4
Sirap GmbH					
Sirap UK	0.3			0.1	0.4
Sirap Packaging Iberica	0.2				0.2
Gruppo Petruzalek	0.9	0.4	0.1	1.7	3.1
Total	4.6	0.5	0.1	2.5	7.7

Total non-overdue trade receivables stood at 45.7 million euro.

Since Sirap group trade receivables refer in the main to leading Italian and international mass merchandisers and to food distributors, non-overdue receivables are analysed by debtor ratings; the probability of material solvency risks may be reasonably excluded. Individual cases are systematically reviewed and a specific allowance set aside where necessary.

The generic risk on overall credit exposure is determined on a statistical basis, considering historical annual insolvency and loss, correlated with average probable uncollectibility percentages computed in relation to the age of the receivable.

Movements on the allowance for impairment of trade receivables in 2020 were as follows:

(in millions of euro)	Opening balance	Changes in the consolidation area	Increases	Applications	Closing balance
Sirap Gema	0.4		0.1	(0.1)	0.4
Sirap France	0.1		0.1		0.2
Inline Poland	0.1		0.1	(0.1)	0.1
Sirap GmbH					
Sirap UK	0.1				0.1
Sirap Packaging Iberica			0.1		0.1
Gruppo Petruzalek	1.9		0.1	(0.5)	1.5
Total	2.6		0.5	(0.7)	2.4

As part of the action taken to contain the credit risk, during the year credit control committees continued to operate in almost all the Sirap group companies; the committees conduct monthly reviews and analyses of situations at greatest risk. During the year, credit insurance policies were taken out by Sirap Gema S.p.A. in the manner deemed appropriate.

LIQUIDITY RISK

The Sirap group is exposed to a liquidity risk (the risk of being unable to meet its financial obligations) on its net financial debt.

The policy provides criteria for definition of financing amounts, terms and conditions, in relation to conditions on the markets on which it operates.

In the Sirap group, loans and borrowings have been set up with financial covenants, as illustrated below:

- Sirap Gema S.p.A. has arranged a 25,000 thousand euro loan; the residual debt at December 31, 2020 is equal to 21,425 thousand euro (repaid early at the beginning of 2021), with a repayment date of December 31, 2023; the agreement envisages covenants on:
 - NFP/EBITDA
 - EBITDA/Finance costs
- Sirap France SAS has three loans outstanding for a total of 3,000 thousand euro; the residual debt at December 31, 2020 is equal to 1,622 thousand euro with a repayment date of August 28, 2023; the loans have covenants on:
 - NFP/EBITDA
 - NFP/Equity
- The subsidiary Inline Poland Sp z o.o. has three loans with financial covenants:
 - a residual loan of 1,421 thousand euro maturing on January 31, 2027;
 - a residual loan of 1,360 thousand euro maturing on August 31, 2027;
 - a residual loan of 512 thousand euro expiring on February 28, 2023.

The loans have covenants on: total annual revenue, percentage net profit, current ratio, receivables and current investments/current liabilities. At December 31, 2020, all covenants have been complied with.

Market risks

INTEREST RATE RISK

This is the risk of changes in the value or future cash flows of a financial instrument, due to changes in interest rates.

The policy sets out criteria and procedures to mitigate/neutralize the interest-rate risk, that is, to minimize the difference between interest income and expense rates in relation to operating requirements, taking into account that since the group is structurally in debt, the presence of liquidity may only be temporary.

CURRENCY RISK

The segment is exposed to currency risk especially with regard to the East European currencies and the pound sterling.

During 2020, the currencies that showed the largest devaluations against the Euro were the Ukrainian Hryvnia (-4.2%), the Hungarian Forint (-8.7%) and the Polish Zloty (-3.3%).

The policy sets out criteria and procedures to mitigate/neutralize the effects, and instruments and limits on use of hedging derivatives.

OTHER PRICE RISKS

This category includes risks related to fluctuations in market prices, which may have a material impact on the value or future cash flows of the operating companies.

Specifically, the segment is exposed mainly to price fluctuations on polymer raw materials and energy; during the course of 2020, in particular, raw materials posted a sharp decrease, supporting the economic result and cash generation for the year.

The prices of these production factors and the related market indicators are monitored continually to mitigate risks and negative effects on results of operations wherever possible.

Generally speaking, the risk also extends to the value of equity investments in the operating companies (equity risk). In view of the fact that investment in new markets to achieve business growth is a strategic objective in this group, exposure to equity risk on investments in operating companies is maintained and the policy does not envisage specific criteria to reduce risk.

CAFFÈ BORBONE

Risk management policies

By its nature, the Company is exposed daily to risks deriving from its own activity, whether they are connected to the more traditional area of hygiene/health risk that can affect the quality of the products, to risks that may affect the health and safety of those directly or indirectly involved in the production process.

OBJECTIVES

The Company places among its objectives the ability to prevent and control the spread of risks associated with operating activities, with particular attention to the quality of its products to protect the health of consumers.

This occurs through "exclusion" and "precaution" interventions during the programming phase, to "prevention" interventions in the production processes.

FINANCIAL INSTRUMENTS

The financial instruments adopted by the Company are intended solely to provide it with the funds required to carry on its business. Consequently, amounts, terms and conditions of financial instruments are designed to meet the needs of the transaction to which they refer.

Financial risk management

CREDIT RISK

The company has established procedures for constant vetting of the creditworthiness of its customers, to whom it grants extended terms of payment, and limits product sales to customers with inadequate creditworthiness and guarantees. Customer vetting is based on the collection of data and information on new customers, and on monthly analyses of individual credit positions in order to check for any anomalies in average collection time, with investigation of material bad debts. The company has also arranged insurance cover against credit risk.

In addition to assessing the specific risk towards certain credit positions, the Company also carries out analyses of probable default of an overall nature, in relation to the ageing of the receivable.

In this regard, note that during 2020 the Company increased the provision for bad and doubtful accounts by 1,850 thousand euro to align the nominal amount, mainly of some specific credit positions, with the estimated realisable amount.

LIQUIDITY RISK

The company manages liquidity risk through an efficient liquidity management policy and planning designed to establish short-term financial commitments as well as extraordinary measures to identify the most appropriate solutions.

The table below sets out the NFP by maturity (residual life) compared with financial assets:

(in millions of euro)	Maturity				Total
	< 1 year	1 - 2 years	2 - 5 years	Beyond *	
Total financial liabilities	(0.7)	(30.6)	(0.8)	(0.6)	(32.7)
Total financial assets	20.9				20.9
Total NFP	20.2	(30.6)	(0.8)	(0.6)	(11.8)

In addition, it should be noted that at December 31, 2020 the Company had two loans for a total of 30,000 thousand euro, which do not require compliance with any covenants.

Market risks

INTEREST RATE RISK

Interest rate risk is the risk of changes in the value or future cash flows of a financial instrument, due to changes in interest rates.

Although the loans granted are not covered by swap derivative instruments, the company is only marginally exposed to interest rate risk in consideration of the economic conditions underlying the outstanding agreements.

CURRENCY RISK

The segment is exposed to currency risk particularly as regards the euro/dollar exchange, since coffee-bean prices are quoted in dollars.

The risks of a rise in raw material prices are managed through appropriate commercial strategies contemplating corresponding adjustments to price lists where necessary.

OTHER PRICE RISKS

This category includes risks related to fluctuations in market prices, which may have a material impact on the value or future cash flows of the Company.

Specifically, the segment is exposed to variations in the price of coffee, plastic and paper. The prices of these production factors and related market indicators are monitored continually in order to mitigate negative impact on results of operations through appropriate commercial strategies contemplating corresponding adjustments to price lists where necessary.

Even if only to a residual extent, Caffè Borbone S.r.l. is exposed to the risk of fluctuations in the prices of listed equities carried at fair value.

TRANSACTIONS WITH RELATED PARTIES

Data relating to transactions with related parties in 2020 were not significant. They are detailed in the table below:

(in thousands of euro)	Revenue and income (expense)	Trade receivables (payables)	Financial assets (liabilities)	Net finance income/(costs)	Other operating income (expense)
Italmobiliare Group					
Associates not consolidated line-by-line	2,623	604	15,031	31	
	(19)	(1)			
Other related parties	43	12			
	(648)	(29)			(800)
Total	2,666	616	15,031	31	
	(667)	(30)			(800)
% impact on financial statement items	0.5%	0.8%	3.1%	6.4%	
	0.2%	0.1%			2.2%

The comparatives for 2019 are set out below:

(in thousands of euro)	Revenue and income (expense)	Trade receivables (payables)	Financial assets (liabilities)	Net finance income/(costs)	Other operating income (expense)
Italmobiliare Group					
Associates not consolidated line-by-line	2,221	256	14,969	15	
	(19)	(7)			
Other related parties	7	7			
	(1,087)	(19)			
Total	2,228	263	14,969	15	
	(1,106)	(26)			
% impact on financial statement items	0.4%	0.3%	2.3%	4.6%	
	0.3%	0.0%			

During 2020, the Italmobiliare Group disbursed funds totalling 800 thousand euro to the Fondazione Cav. Lav. Carlo Pesenti (500 thousand euro in 2019).

The percentage impact of the above-mentioned transactions with related parties on cash flows was negligible.

Remuneration of key management personnel

The table below sets out the amounts accrued during the year by key management personnel: the Directors, the Chief Operating Officer and the Italmobiliare S.p.A. financial reporting officer, for positions held in the Group:

(in thousands of euro)	2020	2019
Short-term benefits: fees and remuneration	7,207	8,191
Other long-term benefits: length-of-service bonuses and incentives	3,347	2,391
Share-based payments (stock options)	1,063	394
Total	11,617	10,976

Audit fees

The following table provides details of the 2020 audit fees of the Italmobiliare Group for the independent auditors Deloitte & Touche S.p.A. and the foreign companies of the Deloitte & Touche network, pursuant to art. 149-duodecies para. 1, CONSOB Resolution no. 11971 of May 14, 1999:

(in thousands of euro)	Deloitte S.p.A.	Other Italian companies in the Deloitte network	Other foreign companies in the Deloitte network
Audit services	948		
Other attestation services	85		
Other legal, tax and corporate services	53		
Expenses	79		
Total	1,165		

Grants from the Public Administration

Following approval of the annual Competition Law no. 124/2017 aimed at improving the transparency of public grants received, it should be noted that:

- during the year, Sirap Gema S.p.A. collected personnel training grants of 11 thousand euro from Fondimpresa and 33 thousand euro from Fondirigenti;
- during the year, Italmobiliare S.p.A. collected personnel training grants of 28 thousand euro from Fondirigenti;
- during the year, Italmobiliare Servizi S.r.l. collected personnel training grants of 4 thousand euro from Fondirigenti;
- Italgen S.p.A. received from Gestore dei Servizi Energetici S.p.A., with tax code 05754381001, GRIN incentives (a new form of incentive provided under ministerial decree 06/07/2012 for all IAFR ex Green Certificates plant, effective as from 2016) totalling 7,184 thousand euro gross of tax withholdings and operating expense as per art. 4 of the incentivised tariff agreement, as well as electric energy sales at the All-Inclusive Tariff, i.e. tariffs for withdrawal of power sent to the grid whose value includes both the price component and the incentivised component, also from Gestore dei Servizi Energetici S.p.A., for 1,086 thousand euro, and FER-E incentivised electric energy sales for 573 thousand euro, also from Gestore dei Servizi Energetici S.p.A;
- with reference to the grants received as a result of Covid-19, please refer to the specific paragraph at the beginning of this note.

Statement of cash flows

B) CASH FLOWS FROM INVESTING ACTIVITIES

The table below shows the main equity investments acquired by the Group in 2020:

(in millions of euro)	2020	2019
Officina Profumo-Farmaceutica di Santa Maria Novella Group	162.9	
Casa della Salute Group	24.1	
Private equity funds	16.0	35.5
Florence Invest Co	13.8	
Callmewine	13.2	
Clessidra Factoring	13.1	
CCCHolding Europe	5.0	
Autogas		60.3
Capitelli		26.1
Newflour		0.8
Tecnica		0.1
035 Capital expenditure		0.1
Other	1.5	
Cash acquired	(21.6)	(10.0)
Total	228.0	112.9

Equity investments are shown net of the cash and cash equivalents of the companies acquired and the change in payables for equity investment acquisitions.

The following table shows the main disposals of equity investments made by the Group in 2020:

(in millions of euro)	2020	2019
Sale of property, plant & equipment	9.4	6.6
Sales of investments:		
Heidelberg	62.3	142.2
Partial reimbursement of Fondi Clessidra	35.4	13.0
Fondo Aksia (partial reimbursement)	11.4	20.0
Fondo BDT (partial reimbursement)	5.8	3.1
Ideami reimbursement	3.0	
Dokimè (partial reimbursement)	1.4	
Sciquest		91.2
Mediobanca		80.7
Piaggio		0.4
Other	0.8	0.5
Total	129.5	357.7

Events after the reporting date

As already indicated in the previous paragraphs, in November 2020 Sirap and Faerch Group - a Danish company that is one of the European leaders in food packaging - signed a binding agreement for the sale of Sirap's main assets in Italy, Poland and Spain, based on an Enterprise Value of 162 million euro. The deal, which was completed in January 2021, allows the Sirap Group to obtain a full value of the assets sold and it allows Faerch Group to enter certain strategic markets, strengthening its European leadership.

In February 2021 Sirap and Zeus Packaging - an Irish company that operates in the distribution of packaging products - signed a binding agreement for the sale of the Petruzalek Group and the German subsidiary of the Sirap Group (Sirap GmbH), based on an Enterprise Value of around 12 million euro. The deal, which is subject to usual conditions precedent, will be completed by the end of the second quarter of 2021.

For further information on the outlook, please refer to the specific paragraphs in the Director's report.

Milan, March 4, 2021

**For the Board of Directors
The Chief Executive Officer
(Carlo Pesenti)**

ANNEX

The table below sets out equity investments held in companies when such investments exceed 10% of voting capital. It also indicates the consolidation method and non-controlling interests

Company	Head Office			Share capital	Interest held by Group companies			Method	Non-controlling interests %
					Direct	Indirect	%		
Parent company									
Italmobiliare S.p.A.	Milan	I	EUR	100,166,937.00					
035 Investimenti S.p.A.	Bergamo	I	EUR	3,950,000.00	11.15	-	11.15	Italmobiliare S.p.A.	Fair Value
Atmos Venture S.p.A. in liquidation	Milan	I	EUR	880,040.00	10.13	-	10.13	Italmobiliare S.p.A.	Fair Value
Autogas Nord S.p.A.	Volpiano (TO)	I	EUR	11,287,783.00	30.00	-	30.00	Italmobiliare S.p.A.	Equity
Autogas Riviera S.r.l.	Taggia (IM)	I	EUR	102,000.00	-	50.00	50.00	Autogas Nord S.p.A.	Equity
Bea S.p.A.	Busalla (GE)	I	EUR	2,110,000.00	92.06	-	92.06	Italmobiliare S.p.A.	Line-by-line 7.94
Bea Arquata S.r.l.	Busalla (GE)	I	EUR	60,000.00	-	80.00	80.00	BEA S.p.A.	Cost
BEA Biella S.r.l.	Busalla (GE)	I	EUR	130,000.00	-	51.00	51.00	BEA S.p.A.	Line-by-line 49
Beijing Tecnica Sport Equip. Co. Ltd	Beijing	RC	CNY	25,727,280.00	-	50.00	50.00	Tecnica Group Spa	Equity
Blizzard Sport Liegenschaftsverwaltungs	Mittersill	A	EUR	36,336.00	-	99.00	99.00	Blizzard Sport GmbH	Equity
Blizzard Produktions GmbH	Mittersill	A	EUR	5,301,701.00	-	100.00	100.00	Blizzard Sport GmbH	Equity
Blizzard Sport GmbH	Mittersill	A	EUR	36,336.00	-	100.00	100.00	IQ-Sports Verwaltungs GmbH	Equity
Caffè Borbone S.r.l.	Caivano (NA)	I	EUR	1,000,000.00	60.00	-	60.00	Italmobiliare S.p.A.	Line-by-line 40.00
Callmewine S.r.l.	Milan	I	EUR	12,245,92	-	60.00	60.00	FT3 S.r.l.	Line-by-line 40
Casa della Salute S.r.l.	Busalla (GE)	I	EUR	1,000,000.00	-	100.00	100.00	BEA S.p.A.	Line-by-line
Capitelli F.Ili S.r.l.	Borgonovo Val Tidone (PC)	I	EUR	51,480.00	80.00	-	80.00	Italmobiliare S.p.A.	Line-by-line 20
CCC Holdings Europe S.p.A.	Bergamo	I	EUR	6,130,000.00	16.37	-	16.37	Italmobiliare S.p.A.	Equity
Cerraduras Iseo Iberica S.L.	Ajalvir - Madrid	E	EUR	300,500.00	-	90.00	90.00	Iseo Serrature S.p.A.	Equity
Chiurlo Gas S.r.l.	Campoformido (UD)	I	EUR	110,000.00	-	100.00	100.00	Autogas Nord S.p.A.	Equity
Clessidra Società di Gestione del Risparmio S.p.A.	Milan	I	EUR	6,000,000.00	100.00	-	100.00	Italmobiliare S.p.A.	Line-by-line
Clessidra Capital Credit SGR S.p.A.	Milan	I	EUR	500,000.00	-	100.00	100.00	Clessidra Holding S.p.A.	Line-by-line
Clessidra CRF G.P. società semplice	Milan	I	EUR	10,000.00	-	49.00	49.00	Clessidra SGR S.p.A.	Line-by-line 51
Clessidra Factoring S.p.A.	Milan	I	EUR	6,650,000.00	-	100.00	100.00	Clessidra SGR S.p.A.	Line-by-line
Clessidra Holding S.p.A.	Milan	I	EUR	50,000.00	100.00	-	100.00	Italmobiliare S.p.A.	Line-by-line
Compagnia Fiduciaria Nazionale S.p.A.	Milan	I	EUR	90,000.00	16.67	-	16.67	Italmobiliare S.p.A.	Fair Value
Crédit Mobilier de Monaco S.A.	Montecarlo	MC	EUR	5,355,000.00	99.91	-	99.91	Italmobiliare S.p.A.	Line-by-line 0.09
Dokimè S.r.l.	Milano	I	EUR	100,000.00	20.63	-	20.63	Italmobiliare S.p.A.	Equity
Ecoclina S.r.l.	Ariano nel Polesine (RO)	I	EUR	90,000.00	-	55.00	55.00	Autogas Nord S.p.A.	Equity
Eco Park Wind Power	Sofia	BG	BGN	5,000.00	-	100.00	100.00	Gardawind S.r.l.	Equity
Energy for MISR B.V.	Amsterdam	NL	NLG	1,000.00	-	100.00	100.00	Italgen S.p.A.	Line-by-line
ENEX S.r.l.	Padernello di Paese (TV)	I	EUR	300,000.00	-	100.00	100.00	Roen Est S.p.A.	Equity
Faerch Italy S.r.l. (già Pack Ita S.r.l.)	Milan	I	EUR	39,610,000.00	-	100.00	100.00	Sirap Gema S.p.A.	Line-by-line
Feroneria Prod. S.A.	Arad	RO	RON	20,628,636.40	-	100.00	99.9999	Iseo Serrature S.p.A.	Equity
							0.0001	Microhard S.r.l.	
Fin.Priv. S.r.l.	Milan	I	EUR	20,000.00	14.28	-	14.28	Italmobiliare S.p.A.	Fair Value
Florence InvestCo S.r.l.	Milan	I	EUR	578,000.00	23.88	-	23.88	Italmobiliare S.p.A.	Equity
Florence Group S.p.A.	Milan	I	EUR	864,226.00	-	64.46	64.46	Florence InvestCo S.r.l.	Equity
Florence S.p.A.	Milan	I	EUR	992,783.00	-	100.00	100.00	Florence Group S.p.A.	Equity
Franco Tosi Ventures S.r.l.	Milan	I	EUR	100,000.00	100.00	-	100.00	Italmobiliare S.p.A.	Line-by-line
FT2 S.r.l.	Milan	I	EUR	10,000.00	100.00	-	100.00	Italmobiliare S.p.A.	Line-by-line
FT3 S.r.l.	Milan	I	EUR	10,000.00	100.00	-	100.00	Italmobiliare S.p.A.	Line-by-line
Gardawind S.r.l.	Vipiteno (BZ)	I	EUR	100,000.00	-	49.00	49.00	Italgen S.p.A.	Equity
Gruppo Energia Italia S.r.l.	Volpiano (TO)	I	EUR	108,000.00	-	50.00	50.00	Autogas Nord S.p.A.	Equity
Haekon Eood	Sofia	BG	BGN	5,000.00	-	100.00	100.00	Gardawind S.r.l.	Equity
ICS Petruzalek Srl	Chisinau	MD	MDL	81,518.50	-	100.00	100.00	Petruzalek Com S.r.l. (Romania)	Line-by-line
Immobiliare Lido di Classe S.r.l. in liquidation	Roma	I	EUR	255,000.00	18.04	-	18.04	Italmobiliare S.p.A.	Cost
Inline Poland Sp. z o.o.	Murowana Goslina	PL	PLN	3,846,000.00	-	100.00	100.00	Sirap Gema S.p.A.	Line-by-line
Italgen Maroc Ener S.A. (company in liquidation)	Casablanca	MAR	MAD	41,717,500.00	-	100.00	99.99	Italgen S.p.A.	Line-by-line
							0.01	Italmobiliare Servizi S.r.l.	
Italgen Maroc S.A. (company in liquidation)	Casablanca	MAR	MAD	1,800,000.00	-	100.00	99.99	Italgen S.p.A.	Line-by-line
							0.01	Italmobiliare Servizi S.r.l.	
Italgen Misr for Energy SAE	Cairo	EGY	LE	76,940,000.00	-	100.00	98.00	Energy for MISR B.V.	Line-by-line
							1.00	Italmobiliare S.p.A.	
							1.00	Italmobiliare Servizi S.r.l.	
Italgen S.p.A.	Villa di Serio (BG)	I	EUR	20,000,000.00	100.00	-	100.00	Italmobiliare S.p.A.	Line-by-line
Italmobiliare Servizi S.r.l.	Milano	I	EUR	3,520,000.00	100.00	-	100.00	Italmobiliare S.p.A.	Line-by-line
IQ-Sports Verwaltungs GmbH	Mittersill	A	EUR	17,500.00	-	100.00	100.00	Tecnica Group Spa	Equity
Iseo Asia Limited	Hong Kong	HK	HKD	1,000,000.00	-	70.00	70.00	Iseo Serrature S.p.A.	Equity

Company	Head Office			Share capital		Interest held by Group companies			Method	Non-controlling interests %
						Direct	Indirect	%		
Iseo Asia Pacific Sdn Bhd	Puchong, Selangor D.E.	MAL	MYR	715,560.00	-	100.00	100.00	Iseo Asia Limited	Equity	
Iseo (Beijing) Security Technology Co., Ltd	Beijing	RC	CNY	500,000.00	-	100.00	100.00	Iseo Asia Limited	Equity	
Iseo Colombia S.A.S.	Bogotá	CO	COP	1,000,000,000.00	-	100.00	100.00	Iseo Serrature S.p.A.	Equity	
Iseo Denmark A.P.S.	Copenhagen	DK	EUR	18,000.00	-	55.00	55.00	Iseo Serrature S.p.A.	Equity	
Iseo Deutschland GmbH	Gera	D	EUR	1,000,000.00	-	100.00	100.00	Iseo Serrature S.p.A.	Equity	
Iseo France S.A.S.	Vaux Le Pénil	F	EUR	1,075,440.00	-	100.00	100.00	Iseo Serrature S.p.A.	Equity	
Iseo Galvanica S.r.l.	Arad	RO	RON	2,800,000.00	-	99.50	99.50	Iseo Serrature S.p.A.	Equity	
						0.50	0.50	Microhard S.r.l.	Equity	
Iseo Gulf LCC	Dubai	UAE	AED	300,000.00	-	100.00	100.00	Iseo Middle East FZE	Equity	
Iseo Middle East FZE	Dubai	UAE	AED	1,000,000.00	-	100.00	100.00	Iseo Denmark A.P.S.	Equity	
Iseo Peru S.A.C.	Lima	PE	PEN	1,250,000.00	-	90.00	90.00	Iseo Serrature S.p.A.	Equity	
Iseo Projects And Access Control DMCC	Dubai	UAE	AED	75,000.00	-	80.00	80.00	Iseo Serrature S.p.A.	Equity	
Iseo Serrature S.p.A.	Pisogne (BS)	I	EUR	24,410,700.00	39.28	-	39.28	Italmobiliare S.p.A.	Equity	
Iseo South Africa Proprietary Limited	Cape Town	ZA	ZAR	2,163.00	-	100.00	100.00	Iseo Serrature S.p.A.	Equity	
Liras S.A.S.	Courbevoie	F	EUR	16,151,640.00	-	100.00	100.00	Iseo Serrature S.p.A.	Equity	
Locken Iberica S.L.	Madrid	ES	EUR	5,000.00	-	100.00	100.00	Liras S.A.S.	Equity	
Locken Services S.A.	Courbevoie	F	EUR	116,590.00	-	100.00	100.00	Liras S.A.S.	Equity	
Locken UK Limited	London	GB	GBP	1,000.00	-	99.20	99.20	Liras S.A.S.	Equity	
Lowa Boots LLC	Stamford	USA	USD	35,000.00	-	100.00	99.90	Lowa Sportschuhe GmbH	Equity	
							0.10	Tecnica Group S.p.A.		
Lowa R&D S.r.l. (già Riko Sport S.r.l.)	Altivole (TV)	I	EUR	780,000.00	-	100.00	100.00	Lowa Sportschuhe GmbH	Equity	
Lowa Schuhe AG	Wengeler	CH	CHF	1,100,000.00	-	100.00	100.00	MM Holding AG	Equity	
Lowa Sportschuhe GmbH	Jetzendorf	D	EUR	5,000,000.00	-	75.00	75.00	Teclor Srl	Equity	
Mesomarket Eood	Sofia	BG	BGN	5,000.00	-	100.00	100.00	Gardawind S.r.l.	Equity	
MFS Web S.r.l.	Milan	I	EUR	40,000.00	-	50.00	50.00	Caffè Borbone S.r.l.	Equity	
Microhard S.r.l.	Rovellasca (CO)	I	EUR	100,000.00	-	100.00	100.00	Iseo Serrature S.p.A.	Equity	
MM Holding AG	Stans	CH	CHF	100,000.00	-	100.00	100.00	Lowa Sportschuhe GmbH	Equity	
New Flour S.p.A.	Milan	I	EUR	163,000.00	16.97	-	16.97	Italmobiliare S.p.A.	Fair Value	
Norfin S.r.l.	Giavera del Montello	I	EUR	95,000.00	-	100.00	100.00	Tecnica Group Spa	Equity	
Officina Profumo-Farmaceutica di Santa Maria Novella S.p.A.	Florence	I	EUR	2,100,000.00	-	80.00	80.00	FT2 S.r.l.	Equity	20
Officina Profumo-Farmaceutica di Santa Maria Novella of American Corporation	New York	USA	USD	2,000,000.00	-	100.00	100.00	Officina Profumo Farmaceutica di Santa Maria Novella S.p.A.	Equity	
Olso Meccanica S.r.l.	San Cesario sul Panaro (MO)	I	EUR	10,400.00	-	100.00	100.00	Iseo Serrature S.p.A.	Equity	
PA.LA.GAS S.r.l.	Genoa (GE)	I	EUR	10,200.00	-	100.00	100.00	Autogas Nord S.p.A.	Equity	
Petruzalek Ltd in liquidazione (Turkey)	Istanbul	TR	TRY	2,806,000.00	-	100.00	99.90	Petruzalek Gesellschaft mbH (Austria)	Line-by-line	
							0.10	Petruzalek Com S.r.l. (Romania)		
Petruzalek e.o.o.d. (Bulgaria)	Sofia	BG	BGN	5,000.00	-	100.00	100.00	Petruzalek Gesellschaft mbH (Austria)	Line-by-line	
Petruzalek Com S.r.l. (Romania)	Bucharest	RO	RON	7,976,080.00	-	100.00	100.00	Petruzalek Gesellschaft mbH (Austria)	Line-by-line	
Petruzalek d.o.o. (Croatia)	Zabok	HR	HRK	129,500.00	-	100.00	100.00	Petruzalek Gesellschaft mbH (Austria)	Line-by-line	
Petruzalek d.o.o. (Serbia)	Belgrado	RS	RSD	306,412,886.42	-	100.00	100.00	Petruzalek Gesellschaft mbH (Austria)	Line-by-line	
Petruzalek d.o.o. (Slovenia)	Maribor	SI	EUR	9,959.08	-	100.00	100.00	Petruzalek Gesellschaft mbH (Austria)	Line-by-line	
Petruzalek Gesellschaft mbH (Austria)	Tattendorf	AT	EUR	1,000,000.00	-	100.00	99.00	Sirap Gema S.p.A.	Line-by-line	
							1.00	Sirap France S.A.S.		
Petruzalek Italia S.r.l.	Verolanuova (BS)	I	EUR	10,000.00	-	100.00	100.00	Petruzalek Gesellschaft mbH (Austria)	Line-by-line	
Petruzalek Kft (Hungary)	Budapest	HU	HUF	300,100,000.00	-	100.00	75.00	Petruzalek Gesellschaft mbH (Austria)	Line-by-line	
							25.00	Petruzalek spol. S.r.o. (Rep. Ceca)		
Petruzalek o.o.o. (Ukraine)	Odessa	UA	UAH	214,831.00	-	100.00	100.00	Petruzalek Gesellschaft mbH (Austria)	Line-by-line	
Petruzalek S.r.o. (Slovak Republic)	Bratislava	SK	EUR	15,269.20	-	100.00	100.00	Petruzalek Gesellschaft mbH (Austria)	Line-by-line	
Petruzalek S.r.o. (Czech Republic)	Breclav	CZ	CZK	2,300,000.00	-	100.00	100.00	Petruzalek Gesellschaft mbH (Austria)	Line-by-line	
Punta Ala Promozione e Sviluppo Immobiliare S.r.l.	Milan	I	EUR	1,300,000.00	100.00	-	100.00	Italmobiliare S.p.A.	Line-by-line	
Rialto Sro	Partizánske	SK	EUR	1,068,115.00	-	100.00	100.00	Lowa R&D S.r.l.	Equity	
Roen Est S.p.A.	Ronchi dei Legionari (GO)	I	EUR	11,000,000.00	-	100.00	100.00	CCC Holdings Europe S.p.A.	Equity	
Roen Est S.r.o (Slovakia)	Nové Mesto nad Vahom	SK	EUR	165,971.00	-	98.00	98.00	Roen Est S.p.A.	Equity	
San Carlo S.p.A.	Florence	I	EUR	1,000,000.00	-	98.50	98.50	Officina Profumo Farmaceutica di Santa Maria Novella S.p.A.	Equity	
Schöffel-Lowa-Sportartikel & Co. KG	Schwabmünchen	D	EUR	1,892,216.00	-	50.00	50.00	Lowa Sportschuhe GmbH	Equity	
S.E.S. Società Editrice Sud S.p.A	Messina	I	EUR	10,695,505.08	31.10	-	31.10	Italmobiliare S.p.A.	Equity	
Simed S.r.l. in liquidation	Albenga (SV)	I	EUR	100,000.00	-	50.00	50.00	BEA S.p.A.	Cost	

Company	Head Office		Share capital		Interest held by Group companies			Method	Non-controlling interests %
					Direct	Indirect	%		
Sirap France SAS	Noves	FR	EUR	3,520,000.00	-	100.00	100.00	Sirap Gema S.p.A.	Line-by-line
Sirap Gema S.p.A.	Verolanuova (BS)	I	EUR	5,000,000.00	100.00	-	100.00	Italmobiliare S.p.A.	Line-by-line
Sirap GmbH	Bergheim	D	EUR	153,388.00	-	100.00	100.00	Sirap Gema S.p.A.	Line-by-line
Sirap Packaging Iberica SLU	Olvan	ES	EUR	993,387.00	-	100.00	100.00	Sirap Gema S.p.A.	Line-by-line
Sirap UK Limited	Sedgefield	UK	£	7,667,666.00	-	100.00	100.00	Sirap Gema S.p.A.	Line-by-line
Société d'Etudes de Participations et de Courtages S.A.	Montecarlo	MC	EUR	1,290,000.00	99.98	-	99.98	Italmobiliare S.p.A.	Line-by-line 0.02
Splendorgas S.r.l.	Santi Cosma e Damiano (LT)	I	EUR	10,000.00	-	60.00	60.00	Autogas Nord S.p.A.	Equity
Stoccaggi Riuniti Cotignola Scarl	Cotignola (RA)	I	EUR	12,000.00	-	50.00	50.00	Autogas Nord S.p.A.	Equity
Teclor Srl	Giavera del Montello	I	EUR	10,000,000.00	-	100.00	100.00	Tecnica Group Spa	Equity
Tecnica Group Spa	Giavera del Montello	I	EUR	38,533,835.00	40.00	-	40.00	Italmobiliare S.p.A.	Equity
Tecnica Group Canada Inc	St Lauren	CA	CAD	4,000,000.00	-	100.00	100.00	Tecnica Group Spa	Equity
Tecnica Group Germany GmbH	Jetzendorf	D	EUR	715,808.00	-	100.00	100.00	Blizzard Sport GmbH	Equity
Tecnica Group France S.a.r.l.	Annecy le Vieux	FR	EUR	1,000,000.00	-	100.00	100.00	Tecnica Group Spa	Equity
Tecnica Group Japan Ltd	Tokyo	JP	YEN	100,000,000.00	-	99.90	99.90	Tecnica Group Spa	Equity
Tecnica Group USA Ski Boots Corp.	West Lebanon	USA	USD	5,800,000.00	-	100.00	100.00	Tecnica Group Spa	Equity
Tecnica Group Schweiz AG	Zurich	CH	CHF	500,000.00	-	100.00	100.00	Tecnica Group Spa	Equity
Tecnica Ungheria Kft	Nagykallo	H	EUR	98,352.00	-	100.00	99.00	Tecnica Group Spa	Equity
							1.00	Norfin S.r.l.	
Tecnigas S.r.l.	Prevalle (BS)	I	EUR	49,920.00	-	50.00	50.00	Autogas Nord S.p.A.	Equity
Tianjing Tecnica International Co. Ltd	Tianjin Port	RC	CNY	2,417,770.00	-	50.00	50.00	Tecnica Group Spa	Equity
Universal Imballaggi Sr.l. in liquidation	Palermo	I	EUR	1,731,588.00	-	92.64	92.64	Sirap Gema S.p.A.	Line-by-line 7.36
Versilgas S.r.l.	S. Stefano di Magra (SP)	I	EUR	36,400.00	-	50.00	50.00	Autogas Nord S.p.A.	Equity

** Italmobiliare SpA's investment in Autogas Nord S.p.A. increased in the third quarter of 2019 from 26.88% to 32.82%, it being understood that (i) a portion of this investment, equal to 2.82% of Autogas, is deposited in escrow with a notary, as well as any dividends relating to this 2.82% that may be distributed will be deposited in a trustee current account opened with the same notary, (ii) the Quiris shareholders of Francesco Quirico, Umberto Rizzo & C. - S.A.P.A. and Mr. Casini will be able to exercise a call option to purchase (on a pro-rata basis), in whole or in part, this 2.82%, for 1 euro, if after the approval of the 2021 financial statements of Autogas Nord S.p.A. the Equity Value 2021 is higher than 318.7 m euro (whereas if the Equity Value 318.7 of Autogas Nord S.p.A. is equal to or less than 318.7 m, the 2.82% will remain definitively acquired by ITM), and (iii) all or part of the dividends deposited temporarily in escrow (and the related shares) will be released to those who will be the final owners of the 2.82% stake in the share capital of Autogas Nord S.p.A.



Certification pursuant to art. 154-bis paragraph 5 of the Italian Consolidated Law on Finance (TUF) regarding the consolidated financial statements pursuant to art. 81-ter of Consob Regulation no. 11971 of May 14, 1999 and subsequent amendments and additions

1. The undersigned Carlo Pesenti, Chief Executive Officer, and Mauro Torri, Manager in charge of financial reporting of Italmobiliare S.p.A., hereby certify, also in consideration of art. 154-bis, paragraphs 3 and 4, of legislative decree no. 58 of February 24, 1998:
 - the adequacy in relation to the characteristics of the company and
 - the actual application
 of the administrative and accounting procedures adopted for the preparation of the **consolidated financial statements** during the period from January 1, 2020 to December 31, 2020.
2. The assessment of the adequacy of the administrative and accounting procedures adopted for the preparation of the consolidated financial statements as at and for the year ended December 31, 2020 is based on a model identified by Italmobiliare in accordance with the CoSO framework (illustrated in the CoSO Report) and also takes into account the document *"Internal Control over Financial Reporting – Guidance for Smaller Public Companies"*, both issued by the Committee of Sponsoring Organizations of the Treadway Commission, which represent a generally accepted international framework.
3. It is also certified that:
 - 3.1 the consolidated financial statements as at and for the year ended December 31, 2020:
 - a) have been prepared in compliance with the applicable International Financial Reporting Standards recognized by the European Community pursuant to European Parliament and Council Regulation no. 1606/2002 of July 19, 2002;
 - b) correspond to the contents of the accounting books and records;
 - c) are suitable to provide a true and fair view of the financial position, results of operations and cash flows of Italmobiliare S.p.A. and of the group of companies included in the consolidation scope;
 - 3.2 the Director's report includes a reliable analysis of the performance and results of operations, as well as of the situation of Italmobiliare S.p.A. in its capacity as an issuer, and of the group of companies included in the scope of consolidation scope, together with a description of the main risks and uncertainties to which they are exposed.

March 4, 2021

Chief Executive Officer

Manager in charge of financial
reporting

Carlo Pesenti

Mauro Torri



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INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010
AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
Italmobiliare S.p.A.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Italmobiliare S.p.A. and its subsidiaries (the "Group" or the "Italmobiliare Group"), which comprise the statement of financial position as at December 31, 2020, the income statement, the statement of comprehensive income, the consolidated statement of changes in equity, the statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of the significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Italmobiliare S.p.A. (the "Company") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona

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Measurement of financial assets with fair value levels 2 and 3

Description of the key audit matter

The consolidated financial statements at December 31, 2020 include financial assets measured at fair value categorized into hierarchy levels 2 and 3 amounting to Euro 392,9 million, equal to 48% of total financial assets and 20% of total assets.

For the above financial assets a listed price on an active market is not available and therefore the related measurement is based on complex valuation techniques that require a significant level of judgement.

We considered the measurement of financial assets with fair value levels 2 and 3 a key audit matter of the Group consolidated financial statements at December 31, 2020 considering: i) it entails a significant level of judgements by the Directors, ii) the complexity of the relevant valuation techniques and of the significant inputs and iii) the significance of the amounts.

Note 6) "Other equity investments", 7) "Trade receivables and other non-current assets" and 12) "Equity investments, bonds and current financial receivables" of the consolidated financial statements include the disclosures about the measurement of financial assets.

Audit procedures performed

Our audit procedures, among others, included:

- understanding of the relevant controls implemented for the acquisition, disposal and measurement of financial assets;
- assessing the appropriateness of the accounting rules adopted by the Group in accordance with the requirements of IFRS 9;
- testing, on a sample basis, the appropriate categorization of financial assets into the fair value levels;
- testing, on a sample basis, the reasonableness and the accuracy of the valuation techniques, the significant inputs and their actual application provided by the Directors for measurement purposes of the fair value levels 2 and 3.
- assessing the appropriateness of the disclosures provided in the notes about financial assets and their fair value levels and their compliance with the related accounting principles.

Measurement of goodwill and intangible asset with indefinite useful life

Description of the key audit matter

The consolidated financial statements at December 31, 2020 include goodwill amounting to Euro 250,7 million, and intangible assets with indefinite useful life related to the "Caffè Borbone" and the "Officina Profumo Farmaceutica di Santa Maria Novella" trademark amounting Euro 92 million and Euro 124,2 million respectively. The latter amount comes from the provisional purchase price allocation following the acquisition made in September 2020.



The above reported assets, as required by IAS 36, are not systematically amortized but are subject to impairment test at least annually.

The Directors carried out an impairment test of the cash generating units (CGUs) to whom the goodwill is allocated, supported also by an external advisor, comparing their recoverable amount, assessed on the basis of the value in use or the fair value, and their carrying amount.

The Directors determined the value in use based on assumptions that include, among others, (i) the cash flows included in the 2021 budget approved by the Board of Directors of the subsidiaries and the plans which include the projections of the financial and economic results (ii) the determination of an appropriate discount rate (WACC) and (iii) an estimate of the long-term growth rate (g-rate) for the cash flows beyond the explicit period. The determination of the value in use is also based on assumptions influenced by future expectations and external variables, including the evolution of the conditions for their respective markets.

The recoverable amount of the “Caffè Borbone” and the “Officina Profumo Farmaceutica di Santa Maria Novella” trademarks with indefinite useful life were estimated by the Directors, also with the support of an external advisor, as their fair value, determined using an income approach method, based on assumptions made by the Directors relating to the expected turnover set out in the 2021 budget and the plan for the following years, the explicit royalty rates and the discount rate (“Relief from royalty method”).

The impairment tests performed did not identify any impairment loss.

Given the significance of the assets recognized in the consolidated financial statements, the judgement required in the estimates of expected cash flows, royalties, and of the key assumptions of the impairment test model used for the calculation of the value in use, we considered the measurement of goodwill and intangible assets with indefinite useful life a key audit matter of the consolidated financial statements.

Note 3) “Goodwill” and 4) “Intangible assets” of the consolidated financial statements include the disclosures on the valuation of goodwill and intangible assets.

Audit procedures performed

In order to assess the recoverability of the above assets we have preliminary analyzed the process used by Management to determine the recoverable amount of the CGUs and the trademark with indefinite useful life, analyzing the methods and assumptions used for the development of the impairment test.

Our audit procedures, which also involved our own valuation specialists, included:



- understanding of the relevant controls implemented by the Group on the impairment process;
- analyzing the reasonableness of the main assumptions used for developing the expected cash flows and royalties, together with the collection of other relevant information provided by the Directors;
- evaluating the competences, capabilities and objectivity of the external advisor involved by the Directors for the preparation of the impairment test;
- analyzing the differences between budgeted targets and actual results in order to understand the nature of the deviations, also considering, where applicable, the impacts of the Covid-19 virus, and the reliability of the budgeting process;
- analyzing the reasonableness of the discount rate (WACC) and long-term growth rate (g-rate);
- assessing the mathematical accuracy of the model used to determine the value in use of the CGUs and the fair value of the trademarks with indefinite useful life;
- analyzing the appropriate determination of the carrying amount of the CGUs, in compliance with the methods used for the estimate of the value in use;
- assessing the sensitivity analysis performed by Management;
- assessing the appropriateness of the disclosures reported in the notes and its compliance with IAS36.

Measurement of investments in associates

Description of the key audit matter

The consolidated financial statements at December 31, 2020 include investments in associates amounting Euro 183,7 million – accounted for using the equity method.

At each reporting date, the Directors, supported also by an external advisor, carry out an impairment test for the investments in associates, in order to compare their recoverable amount, assessed as either their value in use or their fair value, with their carrying amount. The fair value is determined in accordance with the market multiples method, based on the assumptions of the actual ebitda/expected ebitda included in the 2021 budget together with the estimate of such market multiples.

The value in use is based on assumptions including, among others, (i) the expected cash flows coming from the 2021 budget approved by associates' Board of Directors and the plans which include their projections of the financial and economic results (ii) the determination of an appropriate discount rate (WACC) and (iii) an estimate of the long-term growth rate (g-rate) for the cash flows beyond the explicit period.

The estimate of the recoverable amount is also based on assumptions influenced by future expectations and external variables, including the conditions for their respective markets.



The impairment test performed identified an impairment loss of Euro 4,3 million.

Given the judgement in the estimates of the expected cash flows and expected ebitda, together with the key assumptions of the impairment test model used by the Directors for the calculation of the investments in associates' recoverable amount, we considered the measurement of the investments in associates a key audit matter of the consolidated financial statements.

Note 5) "Investments in associates" of the consolidated financial statements include the disclosures on the measurement of the investments in associates.

Audit procedures performed

We have preliminary assessed the process used by Management to determine the recoverable amount of the investments in associates analyzing the methods and assumptions used for the development of the impairment test.

Our audit procedures, which also involved our own valuation specialists, included:

- understanding of the relevant controls implemented by the Group on the impairment process of the investments in associates;
- analyzing the reasonableness of the main assumptions used for developing the expected cash flows and ebitda, together with the collection of other relevant information provided by the Directors;
- evaluating the competences, capabilities and objectivity of the external advisor involved by the Directors for the preparation of the impairment test;
- analyzing the differences between budgeted targets and actual results in order to understand the nature of the deviations, also considering, where applicable, the impacts of the Covid-19 virus, and the reliability of the budgeting process;
- analyzing the reasonableness of the discount rate (WACC) and long-term growth rate (g-rate);
- assessing the mathematical accuracy of the model used to determine the recoverable amount of the investments in associates;
- comparing the recoverable amount of the investments in associates with their carrying amount;
- assessing the sensitivity analysis performed by Management;
- assessing the appropriateness of the disclosures reported in the notes and its compliance with IAS36.



Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Italmobiliare S.p.A. has appointed us on April 17, 2019 as auditors of the Company for the years from December 31, 2019 to December 31, 2027.

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

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.



REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Italmobiliare S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structure of the Italmobiliare Group as at December 31, 2020, including their consistency with the related consolidated financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and the ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98, with the consolidated financial statements of Italmobiliare Group as at December 31, 2020 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and some specific information contained in the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of Italmobiliare Group as at December 31, 2020 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

Statement pursuant to art. 4 of the Consob Regulation for the implementation of Legislative Decree 30 December 2016, no. 254

The Directors of Italmobiliare S.p.A. are responsible for the preparation of the non-financial statement pursuant to Legislative Decree 30 December 2016, no. 254.

We verified the approval by the Directors of the non-financial statement.

Pursuant to art. 3, paragraph 10 of Legislative Decree 30 December 2016, no. 254, this statement is subject of a separate attestation issued by us.

DELOITTE & TOUCHE S.p.A.

Signed by
Massimiliano Semprini
Partner

Milan, Italy
March 29, 2021

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

ITALMOBILIARE
S.P. A.



2020
SEPARATE
FINANCIAL
STATEMENTS

FINANCIAL STATEMENTS

Statement of financial position

(euro)	Notes	31.12.2020	31.12.2019	Change
Non-current assets				
Property, plant & equipment	1	6,746,360	5,518,287	1,228,073
Investment property	2	8,307,328	9,502,229	(1,194,901)
Intangible assets	3	107,542	231,351	(123,809)
Equity investments in subsidiaries and associates	4	660,080,617	429,709,019	230,371,598
Other equity investments	5	119,565,009	210,398,883	(90,833,874)
Deferred tax assets	6	7,829,321	7,433,566	395,755
Other non-current assets	7	155,964,095	187,075,722	(31,111,627)
Total non-current assets		958,600,272	849,869,057	108,731,215
Current assets				
Trade receivables	8	655,793	498,327	157,466
Other current assets including derivative financial instruments	9	1,262,882	1,137,745	125,137
Tax assets	10	12,249,156	5,837,594	6,411,562
Equity investments, bonds and current financial receivables	11	312,147,027	354,368,645	(42,221,618)
Cash and cash equivalents	12	54,654,301	190,080,907	(135,426,606)
Total current assets		380,969,159	551,923,218	(170,954,059)
Total assets		1,339,569,431	1,401,792,275	(62,222,844)
Equity				
Share capital	13	100,166,937	100,166,937	-
Share premium	14	55,606,873	55,606,873	-
Reserves	14	(7,692,609)	1,464,087	(9,156,696)
Treasury shares	15	(6,620,158)	(12,153,618)	5,533,460
Retained earnings	16	1,138,881,166	1,201,936,002	(63,054,836)
Total equity		1,280,342,209	1,347,020,281	(66,678,072)
Non-current liabilities				
Borrowings	18	178,342	218,122	(39,780)
Employee benefits	17	758,177	689,314	68,863
Provisions	19	19,362,000	20,500,000	(1,138,000)
Tax liabilities	19	7,262,252	8,300,000	(1,037,748)
Other non-current liabilities	20	105,253	116,878	(11,625)
Deferred tax liabilities	21	93,094	460,369	(367,275)
Total non-current liabilities		27,759,119	30,284,683	(2,525,564)
Current liabilities				
Loans and borrowings	18	13,964	1,018	12,946
Financial liabilities	18	2,116,589	2,340,561	(223,972)
Employee benefits	22	1,657,600	2,043,048	(385,448)
Provisions		-	-	-
Tax liabilities		13,452,228	72,683	13,379,545
Other current liabilities	23	14,227,723	20,030,001	(5,802,278)
Total current liabilities		31,468,103	24,487,311	6,980,792
Total liabilities		59,227,222	54,771,994	4,455,228
Total equity and liabilities		1,339,569,431	1,401,792,275	(62,222,843)

The effects of transactions with related parties on the statement of financial position, income statement and statement of cash flows are shown in the relevant attachments, pursuant to Consob Resolution no. 15519 of July 27, 2006.

Income statement

(euro)	Notes	2020	%	2019	%	Change amount	%
Revenue							
Revenue and income		67,921,423		86,117,938		(18,196,515)	
Total revenue and income	24	67,921,423	100.0	86,117,938	100.0	(18,196,515)	-21.1
Other revenue and income	25	1,611,952		815,118		796,834	
Raw materials and supplies	26	(225,532)		(263,487)		37,955	
Services	27	(8,101,988)		(7,695,973)		(406,015)	
Personnel expenses	28	(15,551,275)		(14,162,043)		(1,389,232)	
Other operating income (expenses)	29	(37,247,364)		(19,134,688)		(18,112,676)	
Gross operating profit		8,407,216	12.4	45,676,865	53.0	(37,269,649)	-81.6
Amortisation and depreciation	30	(686,929)		(699,490)		12,561	
Operating profit		7,720,287	11.4	44,977,375	52.2	(37,257,088)	-82.8
Finance income and costs	31	(106,144)		(69,809)		(36,335)	
Impairment of financial assets	32	18,519,641		(14,280,652)		32,800,293	
Profit/(loss) before tax		26,133,784	38.5	30,626,914	35.6	(4,493,130)	-14.7
Income tax	33	5,430,914		(10,896,888)		16,327,802	
Profit/(loss) for the year		31,564,698	46.5	19,730,026	22.9	11,834,672	60.0

Statement of comprehensive income

(euro)	Notes	2020	2019	Change amount	%
Profit/(loss) for the year		31,564,697	19,730,026	11,834,671	60.0
Items that will not be reclassified subsequently to profit or loss					
Other financial assets measured at FVTOCI	5	(25,587,588)	115,277,216	(140,864,804)	
Tax related to other comprehensive income		63,968	159,650	(95,682)	
Revaluation of net liabilities/assets for employee benefits		(24,351)	23,474	(47,825)	
Total items that will not be reclassified to profit or loss		(25,547,971)	115,460,340	(141,008,311)	
Items that may be reclassified subsequently to profit or loss					
Foreign exchange differences on translation of foreign operations		1,712	(9,070)	10,782	
Total items that may be reclassified subsequently to profit or loss		1,712	(9,070)	10,782	
Total other comprehensive income for the year		(25,546,259)	115,451,270	(140,997,529)	
TOTAL COMPREHENSIVE INCOME		6,018,438	135,181,296	(129,162,858)	-95.55

Statement of changes in equity

(euro)	Reserves						Total equity
	Share capital	Share premium	OCI reserve	Other reserves	Treasury shares	Retained earnings	
Balances at December 31, 2018	100,166,937	177,191,252	(36,783,316)	12,053,896	(134,659,116)	1,112,119,269	1,230,088,922
Statement of comprehensive income			115,436,866			14,404	115,451,270
Reclassification for sale of investments at FVTOCI			(78,787,631)			82,992,045	4,204,414
Change in other reserves						(304,109)	(304,109)
Change in treasury shares		(121,584,379)			121,557,988		(26,391)
Profit for the year						19,730,026	19,730,026
Reduction of stock option plans as plans terminated and/or exercised				(10,455,728)		10,455,728	
Stock options exercised					947,510		947,510
Profit distribution:							
Dividends						(23,071,361)	(23,071,361)
Balances at December 31, 2019	100,166,937	55,606,873	(134,081)	1,598,168	(12,153,618)	1,201,936,002	1,347,020,281
Statement of comprehensive income			(25,523,620)			(22,639)	(25,546,259)
Reclassification for sale of investments at FVTOCI			17,616,116			(17,616,116)	
Profit for the year						31,564,697	31,564,697
Reduction of stock option plans for extinction and/or exercise				(1,249,192)		1,249,192	
Stock options exercised					5,533,460	(2,231,216)	3,302,244
Profit distribution:							
Dividends						(75,998,754)	(75,998,754)
Balances at December 31, 2020	100,166,937	55,606,873	(8,041,585)	348,976	(6,620,158)	1,138,881,166	1,280,342,209

Statement of cash flows

(in thousands of euro)	Notes	2020	2019
A) Cash flows from operations			
Profit/(loss) before tax		26,134	30,627
Amortisation, depreciation and impairment losses		668	697
(Capital gains)/losses on securities, investments, PPE and investment property		(375)	-
Change in employee benefits and other provisions		(1,069)	(13,389)
Reversal of impairment adjustments to financial assets		(18,520)	14,281
Reversal of net finance income/costs		(49,419)	(71,952)
Cash flows from operating activities before tax, finance income/costs and change in working capital		(42,851)	(39,736)
Change in trade receivables		(174)	82
Change in trade payables		(385)	728
Change in other receivables/payables, accruals and deferrals		15,125	(4,496)
Total changes in working capital		14,566	(3,686)
Net finance costs paid		19,077	49,486
Dividends received		30,342	22,466
Tax payments, net of rebates		(4,970)	12,985
Total A)		16,434	41,515
B) Cash flows from investing activities:			
Capital expenditure:			
PPE and investment property		(1,625)	(1,604)
Intangible assets		-	(197)
Financial assets (Investments and Private Equity funds)	34	(234,164)	(119,555)
Total capital expenditure		(235,789)	(121,356)
Change in receivables for sale of financial assets		-	-
Proceeds from disposal of non-current assets	34	112,533	324,144
Total disposals		112,533	324,144
Total B)		(123,256)	202,788
C) Cash flows from financing activities:			
Change in financial payables		(251)	(7,287)
Change in financial receivables		(109)	2,299
Changes in equity investments and current securities	34	42,222	(117,268)
Change in treasury shares		5,533	947
Dividends paid		(75,999)	(23,071)
Total C)		(28,604)	(144,380)
D) Change in cash and cash equivalents (A+B+C)		(135,426)	99,923
E) Cash and cash equivalents at the beginning of the year		190,080	90,157
D+E) Cash and cash balances at the end of the year	12	54,654	190,080

NOTES

The draft financial statements of Italmobiliare S.p.A. for the year ended December 31, 2020 were approved by the Board of Directors on March 4, 2021. During the meeting, the Directors authorised also the publication of a press release dated March 4, 2021, containing the abovementioned financial statements' key information.

The financial statements have been presented on a going-concern basis. Despite the difficult economic and financial situation, Italmobiliare's management assessed that there are not significant uncertainties on its going concern, thanks to its creditworthiness and solid financial structure (net financial position of 387.2 million euro at December 31, 2020 and lines of credit of 208.0 million euro available and not yet used) and to the performance of its portfolio companies in 2020. This is also confirmed by the 2020 performance of its shares on the market.

Core businesses

Italmobiliare S.p.A. is a legal entity established in accordance with the laws of the Republic of Italy and listed on the Milan Stock Exchange since 1980. Its core business is the acquisition and management of equity investments in subsidiaries, associates or other companies.

Within this context, the company may conduct financial, commercial, industrial and services transactions that it deems necessary and appropriate to achieve its corporate purposes.

The company also provides subsidiaries with administrative and technical services.

Accounting policies

These financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS) applicable at December 31, 2020 as endorsed by the European Union, and with the provisions issued in implementation of article 9 of Legislative Decree no. 38/2005. The term IFRS also includes all revised international accounting standards (IAS) and all the interpretations issued by the IFRS Interpretation Committee (formerly IFRIC), previously called SIC.

The Italian laws that enact EU Directive 2013/34 also apply, where compatible, to companies that prepared financial statements in accordance with the IFRS. Consequently, the financial statements are compliant with the Italian Civil Code and the corresponding indications of the Consolidated Finance Act (CFA) for listed companies with regard to the Directors' report, the statutory audit and the publication of the financial statements. The separate financial statements and related notes also set out the details and additional disclosures required under the articles of the Italian Civil Code governing financial statements, since such requirements are not in conflict with the IFRS, and under other Consob regulations and dispositions governing financial statements.

In compliance with European Regulation no. 1606 of July 19, 2002, the policies adopted do not include the standards and interpretations published by the IASB and the IFRS at December 31, 2020 but not yet endorsed by the European Union as of that date, except as indicated below.

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

- On October 31, 2018, the IASB published the document "Definition of Material (Amendments to IAS 1 and IAS 8)". The document introduced a change in the definition of "material" contained in IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. This amendment has the aim of making the definition of "material" more specific, introducing the concept of "obscured information" alongside the concepts of omitted or incorrect information already present in the two standards subject to modification. The amendment clarifies that information is "obscured" if it has been described in such a way as to produce for the main readers of a set of financial statements an effect similar to that which would have occurred if the information had been incorrect or omitted altogether.
- On March 29, 2018, the IASB published an amendment to its "References to the Conceptual Framework in IFRS Standards". The amendment is effective for periods starting on January 1, 2020 or later, but early application is allowed. The Conceptual Framework defines the fundamental concepts for financial reporting and guides the Board in the development of IFRS. The document helps ensure that the standards are conceptually consistent and that similar transactions are treated the same way, in order to provide useful information to investors, lenders and other creditors. The Conceptual Framework supports companies in the development of accounting standards when no IFRS are applicable to a particular transaction and, more generally, helps interested parties to understand and interpret the Standards.
- On September 26, 2019, the IASB published its "Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform". It amends IFRS 9 - Financial Instruments and IAS 39 - Financial Instruments: Recognition and Measurement, as well as IFRS 7 - Financial Instruments: Disclosures. In particular, the amendment modifies some of the requirements for the application of hedge accounting, providing for temporary exemptions to provide relief from potential effects of the uncertainty caused by IBOR reform on future cash flows in the period preceding its completion. The amendment also requires companies to provide additional information in the financial statements regarding their hedging relationships which are directly affected by the uncertainties caused by the reform and to which the exemptions would apply.
- On October 22, 2018, the IASB published the document "Definition of a Business (Amendments to IFRS 3)". The document provides some clarifications regarding the definition of a business for the correct application of IFRS 3. In particular, the amendment clarifies that while a business usually produces an output, the presence of an output is not strictly necessary to identify the business in the presence of an integrated set of activities or processes and assets. However, to meet the definition of a business, an integrated set of activities or processes and assets must include, at least, an input and a process which together contribute significantly to the ability to create output. To this end, the IASB replaced the term "ability to create output" with "ability to contribute to the creation of output" to clarify that a business can exist even without there being all the inputs and processes necessary to create an output. The amendment also introduced an optional test (called a "concentration test"), which makes it possible to exclude a business if the price paid was essentially for a single asset or group of assets. The amendments apply to all business combinations and acquisitions of activities subsequent to January 1, 2020, but early application is allowed.
- On May 28, 2020, the IASB published an amendment called "Covid-19 Related Rent Concessions (Amendment to IFRS 16)". The document gives lessees the right to account for rent reductions connected with Covid-19 without having to analyse the contracts to decide whether there has been a lease modification as defined by IFRS 16. Lessees who apply this option will therefore be able to record the effects of any rent reductions directly in the income statement at the effective date of the reduction.

The adoption of these standards and amendments did not have any effect on the Company's financial statements.

Accounting standards, amendments and IFRS and IFRIC interpretations endorsed by the European Union, not yet compulsorily applicable and not adopted in advance by the Company at December 31, 2020.

- On May 28, 2020 the IASB published the amendment called "Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)". The amendments allows insurance companies to extend the temporary exemption from application of IFRS 9 until January 1, 2023. These changes come into force on January 1, 2021. Earlier application is not envisaged.
- In light of the reform of interbank interest rates such as the IBOR, on August 27, 2020, the IASB published its "Interest Rate Benchmark Reform – Phase 2", which contains amendments to the following standards:
 - IFRS 9 Financial Instruments;
 - IAS 39 Financial Instruments: Recognition and Measurement;
 - IFRS 7 Financial Instruments: Disclosures;
 - IFRS 4 Insurance Contracts;
 - IFRS 16 Leases.

All changes come into force on January 1, 2021.

The directors do not expect these amendments to have a significant effect on the Company's financial statements.

Standards and interpretations published by the IASB and the IFRIC at December 31, 2020, but not endorsed by the European Union at that date

At the date of these financial statements the competent bodies of the European Union have not yet completed the approval process necessary for adoption of the amendments and principles described below.

- On May 18, 2017, the IASB published IFRS 17 - Insurance Contracts which is intended to replace IFRS 4 - Insurance Contracts. The objective of the new standard is to ensure that an entity provides relevant information that faithfully represents the rights and obligations deriving from insurance contracts. The new standard measures an insurance contract based on a General Model, or a simplified version of it called the Premium Allocation Approach ("PAA").
- The entity shall apply the new standard to insurance contracts issued, including reinsurance contracts issued, to reinsurance contracts held and to investment contracts with a discretionary participation feature (DPF). The standard comes into force from January 1, 2023 but earlier application is allowed, only for entities that apply IFRS 9 - Financial Instruments and IFRS 15 - Revenue from Contracts with Customers.
- On January 23, 2020 the IASB published its "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 short or long term liabilities. The changes come into force from January 1, 2023; earlier application is permitted, however.
- On May 14, 2020, the IASB published the following amendments called:
 - Amendments to IFRS 3 Business Combinations: the purpose of the amendments is to update the reference in IFRS 3 to the Conceptual Framework in the revised version, without this entailing changes to the provisions of IFRS 3.

- Amendments to IAS 16 Property, Plant and Equipment: the amendments are intended not to allow the amount received from the sale of goods produced during the test phase of a fixed asset to be deducted from its cost. Such revenues and the related costs are to be recorded in the income statement.
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: the amendment clarifies that all costs directly attributable to the contract must be considered when estimating whether a contract could make a loss. This means that when assessing whether a contract could make a loss, one has to include not only the incremental costs (e.g. the cost of direct materials used in processing), but also any other costs that the company cannot avoid as it has stipulated the contract (e.g. a share of the labour cost and depreciation of the machinery used to fulfil the contract).
- Annual Improvements 2018-2020: amendments have been made to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples of IFRS 16 Leases.

All changes come into force on January 1, 2022.

- On January 30, 2014, the IASB published IFRS 14 - Regulatory Deferral Accounts, which allows only those who adopt IFRS for the first time to continue to recognize the amounts relating to activities subject to regulated tariffs (so-called "Rate Regulation Activities") according to the previous accounting principles adopted. As the Company is not a first-time adopter, this standard is not applicable.

The directors do not expect these standards to have a significant effect on the Company's financial statements.

MEASUREMENT CRITERIA AND BASIS OF PRESENTATION

The financial statements adopt the cost method, with the exception of derivatives and financial assets held for trading and sale, which are measured at fair value. The carrying amounts of hedged assets and liabilities are adjusted to reflect changes in fair value on the basis of the hedged risks. The financial statements are presented in euro. All amounts in the accounting schedules and in the notes are rounded to thousands of euro, unless otherwise specified.

The basis of presentation of the Italmobiliare S.p.A. separate financial statements is as follows:

- current and non-current assets and current and non-current liabilities are presented as separate classifications on the statement of financial position. Current assets, which include cash and cash equivalents, are assets that the company intends to realize, sell or consume during its normal business cycle; current liabilities are liabilities that the company expects to settle during the normal business cycle or in the twelve months after the reporting date;
- on the income statement, costs are analysed by nature;
- with regard to comprehensive income, the company presents two statements: the first statement reflects traditional income statement components and the profit (loss) for the year, while the second statement, beginning with the profit (loss) for the year, presents other comprehensive income: fair value changes on financial assets valued at FVTOCI, derivative financial instruments designated in hedge accounting, differences in conversion and effects of the remeasurement of defined benefit plans, presenting separately the elements that can subsequently be recycled to profit or loss for the year from those that will not be reclassified;
- the indirect method is used for the statement of cash flows.

USE OF ESTIMATES

In preparing the separate financial statements, no significant judgments were taken during the process of applying the accounting standards of Italmobiliare S.p.A, with the exception of those concerning estimates that had a significant effect on the amounts recognized in the financial statements.

The main assumptions regarding the future and the main causes of uncertainty in the estimate at the close of the year that present a significant risk of giving rise to significant adjustments to the carrying amounts of assets and liabilities during the next financial year are shown below:

- calculation of the fair value of financial assets: as regards investments in listed companies, the fair value is calculated on the basis of the stock market price at the reporting date and could undergo significant changes during the following year; while for financial assets valued with a level 2 and 3 fair value, there is a high degree of judgement due to the elements of complexity inherent in the valuation techniques and significant inputs;
- estimate of provisions and key assumptions about future events used for calculating the provisions (for further details, see note 19);
- impairment losses and reversals on investments in subsidiaries and associates (for further details, see note 4).

SUBSIDIARIES AND ASSOCIATES

Subsidiaries are companies in which the company is exposed to variable returns, or holds rights to such returns, by virtue of its relationship with the companies in question, and simultaneously has the ability to affect such returns by exercising its power.

The company ascertains the existence of control on the basis of the existence of three elements:

- power: the current ability of the company, arising from substantial rights, to decide key operations that have a material impact on the company's returns;
- the exposure of the company to the variability of the returns of the investee;
- correlation between power and returns, the company has the ability to exercise its power to affect the returns arising from the relationship.

Generally speaking, control is assumed to exist when the company holds, directly or indirectly, more than one half of voting rights, including potential voting rights deriving from convertible securities.

Associates are companies in which the company has significant influence over administrative and management decisions even though it does not hold control. Generally speaking, significant influence is assumed to exist when the company holds, directly or indirectly, at least 20% of voting rights at ordinary shareholders' meetings, or, even if it holds a lower percentage of voting rights, when it is entitled to take part in financial and management policy decisions by virtue of a specific juridical status including, but not limited to, participation in shareholders' agreements or other forms of material exercise of governance rights.

Equity investments in subsidiaries and associates are valued at cost. Based on this method, equity investments are initially recognized at cost, subsequently adjusted as a consequence of changes in value if, following suitable impairment tests, conditions occur that make it necessary to adjust the book value to its actual economic value. Original cost is restored in subsequent periods if the grounds for the adjustments no longer exist. Impairment losses and reversals of impairment losses are recognized in the income statement. The costs relating to the purchase of the investments are recorded as an increase in its value.

PURCHASE PRICE OF BUSINESS COMBINATIONS

Under IFRS 3 revised, the purchase price is the sum of the acquisition-date fair value of the consideration transferred and the amount of any non-controlling interests in the acquired entity. For each business combination, any non-controlling interests in the acquired entity must be measured at fair value or in proportion to their non controlling interest in the identifiable net assets of the acquired entity.

IFRS 3 provides that costs relating to the acquisition be expensed in the periods in which they are incurred and the services are received.

ALLOCATION OF THE COST OF BUSINESS COMBINATIONS

Goodwill is measured as the positive difference between:

- the sum of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquired entity and the fair value at the acquisition date of the equity interest in the acquired entity that the acquirer held previously and
- the net fair value of assets and liabilities identifiable at the acquisition date. Negative differences are recognized immediately to the income statement.

If on initial recognition the acquisition cost of a business combination can only be determined provisionally, the allocated amounts are adjusted within twelve months of the acquisition date (measurement period).

TRANSACTIONS IN CURRENCIES OTHER THAN THE FUNCTIONAL CURRENCY

Foreign currency transactions are initially translated into the functional currency using the exchange rate at the transaction date. At the reporting date, foreign currency monetary assets and liabilities are translated into the functional currency at the closing rate. Exchange-rate gains and losses are taken to the income statement.

Non-monetary foreign currency assets and liabilities measured at cost are translated at the exchange rate ruling at the transaction date; those measured at fair value are translated with the exchange rate at the date fair value was determined.

PROPERTY, PLANT & EQUIPMENT

Recognition and measurement

Property, plant and equipment are recognized at cost, less accumulated depreciation and any impairment losses. Cost includes the purchase or production cost and the directly attributable costs of bringing the asset to the location and the conditions required for its operation. Production cost includes the cost of materials and direct labour costs. Finance costs relating to the purchase, construction and production of qualifying assets are capitalized. The carrying amount of some assets existing at the IFRS first-time adoption date of January 1, 2005, reflects revaluations applied in prior years in connection with specific local laws, based on the real economic value of the assets in question. The revalued amount recognized in accordance with IFRS 1 was assumed as cost at the IFRS transition date.

Assets acquired through business combinations are stated at fair value, determined on a provisional basis at the acquisition date and subsequently adjusted where necessary within the following twelve months.

Subsequent to initial recognition, property, plant and equipment are carried at cost and depreciated over the asset's useful life, less any impairment losses.

Assets under construction are recognized at cost; depreciation begins when the assets are available for use.

When an asset consists of components with a significant cost and different useful lives, initial recognition and subsequent measurement are carried out separately for each component.

Subsequent expense

Repair and maintenance expense is normally recognized as incurred. Component replacement costs are treated as separate assets and the carrying amount of the replaced component is eliminated with a balancing entry in profit or loss.

Amortisation and depreciation

Depreciation is generally calculated on a straight-line basis over the estimated useful life of each component of property, plant and equipment. Land is recognized separately from buildings erected on it and is not depreciated.

Useful life determines the depreciation rate until such time that the residual useful life is revised. The useful life range adopted for the various categories of property, plant and equipment is disclosed in the notes.

Lease agreements

The company must assess whether the contract is or contains a lease on the date it was entered into. The Company recognises the Right of Use and the related Lease Liability for all the lease contracts in which it acts as a lessee, with the exception of short-term ones (lease contracts with a duration of 12 months or less) and leases relating to low-value goods (i.e. goods with a value of less than Euro 5,000 when new). The contracts for which this exemption has been applied fall mainly into the following categories:

- Computers, telephones and tablets;
- Printers;
- Other electronic devices;
- Furniture and fittings.

With regard to these exemptions, the Company recognises the related payments in the form of operating costs on a straight-line basis over the duration of the contract.

The Lease Liability is initially recognised at the present value of future payments at the start date of the contract. Since there is no implicit interest rate in most of the rental contracts entered into by the company, the discount rate to be applied to future payments of rents was determined as the Italian risk-free rate, with maturities in line with the duration of the specific rental contract, increased by the credit spread that is specific to the company.

Lease payments included in the Lease Liability include:

- The fixed component of lease payments, net of any incentives received;
- Payments of variable lease fees based on an index or rate, initially valued using the index or rate on the date the contract begins;
- The amount of guarantees for the residual value that the lessee expects to pay;
- The exercise price of the purchase option, which should only be included if it is deemed reasonably certain that the option will be exercised;

- Penalties for early termination of the contract, if the lease term provides an option to cancel the lease and it is reasonably certain that it will be exercised.

After initial recognition, the book value of the Lease Liability increases due to the interest accrued (using the effective interest method) and decreases to take into account the payments made under the lease contract.

The company restates the value of Lease Liability (and adjusts the value of the corresponding Right of Use) if:

- The duration of the lease changes or there is a reassessment of whether the option right will be exercised; in this case, the Lease Liability is recalculated by discounting the new lease payments at the revised discount rate.
- The value of lease payments changes as a result of changes in the indices or rates, in such cases the Lease Liability is recalculated by discounting the new lease payments at the initial discount rate (unless payments due under the lease contract change following a fluctuation in interest rates, in which case a revised discount rate must be used).
- A lease contract has been modified and the change is not one of the situations leading to separate recognition of the lease contract. In such cases, the Lease Liability is recalculated by discounting the new lease payments at the revised interest rate.

The company did not find any of such changes during the period.

The Right of Use asset includes the initial assessment of the Lease Liability, the lease payments made before or on the date of the contract and any other initial direct costs. The Right of Use is recorded in the financial statements net of depreciation and any impairment losses.

The incentives linked to the lease (for example, free lease periods) are recognised as part of the initial value of the Right of Use and the Lease Liability over the contractual period.

The Right of Use is depreciated on a straight-line basis over the lower of the lease term and the residual useful life of the underlying asset. If the lease contract transfers ownership of the asset or the cost of the Right of Use reflects the Company's willingness to exercise the purchase option, the Right of Use is depreciated over the useful life of the asset in question. Depreciation begins from the start of the lease.

The right-of-use asset is shown under "Property, plant and equipment" in the consolidated statement of financial position.

The Group applies IAS 36 Impairment of Assets in order to identify any impairment losses.

Variable lease payments that do not depend on an index or rate are not included in the value of the Lease Liability or the Right of Use. The related payments are accounted for in accordance with the accrual principle and are included in "other expenses" in the income statement.

In the consolidated cash flow statement, the company divides the total amount paid between the principal portion (recognised in cash flows from financing activities) and the interest portion (recorded in cash flows from operating activities).

INVESTMENT PROPERTY

Investment property is land and/or buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of services. Investment property is initially recognized at purchase cost, including directly attributable costs. Subsequent to initial recognition, investment property is measured at amortized cost, based on the asset's useful life less any impairment losses.

INTANGIBLE ASSETS

Intangible assets acquired separately are capitalized at cost, while those acquired through business combinations are recognized at fair value.

Subsequent to initial recognition, intangible assets are carried at cost amortised over their useful life, less any impairment losses.

The company has not identified intangible assets with an indefinite useful life.

IMPAIRMENT

Property, plant and equipment, investment property and intangible assets subject to amortisation are tested for impairment if indications of impairment emerge, in accordance with IAS 36.

Investments in subsidiaries and associates are tested for impairment if indications of impairment emerge.

An impairment loss is the difference between the asset carrying amount and its recoverable amount.

Recoverable amount is the higher of fair value, less costs to sell, of an asset and its value in use, determined as the present value of future cash flows.

Fair value less costs to sell is determined through application of suitable valuation models. These calculations are carried out adopting appropriate income multipliers, quoted share prices on an active market for similar enterprises, comparable transactions on similar assets or other available fair value indicators applicable to the assets being measured.

The discount rate is determined using the weighted average cost of capital method (WACC).

REVERSALS OF IMPAIRMENT LOSSES

If an impairment loss on an asset subsequently reverses in full or in part, the asset carrying amount is increased to reflect the new estimated recoverable amount, which may not exceed the amount that would have been reflected in the absence of the impairment loss. Impairment losses and reversals of impairment losses are taken to the income statement.

FINANCIAL ASSETS

All financial assets are recognized initially at cost at the trade date. Cost corresponds to fair value plus additional costs attributable to the purchase with the exception of financial assets held for trading (fair value through profit or loss).

All financial assets must subsequently be recognised at amortized cost or fair value based on the entity's business model for the management of financial assets and the characteristics of the financial asset's contractual cash flows.

Specifically:

- Debt instruments held as part of a business model whose objective is to hold financial assets in order to collect contractual cash flows, and which have cash flows represented only by payments of principal and interest on the amount of principal to be returned, are subsequently valued at amortised cost;
- Debt instruments held as part of a business model whose objective is achieved both through the collection of contractual financial flows and through the sale of financial assets, and which have cash flows represented only by payments of principal and interest on the amount of principal to be returned, are subsequently measured at fair value with changes recorded through other comprehensive income (FVTOCI);

- All other debt instruments and investments in equity instruments are subsequently valued at fair value with changes recognised through profit or loss (FVTPL).

Notwithstanding the above, on January 1, 2018, or after initial recognition, the Company irrevocably designated investments in equity instruments previously classified as available for sale in the FVTOCI category.

When an investment in a debt instrument measured at FVTOCI is eliminated, the accumulated gain or (loss) previously recognised in other comprehensive income is reclassified from equity to profit or loss for the year by means of a reclassification adjustment. On the other hand, when an investment in a equity instrument representing capital designated at FVTOCI is eliminated, the accumulated gain or loss previously recognised in other comprehensive income is subsequently transferred to retained earnings without passing through the income statement. Dividends received from investments in equity instruments are recognised in the income statement.

Debt instruments subsequently valued at amortised cost or FVTOCI are subject to impairment.

Impairment of financial assets

As regards the impairment of financial assets, the company has applied a model based on expected credit losses, with reference to: Investments in debt instruments subsequently valued at amortised cost or FVTOCI.

In particular, the company measures the provision to cover losses of a financial asset at an amount equal to lifetime expected credit losses (or Lifetime ECL) if the credit risk of this financial asset has significantly increased after initial recognition, or if the financial instrument is an impaired financial asset that has been purchased or originated. However, if the credit risk of a financial instrument has not increased significantly after initial recognition, the company has to measure the provision to cover losses for the financial instrument at an amount equal to the expected losses on receivables deriving from a default event in the next 12 months (or "12-months expected credit losses").

The financial assets included in the net financial position (also "NFP") are those that accrue interest and have a financial counterparty; the net financial position is therefore made up of all financial assets and liabilities, with the exception of the capital instruments valued at FVTOCI and Private Equity funds (also referred to below as "non-NFP"), and cash and cash equivalents.

TREASURY SHARES

Treasury shares are deducted from equity. The original cost of treasury shares and income arising from any subsequent sales are treated as movements in equity.

TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially recognized at fair value and subsequently measured at amortized cost less allowances for impairment, which are provided as bad debts are identified.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand, checks, bank demand deposits and other cash investments with original maturity of not more than three months.

The definition of cash and cash equivalents in the statement of cash flows is identical to that in the statement of financial position.

DERECOGNITION OF FINANCIAL ASSETS

The company derecognizes financial assets in whole or in part when:

- the contractual rights attributable to the assets in question have expired;
- it transfers the risks and rewards incidental to ownership of the asset or does not transfer and does not even substantially maintain all the risks and rewards but transfers control of the assets.

EMPLOYEE BENEFITS

The company operates pension plans, post-employment medical benefit plans and post-employment benefits.

It also has other commitments, in the form of bonuses payable to employees on the basis of length of service ("Other long-term benefits").

From January 1, 2007, companies with more than 50 employees at the date of introduction of the reform have an obligation to pay the new severance indemnity (TFR) flows to pension schemes chosen by the employees or, in the event that they have opted to keep these flows in the company, to a treasury account set up at INPS.

For employees of Italian companies with less than 50 employees, the former severance indemnities (now known as post-employment benefits) at December 31, 2020 are configured as a defined benefit plan.

For Italmobiliare S.p.A., the severance indemnities accrued at December 31, 2006 continue to be included in the "defined benefit plans", while those accrued after that date are considered, for all employees, as a "defined contribution plan", because all of the company's obligations end with the periodic payment of a contribution to third-party entities. The portions accrued by employees who have opted to maintain their severance indemnities in the company as a defined benefit plan are an exception.

Defined contribution plans

Defined contribution plans are structured post-employment benefit programs where the company pays fixed contributions to an insurance company or pension fund and will have no legal or constructive obligation to pay further contributions if the fund does not dispose of sufficient assets to pay all the employee benefits accruing in respect of services rendered during the current year and in previous years.

These contributions are paid in exchange for the services rendered by employees and recognized as an expense as incurred.

Defined benefit plans

Defined benefit plans are structured post-employment benefit programs that constitute a future obligation for the company. In substance, the company assumes the actuarial and investment risks of the plan. In accordance with IAS 19, the company uses the unit credit projection method to determine the present value of obligations and the related current service cost.

These actuarial calculations require use of consistent and objective actuarial assumptions about demographic variables (mortality rate, personnel turnover rate) and financial variables (discount rate, future increases in salaries and medical benefits).

When a defined benefit plan is funded in full or in part by contributions paid to a fund that is a separate legal entity or to an insurance company, the plan assets are estimated at fair value.

Benefit obligations are therefore recognized net of the fair value of the plan assets that will be used to settle the obligations.

Employment termination plans

Employment termination plans include provisions for restructuring costs recognized when the company has approved a detailed formal plan that has already been implemented or notified to the third parties concerned.

Actuarial gains and losses

Actuarial gains and losses on post-employment defined benefit plans may arise as a result of changes in the actuarial assumptions used in two consecutive years or as a result of changes in the obligation value in respect of the actuarial assumptions used at the beginning of the year.

Actuarial gains and losses are recognized immediately under other comprehensive income (expense).

Actuarial gains and losses relating to "Other long-term benefits" (service medals, length of service benefits) and to early retirement benefits are recognized in profit or loss immediately.

Past service cost

Changes in liabilities resulting from a change to an existing defined benefit plan are recognized in profit or loss, as are costs for benefits that vest immediately upon changes to a plan.

Curtailment and settlement

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized as profit or loss when the curtailment or settlement occurs. The gain or loss includes changes in the present value of the obligation, changes in the fair value of plan assets, actuarial gains or losses and past service costs not previously accounted for.

At the curtailment or settlement date, the obligation and the fair value of the plan assets are re-measured using current actuarial assumptions.

Net finance costs

Net finance costs on defined benefit plans consist of the following measurements:

- finance costs computed on the present value of the defined benefit plan liability;
- finance income arising from measurement of the plan assets;
- finance costs or income arising from any limits on recognition of plan surpluses.

Net finance costs are determined by applying to all the above items the discount rate adopted at the beginning of the year to measure the defined benefit plan obligation.

Net finance costs on defined benefit plans are recognized under finance income/costs on the income statement.

SHARE-BASED PAYMENTS

Options for the subscription and purchase of shares granted by the company to employees and directors give rise to recognition of a cost classified under personnel expenses, with a corresponding increase in equity.

Options for the subscription and purchase of shares are measured at fair value at the grant date and amortized over the vesting period. Fair value at the grant date is determined using the binomial method, and taking account of dividends. Future volatility is determined on the basis of historic market prices, after adjustment for non-recurring events or factors.

The cost of granted options is reviewed on the basis of the actual number of options that have vested at the beginning of the exercise period.

PROVISIONS

The company recognizes provisions when a present or constructive obligation arises as a result of a past event, the amount of which can be reliably estimated, and use of resources is probable to settle the obligation.

Provisions reflect the best estimate of the amount required to settle the obligation or transfer it to third parties at the reporting date. If the present value of the financial resources that will be used is material, provisions are determined by discounting expected future cash flows at a rate that reflects the current market assessment of the time value of money and, where appropriate, the risks specific to the liability. When discounting is performed, movements in provisions due to the effect of time or changes in interest rates are recognized in financial items.

Changes in estimates are recognized in the income statement in the year in which the change occurs.

LOANS AND BORROWINGS

Loans and borrowings are initially recognized at the fair value of the consideration paid/received less charges directly attributable to the financial asset/liability.

After initial recognition, loans and borrowings are measured at amortized cost using the effective interest-rate method.

TRADE PAYABLES AND OTHER PAYABLES

Trade payables and other payables are stated initially at the fair value of the original consideration received and subsequently measured at amortized cost.

REVENUE

Given the specific nature of the activity carried out by the company, "Revenue and income" comprises "Income" which includes dividends received, interest and commission income received by financial and banking companies and revaluations and capital gains from financial assets valued at FVTPL (recognized and measured on the basis of the rules defined by IFRS 9 for financial instrument assets). Dividends are accounted for on the approval date of the investee company; interest, commissions and rents according to the terms of the individual contract.

Revenue is measured taking into account the consideration specified in the contract with the customer. The company recognizes revenue when it transfers control of the goods (i.e. buildings) or services.

Revenue is recognized to the extent that it is probable that the economic benefits associated with the sale of goods or rendering of services are collected by the company and the amount in question can be reliably determined.

Revenue is recognized at fair value, equivalent to the consideration received or due, taking account of any trade discounts given and volume discounts.

As regards the sale of goods, the performance obligation is considered satisfied when the company transfers the material risks and rewards incidental to ownership of the goods to the purchaser.

RENTAL INCOME

Rental income is recognized as other revenue in the period that it accrues on a straight-line basis over the rental period in the event that they have been identified as operating leases.

COSTS

Costs are recognized on an accruals basis in accordance with the matching principle.

DERIVATIVES

The company uses derivatives such as options on securities and futures to manage market risks. Derivatives are measured and recognized at fair value; fair value gains or losses are taken to profit or loss, since the derivatives in question do not qualify for hedge accounting, even though they are arranged in some cases for hedging purposes.

INCOME TAX

Current income taxes are provided in accordance with local tax laws.

Deferred tax is recognized on the basis of temporary differences between the tax base of assets and liabilities and their carrying amount in the statement of financial position.

Deferred tax liabilities are recognized on all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, unused tax losses and unused tax credits, to the extent that it is probable that future taxable profit will be available against which such differences, losses or credits may be reversed.

Deferred tax assets are reviewed at each reporting date and reduced to the extent that sufficient taxable profit is no longer likely to be available in the future against which the assets can be used in full or in part.

Deferred tax assets and liabilities are determined at tax rates expected to apply when the deferred tax asset (liability) is realized (settled), based on rates that have been enacted or substantially enacted at the reporting date.

Taxes relating to items recognized directly in equity are recognized in equity, not in the income statement. Deferred tax assets and deferred tax liabilities are not discounted to present value.

The Company has established a National Tax Consolidation contract with the main Italian subsidiaries which makes it possible to offset the various companies' tax profits and losses for IRES purposes.

The impacts of COVID-19 on the financial statements

Starting from February, the situation was dramatically conditioned by the health emergency caused by the Covid-19 pandemic, which resulted in a seriously unfavourable global macroeconomic scenario for the entire year; and despite the rapid progress on vaccines development, it continues in a context of high uncertainty in the first part of 2021 as well. The protection measures implemented by the institutions at international level have led to a lockdown of many industrial and commercial activities, with serious consequences for business operations, as well as for people's social life.

Italmobiliare promptly implemented all safety and control measures in favour of employees, both at the Holding Company and at the Portfolio Companies, to limit possible occasions for contagion and to ensure continuity of production and commercial activities. The measures taken to support the Portfolio Companies and the responsiveness shown by them in such a complex situation, have allowed us to limit the impacts of the pandemic essentially to those entities that are exposed to the retail world. They suffered inevitable slowdowns, while continuity of results was achieved in other sectors. In some cases, especially for the companies operating in the food sector, they turned in very positive performances. In all companies, initiatives for the development of alternative commercial channels (e-commerce) were promptly activated to cope with the restrictions on traditional distribution channels, forms of flexibility of production cycles to limit possible inventory increases and careful re-planning of investment flows.

For further information of the pandemic's impact on the economic performance, future plans and other details, please refer to the specific paragraphs of each individual portfolio companies in the Director's report.

In terms of government grants, note that Italmobiliare has not received any subsidies, not even in terms of cancellation of the 2020 first IRAP instalment.

Lastly, it should be noted that the Company has not suffered significant impacts on liquidity due to Covid-19; in fact, it can count on a decidedly positive cash position that should leave ample room for manoeuvre, avoiding any liquidity tension. Please refer to the part of the notes relating to the net financial position for further information.

The "Covid Donation" of 450 thousand euro for the installation of technical systems at the new Covid-19 hospital set up at the Bergamo Trade Fair is included in the caption "Other operating income (expenses)".

Significant events during the period

In January, Italmobiliare closed the purchase of a 20% stake in "Officina Profumo Farmaceutica di Santa Maria Novella S.p.A." based in Florence, a top-of-the-range cosmetics company and historical brand, bringing the number of its portfolio companies to nine. Italmobiliare S.p.A. invested 40 million euro in the operation, becoming a non-controlling shareholder. In August, Italmobiliare exercised its option to buy another 60% of the share capital closing the transaction in September for a total investment in the company of approximately 160 million euro, with the possibility of increasing its stake over time.

In October Italmobiliare, together with Fondo Italiano d'Investimento Sgr (FII) and Vam Investments, created Florence, the first luxury clothing production centre in Italy with the purchase of 100% of Giuntini, Ciemmecci Fashion and Mely's Maglieria. With an investment of 13.8 million euro, Italmobiliare holds in transparency about 15.5% of the consortium led by Vam Investments and FII with the founding families of the three companies as minority shareholders.

In November Italmobiliare, through its subsidiary Sirap Gema, and Faerch Group - a Danish company that is one of the European leaders in the food packaging sector - signed a binding agreement, subsequently completed in January 2021 on the basis of an Enterprise Value of 162 million euro, under which Sirap Gema sold its main assets in Italy, Poland and Spain to Faerch Group. The operation was considered by both groups as an optimal solution in terms of future developments and value creation. The Sirap Group maintained control of its activities in the other sectors and countries where the Group is present (the Petruzalek group with operations in France, Germany and the United Kingdom). Then, in February 2021, a binding agreement was signed for the sale of the Petruzalek group and the activities in Germany.

In December, Italmobiliare completed the agreement for the acquisition of the 92.5% of Casa della Salute for 24 million euro. Marco Fertonani, the CEO and founder, keeps the other 7.5% of the share capital, as well as full management powers of the innovative company active in the sector of outpatient and diagnostic services. The purpose of Italmobiliare entry into the capital of Casa della Salute is to provide support over the coming years for the company's ambitious growth programme that began in 2014, when the first clinic was opened in Busalla; it now operates in Liguria and Piedmont, with 8 diagnostic centres.

Again in December, Italmobiliare finalised an agreement with the shareholders of the company that owns the Callmewine e-commerce platform, for a total investment of 13 million euro through the newco FT3, made partially through acquisition of shares and partially through a capital increase, acquiring a 60% stake in the company ("post-money"). The purpose of Italmobiliare's entry into the capital of Callmewine, an e-commerce platform specialising in the sale of wines that ranks among the market leaders in Italy, is to help finance the development plan of the company founded in 2010 by Paolo Zanetti over the next few years.

For Italmobiliare, which is already involved in developing well-known industrial realities, the investments in Casa della Salute and Callmewine mark the start of another field of activity, with a view to enhancing market opportunities in innovative sectors capable of making changes, even disruptive changes, starting from small companies with strong growth potential (Small Cap Growth), based on niches of excellence in the Italian entrepreneurial landscape.

Assets

NON-CURRENT ASSETS

1) Property, plant and equipment

At December 31, 2020 and at December 31, 2019, property, plant and equipment totalled respectively 6,746 thousand euro and 5,518 thousand euro; the movements on the caption are set out below:

(in thousands of euro)	Land and buildings	Plant and machinery	Office machines and furniture	Vehicles	Total
Gross amount	6,078	342	564	251	7,235
Accumulated depreciation	(1,035)	(303)	(246)	(133)	(1,717)
Carrying amount at December 31, 2019	5,043	39	318	118	5,518
Additions	7	822	359	442	1,610
Decreases			(22)	(174)	(196)
Depreciation	(67)	(27)	(59)	(111)	(264)
Utilisation of accumulated depreciation			22	56	78
Carrying amount at December 31, 2020	4,983	834	618	311	6,746
Gross amount	6,085	1,164	901	499	8,649
Accumulated depreciation	(1,102)	(330)	(283)	(188)	(1,903)
Carrying amount at December 31, 2020	4,983	834	618	311	6,746

The useful lives adopted by the company for the main asset categories are as follows:

- Plant and machinery 5 – 10 years
- Other property, plant and equipment 4 – 8 years

The company has applied IFRS 16 - Leasing, recognizing the right of use of the underlying asset (contracts for car and property rental).

The increase during the year is mainly related to the renovation of the Company head office.

2) Investment property

Investment property amounting to 8,307 thousand euro (9,502 thousand euro at December 31, 2019) is measured at cost.

The fair value of this investment property at December 31, 2020 was 11.3 million euro. The designation of their fair value is a level 3 calculated by verifying the value of comparable transactions and based on the appraisal prepared by independent external experts.

(in thousands of euro)	Investment property
Gross amount	10,672
Accumulated depreciation	(1,170)
Carrying amount at December 31, 2019	9,502
Decreases	(1,011)
Depreciation	(299)
Utilisation of accumulated depreciation	115
Carrying amount at December 31, 2020	8,192
Gross amount	9,661
Accumulated depreciation	(1,354)
Carrying amount at December 31, 2020	8,307

Investment properties were depreciated at an annual rate of 3%, which reflects its residual useful life. The decrease was due to the sale of some properties in Rome. The gain deriving from the selling of 375 thousand euro is recorded in other operating income (expenses) caption.

3) Intangible assets

Intangible assets consist of investments in software applications for administrative purposes.

(in thousands of euro)	Sundry licences and rights	Total
Gross amount	634	634
Accumulated amortisation	(403)	(403)
Carrying amount at December 31, 2019	231	231
Amortisation	(124)	(124)
Carrying amount at December 31, 2020	107	107
Gross amount	634	634
Accumulated amortisation	(527)	(527)
Carrying amount at December 31, 2020	107	107

4) Investments in subsidiaries and associates

The movements on this caption compared to December 31, 2019, are illustrated below:

(in thousands of euro)	
At December 31, 2019	429,709
Increase for purchase of equity investments or capital contribution	236,005
Increase for equity investment acquisition projects	115
Decrease	(24,268)
Impairment loss	(680)
Recovery of impairment loss	19,200
At December 31, 2020	660,081

The increase mainly refers to the acquisition of the interests in Bea S.p.A. (24,105 thousand euro), Florence InvestCo S.r.l. (13,800 thousand euro), CCC Holdings Europe S.p.A. (5,020 thousand euro), Officina Profumo Farmaceutica Santa Maria Novella through setting up the newco FT2 (161,718 thousand euro), Callmewine S.r.l. through setting up the newco FT3 (10 thousand euro) and the payment made as capital increase (13,300 thousand euro). A capital payment was also made in favour of Clessidra SGR (3,000 thousand euro).

In July 20, 2020 was concluded the reverse merger of FT1 S.r.l. into Capitelli F.Ili S.r.l. In addition, the capital injection of 8,600 thousand euro made by Italmobiliare in 2019 has been reimbursed.

The decrease of 24,268 thousand euro mainly refers to the above merger with a corresponding amount recognised as an increase (derecognition of the FT1 investment and corresponding recognition of Capitelli investments, net of the capital reimbursement obtained).

The impairment test resulted in a reversal of impairment loss for the investment in Sirap Gema S.p.A. (19,200 thousand euro) through the elimination of part of the write-down made in previous years and a write-down of Società Editrice Sud S.p.A. (600 thousand euro).

The investments in subsidiaries and associates at December 31, 2020 are listed below:

Subsidiaries	Head Office	% held
Bea S.p.A.	Busalla	92.06%
Caffè Borbone S.r.l.	Caivano	60%
Capitelli F.lli S.r.l.	Borgonovo Val Tidone	80%
Clessidra Holding S.p.A.	Milan	100%
Clessidra SGR S.p.A.	Milan	100%
Crédit Mobilier de Monaco	Montecarlo	99.91%
Franco Tosi Ventures S.r.l.	Milan	100%
FT2 S.r.l.	Milan	100%
FT3 S.r.l.	Milan	100%
Italgen S.p.A.	Bergamo	100%
Italmobiliare Servizi S.r.l.	Milan	100%
Punta Ala Promozione e Sviluppo Immobiliare S.r.l.	Milan	100%
Société d'Etudes de Participations et de Courtages S.A.	Montecarlo	99.98%
Sirap Gema S.p.A.	Verolanuova	100%
Associates	Head Office	% held
Autogas Nord S.p.A.	Volpiano	30%
Cartiere Burgo S.p.A.	Altavilla Vicentina	11.68%
CCC HOLDINGS EUROPE S.p.A.	Bergamo	16.31%
Dokimè S.r.l.	Milan	16.37%
Florence InvestCo S.r.l.	Milan	23.88%
Iseo Serrature S.p.A.	Pisogne	39.28%
Società Editrice Sud S.p.A.	Messina	31.10%
Tecnica Group S.p.A.	Giavena del Montello	40%

See annexes "A" and "B" for further information on the investments in subsidiaries and associates.

An impairment test was performed on Sirap Gema S.p.A., with the help of an independent expert, to determine its recoverable amount (or equity value) in accordance with IAS 36.

The recoverable amount of the equity value of Sirap Gema S.p.A. was determined using the asset side approach, which decreases the core equity value by net financial debt and employee provisions and increases it by the balance on other non-operating assets and liabilities (net surplus assets).

The estimate of the recoverable value of the assets (core EV) of Sirap Gema S.p.A. was estimated according to the value in use configuration based on an asset-side DCF approach, which takes into consideration the present value of expected future cash flows. In particular, the Sum-of-the-Parts (SOTP) approach was adopted, which determines the overall recoverable amount of the various CGUs into which the overall business of Sirap Gema S.p.A. is split by aggregating: i) the recoverable amounts of the CGUs Sirap France (Rigid and Foam) and Sirap UK, using the value in use configuration, estimated on the basis of the 2021-2025 plan (updated in January 2021) and the related terminal value and ii) the price for the sale of some components of the Sirap group (assets in Italy, Poland and Spain classified as available for sale and the Petruzalek Group together with Sirap GmbH).

For the Group's assets in Italy, Poland and Spain, reference was made to the consideration indicated in the binding agreement of November 2020 entered into with Faerch.

With reference to the Petruzalek Group, reference was made to the consideration indicated in the binding agreement of February 2021, which also includes the net assets of the German subsidiary.

In fact, for the purpose of estimating the overall recoverable amount of the Sirap CGU, the same level of analytical detail adopted internally by the Sirap Group makes it possible to reflect in the valuation the peculiar characteristics of each CGU in terms of products sold, profit margins, reference markets, expected growth and exposure to various risk factors. The analytical projections of future cash flows (unlevered) used in the asset-side DCF method of the Sirap France Rigid, Sirap France Foam and Sirap UK CGUs are based on the plan's financial and business projections for the period 2021-2025 prepared by its management, suitably adjusted on a pro-forma basis according to the scope of the various CGUs involved. These analytical projections for each CGU are the best estimates of Sirap Gema S.p.A. management consistently with current market trends, the assumptions underlying the 2021 budget and the strategic measures envisaged by the plan. The CAGR 2021-2025 envisaged by the plan for the remaining CGUs of the Sirap Group ranges from -8% to +15%.

The recoverable value of the CGUs Sirap France Rigid, Sirap France Foam and Sirap UK were estimated using the cash flow projections, the discount rate and the nominal growth rate in the terminal value (rate g) expressed in Euro.

The table below sets out the post-tax discount rates (post-tax weighted average cost of capital - WACC) and the nominal growth rate (g) used in the terminal value employed to determine value in use of each CGU:

	Weighted average cost of capital (WACC)	Growth rate (g)
CGU Rigid Division France	7.30%	1.60%
CGU Foam Division France	7.40%	(1.00%)
CGU Sirap UK	7.30%	1.70%

The differences between the g rates of certain CGUs – which are in any case aligned with longterm inflation – are also explained by the effects expected in the medium/long term of a partial shift in demand from Foam to Rigid, in line with the institutional and market orientation aimed at favouring products and production processes that allow more and more recyclable material to be used.

The test did not identify any evidence of impairment loss on the investment; on the contrary, there was a reversal of a previous impairment loss on the investment for 19,200 thousand euro, which represents the change compared with 2019 in the valuation of the Sirap Group components sold in 2021, for which the actual sale price was used. The reversal of the impairment loss was recognised within the limit of the recoverable amount certain to be received, as already established in the sale contracts.

With reference to the subsidiary Clessidra SGR S.p.A., an impairment test was carried out with the support of an independent expert according to the methods provided by IAS 36. The Sum-of-the-Parts (SOTP) approach was adopted, which determines the equity value of the investee based on the economic values of the direct subsidiary Clessidra SGR S.p.A. and its subsidiary Clessidra Factoring. For the first one, being a financial company that performs management services and investment activities and subject to the regulatory framework provided by the specific Supervisory Authorities, the recoverable amount was determined according to an equity-side approach based on an estimate of the present value of future financial flows; while for the second one, it was considered its purchase price as it was acquired in November 2020. In particular, the recoverable amount was estimated on the basis of the liquidity existing at December 31, 2020 and the present value of future cash flows taken from the company's financial projections for the period 2021-2025, covered by the budget/plan approved by the Board. Given the particular nature of Clessidra's business and the importance of human resources, a "final" perspective has been adopted which considers only the projections of future cash flows expected in the five years covered by the budget/plan. The cash flows were discounted using a post-tax discount rate of 9.8%, including an additional premium with respect to the Capital Asset Pricing Model (CAPM) for the specific risk. The recoverable value of the investment was higher than the respective carrying amount of 22,000 thousand euro, so no adjustments were made. The sensitivity analysis showed that, all else being equal, an increase of 100 basis points (+1%) in the discount rate (WACC) would not generate an impairment loss.

The recoverable amount for Caffè Borbone S.r.l. was estimated with the help of an independent expert in the configuration of value in use based on the present value of expected future cash flows based on the 2021 budget approved by the Company's Board of Directors and on the plan projections for the three-year period 2022-2024, which contain the best forecasts made by the management of Caffè Borbone S.r.l.

The subsidiary was tested for impairment in accordance with IAS 36. The recoverable amount of the subsidiary was estimated using the present value of expected future cash flows. The analytical projections of (unlevered) future cash flows, net of tax, are based on the 2021 budget and on the plan's financial and business projections for the period 2022-2024 prepared by its management. The 2020-2024 CAGR of revenues foreseen in the budget/plan is equal to 11.4%, compared with an actual growth rate of 27.0% in 2020 and 27.6% in 2019. The cash flows were discounted using a post-tax discount rate (WACC) of 7.8%, including an additional premium with respect to the CAPM

for the specific risk. For the purpose of estimating the terminal value, an annual growth rate for long-term sustainable revenue (g rate) of 1.4% was used from 2025 onwards. The test did not reveal any evidence of losses due to impairment since the recoverable amount is significantly higher than the carrying amount.

The sensitivity analysis showed that an increase of 100 basis points (+1%) in the discount rate (WACC), even in conjunction with a 100 basis point reduction in the growth rate (g) in the terminal value, would not generate any impairment loss.

Furthermore, reducing the CAGR 2020-2024 of revenue to 5% (reduction of 6.4 percentage points compared with the 11.4% foreseen in the budget/plan), with the same discount rate (WACC) and growth rate (g) in the terminal value, no impairment loss would emerge.

With regards to Italgen, given that there were no facts or circumstances suggesting that there might be an indication of an impairment loss, an analytical test was not carried out. The main risk factors are linked to the trend in rainfall, which is only partially exposed to climate change factors over the finite time horizon considered here, and to the trend in electricity prices, though the impact is partly offset by the fact that there are government incentives for part of the production. In this regard, it should be noted that for the assessments used in the definition of Group NAV, it has been verified that, even considering a "finite life" approach with a single renewal of the concessions on large derivations and the effects of the lower rainfall in recent years compared with longer-term averages, the present value of the expected future operating cash flows is much higher than the carrying amount of the investment.

Officina Profumo-Farmaceutica di Santa Maria Novella was tested for impairment in accordance with IAS 36. The recoverable amount of the subsidiary was estimated using the present value of expected future cash flows. The analytical projections of (unlevered) future cash flows, net of tax, are based on the 2021 budget approved by the company's Board and on the plan's financial and business projections for the period 2022-2026 prepared by its management. The cash flows were discounted using a post-tax discount rate (WACC) of 9.8%, including an additional premium with respect to the Capital Asset Pricing Model (CAPM) for the specific risk. For the purpose of estimating the terminal value, an annual growth rate for long-term sustainable revenue (g rate) of 1.4% was used from 2027 onwards. The test did not identify any evidence of impairment losses on the investment.

The sensitivity analysis showed that an increase of 100 basis points (+1%) in the discount rate (WACC), even in conjunction with a 100 basis point reduction in the growth rate (g) in the terminal value, would not generate any impairment loss. At the same long-term growth rate (g), an increase in the discount rate of 196 basis points (+1.96%) would lead to a recoverable amount in line with the carrying amount. Furthermore, by reducing the EBITDA margin of each year included in the plan by 7.5%, with the same discount rate (WACC) and growth rate (g) in the terminal value, no impairment loss would emerge.

Capitelli F.Ili S.r.l. was tested for impairment in accordance with IAS 36. In particular, the recoverable amount of the investment was estimated with the help of an independent expert using the fair value configuration on the basis of the EV/EBITDA multiple applied to the 2020 EBITDA, prudentially adjusted to take into account the reduced prices of raw materials in 2020. The test did not identify any evidence of impairment losses on the investment.

The sensitivity analysis carried out indicates that even in the event of significant changes (-15%) in the reference EBITDA used, there would be no evidence of impairment. A 28% reduction in the multiple would result in a recoverable value in line with the carrying amount of the investment.

Casa della Salute S.r.l. and Callmewine S.r.l. were acquired at the end of 2020. For this reason, in the absence of impairment indicators, the price paid was considered equal to the recoverable value of the investment.

With regard to the associate Tecnica Group S.p.A., the recoverable amount was determined in the fair value configuration on the basis of the multiple average EV/EBITDA 2020-2021 (using actual 2020 data and the 2021 budget approved by the company's Board of Directors), as this approach

is more prudent. In particular, reference was made to the EV/EBITDA multiple implicit in the option to repurchase the investment held by the controlling shareholder, after verifying that this multiple was lower than the current market multiples referring to a sample of comparable listed companies. Since the fair value of the investment estimated on the basis of this multiple is significantly higher than the carrying amount of the investment, there is no evidence of an impairment loss of the investment. The sensitivity analysis carried out indicates that even in the event of significant changes (-20%) in the EBITDA or reference multiple used, there would be no evidence of impairment.

An impairment test was also carried out for the two associates ISEO Serrature S.p.A. and Autogas Nord S.p.A. based on an estimate of the fair value of the investment. The latter was determined by applying the market multiples method (specifically, EV/EBITDA 2020 was used for Iseo, EV/EBITDA 2020-2021 for Autogas).

The expected 2021 result of Autogas (in terms of EBITDA) is the one shown in the budget according to Italian accounting standards approved by its Board of Directors, further adjusted to reflect the best available estimate of the effects of applying IFRS. In both cases, an adequate discount was taken into account with respect to the reference rate which consisted of the average of market multiples recorded for a sample of reference listed companies. Its measurement was defined in relation to facts and circumstances concerning the specific situation of the subsidiary considered and the effective level of comparability in terms of size, profitability and risk of the listed companies that make up the sample. There is no impairment loss for Autogas and Iseo.

With regard to the investment in Autogas, the sensitivity analysis carried out indicates that even in the event of significant changes (-20%) in the reference EBITDA used, there would be no evidence of impairment, while a decrease in the multiple of 21% would determine a recoverable value in line with the carrying amount of the investment.

With regard to the investment in ISEO, the sensitivity analysis carried out indicates that in the event of changes (-6%) in the reference EBITDA used, there would be an impairment loss, while a decrease in the multiple of 5,7% would determine a recoverable value in line with the carrying amount of the investment.

With regard to the investment in the associate Società Editrice Sud S.p.A. (S.E.S.), an impairment loss of 600 thousand euro was recognised to align the carrying amount with its estimated fair value. Since the company reported a negative consolidated EBITDA at December 31, 2019 and since there are no further updates to the data, nor any forward-looking indications formalized in a budget/plan document, the fair value of the investment was estimated based on the median EV/Sales trailing multiple obtained from a sample of listed companies in the same sector. Since these companies have sizes and business profiles that are sometimes significantly different, an appropriate discount was used to determine the fair value of the investment compared with the value implicit in a straightforward application of the average multiple for the sample. The estimate of the fair value of the equity investment carried out according to the criteria described above is 600 thousand euro lower than the previous carrying amount of the investment, resulting in the impairment loss mentioned above.

5) Other equity investments

The caption, classified in the non-current assets reflects equity investments designated at FVTOCI as required by IFRS 9.

(in thousands of euro)	
At December 31, 2019	210,399
Disposals	(76,278)
Subscription of 035 investimenti S.p.A. increase in capital	74
Subscription of New Flour increase in capital	509
Liquidation of IDEAMI S.p.A.	(3,000)
Italgen MISR for Energy indemnity	(111)
Change in fair value	(12,028)
At December 31, 2020	119,565

The increases of the caption refer to further investments in the New Flour S.p.A. equity investment and the purchase of additional shares in 035 Investimenti S.p.A.

The decreases are mainly related to the sale of the investments in HeidelbergCement AG (76,003 thousand euro) and Unione di Banche Italiane S.p.A. (423 thousand euro), the Italgen MISR for Energy indemnity (111 thousand euro) and the liquidation of IDEAMI S.p.A. (3,000 thousand euro).

The decline in the fair value of other equity investments was mainly due to the negative effects of the Covid-19 pandemic on the financial market.

Please refer to annex "A" for other movements.

Other equity investments measured at FVTOCI at December 31, 2020 were as follows:

(in thousands of euro)	Number of shares	December 31, 2020
Equity investments in listed companies:		
Cairo Communication S.p.A.	189,198	239
Coima Res S.p.A.	412,332	2,705
HeidelbergCement AG	1,372,000	83,994
Piaggio S.p.A.	169,699	457
Unicredit S.p.A.	204,331	1,563
Vontobel Holding AG	115,238	7,489
Total		96,447
Equity investments in non-listed companies		
Atmos Venture S.p.A.	222,909	73
Compagnia Fiduciaria Nazionale S.p.A.	20,001	1,189
Can-Fite Biopharma	204	-
Fin.Priv. S.r.l.	2,857	15,868
Idrovia Ticino - Milano Nord - Mincio S.p.A. in liquidation	100	1
Imm.re Lido di Classe S.p.A.	45,991	-
Immobiliare Astra S.p.A.	12,012	30
Italgen MISR for Energy	1	-
New Flour S.p.A.	27,667	4,216
Sesaab S.p.A.	700,000	1,300
035 Investimenti S.p.A.	1,114,550	441
Total		23,118
Total equity investments		119,565

The analysis of movements in equity investments is shown in annex "A".

6) Deferred tax assets

Deferred tax assets amount to 7,829 thousand euro (7,434 thousand euro at December 31, 2019) and consist of the deferred tax assets calculated on temporary differences and on the tax losses made by Italmobiliare S.p.A. and the subsidiaries included in the National Tax Consolidation. The Company expects to recover the carry-forward tax losses in the coming years through the taxable income from the subsidiaries included in the National Tax Consolidation.

7) Other non-current assets

The balance on this caption was as follows:

(in thousands of euro)	December 31, 2020	December 31, 2019	Change
Receivables due from subsidiaries	15,000	15,000	-
Bonds and Private equity funds	134,884	158,436	(23,552)
Other assets	2,138	3,603	(1,465)
Guarantee deposits	4	4	-
Receivables on tax consolidation due from subsidiaries	3,938	10,032	(6,094)
Total	155,964	187,075	(31,111)

The decrease in "Receivables on tax consolidation due from subsidiaries" is mainly due to the lower contribution of IRES tax payables from Group companies included in the National Consolidated Tax.

Details of "Bonds and mutual funds" are provided in annex "D".

CURRENT ASSETS

8) Trade receivables

(in thousands of euro)	December 31, 2020	December 31, 2019	Change
Customers	180	131	49
Associates	124	152	(28)
Subsidiaries	352	215	137
Total	656	498	158

The receivables refer to Italian entities.

9) Other current assets including derivative financial instruments

This item "Other Assets" is made up as follows:

(in thousands of euro)	December 31, 2020	December 31, 2019	Change
Receivables from social security institutions	83	79	4
Receivables for dividends to be collected	-	18	(18)
Receivables from tax authorities for VAT	14	-	14
Sundry other current receivables	482	500	(18)
Options on securities	539	430	109
Prepaid expenses - other	145	110	35
Total	1,263	1,137	126

The increase is mainly due to the purchase or change in the fair value of the derivatives.

10) Tax assets

Tax assets totalled 12,249 thousand euro (5,837 thousand euro at December 31, 2019). The change is due to receivables from the tax authorities relating to Italmobiliare S.p.A. and the advances paid by the National Tax Consolidation.

11) Equity investments, bonds and current financial receivables

This caption is broken down as follows:

(in thousands of euro)	December 31, 2020	December 31, 2019	Change
Bonds and mutual funds held for trading (FVTPL)	270,222	314,855	(44,633)
Listed shares held for trading (FVTPL)	21,192	24,089	(2,897)
Other financial assets	13,025	13,120	(95)
Current financial receivables from subsidiaries	5,017	27	4,990
Accrued finance income	2,691	2,278	413
Total	312,147	354,369	(42,222)

The increase of 4,990 thousand euro in current financial receivables from subsidiaries is mainly due to intercompany current accounts.

Details of "Bonds and mutual funds held for trading" are provided in annex "D", while details of "Listed shares held for trading" are provided in annex "C".

12) Cash and cash equivalents

(in thousands of euro)	December 31, 2020	December 31, 2019	Change
Cash and cheques in hand	5	15	(10)
Bank and postal accounts	54,649	190,066	(135,417)
Net amount	54,654	190,081	(135,427)

Short-term deposits were on demand deposits; accrued interests at the respective short-term rates. The fair value of cash and cash equivalents corresponds to their carrying amount.

The Company has no restricted current accounts.

For more information on the change of the caption, please refer to the analysis provided in the cash flow statement.

Equity and liabilities**SHARE CAPITAL, RESERVES AND RETAINED EARNINGS****13) Share capital**

At December 31, 2020, the parent company's fully paid-up share capital amounted to 100,166,937 euro represented by 42,500,000 no-par ordinary shares.

Number of shares	December 31, 2020	December 31, 2019	Change
Ordinary shares	42,500,000	42,500,000	-
Total	42,500,000	42,500,000	-

14) Share premium and other reserves

At December 31, 2020 other reserves amount to 7,693 thousand euro, showing an overall decrease of 9,157 thousand euro compared with December 31, 2019, related for 7,908 thousand euro to the changes of the OCI reserve for 1,249 thousand euro to the change of other reserves due to the reclassification of expired and/or unexercised treasury shares in retained earnings.

15) Treasury shares

At December 31, 2020, the value of treasury shares purchased totalled 6,620 thousand euro (12,154 thousand euro at December 31, 2019), recorded as a decrease in equity. Treasury shares were as follows.

	No. ordinary shares	"Carrying amount in euro (in thousands of euro)"
December 31, 2019	512,070	12,154
Exercise of stock options	(233,600)	(5,534)
December 31, 2020	278,470	6,620

The change is due to stock options exercised by employees.

A total of 70,300 ordinary treasury shares were held in portfolio at December 31, 2020 as stock option plans for directors and managers.

Dividends paid

Ordinary dividends declared and paid in 2020 and 2019 are detailed in the table below

	2020 (euro per share)	2019 (euro per share)	December 31, 2020 (in thousands of euro)	December 31, 2019 (in thousands of euro)
Ordinary shares	1.800	0.550	75,999	23,071
Total dividends			75,999	23,071

16) Retained earnings

The overall change, which amounts to -63,055 thousand euro, mainly relates to the 2020 result for 31,565 thousand euro, -75,999 thousand euro for the payment of dividends, and -17,616 thousand euro for disposals of investments valued at FVTOCI and reclassified from the OCI reserve.

Stock options

Italmobiliare S.p.A. has stock option plans outstanding for directors and managers who hold particular positions in the company.

Stock options are exercised at a rate of one share per option.

The terms and conditions of the Italmobiliare S.p.A. stock option plans at December 31, 2020, are set out below:

Grant date	No. of options granted*	Exercise period	Options exercised	Options cancelled	Options not exercised	Unit subscription price*
March 30, 2011	225,800	30/03/2014-30/03/2021	155,500	-	70,300	€ 13.7345
Total	225,800		155,500	-	70,300	

* Following the splitting of the shares, the number of options assigned was doubled and the unit subscription price was halved

The grant date is the date of the Board of Directors' meeting that approved the stock option plan. The vesting period of these plans had already ended at the beginning of 2019, so costs relating to stock options in 2019 and 2020 are not accounted for under "Employee benefits".

The table below sets out the number and average exercise price of stock options in the years in question:

	31.12.2020		31.12.2019	
(in thousands of euro)	Number of options	Average subscription price	Number of options	Average subscription price
Options not exercised at beginning of year	312,800	€ 14.0541	360,700	€ 15.2875
Granted during the period				
Cancelled during the period				
Exercised during the period	(233,600)		(40,000)	
Expired during the period	(8,900)		(7,900)	
Options not exercised at end of year	70,300	€ 13.7345	312,800	€ 14.0541
Options vested at the end of the year	70,300		312,800	

The average share price in 2020 was 27.14 euro (21.11 euro in 2019).

The average residual life of options not exercised is 2 months.

The strike price of the options at December 31, 2020 was 13.7345 euro.

NON-CURRENT LIABILITIES

17) Employee benefits

This caption includes post-employment benefits in accordance with IAS 19 (the Company has less than 50 employees) and liabilities relating to future commitments, in the form of bonuses or incentives, to be paid to employees.

Movements on the caption are detailed below:

(in thousands of euro)	Post-employment benefits	Seniority bonus	Total
At December 31, 2019	521	168	689
Use during the year	(37)	-	(37)
Provision for the year	69	37	106
At December 31, 2020	553	205	758

Costs for the year included:

(in thousands of euro)	December 31, 2020	December 31, 2019	Change
Current costs of services	(55)	(83)	28
Finance costs	(7)	(11)	4
Total	(62)	(94)	32

The assumptions used to determine liabilities arising from long-term benefits are set out below:

	Post-employment benefits	Other employee benefits
Discount rate	0.90%	0.90%
Future wage and salary increases	2.92%	2.92%
Inflation	1.00%	1.00%

The discount rate was determined with reference to market yields on high-quality corporate bonds, using the market yields on government bonds and the Eurozone Mercer Yield curve at December 31, 2020.

Inflation describes the implied inflation in the Eurozone for the duration of the company at December 31, 2020.

18) Borrowings

Financial payables are shown below by category, broken down by current and non-current liabilities:

(in thousands of euro)	December 31, 2020	December 31, 2019	Change
Bank loans and overdrafts	14	1	13
Current financial liabilities	1,979	2,222	(243)
Lease liabilities	138	118	20
Options on securities	506	370	136
Accrued finance expense	16	21	(5)
Total financial liabilities	2,653	2,732	(79)

Financial payables mainly include amounts due to subsidiaries for normal transactions on current account.

The following is a reconciliation of the changes in financial liabilities deriving from financing activities with the financial statement schedules.

(in thousands of euro)	December 31, 2020	December 31, 2019	Change
Non-current financial liabilities	178	218	(40)
Loans and borrowings	14	1	13
Current financial liabilities	2,117	2,341	(224)
Total financial liabilities	2,309	2,560	(251)

Information on available credit lines is included in the section on IFRS 7 (there are no covenants to comply with on existing loans).

19) Tax liabilities and Provisions

The provisions at December 31, 2020 amounted to 19,362 thousand euro and mainly included provisions for risks from the sale of equity investments.

The change compared with December 31, 2019 of 1,138 thousand euro refers to a partial release of the provision for risks relating to the sale of the investment in BravoSolution S.p.A.

(in thousands of euro)	Opening amount	Increases	Decreases	Closing amount
Provisions	20,500		1,138	19,362

Tax liabilities amounted to 7,262 thousand euro (8,300 thousand euro at December 31, 2019), the difference compared with 2019 is due to the utilization for 1,903 thousand euro and the accrual of 865 thousand euro in application of the requirements of IFRIC 23.

The main disputes pending at December 31, 2020 are summarised below:

As already illustrated in previous financial reports, the Italcementi share sales agreement signed with HeidelbergCement AG envisaged the usual agreements relating to the interim period between the signing and closing dates, certain guarantees and possible indemnity obligations. Most of the claims regarding the application of these agreements were resolved in a settlement reached in 2017. The company is involved in an adversarial procedure with the purchaser and is closely monitoring developments regarding a number of claims on which agreement has not been reached as regards the applicability of a contractual guarantee.

The company also examined the effects of some disputes relating to BravoSolution S.p.A., the majority shareholding in which was sold to third parties in December 2017.

In relation to these disputes, in light of the agreements entered into with the various counterparties, including the agreed contractual deductibles, the Company has made the necessary provisions so that any indemnities can be adequately covered in provisions.

In January, the CTR of Milan, with sentence 157/2020, reconfirmed the sentence of first instance that accepted the appeal regarding controlled foreign companies (CFC) for the year 2012. The Tax Authorities filed an appeal with the Supreme Court against this sentence in the Company's favour.

In June, the Provincial Tax Commission of Milan, with sentence 1373, rejected the appeal relating to CFC for the year 2013.

In July, the Company filed an appeal against the assessment notice regarding CFC for 2014, simultaneously paying an amount of 1.9 million euro as 1/3 of the higher taxes assessed and the interest accrued, reducing the provision that had been previously accounted for.

Lastly, on September 28, 2020, with sentence 2625/2020, the CTR of Milan rejected the Company's appeal regarding dividends for the year 2010.

20) Other non-current liabilities

The decrease of 12 thousand euro is mainly due to the reduction in guarantee deposits received from third parties.

21) Deferred tax liabilities

Total deferred tax liabilities amounted to 93 thousand euro (460 thousand euro at December 31, 2019), divided as follows:

(in thousands of euro)	December 31, 2020	December 31, 2019	Change
Current and deferred taxes on shares at FVTOCI	61	125	(64)
Current and deferred taxes on taxable temporary differences	32	335	(303)
Total	93	460	(367)

CURRENT LIABILITIES**22) Trade payables**

This caption is made up of:

(in thousands of euro)	December 31, 2020	December 31, 2019	Change
Due to suppliers	1,452	1,999	(547)
Due to Group companies	206	44	162
Total	1,658	2,043	(385)

23) Other current liabilities

(in thousands of euro)	December 31, 2020	December 31, 2019	Change
Payables to employees	6,294	10,407	(4,113)
Due to social security bodies	1,009	993	16
Due to the tax authorities	377	546	(169)
Accrued expenses and deferred income	88	170	(82)
Other liabilities	4,939	529	4,410
Payables on tax consolidation due to subsidiaries for IRES advances	1,015	7,014	(5,999)
Options on securities	506	371	135
Total	14,228	20,030	(5,802)

The change in Payables to employees (4,113 thousand euro) is mainly related to the liquidation of the LTI plan for the three-year period 2017-2019, which took place during the year.

This item has also decreased by 5,999 thousand euro due to the transfer of tax credits by the subsidiaries for the National Tax Consolidation.

Commitments

(in thousands of euro)	December 31, 2020	December 31, 2019
Collateral given	43,333	75,733
Deposits, guarantees, sureties, commitments and other	183,270	138,219
Total	226,603	213,952

The decrease in collateral given with respect to December 31, 2019 is due to the reduction in guarantees issued.

The caption also includes Tecnica Group S.p.A. shares pledged as collateral for bank loans granted to Tecnica Group S.p.A. in 2017.

"Deposits, guarantees, sureties, commitments and other" include sureties given at fair value at the reporting date and commitments for subscription of private equity fund units (54,912 thousand euro), as well as the commitment to Clessidra SGR S.p.A. to co-invest in the capital of Bacco S.p.A. (the vehicle company established and controlled by Fondo Clessidra Capital Partners 3 for the purpose of acquiring a majority stake in Botter S.p.A. indirectly through a subsidiary company) for 60,000 thousand euro.

Income statement

24) Revenue and income

Revenue from sales and services and income totalled 67,921 thousand euro, broken down as follows:

(in thousands of euro)	December 31, 2020	December 31, 2019	Change	Change %
Dividends	30,342	22,466	7,876	35.1%
Gains on disposals and fair value increases on equity investments and securities	1,257	1,309	(52)	-4.0%
Other finance income	35,595	61,766	(26,171)	-42.4%
Services provided	727	577	150	26.0%
Total	67,921	86,118	(18,197)	-21.1%

The breakdown of the various items was as follows:

Revenue from dividends:

(in thousands of euro)	December 31, 2020	December 31, 2019	Change	Change %
Subsidiaries				
Caffè Borbone S.r.l.	12,000	4,800	7,200	n.s.
Crédit Mobilier de Monaco	-	140	(140)	-100%
Italgas S.p.A.	7,200	6,000	1,200	20%
Total	19,200	10,940	8,260	76%
Associates				
Autogas Nord S.p.A.	1,290	1,075	215	20%
Dokimè S.r.l.	6,817	-	6,817	100%
Iseo Serrature S.p.A.	480	480	-	-
Total	8,587	1,555	7,032	n.s.
Other companies				
Cairo Communication S.p.A.	-	27	(27)	-100%
Coima S.p.A.	124	124	-	-
Compagnia Fiduciaria Nazionale S.p.A.	330	108	222	n.s.
Dassault Systèmes	2	-	2	100%
EDP RENOVAVEIS S.A.	3	-	3	100%
Enel S.p.A.	25	-	25	100%
ENI S.p.A.	245	269	(24)	-9%
EUSKALTEL S.A.	11	-	11	100%
Fin.Priv. S.r.l.	-	957	(957)	-100%
HeidelbergCement AG	1,405	7,418	(6,013)	-81%
Maar S.p.A.	-	4	(4)	-100%
Mediobanca S.p.A.	-	657	(657)	-100%
Piaggio S.p.A.	16	25	(9)	-36%
Recordati S.p.A.	-	9	(9)	-100%
Royal Dutch	62	63	(1)	-2%
SANOFI-AVENTIS FRANCE S.A.	13	-	13	100%
SAP AG	6	-	6	100%
Telecom Italia S.p.A.	13	-	13	100%
Total SA	54	26	28	n.s.
Unione di Banche Italiane S.p.A.	-	14	(14)	-100%
Unicredit S.p.A.	-	55	(55)	-100%
Vontobel S.A.	246	215	31	14%
Total	2,555	9,971	(7,416)	-74%
Grand total	30,342	22,466	7,876	35.1%

n.s. = not significant

Gains on disposals and fair value increases on equity investments and securities:

(in thousands of euro)	December 31, 2020	December 31, 2019	Change	Change %
BNP Paribas S.A.	57	-	57	100.0%
Finimage 15 Sagi in liquidation	-	23	(23)	-100.0%
Dassault Systèmes SE	22	-	22	100.0%
EDP RENOVAVEIS S.A.	234	-	234	100.0%
ENI S.p.A.	-	136	(136)	-100.0%
Enel S.p.A.	109	-	109	100.0%
EUSKALTEL S.A.	39	-	39	100.0%
Intesa SanPaolo S.p.A.	30	-	30	100.0%
Mediobanca S.p.A.	17	-	17	100.0%
Mediaset S.p.A.	3	817	(814)	-99.6%
NATIXIS S.A.	6	-	6	100.0%
OVS S.p.A.	-	244	(244)	-100.0%
Recordati S.p.A.	-	89	(89)	-100.0%
SANOFI-AVENTIS FRANCE S.A.	1	-	1	100.0%
Team Viewer AG	146	-	146	100.0%
Telecom Italia S.p.A.	3	-	3	100.0%
ZOOM VIDEO Communications Inc.	590	-	590	100.0%
Total	1,257	1,309	(52)	-4.0%
Grand total	1,257	1,309	(52)	-4.0%

n.s. = not significant

Other finance income:

(in thousands of euro)	December 31, 2020	December 31, 2019	Change	Change %
Interest and finance income from subsidiaries	707	679	28	4.1%
Interest and finance income from associates	723	720	3	0.4%
Interest and finance income from others	1,458	273	1,185	n.s.
Interest income on bonds and securities	510	508	2	0.4%
Bank interest income	14	43	(29)	-67.4%
Options on securities	10,401	11,580	(1,179)	-10.2%
Income from interest rate hedging	-	1,510	(1,510)	-100.0%
Income from currency trading	248	485	(237)	-48.9%
Income from currency valuation	115	628	(513)	-81.7%
Income from futures	681	370	311	84.1%
Positive change in fair value of Funds	20,738	44,970	(24,232)	n.s.
Total	35,595	61,766	(26,171)	-42.4%

n.s. = not significant

The positive change in the fair value of the funds of 20,738 thousand euro is mainly due to Clessi-dra (+12.7 million euro) and Iconiq (+4.1 million euro). The income arising from options on securities principally refer to HeidelbergCement's stock.

Revenue from services provided amounted to 727 thousand euro (577 thousand euro in 2019).

25) Other revenue and income

Other revenue and income amounted to 1,612 thousand euro (815 thousand euro at December 31, 2019) and included rents and recharges of condominium expenses for 642 thousand euro and other income for 970 thousand euro.

26) Raw materials and supplies

Expense for raw materials and supplies amounted to 225 thousand euro, divided as follows:

(in thousands of euro)	December 31, 2020	December 31, 2019	Change	Change %
Materials and machinery	13	8	5	62.5%
Purchases of other materials	146	191	(45)	-23.6%
Electricity and gas	66	64	2	3.1%
Total	225	263	(38)	-14.4%

27) Services

Services amounted to 8,102 thousand euro, divided as follows:

(in thousands of euro)	December 31, 2020	December 31, 2019	Change	Change %
Legal expenses, consultancy and fees for the board of statutory auditors	6,748	6,206	542	8.7%
Rents and leases	49	36	13	36.1%
Insurance	470	480	(10)	-2.1%
Residential building rent and expenses	6	6	-	-
Repairs and maintenance	189	208	(19)	-9.1%
Membership fees	243	249	(6)	-2.4%
Communication and entertainment	30	42	(12)	-28.6%
Post and telephone	82	106	(24)	-22.6%
Cleaning	88	60	28	46.7%
Other expenses and services	197	303	(106)	-35.0%
Total	8,102	7,696	406	5.3%

28) Personnel expenses

Personnel expenses totalled 15,551 thousand euro, divided as follows:

(in thousands of euro)	December 31, 2020	December 31, 2019	Change	Change %
Wages and salaries	11,474	10,579	895	8.5%
Social contributions	2,707	2,490	217	8.7%
Pension fund contributions	43	77	(34)	-44.2%
Directors' fees	1,259	957	302	31.6%
Miscellaneous costs	68	59	9	15.3%
Total	15,551	14,162	1,389	9.8%

The change in employee benefits expense was largely due to higher bonuses paid to employees in 2020.

The cost for the year also includes the LTI accrual for 2020.

The number of employees is shown below:

(headcount)	December 31, 2020	December 31, 2019
Employees (headcount) at the end of the year	38	37
Average number of employees	37	38

29) Other operating income (expenses)

Other operating income (expenses) net of other operating income amounted to 37,247 thousand euro, divided as follows:

(in thousands of euro)	December 31, 2020	December 31, 2019	Change	Change %
Finance income and costs				
Bank and loan interest expense	18	2	16	n.s.
Commissions	-	73	(73)	-100.0%
Bonds and securities	5,113	243	4,870	n.s.
Currency trading	399	465	(66)	-14.2%
Exchange-rate valuation differences	1,363	422	941	n.s.
Options on securities	10,812	12,088	(1,276)	-10.6%
Other charges	70	296	(226)	-76.4%
Total	17,775	13,589	4,186	30.8%
Losses and negative changes in fair value				
Sale of securities	1,539	29	1,510	n.s.
Sale of mutual funds	2,987	-	2,987	100.0%
Loss on Mittel TF 6%	-	17	(17)	-100.0%
Losses on P&G	199	13	186	n.s.
Write-down of trading investments	5,343	665	4,678	n.s.
Write-down of mutual funds	642	840	(198)	-23.6%
Write-down of bonds	639	78	561	n.s.
Write-down of put/call options	170	528	(358)	-67.8%
Total	11,519	2,170	9,349	n.s.
Other income and expenses				
Covid donation	450	-	450	100.0%
Condominium expenses on own properties	125	146	(21)	-14.4%
Other operating expenses	450	531	(81)	-15.3%
Non-deductible VAT	2,153	1,990	163	8.2%
IMU (municipal tax)	227	237	(10)	-4.2%
Registration tax	7	8	(1)	-12.5%
Other tax	127	130	(3)	-2.3%
Out-of-period expenses	4,970	29	4,941	n.s.
Out-of-period income	-	(870)	870	-100.0%
Capital gain on investment property	(375)	(504)	129	-25.6%
Capital gain on vehicles	-	(17)	17	-100.0%
Loss from IFRS 16	1	-	1	100.0%
Other income and expenses	156	(154)	310	n.s.
Fondazione Cav. Lav. Carlo Pesenti	800	500	300	60.0%
Fondazione Politecnico Milano	-	500	(500)	-100.0%
Total	9,091	2,526	6,565	n.s.
Use/accruals of provisions for risks				
Release of risk provisions	(1,138)	-	(1,138)	100.0%
Accrual of provision for risks	-	850	(850)	-100.0%
Total	(1,138)	850	(1,988)	n.s.
Total other operating income/expenses	37,247	19,135	18,112	94.7%

n.s. = not significant

The increase in finance costs is mainly due to a negative change in exchange rates, the increase in capital losses and write-downs is mainly due to a negative change in the fair value of trading securities, while other operating income and expenses increased because of the expenses for the MBO/LTI related to the three-year period 2017-2019, as well as for the "Covid Donation" of 450 thousand euro for the installation of technical systems at the new Covid-19 hospital set up at the Bergamo Trade Fair.

30) Amortisation and depreciation

The overall amount of 687 thousand euro (699 thousand euro at December 31, 2019) reflects the depreciation of property, plant and equipment and investment properties for 563 thousand euro (579 thousand euro at December 31, 2019) and the amortisation of intangible assets for 124 thousand euro (120 thousand euro at December 31, 2019).

31) Finance income and costs

Net finance costs amounted to 106 thousand euro. The amount is composed as follows:

(in thousands of euro)	December 31, 2020	December 31, 2019	Change	Change %
Financial services	97	66	31	47.0%
Other financial income (expenses)	9	4	5	n.s.
Total	106	70	36	51.4%

n.s. = not significant

32) Impairment of financial assets

During the year, net reversals of impairment losses were made to financial assets for 18,520 thousand euro; please refer to Note 4 for details (write-down of 14,281 thousand euro at December 31, 2019).

33) Income tax

This caption reflects a positive effect for the year of 5,431 thousand euro, divided as follows:

(in thousands of euro)	December 31, 2020	December 31, 2019	Change	Change %
Current tax	3,321	(7,064)	10,385	n.s.
Deferred tax assets/liabilities on temporary differences	1,840	151	1,689	n.s.
Irrecoverable withholding tax on dividends (HeidelbergCement AG)	(235)	(1,088)	853	-78.4%
Reimbursement of prior-year tax	1,378	-	1,378	100.0%
Prior-year tax	(865)	(2,577)	1,712	-66.4%
Other	(8)	(318)	310	-97.5%
Total	5,431	(10,896)	16,327	n.s.

n.s. = not significant

The 16.327 thousand euro change in this item is mainly due to the shift from a 2019 tax consolidation in a profit situation to a 2020 tax consolidation in a loss situation (10.4 million euro), due to lower taxable net financial income compared with the previous year. Furthermore, the 2020 was also affected by tax accruals related to previous years for 0.9 million euro.

34) Statement of cash flows

Investments in financial assets (234,164 thousand euro) are due to acquisitions of subsidiaries and associates for 217,600 thousand euro, other companies for 583 thousand euro and investment funds for 15,981 thousand euro.

The item proceeds from disposal of non-current assets (for 112,533 thousand euro) is due to sales of properties for 1,423 thousand euro, investments in associates for 24,268 thousand euro, investments in other companies for 79,389 thousand euro and bonds and mutual funds for 52,586 thousand euro, including the overall change in fair value of 45,133 thousand euro.

The item "change in equity investments and current securities" (42,222 thousand euro) mainly refers to the decrease in the Vontobel Fund for 32,946 thousand euro.

IFRS 7

Risk management policies

OBJECTIVES

For Italmobiliare, exposure to financial risk is an opportunity to generate profits within the constraints established for the purposes of careful and prudent management of financial resources.

FINANCIAL INSTRUMENTS

Group guidelines define the types of financial instruments allowed, maximum amounts, counterparties and methods of approval.

Derivatives may be used both as risk management instruments and as instruments relating to market positioning.

CREDIT RISK

Italmobiliare S.p.A. is exposed to credit risk with respect to issuers of financial instruments and counterparties on financial transactions.

The guidelines establish minimum rating levels for individual investments (where applicable), for type of instrument, for rating class and maximum exposure in relation to individual counterparties.

A monitoring and reporting system has also been established for senior management.

Italmobiliare S.p.A. has no significant exposure to trade credit risks.

The table below illustrates the level of credit risk exposure for each instrument (bonds, deposits, other financial assets) and with respect to the counterparties to derivatives.

	Fair value (in millions of euro)	Average rating	Residual average life (in years) (*)
Bonds at FVTPL	22.4	Baa1	6.35
Bonds at amortised cost	9.0	n.a.	2.00
Deposits	54.6	n.a.	n.a.
Derivatives on shares	0.0	n.a.	<1

(*) determined on first call
n.a. = not applicable

Assuming a parallel shift of +100 bps in the credit curve of CDS, the estimated total change in financial instruments would be -1.1 million euro, reflected entirely in the income statement.

Deposits are subject to counterparty risk, but a shift of +100 bps in the curve would not have an impact on the amount thereof.

Other financial assets and derivatives are excluded from the sensitivity analysis since their fair value does not depend on the creditworthiness of the counterparty.

LIQUIDITY RISK

Italmobiliare S.p.A. risk management policy is designed to optimize financial resources through effective management (in terms of maturities, costs and liquidity) of the Company's assets and liabilities.

The Net Financial Position (hereinafter "NFP") at December 31, 2020 reflected a strong positive position: a regular report is prepared up analysing the NFP trend in relation to the segment's requirements.

The table below sets out debt by maturity (residual life) compared with financial assets and undrawn lines of credit:

(in millions of euro)	Maturity				Total
	< 1 year	1 - 2 years	2 - 5 years	Beyond	
Total financial liabilities	(3.7)	(1.1)	(1.3)	(1.1)	(7.2)
Total financial assets	93.8	10.1	16.1	274.4	394.4
Net financial position	90.1		14.8	273.3	378.2
Undrawn committed lines of credit					

Short-term draw-downs of committed lines of credit are reclassified based on the expiry date of the related facility.

Undrawn uncommitted lines of credit stand at 208.0 million euro.

MARKET RISKS

Interest rate risk

Fluctuations in interest rates affect the fair value of financial assets and liabilities and the level of net finance costs.

Regular reports are prepared up analysing the NFP and detailing asset and liability management.

The following table shows the composition of the Net Financial Position of Italmobiliare S.p.A. at December 31, 2020 and its exposure to interest rate risk; reference should be made to the specific note for a detailed analysis of the net financial position.

(in millions of euro)	
Balance at December 31, 2019	
Fixed-rate financial liabilities	(0.3)
Fixed-rate financial assets	12.9
Fixed-rate NFP at inception	12.6
Fixed-rate/Floating-rate hedging	
Floating-rate/Fixed-rate hedging	
Fixed-rate NFP after hedging	12.6
Floating-rate financial liabilities	(2.0)
Floating-rate financial assets	23.1
Floating-rate NFP at inception	21.1
Fixed-rate/Floating-rate hedging	
Floating-rate/Fixed-rate hedging	
Floating-rate NFP after hedging	21.1
Assets not exposed to interest-rate risk	358.4
Liabilities not exposed to interest-rate risk	(4.9)
Total NFP	387.2

Floating-rate assets include amounts due from Group companies and floating-rate bonds; fixed-rate liabilities include amounts due to Group companies and lease liabilities.

A sensitivity analysis was performed to determine the change in the fair value of the total net financial position caused by an instantaneous shift of 100 bp in forward interest rates (assuming a parallel shift in the curve). Modified Duration was used as the sensitivity criterion.

The analysis found an overall estimate of -3.4 million euro, with an effect exclusively on the income statement.

On demand and time deposits, an instantaneous shift in the curve would not generate an automatic effect on the income statement.

Symmetrical results would be generated by an instantaneous parallel downward shift in the rate curve.

CURRENCY RISK

Overall exposure to the currency risk is limited. Currency positions are limited and used with the objective of de-correlating the risk of traditional financial assets in the liquidity management portfolio.

OTHER PRICE RISKS

Italmobiliare S.p.A. is particularly exposed to the risk of fluctuations in the prices of listed equities carried at fair value.

Since Italmobiliare S.p.A. is a holding company, exposure to equity risk is inherent to its core business. In some cases, for limited amounts, the Policies set out procedures and approvals for the use of derivatives to reduce this risk.

At December 31, 2020, listed financial assets exposed to price risk amounted to 117.6 million euro, of which 96.4 million euro measured at FVTOCI and 21.2 million euro measured at FVTPL.

A hypothetical reduction of 5% in share prices would have a negative impact of 5.9 million euro on the assets' fair value, of which 4.8 million euro on equity and 1.1 million euro on the income statement.

(in millions of euro)	Fair value	Share price delta	Impact on income statement	Impact on equity
Shares at FVTPL	21.2	-5%	(1.1)	
Shares at FVTOCI	96.4	-5%		(4.8)

NET FINANCIAL POSITION

At December 31, 2020, the company had a positive Net Financial Position of 387,175 thousand euro, showing a decrease of 182,443 thousand euro from December 31, 2019.

The breakdown of the Net Financial Position is set out below:

(in thousands of euro)	December 31, 2020	December 31, 2019	Change
Cash and cash equivalents	54,654	190,081	(135,427)
Financial receivables due from Group companies	20,017	15,027	4,990
Government securities and bonds - non-current	3,069	3,668	(599)
Mutual funds	250,921	285,351	(34,430)
Fixed-rate currency bonds (USD)	-	8,892	(8,892)
P&G bonds	19,301	20,612	(1,311)
Receivable for Holdings Europe S.p.A. escrow	-	5,000	(5,000)
Receivables for extended payment terms of companies sold	6,067	7,803	(1,736)
Receivable for carried interest in CCP3 Fund	2,222	-	2,222
Receivable for Bea (Casa del Salute) escrow	4,420	-	4,420
Tecnica Group 2017/2022 convertible bond loan	9,000	9,000	-
Investments held for trading	21,193	24,089	(2,896)
Put/call options on equities	539	431	108
Derivatives on initial margin requirements	316	316	-
Prepayments and accrued income	2,691	2,278	413
Total financial assets	394,410	572,548	(178,138)
Bank loans and borrowings	(14)	(1)	(13)
Payable for Bea (Casa del Salute) escrow	(4,420)	-	(4,420)
Financial payables vs subsidiaries	(2,117)	(2,341)	224
IFRS 16 long-term portion	(178)	(218)	40
Put/call options on equities	(506)	(370)	(136)
Total financial liabilities	(7,235)	(2,930)	(4,305)
Net financial position	387,175	569,618	(182,443)

COMPARISON BETWEEN FAIR VALUE AND CARRYING AMOUNT

The tables below provide a breakdown of the carrying amount and the fair value of financial assets and financial liabilities at 12/31/2020 and 12/31/2019.

Carrying amount							Fair value			
(in thousands of euro)	FVTPL	FVTOCI	Held to maturity	Loans and receivables	Other financial liabilities	Total	level 1	level 2	level 3	Total
Financial assets										
Other equity investments		119,565				119,565	96,447	15,868	7,250	119,565
Trade receivables and other non-current assets	125,883		30,192	4		156,079	21,192	3,069	122,814	147,075
Financial assets held to maturity			9,000			9,000				
Financial assets at FVTOCI in NFP	3,069					3,069		3,069		3,069
Financial assets at FVTOCI not in NFP	122,814					122,814			122,814	122,814
Non-current receivables			21,192			21,192	21,192			21,192
Guarantee deposits				4		4				
Decrease/(increase) in trade receivables				656		656				
Current assets including derivative financial instruments	539			13,736		14,275		539		539
Derivatives	539					539		539		539
Other amounts due				13,736		13,736				
Equity investments, bonds and current financial receivables	291,415			7,707		299,122	47,754	243,661		291,415
Equity investments FVTPL not in NFP	21,193					21,193	21,193			21,193
Financial assets at FVTPL in NFP	270,222					270,222	26,561	243,661		270,222
Financial receivables and accruals				7,707		7,707				
Cash and cash equivalents			54,654			54,654				
Total	417,837	119,565	84,846	22,103		644,351	165,393	263,137	130,064	558,594
Financial liabilities										
Non-current financial liabilities					178	178		178		178
Finance lease payables					178	178		178		178
Other non-current payables and liabilities			105			105				
Other non-current payables			105			105				
Bank loans and overdrafts					14	14		14		14
Current financial liabilities					6,537	6,537		6,537		6,537
Finance lease payables					138	138		138		138
Other loans and borrowings					6,399	6,399		6,399		6,399
Trade payables			1,629			1,629				
Other liabilities	506			13,722		14,228		506		506
Derivatives	506					506		506		506
Other payables, accruals and deferrals				13,722		13,722				
Total	506		1,734	13,722	6,729	22,691		7,235		7,235

Carrying amount							Fair value			
(in thousands of euro)	FVTPL	FVTOCI	Held to maturity	Loans and receivables	Other financial liabilities	Total	level 1	level 2	level 3	Total
Financial assets										
Other equity investments		210,399				210,399	183,089	20,473	6,837	210,399
Trade receivables and other non-current assets	149,436		37,635	4		187,075		3,668	145,768	149,436
Financial assets held to maturity			9,000			9,000				
Financial assets at FVTOCI in NFP	3,668					3,668		3,668		3,668
Financial assets at FVTOCI not in NFP	145,768					145,768			145,768	145,768
Non-current receivables			28,635			28,635				
Guarantee deposits				4		4				
Decrease/(increase) in trade receivables				498		498				
Current assets including derivative financial instruments	431			13,800		14,231		431		431
Derivatives	431					431		431		431
Other amounts due				13,800		13,800				
Equity investments, bonds and current financial receivables	338,944			2,305		341,249	41,264	297,680		338,944
Equity investments FVTPL not in NFP	24,089					24,089	24,089			24,089
Financial assets at FVTPL in NFP	314,855					314,855	17,175	297,680		314,855
Financial receivables and accruals				2,305		2,305				
Cash and cash equivalents			190,081			190,081				
Total	488,811	210,399	227,716	16,607		943,533	224,353	322,252	152,605	699,210
Financial liabilities										
Non-current financial liabilities					218	218		218		218
Finance lease payables					218	218		218		218
Other non-current liabilities			117			117				
Other non-current payables			117			117				
Bank loans and overdrafts					1	1		1		1
Current financial liabilities					2,340	2,340		2,340		2,340
Finance lease payables					118	118		118		118
Other loans and borrowings					2,222	2,222		2,222		2,222
Trade payables			2,043			2,043				
Other liabilities	370			19,660		20,030		370		370
Derivatives	370					370		370		370
Other payables, accruals and deferrals				19,660		19,660				
Total	370		2,160	19,660	2,559	24,749		2,929		2,929

The 2019 amount of the non current liabilities has been modified excluding the amount of the tax liabilities in order to better represent the fair value hierarchy levels and be consistent with the 2020 amount.

FAIR VALUE HIERARCHY

In determining and documenting the fair value of financial instruments, the following hierarchy based on different measurement methods was used:

level 1: financial instruments with prices quoted on active markets;

level 2: prices quoted on active markets for similar financial instruments, or fair value determined with other measurement methods where all significant inputs are based on observable market data;

level 3: fair value determined with measurement methods where no significant input is based on observable market data.

The change in level 3 is set out in the table below:

(in thousands of euro)	Receivables and other non-current assets	Non-current equity investments	Total
Balance at December 31, 2019	145,768	6,837	152,605
Changes arising from acquisitions	15,980	584	16,564
Gains and losses in profit or loss	18,734	-	18,734
Gains and losses in equity	-	(126)	(126)
Sales/reductions in capital	(52,586)	(45)	(52,631)
Other changes	(5,082)	-	(5,082)
Total changes	(22,954)	413	(22,541)
Balance at December 31, 2020	122,814	7,250	130,064

AUDIT FEES

The table below sets out details of the fees paid in 2020 to the independent auditors, pursuant to art. 149-duodecies, para. 1 of CONSOB Resolution no. 11971 of May 14, 1999:

Services provided (in thousands of euro)	DELOITTE & TOUCHE S.p.A.	Other companies in the DELOITTE network	Total
Audit services	181	-	181
Review of non-financial disclosure	67	-	67
Non-audit services	66	-	66
Total	314	-	314

GRANTS FROM THE PUBLIC ADMINISTRATION

Following the approval of the annual Competition Law no. 124/2018 aimed at greater transparency about government grants, during the year the Company received grants of 28 thousand euro from Fondirigenti for staff training.

TRANSACTIONS WITH RELATED PARTIES

The figures at December 31, 2020 for transactions with related parties are set out in the following table:

Receivables and payables with related parties

(euro)					
Description	Company	Amount	% impact on carrying amounts	Carrying amounts	Reference
Trade receivables					
subsidiaries	Bea S.p.A.	601			
	Callmewine S.r.l.	383			
	Casa della Salute S.r.l.	1,202			
	Clessidra SGR S.p.A.	115,250			
	Clessidra Holding S.p.A.	2,041			
	Franco Tosi Ventures S.r.l.	11			
	FT2 S.r.l.	1,832			
	FT3 S.r.l.	1			
	Italgen S.p.A.	15,782			
	Italmobiliare Servizi S.r.l.	21,281			
	Officina Profumo Farmaceutica di Santa Maria Novella	17,230			
	Sirap Gema S.p.A.	293,648			
Trade receivables					
associates	Autogas Nord S.p.A.	30,000			
	Iseo Serrature S.p.A.	60,000			
	Tecnica Group S.p.A.	34,016			
Total trade receivables		593,278	90.47%	655,793	Note 8
Other amounts due					
subsidiaries	Sirap Gema S.p.A.	15,000,000			
Other amounts due					
associates	Tecnica Group S.p.A.	9,000,000			
Total other non-current assets		24,000,000	15.39%	155,964,095	Note 7
Receivables for tax consolidation					
subsidiaries	Caffè Borbone S.r.l.	3,938,338			
	Other related parties	11,729			
Total other current assets including derivatives		3,950,067	n.s.	1,262,882	Note 9
Current account receivables					
subsidiaries	Credit Mobilier Monaco	1,826,313			
	Franco Tosi Ventures S.r.l.	13,552			
	FT2 S.R.L.	1,911,209			
	FT3 S.r.l.	3,000			
	Italgen S.p.A.	88,941			
	Sirap Gema S.p.A.	3,000,000			
Prepayments and accrued income					
Associates	Tecnica Group S.p.A.	1,670,055			
Total current financial receivables		8,513,070	2.73%	312,147,027	Note 11
Current account payables					
subsidiaries	Italmobiliare Servizi S.r.l.	(1,776,528)			
	Punta Ala Promoz. e Sviluppo Imm.re S.r.l.	(202,912)			
Total current financial liabilities		(1,979,440)	n.s.	(178,342)	Note 18

n.s. = not significant

(euro)					
Description	Company	Amount	% impact on carrying amounts	Carrying amounts	Reference
Trade payables					
subsidiaries	Caffè Borbone S.r.l.	(811)			
	Capitelli F.lli S.r.l.	(1,428)			
	Officina Profumo Farmaceutica di Santa Maria Novella	(16,305)			
	Punta Ala Promoz. e Sviluppo Imm.re S.r.l.	(216)			
	Sirap Gema S.p.A.	(273,023)			
	Italmobiliare Servizi S.r.l.	(30,567)			
associates					
	Tecnica Group S.p.A.	(398)			
Total trade payables		(322,748)	19.47%	(1,657,600)	Note 22
Other payables tax consolidation					
subsidiaries	Capitelli F.lli S.r.l.	(92,028)			
	Clessidra SGR S.p.A.	(239,505)			
	Clessidra Holding S.p.A.	(30,177)			
	Clessidra Capital Credit S.p.A.	(9,111)			
	Franco Tosi Ventures S.r.l.	(18,788)			
	Italgen S.p.A.	(11,621)			
	Italmobiliare Servizi S.r.l.	(241,642)			
	Punta Ala Promoz. e Sviluppo Imm.re S.r.l.	(24,971)			
	Sirap Gema S.p.A.	(176,276)			
Other liabilities					
subsidiaries	Italmobiliare Servizi S.r.l.	(28,714)			
Total other non-current liabilities		(872,833)	n.s	(105,253)	Note 20
Accrued expenses and deferred income					
subsidiaries	Italmobiliare Servizi S.r.l.	(6,856)			
Total other current liabilities		(6,856)	0.05%	(14,227,723)	Note 23
COMMITMENTS WITH RELATED PARTIES					
Description	Company	Amount			
Letters of patronage to					
subsidiaries	Italgen S.p.A.	1,687,566			
	Sirap Gema S.p.A.	24,078,333			
Total commitments		25,765,899			

Revenue and expenses with related parties

(euro)					
Description	Company	Amount	% impact on carrying amounts	Carrying amounts	Reference
Dividends					
subsidiaries	Caffè Borbone S.r.l.	12,000,000			
	Italgem S.p.A.	7,200,000			
associates	Autogas Nord S.p.A.	1,289,860			
	Dokimé S.r.l.	6,817,106			
	Iseo Serrature S.p.A.	480,000			
Total dividends		27,786,966	91.58%	30,341,967	Note 24
Current account and financial interest income and other income					
subsidiaries	Capitelli F.lli S.r.l.	24			
	Crédit Mobilier de Monaco	9,954			
	Franco Tosi Ventures S.r.l.	35			
	FT2 S.R.L.	2,822			
	FT3 S.r.l.	1			
	Italgem S.p.A.	15,946			
	Sirap Gema S.p.A.	688,546			
associates	Tecnica Group S.p.A.	721,973			
Total interest income		1,439,301	9.69%	14,857,844	Note 24
Recovery of cost of services					
subsidiaries	BEA S.p.A.	601			
	Caffè Borbone S.r.l.	70,000			
	Callmewine S.r.l.	383			
	Capitelli F.lli S.r.l.	59,583			
	Casa della Salute S.r.l.	1,202			
	Clessidra SGR S.p.A.	150,000			
	Clessidra Holding S.p.A.	2,041			
	Crédit Mobilier de Monaco	6,000			
	Franco Tosi Ventures S.r.l.	10,000			
	FT2 S.R.L.	48,870			
	Italgem S.p.A.	62,110			
	Italmobiliare Servizi S.r.l.	46,706			
	Officina Profumo Farmaceutica di Santa Maria Novella	47,230			
	Punta Ala Promoz. e Sviluppo Imm.re S.r.l.	29,154			
	Sirap Gema S.p.A.	20,000			
associates	Autogas Nord S.p.A.	30,000			
	Iseo Serrature S.p.A.	60,000			
	Tecnica Group S.p.A.	34,016			
	Other related parties	42,944			
Total services		720,840	99.17%	726,840	Note 24
Total revenue		29,947,107	n.s.	16,210,963	Note 24
Other revenue and income					
subsidiaries	Caffè Borbone S.r.l.	5,039			
	Clessidra SGR S.p.A.	680			
	Italgem S.p.A.	17,337			
	Italmobiliare Servizi S.r.l.	143,708			
	Punta Ala Promoz. e Sviluppo Imm.re S.r.l.	32			
Total other operating revenue and income		166,796	10.35%	1,611,952	Note 25
Services					
subsidiaries	Italmobiliare Servizi S.r.l.	(2,356,278)			
	Italgem S.p.A.	(3,800)			
	Sirap Gema S.p.A.	(18,743)			
	Other related parties	(211,911)			
Total services		(2,590,732)	31.98%	(8,101,988)	Note 27

(euro)					
Description	Company	Amount	% impact on carrying amounts	Carrying amounts	Reference
Employee benefit expense	Other related parties	(66,522)			
Total employee benefits expenses		(66,522)	0.43%	(15,551,275)	Note 28
Current account and financial interest expense					
subsidiaries	Italmobiliare Servizi S.r.l.	(3,882)			
	Punta Ala Promoz. e Sviluppo Imm.re S.r.l.	(940)			
Other (income) expense					
subsidiaries	Caffè Borbone S.r.l.	(3,628)			
	Capitelli F.lli S.r.l.	(2,009)			
	Italmobiliare Servizi S.r.l.	(67,815)			
	Officina Profumo Farmaceutica di Santa Maria Novella	(26,607)			
Other related parties	(Endowment to Fondazione Cav. Lav. Carlo Pesenti)	(800,000)			
Total other operating income/expenses		(904,881)	2.43%	(37,247,364)	Note 29
Interest expense on trade payables					
subsidiaries	Italmobiliare Servizi S.r.l.	(14)			
Total finance income/costs		(14)	n.s.	18,413,497	Note 31-32

n.s. = not significant

Impact of transactions with related parties on cash flows

(in thousands of euro)	Cash flows	
	Amount	%
Cash flow from operating activities with related parties	10,321	62.8%
Total A) - from statement of cash flows	16,434	
Cash flow from investing activities with related parties	(194,652)	n.s.
Total B) - from statement of cash flows	(123,256)	
Cash flow from financing activities with related parties	(4,213)	14.7%
Total C) - from statement of cash flows	(28,604)	
Change in cash and cash equivalents with related parties	(188,544)	
Change in cash and cash equivalents from statement of cash flows (A+B+C)	(135,426)	

n.s. = not significant

Fees paid to directors and the chief operating officer

The table below sets out the amounts accrued during the financial year for the directors, the Chief Operating Officer and the Financial Reporting Officer (key management personnel) for positions held:

(euro)	2020	2019
Short-term benefits: fees and remuneration	7,206,592	8,191,129
Post-employment benefits	-	-
Other long-term benefits	3,347,400	2,391,200
Share-based payments (stock options)	1,063,092	393,676
Total	11,617,084	10,976,005

Events after the reporting date

The recovery of the global economic cycle, which began during the second quarter of 2020, has decelerated in terms of intensity since the end of last year with the reintroduction of social distancing measures, but it has not deteriorated.

However, the global figures contain various different trends between sectors and geographical areas. Manufacturing has stabilised at high levels of growth, with nearly 80% of economies reporting expansion. On the other hand, the trend in services has fallen to levels seen at the start of the second half of 2020. The sectoral slowdown has spread to most geographical areas, particularly in Europe and in those countries, such as Italy, where the economy is most exposed to logistics and hospitality services. This slowdown was accentuated in the first few months of 2021, increasing the risk in Europe of a second technical recession. However, the slowdown is not expected to extend beyond the first quarter of the year. The economic cycle is being supported by emerging nations, China in particular, the only country to have recorded a positive change in GDP in 2020, and by the United States, whose expansionary phase has shown greater relative solidity among the advanced economies. In the face of global economic policies that remain ultra-expansive and on the assumption that the pandemic will be gradually tamed, global real GDP growth is expected to reach 5.5% on average in 2021 (-3.5% expected as the final result in 2020) with estimates for Italy ranging between 3% and 5.8%. The forecasts are therefore assuming a socio-economic context characterised by revocation of the main lockdown measures during the year and widespread vaccination at the same time. The measures to support the green economy, linked to strategies of climate neutrality and the focus of fiscal policies on social needs, also have an extraordinary impact on the global growth rate of investments in the short and long term. The risk factors for the current year, however, are connected to the uncertain trajectory of the virus, as well as the effects it might have on financial stability, which could be triggered by accelerations in market expectations about inflation and the consequent repercussions on the dynamics of long-term interest rates.

In a context characterised by high uncertainty, the Company's commitment will remain focused on providing economic and strategic support to the companies in its portfolio, in order to adapt their business models to intercept the acceleration imposed by the pandemic phenomenon on some macro-trends already in place and explore growth opportunities also through acquisitions and extraordinary corporate finance, with particular attention to careful monitoring and risk management.

Further investment opportunities will be evaluated with careful analysis of aspects such as their technological evolution and sustainability of their business models over time, with a focus on macro-sectors where unique and specific skills and product excellence typical of the Italian entrepreneurial landscape can benefit most from the transversal skills offered by the holding company's management team: industrial and financial planning, best practices in terms of governance and sustainability, and international networks of both business and institutional contacts.

The pro-active approach that has characterised Italmobiliare's activity with its portfolio companies will also characterise its commitment to the new companies that have entered the portfolio, starting with Officina Profumo-Farmaceutica di Santa Maria Novella, an iconic brand recognised for its high quality and with high growth potential; as well as the two dynamic "Small cap growth" companies Casa Della Salute and Callmewine, in which to combine rapid expansion with structured management and a solid organisation.

The recent investments and positive performance of the companies acquired are reflected in a higher weight of the Portfolio Companies, which by the end of the year had increased to approximately 60% of Italmobiliare's total NAV, with the rest of the portfolio split between Private Equity Funds, other equity investments (including minority interests in listed companies such as HeidelbergCement, which has now fallen below 5% of NAV) and a reserve of cash and cash equivalents to take advantage of market opportunities. With a view to natural rotation of the portfolio, the beginning of 2021 saw the successful sale of an important part of the assets of the Sirap Group, a historic investment, allowing full enhancement of its long development path and ensuring an excellent business combination within the Faerch group.

In the portfolio of Private Equity Funds and alternative investments, where important segments such as Venture Capital and High-Tech Growth Capital have been added, in addition to the American mid cap, the main commitment will remain the continuous support in Italy for Clessidra, both in the development of the traditional Private Equity business and in the most recent initiatives in the credit segment.

Proposal for approval of the financial statements and allocation of the profit for the year

2020 Annual Report

1.1 Financial statements for the year ended December 31, 2020;

1.2 Proposed dividend distribution.

Dear Shareholders,

We submit for your approval the financial statements for the year ended December 31, 2020, which closed with a profit of Euro 31,564,698. Reference is made to the annual report and the draft financial statements contained in it for all information in this regard, specifying that it will be published by the legal deadline.

The profit for the year and the Company's financial situation enable us to propose the distribution of a dividend of Euro 0.65 per share, gross of the withholdings required by law.

We would like to propose that the dividend be paid on May 5, 2021 (going ex-coupon on May 3, 2021 and with a record date of May 4, 2021).

Taking into account the 217,070 treasury shares held at the date of this report, whose right to earnings is attributed proportionately to the other shares in accordance with art. 2357-ter of the Italian Civil Code, the distribution will come out of the profit for the year for Euro 27,483,904.5. Note that this amount could differ if there is a change in the number of treasury shares in the Company's portfolio on the record date.

With reference to point 1.1, we would invite you to pass the following resolution:

"The Shareholders' Meeting of Italmobiliare S.p.A., having noted the report of the Board of Directors on operations and the report of the Board of Statutory Auditors, and after having examined the financial statements at December 31, 2020,

resolves

to approve the report of the Board of Directors on operations and the 2020 financial statements, consisting of the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and explanatory notes, which show a profit of Euro 31,564,698 as presented by the Board of Directors in its entirety, in the individual postings and with the proposed allocations."

With reference to point 1.2, we would invite you to pass the following resolution:

"The Shareholders' Meeting of Italmobiliare S.p.A.,

- having examined the 2020 annual report;
- considering that the legal reserve has reached one fifth of the share capital and consequently no further provisions need be made pursuant to article 2430 of the Italian Civil Code and article 30 of the Company's by-laws,

resolves

1. to distribute a gross dividend per share of Euro 0.65 to each of the shares with rights, therefore excluding the treasury shares held in the Company's portfolio on the record date, using part of the profit for the year for a total of euro 27.483.904,5, carrying forward any undistributed amounts;
2. to establish that the dividend will be paid on May 5, 2021 with a coupon date of May 3, 2021 and a record date of May 4, 2020;
3. to authorise the Chairman and the current Chief Executive Officer, separately, if the number of treasury shares in portfolio changes before the record date, to increase the amount to be taken from retained earnings by the amount of the dividend pertaining to any shares purchased or to reduce it for the amount of the dividend pertaining to any treasury shares sold".

Milano, March 4, 2021

**For the Board of Directors
The Chief Executive Officer
(Carlo Pesenti)**

ANNEXES

Annex A - Statement of changes in the accounts of investments in subsidiaries, associates and other companies at December 31, 2020

(euro)

Shares and quotas	Balance on 1/1/2020		Increases		Decreases	
Subsidiaries	Quantity	Amounts	Quantity	Amounts	Quantity	Amounts
Bea S.p.A.	--	--	1,942,500	24,104,713		
Caffè Borbone S.r.l.	600,000	143,568,361				
Capitelli F.lli S.r.l.			1	14,232,033 ⁽¹⁾⁽²⁾		
Clessidra Holding S.p.A.			50,000	600,000 ⁽³⁾⁽⁸⁾		
Clessidra SGR S.p.A.	300,000	19,000,000		3,000,000 ⁽³⁾		
Crédit Mobilier de Monaco	34,970	5,285,223				
Franco Tosi Ventures S.r.l.	1	100,000		37,620 ⁽³⁾		
FT1 S.R.L.	1	22,712,278		101,455	1	22,813,733 ⁽¹⁾
FT2 S.R.L.	1	10,000		161,708,295 ⁽³⁾⁽⁵⁾⁽⁶⁾		
FT3 S.R.L.	--	--	1	13,310,000 ⁽³⁾⁽⁷⁾⁽⁸⁾		
Italgem S.p.A.	20,000,000	20,131,526				
Italmobiliare Servizi S.r.l.	1	11,411,491				
Punta Ala Promozione e Sviluppo Immobiliare S.r.l.	1,300,000	1,558,523				
Société d'Etudes de Participations et de Courtages S.A.	85,985	1				
Sirap Gema S.p.A.	15,000,000	49,200,000				
Total subsidiaries		272,977,403		217,094,116		22,813,733
Associates						
Autogas Nord S.p.A.	3,685,315	60,313,471		44,874 ⁽⁵⁾		
CCC HOLDINGS EUROPE S.P.A.	--	--	1,003,750	5,020,615 ⁽⁵⁾⁽⁸⁾		
Dokimè S.r.l.	20,627	3,434,396				1,454,322
Florence InvestCo S.r.l.	--	--	1	13,800,000 ⁽⁸⁾		
Iseo Serrature S.p.A.	1,917,523	42,607,495		45,407 ⁽⁵⁾		
Società Editrice Sud S.p.A.	29,275	7,000,000				
Tecnica Group S.p.A.	15,413,534	43,376,254				
Capitalised costs for investments in progress				115,000		
Total associates		156,731,616		19,025,896		1,454,322
Other companies						
Atmos Venture S.p.A.	222,909	72,753				
Cairo Communication S.p.A.	189,198	513,673				
Can-Fite Biopharma	204	600				
Cartiere Burgo S.p.A.	46,153,846	1				
Coima Res S.p.A.	412,332	3,636,768				
Compagnia Fiduciaria Nazionale S.p.A.	20,001	1,206,342				
Fin.Priv. S.r.l.	2,857	20,473,105				
HeidelbergCement AG	2,542,000	165,128,320				
Ideami S.p.A.	300,000	3,000,000			300,000	3,000,000 ⁽⁹⁾
Idrovia Ticino Nord Milano Mincio S.p.A. in liquidation	100	568				
Immobiliare Lido di Classe S.p.A.	45,991	1				
Immobiliare Astra S.p.A.	12,012	30,231				
Italgem MISR for Energy	7,694	45,113				
New Flour S.p.A.	27,667	3,610,154		509,209 ⁽³⁾		
Piaggio S.p.A.	169,699	466,332				
Sesaab S.p.A.	700,000	1,240,000				
Unicredit S.p.A. - ordinary shares	204,331	2,660,390				
Unione di Banche Italiane S.p.A.	117,412	341,117				
Vontobel Holding AG	115,238	7,341,724				
035 Investimenti S.p.A.	1,052,631	631,691	61,919	74,303 ⁽³⁾		
Total other companies		210,398,883		583,512		3,000,000
Total equity investments		640,107,902		236,703,524		27,268,055

(1) Reverse merger of FT1 S.r.l. with Capitelli F.lli S.r.l.

(2) Refund payment on capital account

(3) Payment on capital account

(4) Impairment

(5) Capitalized commission

(6) Payment to FT2 S.r.l. for Officina Profumo-Farmaceutica di Santa Maria Novella increase in capital

(7) Payment to FT3 S.r.l. for Callmewine increase in capital

(8) Subscription

(9) Liquidated

(10) Indemnity

							(euro)
Quantity and sale value		Adjustment	Profit (loss) FVTOCI	% held	Balance at 12/31/2020		Shares and quotas
Quantity	Amounts	Amounts	Amounts	%	Quantity	Amounts	Subsidiaries
				92.061	1,942,500	24,104,713	Bea S.p.A.
				60.000	600,000	143,568,361	Caffè Borbone S.r.l.
				80.000	1	14,232,033	Capitelli F.lli S.r.l.
				100.000	50,000	600,000	Clessidra Holding S.p.A.
				100.000	300,000	22,000,000	Clessidra SGR S.p.A.
				99.910	34,970	5,285,223	Crédit Mobilier de Monaco
		(80,359) ⁽⁴⁾		100.000	1	57,261	Franco Tosi Ventures S.r.l.
							FT1 S.R.L.
				100.000	1	161,718,295	FT2 S.R.L.
				100.000	1	13,310,000	FT3 S.R.L.
				100.000	20,000,000	20,131,526	Italgem S.p.A.
				100.000	1	11,411,491	Italmobiliare Servizi S.r.l.
				100.000	1,300,000	1,558,523	Punta Ala Promozione e Sviluppo Immobiliare S.r.l.
				99.980	85,985	1	Société d'Etudes de Participations et de Courtages S.A.
		19,200,000 ⁽⁴⁾		100.000	15,000,000	68,400,000	Sirap Gema S.p.A.
--		19,119,641	--			486,377,427	Total subsidiaries
							Associates
				30.000	3,685,315	60,358,345	Autogas Nord S.p.A.
				16.370	1,003,750	5,020,615	CCC HOLDINGS EUROPE S.P.A.
				20.627	20,627	1,980,074	Dokimè S.r.l.
				23.880	1	13,800,000	Florence InvestCo S.r.l.
				39.280	1,917,523	42,652,902	Iseo Serrature S.p.A.
		(600,000) ⁽⁴⁾		31.099	29,275	6,400,000	Società Editrice Sud S.p.A.
				40.000	15,413,534	43,376,254	Tecnica Group S.p.A.
						115,000	Capitalised costs for investments in progress
--		(600,000)	--			173,703,190	Total associates
							Other companies
				10.132	222,909	72,753	Atmos Venture S.p.A.
		(274,526)	--	0.203	189,198	239,147	Cairo Communication S.p.A.
		(304)		0.001	204	296	Can-Fite Biopharma
				11.680	46,153,846	1	Cartiere Burgo S.p.A.
		(931,870)	--	0.203	412,332	2,704,898	Coima Res S.p.A.
		(17,152)		16.668	20,001	1,189,190	Compagnia Fiduciaria Nazionale S.p.A.
		(4,605,384)		14.285	2,857	15,867,721	Fin.Priv. S.r.l.
1,170,000	62,294,208	(5,131,280)	(13,708,992)	0.691	1,372,000	83,993,840	HeidelbergCement AG
				1.200	--	--	Ideami S.p.A.
				0.200	100	568	Idrovia Ticino Nord Milano Mincio S.p.A. in liquidation
				18.036	45,991	1	Immobiliare Lido di Classe S.p.A.
		119		1.784	12,012	30,350	Immobiliare Astra S.p.A.
7,693	111,369 ⁽¹⁰⁾		66,257	1.000	1	1	Italgem MISR for Energy
		96,727		16.970	27,667	4,216,090	New Flour S.p.A.
		(8,824)		0.470	169,699	457,508	Piaggio S.p.A.
		60,000		7.000	700,000	1,300,000	Sesaab S.p.A.
		(1,097,666)		0.009	204,331	1,562,724	Unicredit S.p.A. - ordinary shares
117,412	423,951		82,834		--	--	Unione di Banche Italiane S.p.A.
		147,359		0.203	115,238	7,489,083	Vontobel Holding AG
		(265,156)		10.530	1,114,550	440,838	035 Investimenti S.p.A.
	62,829,528	(12,027,957)	(13,559,901)			119,565,009	Total other companies
	62,829,528	6,491,684	(13,559,901)			779,645,626	Total equity investments

Annex B - List of investments in subsidiaries and associates at December 31, 2020 (art. 2427 no.5 of the Italian Civil Code)

	Head Office		Share capital	Total equity	Profit/ (loss) for the year	% held	Carrying amount
			(in euro)	(in euro)	(in euro)		(in euro)
Subsidiaries							
Bea S.p.A.	Busalla	€	2,110,000	1,719,055	802,292	92.061	24,104,713
Caffè Borbone S.r.l.	Caivano	€	1,000,000	346,275,546	90,545,686	60.000	143,568,361
Capitelli F.lli S.r.l.	Borgonovo Val Tidone	€	51,480	19,756,897	2,179,163	80.000	14,232,033
Clessidra Holding S.p.A.	Milan	€	50,000	504,442	(95,558)	100.000	600,000
Clessidra SGR S.p.A.	Milan	€	6,000,000	23,491,447	(904,124)	100.000	22,000,000
Crédit Mobilier de Monaco	Montecarlo	€	5,355,000	6,106,818	36,509	99.910	5,285,223
Franco Tosi Ventures S.r.l.	Milan	€	100,000	57,261	(42,739)	100.000	57,261
FT2 S.r.l.	Milan	€	10,000	161,055,343	45,343	100.000	161,718,295
FT3 S.r.l.	Milan	€	10,000	13,309,723	(277)	100.000	13,310,000
Italgem S.p.A.	Bergamo	€	20,000,000	29,103,523	5,318,626	100.000	20,131,526
Italmobiliare Servizi S.r.l.	Milan	€	3,520,000	9,943,909	(391,458)	100.000	11,411,491
Punta Ala Promozione e Sviluppo Immobiliare S.r.l.	Milan	€	1,300,000	1,081,880	(7,654)	100.000	1,558,523
Société d'Etudes de Participations et de Courtages S.A.	Montecarlo	€	1,290,000	370,245	(68,485)	99.980	1
Sirap Gema S.p.A.	Verolanuova	€	15,000,000	13,520,450	622,632	100.000	68,400,000
Total subsidiaries							486,887,461
Associates							
Autogas Nord S.p.A.	Volpiano	€	11,287,783	169,768,575	20,320,534 ⁽¹⁾	30.000	60,358,345
CCC HOLDINGS EUROPE S.P.A.	Bergamo	€	6,130,000	30,318,425	(201,793)	16.370	5,020,615
Dokimè S.r.l.	Milan	€	100,000	47,099,429	31,797,390 ⁽²⁾	20.627	1,980,084
Florence InvestCo S.r.l.	Milan	€	578,000	57,800,000	n.a.	23.880	13,800,000
Iseo Serrature S.p.A.	Pisogne	€	24,410,700	66,878,717	4,053,907 ⁽¹⁾	39.280	42,652,902
Società Editrice Sud S.p.A.	Messina	€	10,695,505	52,597,632	(3,505,223)	31.099	6,400,000
Tecnica Group S.p.A.	Giavena del Montello	€	38,534,000	68,519,000	16,036,000	40.000	43,376,254
Total associates							173,588,200

(1) figures from the consolidated financial statements at 31/12/2020

(2) figures at 07/31/2020

n.a. not available

Annex C - Statement of changes in the accounts of trading investments that took place on December 31, 2020

(euro)											
Shares and quotas	Balance on 1/01/2020		Increases		Decreases		Adjustment	% held	Balance at 12/31/2020		Profits (losses) on sales
	Quantity	Amounts	Quantity	Amounts	Quantity	Amounts	Amounts	%	Quantity	Amounts	Amounts
Other companies											
Banco BPM S.p.A.	150,000	304,200	--	--	--	--	(33,000)	0.010	150,000	271,200	--
BNP PARIBAS S.A.	--	--	18,600	646,562	5,580	193,969	108,633	0.001	13,020	561,226	57,191
Dassault Systèmes SE	--	--	3,600	490,002	1,080	147,001	75,697	0.001	2,520	418,698	22,289
EDP RENOVAVEIS S.A.	--	--	44,900	518,131	40,161	463,444	53,363	0.001	4,739	108,050	233,723
ENI S.p.A.	420,000	5,815,320	125,000	907,785	137,500	1,834,474	(1,405,321)	0.011	407,500	3,483,310	(221,687)
Enel S.p.A.	--	--	150,000	839,597	45,000	251,879	281,262	0.001	105,000	868,980	109,484
EUSKALTEL S.A.	--	--	66,600	484,183	19,980	145,255	68,997	0.026	46,620	407,925	39,406
International Consolidated Airlines Group S.A.	--	--	530,000	1,265,676	159,000	379,703	(221,512)	0.007	371,000	664,461	(109,276)
Intesa SanPaolo S.p.A.	--	--	571,141	1,010,439	171,342	303,131	57,348	0.002	399,799	764,656	30,198
MARR S.p.A.	17,341	352,890	--	--	--	--	(60,520)	0.026	17,341	292,370	--
Mediobanca Banca di Credito Finanziario S.p.A.	--	--	28,000	153,838	8,400	46,151	40,098	0.002	19,600	147,785	17,076
Mediaset S.p.A.	5,334,242	14,189,083	--	--	1,402,104	3,729,596	(2,257,047)	0.333	3,932,138	8,202,440	(1,108,597)
Natixis S.A.	--	--	198,000	500,211	59,400	150,063	36,408	0.004	138,600	386,556	5,784
OVS S.p.A.	811,093	1,627,053	--	--	--	--	(775,405)	0.357	811,093	851,648	--
Royal Dutch Shell	50,000	1,308,250	49,400	768,977	14,820	309,703	(531,472)	0.002	84,580	1,236,052	(85,419)
Sanofi S.A.	--	--	4,000	306,699	1,200	92,010	5,671	0.000	2,800	220,360	414
SAP AG	--	--	3,500	367,765	1,050	110,329	5,253	0.000	2,450	262,689	(4,238)
TeamViewer AG	--	--	29,000	1,039,676	15,700	562,859	106,122	0.007	13,300	582,939	146,062
Telecom Italia S.p.A.	--	--	1,280,000	484,959	384,000	145,488	(1,321)	0.006	896,000	338,150	2,736
Total S.A.	10,000	492,000	16,700	520,845	5,010	190,051	(57,137)	0.001	21,690	765,657	(6,876)
ZOOM VIDEO Communications Inc.	--	--	4,900	636,276	3,600	467,468	188,552	0.001	1,300	357,360	557,704
Total other companies		24,088,796		10,941,621		9,522,574	(4,315,331)			21,192,512	(314,026)

Annex D - Statement of changes in bonds and mutual fund units that took place during 2020

(euro)	Balance on 1/01/2020	Increases	Decreases	Adjustment	Balance at 12/31/2020
Bonds and investment funds (non-current)					
Other variable-income securities	3,668,160	--	--	(599,160)	3,069,000
Other fixed-income securities	9,000,000	--	--	--	9,000,000
Investment funds	145,768,048	15,980,608	52,586,387	13,651,945	122,814,214
Total	158,436,208	15,980,608	52,586,387	13,052,785	134,883,214

The item "Investment Funds" of 122,814,214 euro is made up principally of:

- Clessidra (quota "A" and "B") for 47,360,479 euro
- BDT Capital Partners Fund II for 48,440,878 euro
- ICONIQ Strategic Partners IV-B, L.P. for 11,428,764 euro

(euro)	Balance on 1/01/2020	Increases	Decreases	Adjustment	Balance at 12/31/2020
Bonds and funds for trading (current assets)					
Other variable-income securities	7,137,701	444,290	1,956,185	394,169	6,019,975
Other fixed-income securities	8,891,802	--	8,891,802	--	--
Investment funds	298,825,552	110,238,945	144,520,791	(341,938)	264,201,768
Total	314,855,055	110,683,235	155,368,778	52,231	270,221,743

The "Other variable-income securities" are mainly ETFs.

The item "Investment Funds" of 264,201,768 euro mainly consists of the Vontobel Fund for 243,660,694 euro

The balance at December 31, 2020 is equal to the market value at December 31, 2020.

Annex E - Comparison between carrying amounts and market prices at December 31, 2020 of investments in companies with listed shares

(euro)					
Shares	Number of shares	Total carrying amount	Unit carrying amount	Unit market value at December 31, 2020	Total amount at market value at December 31, 2020
Other companies					
Cairo Communication S.p.A.	189,198	239,147	1.2640	1.2640	239,146
Coima Res S.p.A.	412,332	2,704,898	6.5600	6.5600	2,704,898
HeidelbergCement AG	1,372,000	83,993,840	61.2200	61.2200	83,993,840
Piaggio S.p.A.	169,699	457,508	2.6960	2.6960	457,509
Unicredit S.p.A.	204,331	1,562,724	7.6480	7.6480	1,562,724
Vontobel Holding AG	115,238	7,489,083	64.9880	64.9880	7,489,083
		96,447,200			96,447,200
Treasury shares (deducted from equity)					
ITALMOBILIARE Società per Azioni - ordinary shares (*)	512,070	6,620,158	12.9281	29.3000	15,003,651
		6,620,158			15,003,651

(*) of which 70,300 serving stock option plans

Annex F - Reconciliation between the theoretical tax charge and the actual tax charge recorded in the income statement

(in thousands of euro)		
A) Profit/(loss) before tax		26,133
B) Current rate of corporation tax (IRES)	24.0%	
C) Theoretical IRES (AxB)		(6,272)
D) Permanent differences		
- non-deductible		(5,713)
- non-taxable/exempt		15,473
	tot. D)	9,760
F) Withholdings on foreign dividends	tot. F)	(235)
G) Deferred tax assets/liabilities arising during the year:		
- deferred tax liabilities on taxable temporary differences not recorded		303
- deferred tax assets on deductible temporary differences not recorded		1,536
- deferred tax assets on tax loss not recorded		
	tot. G)	1,839
N) Other changes	tot. N)	339
Total	(D+F+G+N)	11,703
O) Actual IRES shown in the income statement		5,431

Annex G - Analysis of equity items at December 31, 2020

(in thousands of euro)				Summary of uses made in the previous three years	
Nature/description	Amount	Possibility of use	Available portion	to cover losses	for other reasons
Share capital	100,167				
Reserves:					
Share premium	55,607	A, B, C	55,607		
Reserve for stock options	349	-			
Non-distributable OCI reserve	(8,042)	-	-		
Total reserves	47,914	-	55,607		
Treasury shares at cost	(6,620)	-			(123,701)
Retained earnings:					
Revaluation reserves	-	A, B, C	-	-	
Reserve for capital grants	-	A, B, C	-	-	
Merger surplus	160,549	A, B, C	160,549		(809)
Reserve as per art. 55 DPR 597/1973 and 917/86	-	A, B, C	-	-	
Reserve as per art. 54 DPR 597/1973 and 917/86	-	A, B, C	-	-	
Reserve as per Law 72/83	165	A, B, C	165	-	
Reserve as per art. 34 Law 576/75	60,087	A, B, C	60,087	-	
Legal reserve	20,034	B	-		
Extraordinary reserve		A, B, C	-		
Distributable retained earnings	832,172	A, B, C	832,172		(69,102)
Non-distributable retained earnings	33,360		-		
Reserve from net exchange gains	-	A, B, C	-		
Reserve as per art. 7 of Legislative Decree 38/2005	949	A, B, C	949		(363)
Profit for the year	31,565		31,565		
Total retained earnings	1,138,881		1,085,487	-	(193,975)
Total			1,141,094		
Non-distributable portion - art. 2426 no. 5 Civil Code					
Residual distributable portion			1,141,094		

Legend

A: for increase in capital
 B: to cover losses
 C: for distribution to shareholders

ITALMOBILIARE

INVESTMENT HOLDING

Certification pursuant to art. 154-bis paragraph 5 of the Italian Consolidated Law on Finance (TUF) regarding the separate financial statements pursuant to art. 81-ter of Consob Regulation no. 11971 of May 14, 1999 and subsequent amendments and additions

1. The undersigned Carlo Pesenti, Chief Executive Officer, and Mauro Torri, Manager in charge of financial reporting of Italmobiliare S.p.A., hereby certify, also in consideration of art. 154-bis, paragraphs 3 and 4, of legislative decree no. 58 of February 24, 1998:

- the adequacy in relation to the characteristics of the company and
- the actual application

of the administrative and accounting procedures adopted for the preparation of the **separate financial statements** during the period from January 1, 2020 to December 31, 2020.

2. The assessment of the adequacy of the administrative and accounting procedures adopted for the preparation of the separate financial statements as at and for the year ended December 31, 2020 is based on a model identified by Italmobiliare in accordance with the CoSO framework (illustrated in the CoSO Report) and also takes into account the document "*Internal Control over Financial Reporting – Guidance for Smaller Public Companies*", both issued by the Committee of Sponsoring Organizations of the Treadway Commission, which represent a generally accepted international framework.
3. It is also declared that:
 - 3.1 the separate financial statements as at and for the year ended December 31, 2020:
 - a) have been prepared in compliance with the applicable International Financial Reporting Standards recognized by the European Community pursuant to European Parliament and Council Regulation no. 1606/2002 of July 19, 2002;
 - b) correspond to the contents of the accounting books and accounting entries;
 - c) are suitable to provide a true and fair view of the financial position, results of operations and cash flows of the issuer;
 - 3.2 the Director's report includes a reliable analysis of the performance and results of operations, as well as of the situation of Italmobiliare S.p.A. in its capacity as an issuer, together with a description of the main risks and uncertainties to which it is exposed.

March 4, 2021

Chief Executive Officer

Manager in charge of financial
reporting

Carlo Pesenti

Mauro Torri

Report of the Board of Statutory Auditors to the Shareholders' Meeting
pursuant to art. 153 of Legislative Decree 58/1998 and of art. 2429, paragraph 2, of
the Italian Civil Code
2020

Milan, March 29, 2021

Shareholders,

We, the Board of Statutory Auditors, pursuant to art. 153 of Legislative Decree. 58/1998 ("TUF") and art. 2429, paragraph 2, of the Italian Civil Code, are called upon to report to the Shareholders' Meeting convened for the approval of the financial statements on our activities during the year, as well as on any omissions and any reprehensible facts that may be found. We can also make proposals regarding the financial statements and their approval, as well as any other matters within our sphere of competence.

During the year, we carried out our supervisory tasks as required by the law, taking into account the guidelines of the standards of conduct recommended by the National Councils of Chartered Accountants and Accounting Experts, as well as by Consob and the Corporate Governance Code for Listed Companies.

* * *

Appointment and meetings of the Board of Statutory Auditors

The Board of Statutory Auditors currently in office was appointed by the Shareholders' Meeting on April 21, 2020 and is composed by Pierluigi De Biasi (Chairman), Luciana Ravicini and Gabriele Villa. The alternate auditors are Michele Casò, Maria Maddalena Gnudi and Tiziana Nesa.

We met 18 times in 2020, 7 of which prior to the date of the Shareholders' Meeting and 11 after it, with the new composition.

During 2020, the entire Board of Statutory Auditors or, in any case, some of us also took part in all meetings of the Board of Directors (which met 13 times), of the Control and Risk Committee (7 times), the Committee for Sustainability and Social Responsibility (3 times), the Related-Party Transactions Committee (3 times) and the Remuneration and Nominations Committee (4 times), as well as the induction meetings organised by the Company. From the start of 2021 and up to the date of this report, we have all taken part in all meetings of the Corporate Bodies mentioned above.

Significant events during the year

In 2020, the investment and consolidation of the shareholding structure continued.

The most significant events that took place during 2020 were as follows:

- in January 2020 the acquisition of 20% of Officina Profumo-Farmaceutica di Santa Maria Novella S.p.A. for 40 million euro, followed in September by the purchase of another 60% for 120 million euro, bringing the total interest to 80%;
- in December 2020 the acquisition of 92.5% of Casa della Salute for 24 million euro;
- in December 2020 the acquisition (through a vehicle company) of 60% of the company that owns Callmewine.com for approximately 13 million euro;
- in November an agreement, in force from January 2021, between the subsidiary Sirap Gema and Faerch Group for the sale of the former's main assets in Italy, Poland and Spain, based on an Enterprise Value of approximately 162 million euro.

For further details of significant events that took place in the year ended December 31, 2020, please refer to the Directors' report on Group operations which, to the best of our knowledge, summarises all of the key events involving the Italmobiliare Group in 2020 and up to the date of approval of the financial statements.

Atypical or unusual operations

Atypical or unusual transactions as defined by Communication no. DEM/6064293 of July 28, 2006 "*are those transactions which, due to their importance or materiality, nature of the counterparties, subject of the transaction, method of determining the transfer price and timing of the event (proximity to the end of the financial year), could give rise to doubts regarding the correctness or completeness of the information in the financial statements, conflict of interest, protection of company assets or the protection of minority shareholders*".

Within the sphere of the control activity that we carried out, no atypical or unusual transactions arose during the year.

Intragroup transactions or transactions with related parties

Pursuant to art. 2391-bis of the Italian Civil Code and the Regulation on transactions with related parties approved by Consob resolution 17221 of March 12, 2010, the Company has prepared and adopted a "Related-Party Transactions Procedure" ("RPT Procedure") and established a "Related-Party Transactions Committee" ("RPT Committee").

The current RPT Procedure, which was updated in 2018, is available on the Company's website at www.italmobiliare.it.

During 2020, the RPT Committee met 3 times and we took part, ascertaining the correctness of the proceedings.

In 2020, to the best of our knowledge, intragroup transactions carried out without the involvement of the RPT Committee essentially consisted of reciprocal administrative, legal, organisational, leasing and financial services, on which we receive periodic information from the Financial Reporting Officer. No anomalies emerged from our analysis of the information made available to us.

Detailed information on related-party transactions is contained in the Directors' report on Group operations and Notes to the consolidated financial statements at December 31, 2020 and in the Directors' report on operations and Notes to the separate financial statements at December 31, 2020.

Supervisory activity pursuant to Legislative Decree 39/2010

The activities that we performed in our role as the "Internal Control and Auditing Committee", pursuant to Legislative Decree no. 39/2010, in relation to 2020 and the results that emerged, as are follows.

(a) Information provided to the Board of Directors and Additional Report

We are required to inform the Company's Board of Directors about the outcome of the independent audit and to send it the additional report referred to in Article 11 of the European Regulation, accompanied by any observations.

In order to fulfil this obligation, we had a regular exchange of information with the independent auditors Deloitte & Touche S.p.A. ("Deloitte"), acquiring information on the progress and outcome of the audit.

It will be our responsibility to transmit the Additional Information received from Deloitte pursuant to art. 11 of the European Regulation to the Board of Directors, together with any observations that might be useful or necessary to allow the Board of Directors to improve its financial reporting.

(b) Monitoring the financial reporting process and the presentation of recommendations or proposals aimed at guaranteeing its integrity

We verified that there were adequate rules and processes governing the process of "formation" and "dissemination" of financial information at meetings with Financial Reporting Officer and with the Head of Internal Audit (which audits the financial reporting process), each to the extent of its sphere of competence, obtaining an adequate description of the financial reporting process, the Company's administrative and accounting procedures and the process of reporting by subsidiaries, also pursuant to Article 114 of the CFA and the guidelines prepared by Consob. We also confirmed with the Head of Internal Audit the control activities carried out in coordination with the Financial Reporting Officer, focused on the obligations pursuant to art. 154-*bis*, CFA.

During the year, the Company continued to maintain and update the procedures that it had adopted. No real need for action emerged from this review of the processes used in the formation and dissemination of financial information.

Our work did not reveal any shortcomings or facts to be submitted to the Shareholders' Meeting, nor do we have any proposals or recommendations to make regarding the integrity of the financial reporting process.

(c) Monitoring of the effectiveness of the internal control, internal audit and risk management systems

We took part in all 7 meetings of the Control and Risk Committee, in some cases organised jointly between the two committees. At these meetings, we maintained an exchange of information with the Committee on the activities carried out by both of our committees.

We met periodically with the Head of Internal Audit, also as part of meetings of the Risks and Sustainability Committee, obtaining updates on the audit plan and the results of their audits. We also regularly received from the Head of Internal Audit the reports prepared at the end of each specific control carried out by the department.

Also at meetings with the Head of Internal Audit and from the reports prepared by the department, we were kept up-to-date on the results of the checks carried out at the subsidiaries of Italmobiliare.

At meetings with the Head of Internal Audit and examining the documentation produced by her, we assessed the functioning of the Company's internal control system and its adequacy, compliance with the law, with company procedures and processes, as well as implementation of the improvements recommended by the department.

We received and examined the Audit Plan for 2020, judging it to be adequate, being consistent with the 2020-2022 three-year plan.

For the subsidiaries excluded from the Company's audit plan, as they have their own Internal Audit Departments, the Company's Head of Internal Audit and the Control and Risk Committee examined and assessed the reports received from these subsidiaries' control functions. This led to the conclusion that their internal control and risk management systems were adequate.

Also during 2020 and up to the date of preparation of this Report, we continued to oversee the adequacy of the Company's Internal Audit Department (especially as regards available resources) in consideration of the evolution of the Italmobiliare Group, which involved the inclusion of various new equity investments in the scope of consolidation. Based on the information from the Head of Internal Audit and the Control and Risk Committee, it emerged that the powers, resources and means made available by the Company's Board of Directors were substantially adequate and suitable during the reference period of this Report. They are also adequate in relation to the 2021 Audit Plan, thanks to the ongoing support from external providers.

In light of the results of this activity, input from the Control and Risk Committee (during its meetings, joint meetings and the Committee's Annual Report), from meetings with Internal Audit and from what is presented in their Annual Reports, our overall assessment of the internal control system and of the Internal Audit Department is that they are adequate, also in terms of their effectiveness.

The Risk Management Function is the responsibility of the Company's Head of Internal Audit. Considering the size and operational characteristics of the Company, we deem the concentration in a single person of the responsibilities of Risk Management and Internal Audit to be efficient and effective, without prejudice to the need to continuously monitor the adequacy - in both quantitative and qualitative terms - of the resources available to this "single function".

In conclusion, our opinion on the adequacy of the monitoring of operational risks at Group level is that it is adequate.

(d) Monitoring of the independent audit of the separate and consolidated financial statements

We have had regular meetings with the independent auditors for a periodic exchange of information. At meetings with Deloitte, we were kept up-to-date on any important issues

that emerged during the audit of the separate and consolidated financial statements. Often, these concerned valuation issues, questions of impairment in particular, as well as the main impacts on the scope of consolidation of the various acquisitions that took place in 2020. These included: (i) the acquisition of 80% of Officina Profumo-Farmaceutica di Santa Maria Novella S.p.A.; (ii) the acquisition of 92.5% of Casa della Salute for 24 million euro in December 2020; (iii) the acquisition of 60% of the company that owns Callmewine.com.

We also shared with the independent auditors the key accounting issues indicated by Deloitte, including valuations of the investments and financial assets held by Company and the accounting standards applicable in this area, in addition to the above matters regarding the scope of consolidation. Like every year, we also discussed any litigation involving with the Company and the Group with the independent auditors.

We are not aware of any controls carried out by Consob pursuant to art. 26, para. 6, of Regulation (EU) 537/2014.

(e) Verification and monitoring of the auditors' independence, particularly with regard to the provision of non-audit services

We have supervised the independence of the auditors, taking note of the internal authorisation procedure adopted by Deloitte as part of the monitoring system for the acceptance of assignments for the performance of non-audit services (NAS) by companies belonging to the Deloitte & Touche network to companies of the Italmobiliare Group. The procedure makes it possible to supervise in advance the acceptance of assignments that could jeopardise Deloitte's independence and it was deemed adequate with respect to the market standards that we are aware of.

We examined Deloitte's requests for authorisation to provide NAS and authorised the services, pursuant to art. 5 (4) of the European Regulation. In particular, in 2020, at Deloitte's request, we issued one authorisation for the possible acceptance of assignments for NAS pursuant to art. 19 paragraph 1 letter e) of Legislative Decree 39/2010 and art. 5(4) of the European Regulation, as they are considered compatible with the independence requirements of the Auditors.

We also received from the Auditors their annual confirmation of independence pursuant to art. 6 (2) (a) of the European Regulation and paragraph 17 of the International Auditing Standard (ISA Italia 260). In particular, in the exchanges of information and communications with us, Deloitte confirmed that, based on the information obtained and the checks carried out, taking into account the regulatory and professional standards governing the audit activity, the ethical standards referred to in arts. 9 and 9-bis of Legislative Decree 39/2010, no situations were found that might compromise the independence of the Auditors pursuant to art. 10 and 17 of Legislative Decree 39/2010 and art. 4 and 5 of the European Regulation. Deloitte also confirmed that they had not come across any relationships with the Company or other profiles that could reasonably compromise their independence.

During the year ended December 31, 2020, Deloitte and the companies belonging to the same network received a total of 859 thousand euro from the Italmobiliare Group, split as follows: 765 thousand euro for audit services and 94 thousand euro for NAS.

The fees received by the Auditors for providing NAS to the Italmobiliare Group in 2020 total approximately 11% of the overall fees received in the same period for the provision of audit services to companies of the Italmobiliare Group.

Purely for information purposes, it is worth noting that the proportion of NAS fees in the period is lower than the maximum threshold established by art. 4 of the European Regulation.

It is also worth noting that between January 1, 2021 and the date of preparation of this report, Deloitte has submitted one authorisation request to us for the provision of NAS, with fees of 7 thousand euro. We have authorised it as it was deemed compatible with the independence requirement.

Accordingly, in our opinion, the fact that companies of the Deloitte & Touche network have carried out NAS assignments for the Italmobiliare Group does not prejudice the Auditors' independence.

Separate and consolidated financial statements

As regards the separate and consolidated financial statements at December 31, 2020, it is understood that the duties regarding the external audit and, therefore, the opinion on the separate and consolidated financial statements are attributed exclusively to the Independent Auditors, Deloitte. Having said this, we would point out that:

- we monitored compliance by the Board of Directors with the procedural rules relating to the preparation of the separate and consolidated financial statements as well as their general layout, their overall compliance with the law as regards form and structure and we have no observations to make in this regard;
- the separate and consolidated financial statements at December 31, 2020 were prepared on the basis of the international accounting standards IAS/IFRS issued by the International Accounting Standards Board (IASB) and approved by the European Union, in force at December 31, 2020, as explained in the notes;
- there is correspondence between the separate and consolidated financial statements at December 31, 2020, on the one hand, and the facts and information of which we became aware by participating in meetings of the Board of Directors and Executive Committee and in carrying out our control activities, on the other hand;
- we supervised the impairment tests carried out by the Company, with the support of external professionals, and subject to verification by the Independent Auditors;
- the provisions of art. 154-ter, Legislative Decree 58/98 and, in particular, paragraphs 1-bis and 1-ter have been complied with;
- the control activity requested by Consob in its Notice no. 1/21 of February 16, 2021 has been carried out.

In the notes to the separate and consolidated financial statements at December 31, 2020, with regard to events subsequent to the end of the year, the Company referred to the health emergency determined by Covid-19 and the consequent restrictive measures adopted worldwide, highlighting (i) the shock to the global economic cycle, the impacts of which are difficult to quantify; (ii) that the potential effects of this phenomenon on the activity of Italmobiliare and of the Portfolio Companies cannot be determined as of today, emphasising that they will be subject to constant monitoring; (iii) that in the Company's opinion, the health emergency induced by Covid-19, by reason of the moment in which it occurred, constitutes a "non-adjusting event" under IAS 10, with the consequence that the effects have not been taken into account in the valuation processes of the items recorded in the financial statements at December 31, 2020; (iv) the repercussions of Covid-19 on international

financial markets and their impact on the main listed financial instruments held in Italmobiliare's portfolio; (v) that, in the current situation of extreme uncertainty, the impact of the health emergency on the financial assets measured at a level 2 or 3 fair value does not appear to be quantifiable. We consider the information provided on events subsequent to the end of the year to be adequate and, within the limits of our role, we agree with the assessments made.

As indicated above, we met periodically with the Independent Auditors in order to maintain a continuous exchange of information on the control activities carried out by them, on the one hand, and by ourselves, on the other. No critical issues worthy of note emerged during these meetings.

We have examined the reports prepared by Deloitte on the separate and consolidated financial statements at December 31, 2020 and have taken note:

- of the opinions on the separate and consolidated financial statements at December 31, 2020, from which it emerges that they comply with the rules governing their preparation and give a true and fair view of the assets and liabilities and results of the Company and of the Group;
- that the audit reports do not highlight any particular matters;
- the opinions of consistency and conformity of the Directors' report on operations and the Directors' report on Group operations with the separate and consolidated financial statements, respectively, as well as the information contained in the Report on Corporate Governance and Ownership Structures, limited to those referred to in art. 123-*bis*, para. 1 c), d), f), l) and n) and para. 2 b), of Legislative Decree 58/98.

We have also examined the attestation reports prepared by the Chief Executive Officer and by the Financial Reporting Officer pursuant to art. 154-*bis*, paragraph 5, Legislative Decree 58/98 with regard to the separate and consolidated financial statements, acknowledging the completeness of their contents.

Director's report on operations and on Group operations

We have checked the contents of the Directors' report on operations. The report summarises the main risks and uncertainties and discusses the outlook for the Company and for the Group.

After reviewing the report, we found that, to the best of our knowledge, it was complete with respect to current legal provisions, as well as for the clarity of the information contained in it and compliance with the instructions issued by Consob in its Notice 1/21 of February 16, 2021.

Non-Financial Information

In drawing up the Non-Financial Information pursuant to Legislative Decree 254/2016 ("NFI"), the Company had the support of Altis, business school and company of the Università Cattolica del Sacro Cuore of Milan. The reporting model was based on the Global Reporting Initiative (GRI) standards.

We have monitored the drafting of the NFI, verifying not only the mere fulfilment of obligations imposed by the law, but also - and above all - the suitability of the information flows to ensure that the systems and methods of data collection, processing and

consolidation for the preparation of the NFI guaranteed completeness, accuracy, truthfulness and verifiability of the entire data flow. We attended meetings of the Sustainability and Social Responsibility Committee, which the Board of Directors specifically set up during the year, assigning to it specific tasks related to sustainability issues. We took part in the Committee's proceedings and in meetings when the NFI was analysed, taking note of the attention paid to the process of drawing up the NFI and of the favourable opinion formulated by the Committee for the approval of the NFI by the Board of Directors, which took place by a resolution dated March 4, 2020.

We have read the report prepared by the Independent Auditors on the consolidated non-financial report, on which Deloitte was asked to carry out a limited assurance engagement, following which it acknowledged that no matters had come to their attention to suggest that the report had not been drawn up, in all significant aspects, in compliance with the law and the GRI Sustainability Reporting Standards established in 2016 by the Global Reporting Initiative.

Further activities of the Board of Statutory Auditors

As required by art. 2403 of the Italian Civil Code and art. 149 of the CFA, we supervised compliance with the law and the By-laws and compliance with the principles of correct administration, in particular as regards the adequacy of the Company's organisational, administrative and accounting structure. As regards the organisational structure of the Company, we were able to ascertain that the Company required the Directors to carry out the periodic self-assessment process regarding the composition, role and functioning of the Board of Directors and of the internal Board Committees. This self-assessment by the Company was also extended to the Board of Statutory Auditors (so we carried out our own self-assessment). The outcome of the self-assessment, explained anonymously to the Directors and Statutory Auditors at the meeting of the Board of Directors on February 12, 2020, confirmed general satisfaction with regard to procedural and operational aspects, the frequency and duration of the meetings, the role of the Chairman and relations with the Directors, as well as the contribution and efficiency of the Committees.

Again with regard to the organisational structure, no elements emerged from our activity that cast doubt on the substantial correspondence between the decision-making structure of the company and the powers assigned, the substantial compliance with the lines of hierarchical dependence and the corporate training process and implementation of the decisions, as well as that of financial reporting, the definition and functioning of the control system in practice.

Pursuant to art. 2405 of the Italian Civil Code, as indicated above, we attended all meetings of the Board of Directors, where we obtained periodic information on the results of operations, on their outlook. We were also kept up-to-date on the more important economic and financial transactions carried out by the Company, making sure that the resolutions adopted were not manifestly imprudent, risky, in potential conflict of interest, in contrast with the shareholders' resolutions or such as to compromise the Company's financial equilibrium. We also attended the Ordinary and Extraordinary Shareholders' Meetings.

We received and examined the Report on Corporate Governance and Ownership Structures for 2020, which explains the Company's adoption of the Corporate Governance Code for Listed Companies.

With regard to the corporate bodies, we would point out that:

- at the date of this report, the Board of Directors appointed on April 21, 2020 is made up of 12 Directors, 6 of whom meet the independence requirements of the Corporate Governance Code. During 2020, the Board of Directors held 13 meetings; in January 2021, Antonio Salerno resigned as a director and Marco Cipelletti was co-opted to replace him;
- the Control and Risk Committee is made up of 3 Directors, 2 of whom meet the independence requirements of the Corporate Governance Code. In 2020, the Control and Risks Committee met 7 times;
- the Remuneration and Nominations Committee is made up of 3 Directors, all of whom meet the independence requirements of the Corporate Governance Code. During 2020, the Remuneration and Nominations Committee met 4 times;
- the RPT Committee is made up of 3 Directors, all of whom meet the independence requirements of the Corporate Governance Code. The RPT Committee met 3 times during 2020;
- the Committee for Sustainability and Social Responsibility is made up of 5 Directors, 3 of whom meet the independence requirements of the Corporate Governance Code. In 2020, Committee for Sustainability and Social Responsibility met 3 times.

Please refer to Report on Corporate Governance and Ownership Structures for 2020, for more details on the issues dealt with at the meetings and the work performed by the committees.

By attending meetings of the various corporate bodies, as foreseen by the Corporate Governance Code, we were able to ascertain that the Board of Directors has carried out the various functions attributed to it; we were also able to ascertain that each of the Committees functioned properly.

As far as we are aware, each Company body or function has fulfilled the disclosure requirements provided for by the law, particularly with regard to information that is regulated, privileged or required by the supervisory authorities (attestations, communications and compliance with formats and content envisaged by Consob in particular).

As part of our checks and to maintain a constant exchange of information, we periodically met:

- the Independent Auditors, ensuring a continuous exchange of information with them in relation to the audit activities carried out;
- the Risks and Sustainability Committee, with which we also organised joint meetings on issues that fall within the sphere of competence of the two bodies;
- the Head of Internal Audit, receiving information about the results of their activities;
- the Head of Risk Management, receiving information about the results of their activities;
- the members of the Supervisory Body, established pursuant to Legislative Decree 231 on June 8, 2001, receiving information on the results of their supervisory activity, subsequently confirmed in the Reports of the Supervisory Body to the Board of Directors. The Reports show that no anomalies or reprehensible facts have been found and that the Supervisory Body has not received any reports from

- internal or external sources regarding alleged violations of the Organisation and Management Model or related procedures;
- Financial Reporting Officer;
 - the Legal Department of the Company.

During our supervisory activity described above, no omissions, reprehensible facts or irregularities emerged such as to require reporting to the competent external control and supervisory bodies or to be mentioned in this report.

During the year, we did not receive any reports pursuant to art. 2408 of the Italian Civil Code, nor have we received any complaints.

The Board has not been called upon to issue any opinion pursuant to current legislation other than those provided for by art. 2389, paragraph 3, of the Italian Civil Code in relation to the remuneration paid to directors with particular responsibilities.

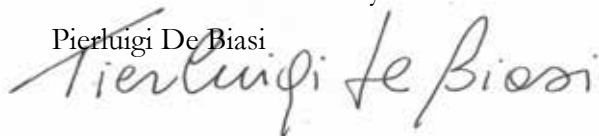
We have issued our favourable opinion on the assessments discussed and proposed by the Remuneration and Nominations Committee with reference to the MBO plan applied to some senior managers.

* * *

Considering the above and our sphere of competence, also in light of the report prepared by the Independent Auditors and their opinion on the financial statements, we are not aware of any impediments to the approval of the financial statements at December 31, 2020 prepared by the Board of Directors and we have no objections to their proposals to the Shareholders' Meeting.

For the Board of Statutory Auditors

Pierluigi De Biasi





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**INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010
AND ARTICLE 10 OF THE EU REGULATION 537/2014**

**To the Shareholders of
Italmobiliare S.p.A.**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the separate financial statements of Italmobiliare S.p.A. (the Company), which comprise the statement of financial position as at December 31, 2020, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and the notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements give a true and fair view of the financial position of the Company as at December 31, 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona

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Measurement of financial assets with fair value levels 2 and 3**Description of the key audit matter**

The separate financial statements at December 31, 2020 include financial assets measured at fair value categorized into hierarchy levels 2 and 3 amounting to Euro 392,7 million, equal to 61% of total financial assets and 29% of total assets.

For the above financial assets, a listed price on an active market is not available and therefore the related measurement is based on complex valuation techniques that require a significant level of judgement.

We considered the measurement of financial assets with fair value levels 2 and 3 a key audit matter of the separate financial statements at December 31, 2020 considering: i) it entails a significant level of judgement by the Directors, ii) the complexity of the relevant valuation techniques and of the significant inputs and iii) the significance of the amounts.

Note 5) "Other equity investments", 7) "Other non-current assets" and 11) "Equity investments, bonds and current financial receivables" of the separate financial statements include the disclosures on the measurement of financial assets.

Audit procedures performed

Our audit procedures, among others, included:

- understanding of the relevant controls implemented for the acquisition, disposal and measurement of financial assets;
- assessing the appropriateness of the accounting rules adopted by the Company in accordance with the requirements of IFRS 9;
- testing, on a sample basis, the appropriate categorization of financial assets into the fair value levels;
- testing, on a sample basis, the reasonableness and the accuracy of the valuation techniques, the significant inputs and their actual application provided by the Directors for measurement purposes of fair value levels 2 and 3;
- assessing the appropriateness of the disclosures provided in the notes about financial assets and their fair value levels and their compliance with the related accounting principles.

Measurement of equity investments in subsidiaries and associates**Description of the key audit matter**

The separate financial statements at December 31, 2020 include equity investments in subsidiaries and associates amounting to Euro 486,4 million and Euro 173,7 million respectively; both categories are measured at cost.



The Directors in presence of impairment indicators, perform an assessment (impairment test), supported also by an advisor expert, in order to determine whether the investments are recognised in the separate financial statements for an amount higher than their recoverable amount. This assessment is performed at each reporting date for investments which give rise to a goodwill in the consolidated financial statements.

In particular, for Sirap Gema S.p.A., the Directors carried out the impairment test, determining the subsidiary's recoverable amount adopting the Sum-of-the-Parts (SOTP) approach, which, in particular, includes for the assets in Italy, Poland and Spain the consideration for the sale occurred in January 2021 and for the Petruzalek Group together with Sirap GmbH, the consideration agreed in the binding purchase agreement signed in February 2021.

Following the results of the impairment test performed for such subsidiary, a reversal of the impairment loss for Euro 19,2 million was recognised in the separate financial statements.

For the other equity investments in subsidiaries and associates, where an impairment test was carried out, their recoverable amount, estimated as either value in use or fair value, based on the market multiples method, resulted higher than their carrying amount, with the exception of some minor investments where an investment loss was recognised.

Impairment testing is complex and the Directors determined the recoverable amount based on assumptions including, among others, (i) the expected cash flows and/or the expected ebitda for the following year (ii) the determination of an appropriate discount rate (WACC) and (iii) an estimate of the long-term growth rate (g-rate). Such assumptions are influenced by future expectations about the conditions for their respective markets.

Given the judgement required in the estimates of expected cash flows and expected ebitda, and of the key assumptions of the impairment test model used by the Directors for the calculation of the subsidiaries and associates' recoverable amount, we considered the measurement of the equity investments in subsidiaries and associates a key audit matter of the separate financial statements.

Note 4) "Equity investments in subsidiaries and associates" of the separate financial statements include the disclosure on the measurement of the equity investments in subsidiaries and associates.

Audit procedures performed

We have preliminary assessed the process used by the Directors to determine the recoverable amount of the equity investments in subsidiaries and associates analyzing the methods and assumptions used for the development of the impairment test.

Our audit procedures, which also involved our own valuation specialists, included:

- understanding of the relevant controls implemented by the Company on the impairment process of the equity investments in subsidiaries and associates;
- analyzing the reasonableness of the main assumptions used for developing the expected cash flows and ebitda, together with the collection of the other relevant information provided by the Directors;
- evaluating the competences, capabilities and objectivity of the external advisor involved by the Directors for the preparation of the impairment test;
- analyzing the differences between budgeted targets and actual results in order to understand the nature of the deviations, also considering, where applicable, the impacts of the Covid-19 virus, and the reliability of the budgeting process;
- analyzing the reasonableness of the discount rate (WACC) and long-term growth rate (g-rate);
- assessing the mathematical accuracy of the model used to determine the recoverable amount of the equity investments in subsidiaries and associates;
- comparing the recoverable amount of the equity investments in subsidiaries and associates with their carrying amount;
- assessing the sensitivity analysis performed by Management;
- assessing the appropriateness of the disclosures reported in the notes and its compliance with IAS36.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The Directors are responsible for the preparation of the separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or for the termination of the operations or have no realistic alternative to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Company's financial reporting process.



Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Italmobiliare S.p.A. has appointed us on April 17, 2019 as auditors of the Company for the years from December 31, 2019 to December 31, 2027.

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

We confirm that the opinion on the separate financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Italmobiliare S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and ownership structure of Italmobiliare S.p.A. as at December 31, 2020, including their consistency with the related separate financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98 with the separate financial statements of Italmobiliare S.p.A. as at December 31, 2020 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and information contained in the report on corporate governance and ownership structure are consistent with the separate financial statements of Italmobiliare S.p.A. as at December 31, 2020 and are prepared in accordance with the law.



With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Massimiliano Semprini
Partner

Milan, Italy
March 29, 2021

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



Sustainability Report 2020

Sustainability Report 2020

COMMUNICATION
ON PROGRESS



This is our **Communication on Progress** in implementing the Ten Principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

ITALMOBILIARE

Società per Azioni

Registered office: Via Borgonuovo, 20 20121 Milan - Italy

Share capital Euro 100,166,937 fully paid

Milan Companies Register

Translation from the Italian original version which remains the definitive one.

Sustainability Report

ITALMOBILIARE GROUP

Strategic profile

Highlights
Strategy, materiality and SDGs
Economic result and shared value

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Governance & integrity
Responsible investments

Company

Human capital development
Health, safety & wellbeing
Product and service stewardship
Market & Communities

Environment

Valorization of natural capital
Responsible use of resources
Low-carbon transition
Land & biodiversity

ITALMOBILIARE

Italmobiliare
Human capital development
Health, safety & wellbeing

PORTFOLIO COMPANIES CONSOLIDATED

Caffè Borbone

Governance & integrity
Procurement and supply chain
Human capital development
Health, safety & wellbeing
Product and service stewardship
Market & communities
Responsible use of resources
Low-carbon transition

Sirap

Governance & integrity
Procurement and supply chain
Human capital development
Health, safety & wellbeing
Product and service stewardship
Market & communities
Responsible use of resources
Low-carbon transition

Italgen

Governance & integrity
Procurement and supply chain
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ITALMOBILIARE
INVESTMENT HOLDING

ITALMOBILIARE
GROUP

STRATEGIC PROFILE

ITALMOBILIARE INVESTMENT HOLDING

ITALMOBILIARE S.p.A., founded in 1946 and listed on the Milan Stock Exchange since 1980, is one of the leading Italian investment holding companies. Controlled by Efiparind (Pesenti family), it owns and manages a diversified portfolio of equity and other investments with a strategic vision based on a financial and industrial history that goes back more than 150 years.

Italmobiliare Investment Holding plays an active and continuous role in the process of growth and enhancement of the portfolio, combining development, internationalisation and innovation with an effective governance and risk management model, integrating ESG principles into the investment process.

1946	Italmobiliare was founded in 1946 by Italcementi S.p.A. as a vehicle to hold investments other than those in the construction materials sector. Among the first transactions, Italmobiliare acquired a number of controlling interests in the credit sector (Banca Provinciale Lombarda, Credito Commerciale), in the insurance sector (RAS), in the publishing sector and in the extra-urban public transport sector.
1950 1960	In 1952 an initial investment was made in Franco Tosi, an industrial company in the electromechanical sector, which became a subsidiary in 1968. The presence in the banking sector developed in the years between 1962 and 1965 through the purchase of eight local credit institutions, which in 1967 were concentrated in Istituto Bancario Italiano, later sold in 1982.
1970	The portfolio was strengthened in 1976 with the purchase of a significant minority shareholding in Bastogi, later sold in 1986, which joined the one held in Falck. In 1979 Italmobiliare became the holding company for the entire Group when it acquired a majority of the ordinary shares in Italcementi.
1980	In 1980, Italmobiliare was admitted for trading on the Milan Stock Exchange. In 1984, the investments in RAS and Banca Provinciale Lombarda were sold as part of a Group reorganisation plan. During the period 1988-90, a minority shareholding was acquired in Poligrafici Editoriale, as part of an agreement with the Monti Group.
1990	In 1990, the Franco Tosi Group sold its industrial activity to the ABB Asea Brown Boveri Group, reinvesting part of its resources in the food packaging and insulation sector (Sirap Gema), the integral water cycle and gas distribution (Crea). In 1992, in the largest international acquisition carried out hitherto by an Italian group, the majority of Ciments Français passed to the Italcementi Group, which thereby became a world leader in the building materials sector. In 1993, as a result of the bank's privatisation, Italmobiliare acquired an equity investment in Credito Italiano. In 1997, Franco Tosi was merged with Italmobiliare, after the favourable outcome of a takeover bid.
2000 2015	During 2002, the main investment transaction was the sale of 100% of SAB Autoservizi to the UK group Arriva. After a few operations in the publishing sector, in 2014, Italmobiliare participated pro-quota in the recapitalisation and simplification plan of the Italcementi Group, maintaining a controlling interest of 45%. In September 2015, Finter Bank was sold to the Swiss group Vontobel.

2016	In July, after acquiring direct control of Italgen and BravoSolution, the equity investment in Italcementi was sold to the German group HeidelbergCement, on the basis of an agreement signed in 2015. In September, Clessidra Sgr, the main Italian private equity operator, was purchased and Italmobiliare became anchor investor of Clessidra's CCP3 fund.
2017	Acquisition of 40% of the Tecnica Group. At the end of the year, Italmobiliare joined the US group Jaggaer, which operates in the eProcurement sector, through the contribution of BravoSolution.
2018	The portfolio expansion strategy continues: purchase of a 60% interest in Caffè Borbone and a 39% interest in ISEO Serrature. There has been an increase in Private Equity investments.
2019	Entry into the Autogas Nord - AGN ENERGIA Group with a 30% stake. The investment in Jaggaer was sold to Cinven in August. Italmobiliare included in the STAR segment of the Italian Stock Exchange from September. 80% of Salumificio Capitelli was acquired in December.
2020	A 20% interest in Officina Profumo Farmaceutica di Santa Maria Novella was bought in January, which was increased to 80% in September. In May, the Italmobiliare Group joined the United Nations Global Compact. In December, 92.5% of the shares of Casa della Salute and 60% of the shares of Callmewine were acquired.
2021	Early in the year, Sirap's main assets in Italy, Poland and Spain were sold to the Faerch group and an agreement was signed with Zeus Packaging for the sale of Sirap's assets in Austria and Central-Eastern Europe and in Germany.

FOCUS 2020: COVID AND SUSTAINABILITY

The pandemic has hit and continues to hit the economy and the national and international social fabric in a brutal way. In this context, all of Italmobiliare's portfolio companies have reacted and are reacting well overall, with better performances than the average downturn in the Italian economy, thanks to a sector mix that shifted towards resilient areas and, in some cases, a better corporate performance than sector competitors.

The reaction implemented and continuously refined by the portfolio companies against such a pervasive emergency was extraordinary, both for the immediate adoption of best practices aimed at guaranteeing employee safety, and for the business measures that reduced the impacts of the lockdown and took advantage of new opportunities. For example, there has been a very rapid response by all companies in adopting remote working for a significant number of workers, even in sectors that are less naturally inclined to this way of working. Several companies have also accelerated on key issues such as production flexibility, managing to implement measures to raise efficiency very quickly with a positive impact already expected on the 2020 results.

The pandemic has also underlined the growing synergy between Group companies, which have been able to take action to help cope with the emergency, with measures to protect employees or in favour of the community. They have been well supported in this effort by the Pesenti Foundation, which has assumed a pivotal role in providing concrete assistance to the areas most affected by the emergency, also facilitating the initiatives of other companies or the many Group employees who wanted to contribute personally. Among the main interventions are those in favour of hospitals and front-line operators, with donations or purchasing machines, serological tests and personal protective equipment for medical staff and funding for primary research projects on the origin and evolution of the pandemic.

Above all, the pandemic has raised the sense of urgency of both the holding company and of the portfolio companies to achieve a sustainable strategy that is increasingly effective and aligned with global challenges.

In May 2020, the Italmobiliare Group joined the United Nations Global Compact, the largest strategic initiative for sustainability in the world. At the same time, Italmobiliare joined the Global Compact Network Italy Foundation, the organisation that promotes its implementation nationally, with a seat on the Steering Committee.

In April, the Italmobiliare Board of Directors approved the establishment of the Committee for the Sustainability and Social Responsibility chaired by the Chief Executive Officer, Carlo Pesenti. The Committee has a duty to provide the Board with advice and proposals in order to implement a development strategy focused on sustainability, consistent with Italmobiliare's mission in all its components: governance, economic, social and environmental (ESG).

A Sustainability Department was also set up, again at corporate level. The Chief Sustainability Officer develops and coordinates the ESG initiatives. He has secretarial and management functions in Committee for the Sustainability and Social Responsibility.

In July, Italmobiliare signed the Women's Empowerment Principles, a thematic initiative promoted by UN Global Compact and UN Women, which is another primary instrument for the commitment to gender equality.

Lastly, Italmobiliare Investment Holding, through its Chief Executive Officer Carlo Pesenti, shared the responsibility of being among the 1,000+ CEOs, in more than 100 countries, who signed the Statement from Business Leaders for Renewed Global Cooperation, a resounding call to inclusive multilateralism.

PORTFOLIO COMPANIES

The portfolio of investments in a growing number of subsidiaries or associates makes use of Italmobiliare's experience in the management of business activities at national and international level, also thanks to a presence on their respective boards of directors. The investment horizon is medium-long term and marked by the creation of value. The Portfolio Companies' approach to sustainability is detailed in this report. The consolidation perimeter is clarified in the section Reporting.

Company and % held	Investment date	Description	Notes
Sirap 100%	May 1990	Sirap is a leading producer of fresh food packaging in Europe, with a range of rigid containers in XPS (expanded polystyrene), PET and PP (polypropylene) for all food applications for industry and retail customers.	Early in 2021, Sirap's main assets in Italy, Poland and Spain were sold to the Faerch group and an agreement was signed with Zeus Packaging for the sale of Sirap's assets in Austria, Central-Eastern Europe and Germany. Sirap retains control of the assets in France and the United Kingdom.
Italgen 100%	July 2016	Italgen operates in the production and distribution of electricity from renewable sources on international markets.	Registered office in Villa di Serio (BG). 15 hydroelectric plants in Lombardy, Piedmont and Veneto connected with 300 kilometres of transmission lines. Investments in two wind plants in Bulgaria with a total capacity of 18 MW.
Clessidra 100%	Sep 2016	Clessidra is the leading manager of Private Equity funds dedicated to the Italian market. Between 2019 and 2020, Clessidra expanded its scope of operations to include Restructuring Funds and Factoring.	Registered office in Milan. At December 31, 2020 its portfolio included Harmont & Blaine, Nexi, L&S and Scrigno.
Tecnica Group 40%	Nov 2017	Tecnica Group is a leading manufacturer of outdoor footwear and ski equipment with the brands: Tecnica (ski boots and footwear), Nordica (skis and boots), Moon Boot (footwear), Lowa (trekking shoes), Blizzard (skis) and Rollerblade (in-line skates).	Registered office in Gaiavara del Montello (TV). Production sites in Austria, Germany, Italy, Slovakia, Ukraine and Hungary.
Caffè Borbone 60%	May 2018	Caffè Borbone is one of the leading coffee producers specialising in compatible capsules and pods, with a strong distribution network throughout Italy.	Registered office and production site in Caivano (NA).
Iseo 39%	Oct 2018	The Iseo Group is one of Europe's leading producers of mechatronic and digital solutions for access control and security. It produces locks, cylinders, padlocks and other products such as emergency exit devices and door closers.	Registered office in Pisogne (BS). Production sites in Italy, Romania, France, Germany and Spain.
Autogas Nord - AGN ENERGIA Group 30%	Jan 2019	The Autogas Nord Group (AGN ENERGIA) operates in Italy mainly in the LPG gas distribution for domestic, commercial and industrial use. The Group has gradually differentiated its business areas, exploiting a loyal customer base for cross-selling opportunities for products (electricity and natural gas) and services (efficiency consultancy).	Registered office in Genoa. 44 offices throughout the country.
Capitelli 80%	Dec 2019	Capitelli is a cured meat producer with a focus on high-quality cooked ham.	Registered office and production site in Borgonovo Val Tidone (PC).
Officina Profumo-Farmaceutica di Santa Maria Novella 80% (20% up to September 2020)	Jan 2020	Officina Profumo-Farmaceutica di Santa Maria Novella, a high-end cosmetics company, manufactures products for body care and ambient fragrances, age-old preparations and liqueurs.	Registered office in Florence. Over 300 owned shops and corners in different countries of the world.
Casa della Salute 92.5%	Dec 2020	Casa della Salute is a network of specialist diagnostic, dental, physiokinesitherapy clinics. Its aim is to help protect the right to health and to ensure that people had rapid access to high-quality healthcare.	Registered office in Busalla (GE). 8 outpatient clinics between Liguria and Piedmont.
Callmewine 60%	Dec 2020	Callmewine is an e-commerce platform that specialises in the sale of wine, where it ranks as one of the market leaders in Italy.	Registered office in Milan. Online business with deliveries throughout Italy.

PRIVATE EQUITY

The purpose of investing in Private Equity and Alternative Investment funds is to take advantage of growth opportunities in geographical areas or business sectors not directly covered by Italmobiliare and potentially to allow its shareholdings to develop and diversify.

Most of the Italian and international investments held in the private equity portfolio - certainly all the larger ones - are financial products managed by operators that are committed, both formally and substantially, to sustainability, mainly by having adopted the UN Principles for Responsible Investment (UN PRI).

INVESTMENTS AND CO-INVESTMENTS

The portfolio of investments in various different sectors is focused on listed and unlisted companies that offer attractive growth prospects or constant returns on the investment.

In the industrial sector, HeidelbergCement, one of the world leaders in cement and building materials, also continuing the sustainable heritage of Italcementi, adopts a sustainable strategy built on innovation, a culture of safety, reduction of the environmental footprint, circular economy, business citizenship and integrity. Its main focus is the fight against climate change (see sidebar).

The co-investment with Fondo Italiano d'Investimento Sgr and Vam Investments for the creation of Florence, the first production hub for luxury clothing in Italy, is of considerable importance.

In the financial sector, it is worth mentioning the investments in Mediobanca and Vontobel, a Swiss private bank that specialises in asset management for private and institutional customers. It has been a pioneer of sustainable investments ever since the 1990s with numerous international awards. It is also a signatory of the UN Principles for Responsible Investment and a member of the Swiss Sustainable Finance association.

CASH AND CASH EQUIVALENTS AND OTHER ASSETS

Liquidity under management and financial assets constitute a reserve of cash and cash equivalents, allocated to instruments with a conservative risk profile, which is available to the Company in order to take advantage of new investment opportunities. At the end of 2020, this reserve represented approximately 20% of the entire NAV (target of less than 10% when fully operational).

In addition to this activity, there is the management of the real estate assets owned by the Company, including its head office building in Milan.

HeidelbergCement: fight against climate change

"Sustainability is an integral part of HeidelbergCement and will be at the centre of our strategy going forward. Our focus is on climate protection: as an energy-intensive company, we are committed to fulfilling our share of the global responsibility to keep the rise in worldwide temperature well below 2 degrees Celsius, as set out in the Paris Agreement. Reducing our carbon footprint and increasing energy efficiency are central tasks for HeidelbergCement's management teams on all levels. Much of our investment and research efforts have been and will continue to be directed towards achieving this goal. This is how we contribute to a sustainably built future for the world in which we operate. We want to be the industry leader on the path to carbon neutrality".

HIGHLIGHTS

The Italmobiliare Group is represented through the main financial and dimensional figures. We provide a series of non-financial indicators for all of the consolidated Portfolio Companies, which are intended as evidence of the Group's sustainable commitment and transformative capability, for the benefit of the shareholders and all other stakeholders.

- Equal opportunities, as an indicator of social inclusion and full development of human capital.
- Safety at work, as an ethical indicator and driver of managerial skills and motivation for the achievement of great results.
- The use of renewable and recycled materials as an indicator of responsible production.
- Carbon intensity, as an integrated indicator of industrial efficiency and sharing of global challenges.

The trend in indicators may be affected by changes in the Group's scope, as the result of further investments, disposals and business diversifications.

ITALMOBILIARE GROUP		2016	2017	2018	2019	2020
Net Asset Value (NAV)		1,600	1,545	1,421	1,741	1,838
% Portfolio Companies		18%	15%	34%	43%	61%
Revenue and income	in millions of euro	451.0	507.6	463.1	565.9	575.5
Gross operating profit (EBITDA)		57.8	146.6	41.2	125.9	106.0
Profit for the year		68.2	115.2	31.7	77.0	103.5
Employees (companies included in the Sustainability Report)	#	1,369	1,378	1,789	1,719	1,775
PORTFOLIO COMPANIES						
Managerial positions occupied by women ¹	%	15%	17%	18%	19%	22%
Rate of work-related injuries ²	# per million hours worked	3.9	3.9	8.3	6.0	4.8
Responsible resources ³	%	-	-	40%	45%	52%
Carbon intensity ⁴	t CO ₂ per million euro of EBITDA	939	1,313	840	577	390

The **financial results** bear witness to the strength of the overall return on the flow of investments and disposals, aimed at guaranteeing the sustainable success of the Group through the creation of shared value in the long term.

The trend in **personnel** reflects the intrinsic value of the Group's human capital.

Equal opportunities remain a particular point of attention, with steps being defined to encourage the presence and representation of women in senior positions. The Group's ambition is still to create and maintain an inclusive working environment at all of its companies.

The **accident frequency rate** shows a trend that still has to be consolidated. The only goal remains "Zero Accidents". The cumulative result does not represent the areas of excellence, which have seen some companies already with a zero frequency rate for many years. In fact, the Group intends to consolidate the management model on the basis of their experience.

The percentage of **responsible resources** shows the path towards a regenerative economy.

The trend in **carbon intensity** highlights a positive trend, decoupled from the creation of economic value.

1 The indicator includes managers until 2019. From 2020 it also includes middle managers.

2 With absence from work for at least 24 hours, only direct employees.

3 Percentage of total materials which are renewable or from recycle.

4 This indicator considers Scope 1 and Scope 2 (market based) emissions, and includes only the companies that contribute to the carbon footprint: Sirap, Italgen, Caffè Borbone and Capitelli in 2020.

Strategy, materiality and SDGs

In line with its identity inspired by Mission and Values, by adopting the principles and rules of conduct defined by the Code of Ethics and following the additional guidelines provided by the Sustainability Policies, Italmobiliare Investment Holding manages its flow of investments and disposals to ensure the sustainable success of the Group by creating shared long-term value with a view to combining multiple interdependent goals:

- a permanent increase in the Company's results and net worth;
- adequate remuneration of shareholders and attractiveness for stock markets;
- smart risk management and mitigation;
- talent attraction and retention;
- consolidation of brand equity, image and reputation.

By joining the **United Nations Global Compact**, the Italmobiliare Group confirms its commitment - both formal and substantial - to promote a healthy, inclusive and sustainable global economy, respectful of human and labour rights, capable of protecting the environment and actively involved in every aspect of business integrity. To this end, Italmobiliare shares, supports and applies the 10 fundamental principles of the Global Compact in its sphere of influence and actively contributes to the achievement of the United Nations Sustainable Development Goals.

In defining a sustainable strategy and related action plans, the **materiality analysis** offers effective methodological support in identifying the governance, economic, social and environmental issues that best reflect the Group's success levers, matching the interests of the business with the expectations of stakeholders.

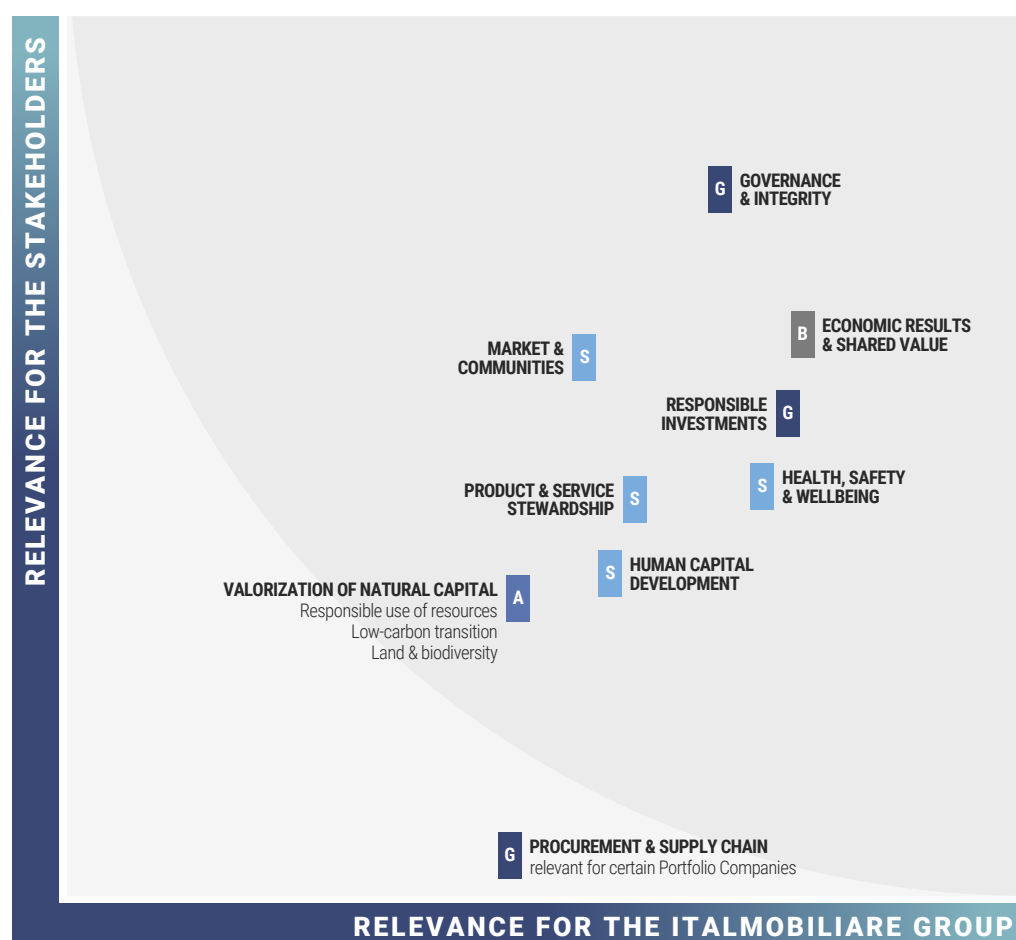
Given its nature as a strategic tool, the resulting matrix is presented, discussed and approved by the Board of Directors and made operational by management.

Built with the involvement of the main external stakeholders (Italmobiliare employees, shareholders, financial analysts, regulatory bodies, media, investee companies, etc.), it is updated annually according to changes in the perimeter or in the metrics used.

In 2020, the Group's higher exposure to the agri-food segment meant that the topic of "Procurement and value chain" became material, resulting in a greater attention also to the related greenhouse gas emissions.

A more radical update of the methodological approach is expected in 2021, with more dynamic flexibility in following the evolution of the perimeter; above all, it will be even more integrated with the Group's operations and with risk management.

To make the matrix more communicative, material topics have been aggregated into macro-issues on the basis of their affinity. A reconciliation table is provided in the notes to the Reporting section.



Materiality matrix

B The ultimate goal of the **business** is to create shared value, by identifying, understanding, measuring and managing all the levers of success in the best way possible.

G **Governance** levers: ethical management, risk management and pro-active compliance across the entire value chain.

S **Social** levers: people, from employees to the market, to local and global communities, united in the move towards sustainable lifestyles.

A **Environmental** levers: the fight against climate change and responsible management of natural resources.

Identifying, understanding, measuring and managing all the success levers of the business in the best possible way means enhancing all types of capital that are available to the Group, identified according to the framework suggested by the International Integrated Reporting Council (IIRC).

Financial and manufactured capital includes financial and operating instruments used in obtaining the result.

Human capital brings together the individual skills and experience of everyone in the Group.

Intellectual capital is fuelled by innovation and by technological and managerial know-how.

Social and relational capital represents the importance of stakeholders, communities, supply chains, customers, market, institutions in generating social consensus.

Natural capital defines the set of natural assets, intended as providers of environmental resources and services for economic production and social well-being.

			Italmobiliare Group	Portfolio Companies
BUSINESS	ECONOMIC RESULTS & SHARED VALUE	Financial and manufactured capital	F18	-
	GOVERNANCE & INTEGRITY	Social and relational capital	F20	F38-46-54-62-70
GOVERNANCE	RESPONSIBLE INVESTMENTS	Financial and manufactured capital	F22	F71
	PROCUREMENT & SUPPLY CHAIN	Social and relational capital	-	F38-46-54-62
	HUMAN CAPITAL DEVELOPMENT	Human capital	F23	F39-47-55-63-72
	HEALTH, SAFETY & WELLBEING	Human capital	F25	F40-48-56-64-72
SOCIAL	PRODUCT & SERVICE STEWARDSHIP	Intellectual capital	F25	F40-49-57-64
	MARKET & COMMUNITIES	Social and relational capital	F26	F41-49-57-65-73
	VALORIZATION OF NATURAL CAPITAL			
ENVIRONMENT	Responsible use of resources	Natural capital	F28	F42-50-58-65
	Low-carbon transition			
	Land & biodiversity			

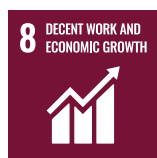
When joining the United Nations Global Compact, a specific study was carried out on the relationship between material aspects and **Sustainable Development Goals (SDGs)**.

The creation of shared value is directly or indirectly correlated with all of the SDGs. Governance and responsible investment management are essential levers for the effectiveness of action on all SDGs. The sustainable strategy of the Italmobiliare Group mainly targets the following six objectives.



Achieve gender equality and empower all women and girls

It is the Goal of operational and social efficiency through equal opportunities, women empowerment and inclusiveness for social and economic development, in line with the formal commitment made by the Group by signing the Women Empowerment Principles.



Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

It is the Goal that sums up the meaning of sustainable business. Economic productivity through diversification, technological upcycling and innovation. Efficiency of financial, human and natural resources. Human and labour rights, decent, safe and secured work environments, social and professional growth.



Ensure sustainable consumption and production patterns

This is the Goal of the regenerative economy and product stewardship, which combines sustainable production and conservation-oriented lifestyles and consumption.



Take urgent measures to combat climate change and its impacts

This is the Goal of fighting against climate change, the primary global emergency. A strong mandate not only for those operating in the energy and multi-utilities segment. Monitoring, mitigation and adaptation for resilient value chains.



Promote peaceful and inclusive societies for sustainable development; provide access to justice for all and build effective, accountable and inclusive institutions at all levels

This is the Goal of business integrity and sustainable governance. Promoting and complying with external and internal laws, rules and principles of governance by adopting virtuous conduct in internal relations and with all stakeholders, whether business or non-business.



Strengthen the means of implementation and revitalize the global partnership for sustainable development

This is the Goal of sharing efforts towards sustainability. Partnerships, starting with financial ones, with investments aimed at creating shared value. The global challenges in the agenda of economic organisations, with pro-activity and involvement, in line with the Group's adhesion to the UN Global Compact.

Sustainable Development Goals

The graph correlates the Group's key levers with the SDGs. The boxes indicate the areas in which the Group's contribution can be particularly effective:

	1 NO POVERTY	2 ZERO HUNGER	3 GOOD HEALTH AND WELL-BEING	4 QUALITY EDUCATION	5 GENDER EQUALITY	6 CLEAN WATER AND SANITATION	7 AFFORDABLE AND CLEAN ENERGY	8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	10 REDUCED INEQUALITIES	11 SUSTAINABLE CITIES AND COMMUNITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION	14 LIFE BELOW WATER	15 LIFE ON LAND	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	17 PARTNERSHIPS FOR THE GOALS
ECONOMIC RESULTS & SHARED VALUE	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
GOVERNANCE & INTEGRITY	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
RESPONSIBLE INVESTMENTS	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
PROCUREMENT & SUPPLY CHAIN		■			■			■				■	■		■	■	■
HUMAN CAPITAL DEVELOPMENT				■	■			■								■	■
HEALTH, SAFETY & WELLBEING			■		■			■									■
PRODUCT AND SERVICE STEWARDSHIP			■			■	■	■	■		■	■	■	■	■	■	■
MARKET & COMMUNITIES	■	■	■	■	■	■	■	■		■	■					■	■
VALORIZATION OF NATURAL CAPITAL																	
Responsible use of resources						■	■	■	■			■	■	■	■		■
Low-carbon transition		■					■	■	■			■	■	■	■		■
Water, land & biodiversity		■	■			■		■					■	■	■		■

■ Direct contribution ■ Indirect contribution

Materiality and Sustainable Development Goals are the operational cornerstones for the definition of action plans that involve all the portfolio companies, the strategies, initiatives and performances of which are shown from page F35 onwards.

The Sustainability Policy adopted in 2019 guides active dialogue with the Portfolio Companies on material ESG issues. The resulting ESG Plan associates a system of qualitative and quantitative objectives connected to medium-term time horizons, allowing constant assessment of the Group's ESG performance and monitoring of the level of integration of sustainability in the business strategies of the individual portfolio companies.

In the second half of 2020, the Sustainability Policies and the ESG Plan started undergoing a refining and revising process in order to bring the Group's commitment into line with the United Nations Global Compact.

Economic result and shared value

Thanks to the positive performances of the Portfolio Companies and the investments made during the year, the Italmobiliare Group closed 2020 with a profit of 104.8 million euro, an increase on the previous year.

Furthermore, as confirmation of the effectiveness of the investment strategies and the solidity of the value creation model, the Net Asset Value (NAV) is growing, and with a higher contribution from the Portfolio Companies.

In 2020, the global economic cycle was hit by the pandemic. Considering the many variables involved, it is still difficult to quantify the overall effects and their duration over time. The Group's portfolio held up well thanks to sector and geographical diversification, though with some fluctuations, some expected and subject to preventive actions to mitigate the impact. The potential effects of this phenomenon on the Group's business will continue to be monitored throughout the year.

5 NAV, excluding treasury shares in portfolio, was calculated taking into account:

- the market price of listed equity investments and the end of the year
- the value of non-listed companies, where determinable, based on market multiples or specific valuations or, when such information is not available, on equity as reflected in the most recent approved financial statements drawn up in accordance with IAS/IFRS, otherwise with local accounting principles,
- the market value of real estate assets
- the deferred tax effect.

ITALMOBILIARE GROUP		2018	2019	2020
Net Asset Value (NAV) ⁵		1,421	1,741	1,838
% Portfolio Companies		34%	43%	61%
Revenue and income	in millions of euro	463.1	565.9	575.5
Gross operating profit (EBITDA)		41.2	125.9	106.0
Profit for the year		31.7	77.0	103.5

The Italmobiliare Group manages the flow of investments and disposals in order to guarantee its sustainable success through the creation of shared value in the long term.

The commitment signed with the United Nations Global Compact confirms the Group's willingness to contribute to global challenges, at the same time protecting and strengthening financial performance for the benefit of shareholders and all other stakeholders.

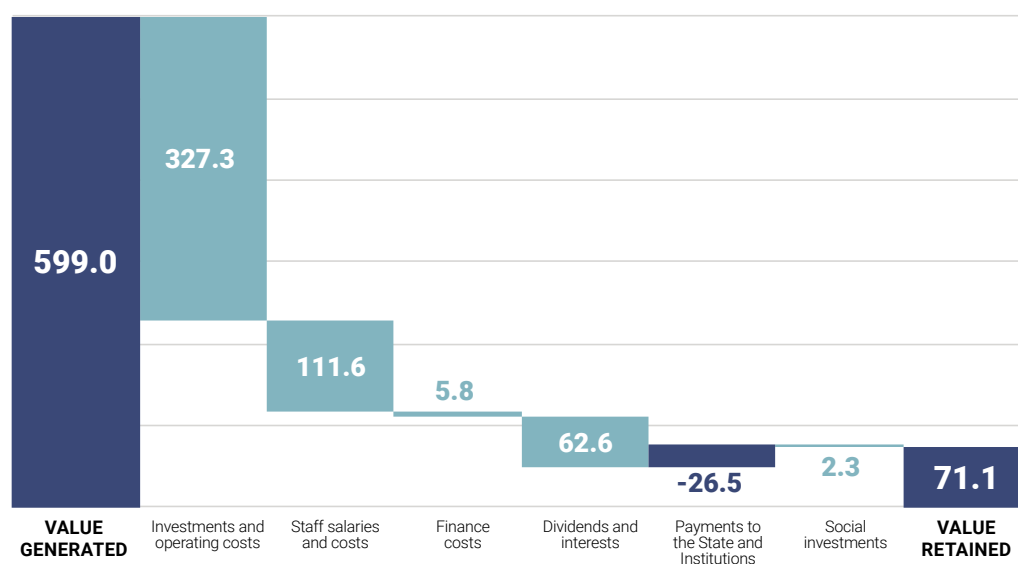
ECONOMIC VALUE GENERATED		2018	2019	2020
TOTAL		487.6	589.8	599.0
Revenue and income	in millions of euro	463.1	565.9	575.5
Other		24.5	23.9	23.5
ECONOMIC VALUE RETAINED				
Amortisation and depreciation, retained earnings and provisions for new investments	in millions of euro	25.8	65.9	71.1

ECONOMIC VALUE DISTRIBUTED		2018	2019	2020	
TOTAL		461.8	523.9	527.9	Stakeholders who benefit
Investments and operating costs		343.4	351.7	372.3	Suppliers of goods and services
Salaries and staff benefits		98.7	103.5	111.6	Personnel
Dividends and interests	in millions of euro	27.0	38.8	62.6	Shareholders and Minorities*
Payments to the State and Institutions		-13.2	22.5	-26.5	State and Public Administration
Finance costs		5.1	6.0	5.8	Capital providers
Social investments		0.8	1.3	2.3	Communities

*The figure includes the distribution of profits for the year, equal to 27.4 million euros, which the Board of Directors of Italmobiliare S.p.A. will propose to the Shareholders' Meeting.

Economic value distributed to the stakeholders in 2020

(in millions of euro)



Governance

GOVERNANCE & INTEGRITY

Board of Directors

- 12 members
- 5 female members
- 8 independent members

Committee for Sustainability and Social Responsibility

- 5 members
- 2 male members
- 4 independent members

Code of Ethics

The Code of Ethics lays down the Group's fundamental principles and rules of conduct. Based on Identity, Mission and Values, they constitute a solid point of reference for the sustainable success of the Group through the creation of shared value in the long term.

Further guidance is provided by the various Policies adopted and periodically updated, particularly the Sustainability Policies

The annual **Report on Corporate Governance and the Ownership Structure** details the corporate governance system, the composition and operations of the Board of Directors, the Board of Statutory Auditors and the four Board Committees (Remuneration and Nominations, Transactions with Related Parties, Control and Risk, Sustainability and Social Responsibility).

The **Board of Directors** defines the strategic guidelines of the Company and the Group and is responsible for its management with a view to sustainable success. It is vested with all powers of ordinary and extraordinary administration of the Company, as all matters not expressly reserved for the Shareholders' Meeting by law and the By-laws fall under its remit. In 2020, the **Committee for Sustainability and Social Responsibility**, chaired by the Chief Executive Officer, was set up as an additional dedicated support. The Committee has a duty to provide the Board of Directors with advice and proposals in order to implement a development strategy focused on sustainability, consistent with Italmobiliare's mission in all its components: governance, economic, social and environmental (ESG). A **Sustainability Department** was also established at corporate level. The Chief Sustainability Officer has secretarial and management functions for the Committee for Sustainability and Social Responsibility. The composition and management of the governance bodies ensure representativeness, skills and the absence of conflicts of interest, aiming at maximum operational efficiency and integrity.

The Portfolio Companies have governance systems that are consistent with the Group's approach. The presence on the Boards of Directors of members representing the Parent Company, together with independent directors, creates continuity of vision towards sustainable success.

The **Code of Ethics** explicitly recalls the principles of the United Nations Global Compact, which is internationally recognised as an advanced point of reference, also in terms of corporate governance. Through a sustainable approach aimed at creating shared value for the society and for the environment, the Italmobiliare Group intends to explore further levers of success to increase turnover and profit margins, mitigate business risk, attract capital and investors, motivate its people and consolidate the brand. Further guidance is provided by the various policies adopted and periodically updated, particularly the Sustainability Policies.

The Portfolio Companies are required to align themselves with this approach.

Italmobiliare has adopted an **Organisation, Management and Control Model**, which is foreseen by law but not mandatory. It is designed to limit the risk of committing certain types of crimes, mainly in terms of corruption, bribery, fraud against the State, corporate offences, fencing, unintentional serious injuries or fatalities due to non-compliance with safety norms, serious environmental crimes, but also terrorism or violations against the individual, market abuse and others. Other types of crimes were included in the Model in 2020, such as tax offences, as well as trafficking in illicit influences in the section relating to offences against the Public Administration. The Supervisory Body, appointed on the basis of autonomy and independence, is responsible for the control activity. In addition, the control functions that supervise compliance with regulations have been identified. They have the support of the Legal and Corporate Affairs and Internal Audit departments of the holding company. Compliance risks are identified and evaluated at least once a year as part of the risk assessment process. In addition to specific periodic training, the approach adopted includes the whistleblowing procedure for reporting unlawful behaviour, in order to offer employees and third parties confidential channels to raise concerns or violations of the procedure, without fear of retaliation, discrimination or disciplinary action.

The Model adopted by the Parent Company acts as a point of reference for the progressive adoption of consistent approaches by the Portfolio Companies.

More generally, the **Internal Control and Risk Management System** (ICRMS) adopted by Italmobiliare has risk management bodies, systems and processes aligned with international best practice.

ces. These allow constant monitoring and effective management of risks of an economic-financial, social and environmental nature at Group level and conscious decision-making on the matter. It consists of rules, procedures and organisational structures to allow the identification, measurement, management and monitoring of the main risks to which the Company and its subsidiaries are exposed.

The Board of Directors, with the opinion of the **Control and Risk Committee**, defines the Guidelines and assesses their adequacy and effectiveness at least once a year. These Guidelines are sent to the subsidiaries so that they can take them into account when defining and maintaining their own ICRMS, without prejudice to each other's autonomy and independence. Under the coordination of the **Internal Audit Department**, which is responsible for risk management, the process of assessment was further refined in 2020 with a more detailed view of the medium/long-term trends and with an ESG methodological approach reviewed together with the Sustainability Department. The Group's sustainable approach is in itself a strategy of risk anticipation and mitigation, particularly for the categories shown in the table.

Control and Risk Committee

- 3 members
- 2 independent members
- 1 male member

Main risks mitigated through the ESG approach	Key levers affected	Parent Company	Portfolio Companies
Consistency with ESG commitments and effective execution of related action plans	GOVERNANCE & INTEGRITY RESPONSIBLE INVESTMENTS	high	from low to medium
Trends in the ESG and regulatory framework (sector, health, safety, environment, quality, product, or other corporate aspects)	GOVERNANCE & INTEGRITY MARKET & COMMUNITIES	medium	from low to high
Competitive sector trends, including commercial, marketing and ESG policies, innovation and M&A processes	GOVERNANCE & INTEGRITY RESPONSIBLE INVESTMENTS MARKET & COMMUNITIES	medium	from low to medium
Indirect impacts of climate change on the activities of one or more Group companies	MARKET & COMMUNITIES Low-carbon transition	-	from low to high
Indirect impacts of the COVID-19 pandemic on the activities of one or more Group companies	MARKET & COMMUNITIES HEALTH, SAFETY & WELLBEING	low	from low to high
Sustainability, availability and cost-effectiveness of supplies and raw materials	GOVERNANCE & INTEGRITY RESPONSIBLE INVESTMENTS PROCUREMENT & SUPPLY CHAIN	-	from low to medium
Organisational structure, internal processes and skills	GOVERNANCE & INTEGRITY HUMAN CAPITAL DEVELOPMENT	low	from low to high
IT infrastructure and cyber risk	GOVERNANCE & INTEGRITY MARKET & COMMUNITIES	low	from low to medium
Quality of products and services in line with expectations of the Group and customers, also in ESG terms	GOVERNANCE & INTEGRITY RESPONSIBLE INVESTMENTS PRODUCT & SERVICE STEWARDSHIP	-	from low to medium

The Group's rigorous approach to **tax** is based on the founding principles laid down in the Code of Ethics. Italmobiliare adopts as an essential value of its activities compliance with the principle of legality and of legislation in force in Italy and in the international contexts in which it operates. In addition, from 2020 the Organisational, Management and Control Model includes a detailed description of tax crimes, subject to the control of the Supervisory Body. Updating the risk assessment did not reveal any significant aspects in this area. In any case, considering the Group's geography, 94% of taxes is paid to Italian institutions.

Confirming the overall effectiveness of the integrity and compliance safeguards adopted by Italmobiliare and its subsidiaries, in 2020 there were no episodes of corruption, no behaviour contrary to competition law or other applicable socio-economic and environmental regulations, nor has

the Supervisory Body of Italmobiliare received any reports on alleged illegal behaviour or conduct contrary to the Code of Ethics.

The lawsuit against Sirap (Retail Food Packaging), which began in the early years of 2000 and which has already been explained in the previous Reports, is still pending judgement of the EU Court of Justice on the appeal presented by the company.

RESPONSIBLE INVESTMENTS

Screening activities

Italmobiliare recognises that:

- some sectors may have direct aspects or negative externalities that even Italmobiliare's transformative capability cannot overcome. Italmobiliare does not invest in these sectors.
- Other sectors may have direct aspects or negative externalities that are less significant; Italmobiliare can engage with these companies if they meet the Group's requirements and show a willingness to adapt or diversify their activities, also with the support of Italmobiliare's transformative capability.
- Companies with diversified activities can only be partially operational in the sectors of exclusion. By adopting materiality thresholds, Italmobiliare can engage with these companies if they meet the Group's requirements and show a willingness to adapt or diversify their activities, also with the support of Italmobiliare's transformative capability.

In 2020, in the face of numerous opportunities, 12 dossiers were analysed. A complete ESG due diligence was carried out for 3 of these, leading to investment decisions in the case of Casa della Salute and Callmewine (see the Portfolio Companies section for details).

In line with its identity, inspired by its Mission and Values and by adopting the principles and rules of conduct defined by the Code of Ethics and following the guidelines provided by the Sustainability Policies, Italmobiliare Investment Holding manages its flow of investments and disposals in order to guarantee the sustainable success of the Group through the creation of shared value in the long term.

To this end, in addition to refraining from any investment or involvement, even indirect, with entities connected to the production, marketing, use or trade of illegal products or activities, Italmobiliare assigns priorities and uses financial resources in a targeted and selective manner, thereby contributing to the global challenges and, at the same time, protecting and strengthening the financial performance for the benefit of shareholders and all other stakeholders.

Other practices, direct or indirect, lead to exclusion, for example corruption, money laundering, human rights violations, activities in conflict zones, violations of the fundamental principles of labour, production of goods harmful to health, the environment and morality, an obstacle to sustainability in general.

Net of the principles of exclusion and preliminary assessment, the choices of capital allocation, with limited use of financial leverage, are aimed at long-term "core" majority shareholdings, with clear development and enhancement objectives, as well as minority shareholdings with a main focus on stable dividend generation or strong growth. Analysis of the prospects for improving the ESG positioning is a fundamental component of the initial due diligence, coordinated by the Development & Investments Department.

The attention paid to the sustainability profiles of the companies in the portfolio finds continuity in the management phase, through an active dialogue with the investee companies aimed at fully integrating sustainability into the business strategy. In the organisation of Italmobiliare, the task of translating the strategic indications received from the Board of Directors into current management operations is the responsibility of the Investment Management Department, supported by the other functional departments at holding company level.

The value created through responsible asset management is recovered on disposal of the investment. This is the **case of Sirap**: in portfolio since 1990, through a series of acquisitions, territorial diversification, investments and technological and product innovation, it has become one of the most qualified European producers of plastic containers for fresh food.

Early in 2021, Sirap's main assets in Italy, Poland and Spain were sold to the Faerch group and an agreement was signed with Zeus Packaging for the sale of Sirap's assets in Austria, Central-Eastern Europe and Germany.

This transaction permitted full valorization of the assets being sold, also considering the ESG high profile achieved, delivering solid and well-performing structures to leading players in the sector, certainly capable of furthering their growth in line with regulatory and competitive developments in food packaging.

In line with the deals completed during recent years, this agreement confirms Italmobiliare's ability to create solid industrial platforms that are attractive for international aggregation, processes and strengthens the path which has seen the sale of long-standing shareholdings and the investment from 2017 to the present day in various excellences Made in Italy, with which to start a common path through the sharing of its know-how and its own development and governance models.

Society

In all Group activities and in business or social relations with all stakeholders in its sphere of influence, Italmobiliare:

- Supports and respects internationally proclaimed human rights, which are universal and belong equally to every person. In addition, it implements work practices based on fair employment, equal opportunities, skills development and inclusiveness, considering diversity as a source of value.
- It is committed to ensuring the health, safety and wellbeing of all parties involved by providing adequate working conditions, equipment, information and training.
- It guarantees the constant improvement of the quality and the environmental and social value of processes, products, applications and services, promoting research and innovation.
- It creates and maintains relationships with the market based on partnerships, transparency, exchange of information and sharing of commitments and invests time, skills and resources to support communities, favouring local development with the regular involvement of all stakeholders.

Materiality

In this section, information and figures include all consolidated companies:

- Italmobiliare (Parent company)
- Caffè Borbone
- Sirap
- Italgas
- Capitelli
- Clessidra

HUMAN CAPITAL DEVELOPMENT

The growth of the Group also depends on the ability to attract and retain, at the Holding Company and at all the other companies, people with different, complementary skills and leaders capable of guiding the evolution of companies by aligning the interests of management and shareholders and promoting the sustainable success of the Group through the creation of shared value in the long term.

The Group considers the management and development of human capital a clear responsibility of all its managers, not only to respect and protect their skills and diversity, but above all to develop and enhance them to the full.

Equal opportunities are a particular point of attention, with steps being defined to encourage the presence and representation of women in senior positions. In particular, Italmobiliare believes that promoting gender equality is not only indispensable for creating and maintaining an inclusive working environment, but also that it constitutes an essential element for the professional growth of the Group.

By way of confirmation of this specific commitment, in 2020 Italmobiliare signed and promoted the Women Empowerment Principles at all Group companies.

	2018	2019	2020
HOLDING (% female participation)			
Board of Directors	36%	36%	42%
Board of Statutory Auditors (<i>including alternate auditors</i>)	33%	33%	50%
Management positions ⁶	27%	27%	35%
Total personnel	54%	51%	50%
PORTFOLIO COMPANIES (% female participation)			
Boards of Directors	12%	13%	10%
Boards of Statutory Auditors (<i>including alternate auditors</i>)	30%	20%	19%
Management positions ⁶	16%	17%	20%
Total personnel	28%	27%	27%

Women Empowerment Principles

Promoted by UN Women and the United Nations Global Compact, they commit signatories to gender equality and women's empowerment in the workplace, in the economy and in communities.

Commitment includes the measurement and publication of progress made to promote the equal treatment of men and women.

⁶ The indicator includes managers until 2019. From 2020 it also includes middle managers.

Confirming the value given to people, permanent full-time contracts are by far the main type of employment. Part-time jobs constitute an element of flexibility to meet individual needs for work-life balance, but they are limited. 64% of the Group's employees are covered by collective bargaining agreements.

All Group companies prefer to develop and enhance skills and professionalism of people from their local communities.

With 169 new hires versus 155 terminations, staff turnover in 2020 was still significant (18%), confirming dynamic and competitive sectors also in terms of professional skills. In any case, the assessment of management and the improvement of all levers of attraction and retention of talents remains open, including structured training programmes and individual performance assessment schemes linked to merit-based remuneration policies.

In addition to employees, the Group relies on the support of 334 collaborators, mostly temporary or self-employed workers and agents.

	2018			2019			2020		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Personnel									
TOTAL	494	1,295	1,789	470	1,249	1,719	481	1,294	1,775
<i>Managers</i>	16	73	89	14	60	74	13	58	71
<i>Middle managers</i>	-	-	-	-	-	-	26	78	104
<i>Office workers</i>	227	324	551	231	309	540	208	256	464
<i>Production workers</i>	251	898	1,149	225	879	1,104	234	902	1,136
Contracts (%)									
Permanent (vs. fixed-term)	90%	91%	91%	91%	93%	93%	90%	94%	93%
Full time (vs. part-time)	86%	99%	96%	90%	96%	94%	90%	97%	95%
Training (hours per capita)*									
TOTAL	4.6	8.2	7.2	7.5	5.1	5.8	0.7	4.8	5.0
<i>Managers</i>	17.1	17.4	17.4	32.3	13.1	16.7	9.7	6.4	7.0
<i>Middle managers</i>	-	-	-	-	-	-	7.6	3.0	4.3
<i>Office workers</i>	5.3	3.9	4.5	7.6	7.8	7.7	6.0	13.2	10.0
<i>Production workers</i>	3.3	8.9	7.7	7.5	5.1	5.8	0.0	3.5	3.4
Performance assessment (%)*									
TOTAL	20%	20%	20%	18%	16%	16%	44%	20%	23%
<i>Managers</i>	75%	80%	79%	79%	97%	93%	100%	97%	98%
<i>Middle managers</i>	-	-	-	-	-	-	56%	83%	75%
<i>Office workers</i>	34%	30%	31%	19%	34%	27%	33%	44%	39%
<i>Production workers</i>	6%	12%	10%	13%	4%	6%	0%	0%	0%

* In the absence of accounting data, the 2020 consolidation does not include Sirap.

HEALTH, SAFETY & WELLBEING

Italmobiliare considers safety, protection and promotion of the health and wellbeing of the person as fundamental values to be integrated into all of the Group's activities and in business or social relations with all stakeholders in its sphere of influence. This principle extends to employees, businesses, suppliers, visitors, local communities and any other interested parties within its sphere of influence.

The Group is committed to taking concrete measures to eliminate accidents, injuries and illnesses caused by work, reducing the risks in all its activities. It also aims to achieve the highest levels of collective and individual awareness, encouraging a process of continuous improvement by adopting effective management systems and visible leadership as the key to success.

All personnel are adequately trained and equipped to carry out their role in conditions of complete safety and health, according to operating procedures aimed at minimising exposure to risk factors and taking into consideration the different needs and requirements of men and women.

Great attention was given in 2020 to implementation of the Covid-19 protocols, well beyond the legal requirements. All Group companies undertake initiatives to promote the psychological and physical wellbeing of their people.

	2018	2019	2020
Employees			
Fatalities	0	0	0
Serious injuries ⁷	0	1	0
Injuries ⁸	22	15	12
Frequency rate ⁹	8.3	6.0	4.8
Collaborators¹⁰			
Fatalities	-	0	0
Serious injuries ⁷	-	0	0
Injuries ⁸	-	2	3
Frequency rate ⁹	-	7.2	7.8

7 With absence from work for at least 180 days

8 With absence from work for at least 24 hours

9 Number of injuries (with absence from work for at least 24 hours) per million hours worked

10 Temporary workers, self-employed workers, project collaborators, interns and agents

Data relating to Sirap GmbH (Sirap - Germany) are not included. The personnel of the company represents 1% of total Sirap Group and the activities carried out, exclusively of a commercial and administrative nature, do not present significant risks to health and safety.

Furthermore, the data relating to the hours worked of Sirap GEMA (Sirap - Italy) and Inline (Sirap - Poland) in 2020 are the result of an estimate, in the absence of accounting data.

PRODUCT AND SERVICE STEWARDSHIP

Italmobiliare promotes commercial policies and strategic choices in line with best practices and the principle of professional loyalty towards customers and consumers in all Group companies, in particular those with services and products intended for national or international business or consumer markets.

All Group companies work to ensure and continually improve the quality of processes, products and services, adopting a systematic approach aimed at satisfying increasingly challenging requirements and creating value along the life cycle of products and improving relationships with customers and suppliers.

Initiatives aimed at promoting and encouraging the purchase of products and services must respect the regulations that protect the interests of consumers and customer satisfaction. In addition, customers and consumers must have complete, updated, verified and transparent information on the characteristics and quality of products and services, including, when necessary, aspects related to environmental and social performance. This is not only to allow free and informed choices, but also to promote responsible lifestyles and consumption.

By combining this vision with the growing demands of the market, the Group aims to understand, control and communicate the technical, environmental and social performance of its products and services throughout their life cycle, from the procurement of raw materials to production and final disposal or reuse.

Sirap	The 100% of packaging produced is recyclable.
Italgen	The electricity sold is 80% renewable hydroelectric. The mix has an overall carbon footprint of less than 100 g/kWh.
Caffè Borbone	83% of the raw materials, additives, ancillaries and packaging materials used are of renewable origin.
Capitelli	94% of the raw materials, additives, ancillaries and packaging materials used are of renewable origin.

MARKET & COMMUNITIES

The sustainable success of the Group also involves transparent information, from holding companies to subsidiaries or investee companies, from the single operating site to the corporate level, from local communities to society in general, including institutions, non-governmental organizations and representatives of the public and private sector.

The Parent Company Italmobiliare and all the companies of the Group aim at creating and maintaining relationships with the community and with stakeholders based on long-lasting shared commitments, trust, transparency and active collaboration.

The dialogue methods adopted depend on the nature and specific expectations of the respective stakeholders, also promoting the active involvement of their collaborators. The following table describes the multidimensional approach towards stakeholders, identified by categories.

Stakeholders	Relational modalities	Topics	Group companies
Personnel: employees and their representatives	Continuous manager/team dialogue, safety initiatives, thematic events, industrial relations	Work organisation, corporate climate, health, safety and wellbeing, strategy and sustainability	All
Management: holding company and portfolio companies	Continuous management	Strategy and sustainability, investments	All
Financial community: investors, analysts, shareholders, capital providers, rating agencies	Dedicated meetings, road shows, corporate and web documents	Strategy and sustainability, governance, economic, environmental and social performance, , risk management, investments	Italmobiliare Clessidra
Customers: B2B, B2C and end-users	Fairs, forums and sector events, direct individual contacts, customer satisfaction and quality	Customer services and logistics for products and solutions, also with reference to environmental and social performance	Sirap Italgen Caffè Borbone Capitelli
Supply chain: suppliers of goods and services	Strategic partnerships, supply chain management, direct individual contacts, qualification audits	Pre-qualification and qualification requirements, contractual terms and conditions, supply chain disciplinary, audit feedback	Sirap Caffè Borbone Capitelli
Communities, media and NGOs: local and global	Interviews, conferences, dialogue with the community, social initiatives	Transparent communication on strategy and sustainability, social and environmental performance, investments for the community	All
Associations: partnership and academia	Meetings, conferences, shared initiatives, partnerships, research	Strategy and sustainability, governance, individual and sectoral contribution	All
Authorities and institutions	Individual or collective interactions (e.g. meetings, conferences, events)	Governance, legal compliance, strategy and sustainability	All

Considering the nature of an investment holding company, relations with the financial community are particularly relevant, both for Italmobiliare, which manages them, and for all the Portfolio Companies that are represented by it. Italmobiliare is listed on the STAR segment of the Italian Stock Exchange, which groups together mid-cap companies committed to meeting the requirements of excellence in terms of transparency, share liquidity and corporate governance. Relations with Italmobiliare's shareholders are coordinated by the Investor Relator, following the instructions of the Chief Executive Officer - Chief Operating Officer in collaboration with the other Departments and Corporate Functions involved.

In 2020, even with the inevitable limitations on business trips and physical events, Investor Relations activities mainly concerned:

- stable coverage by leading equity research analysts, with Equita and Kepler Cheuvreux which today follow the Italmobiliare stock with constant updates on the Group's activities
- taking part in the main investor conferences organised by investment banks and Borsa Italiana
- one-to-one meetings with Italian and international investors.

In support of Investor Relations activities and for the benefit of all interested stakeholders, Italmobiliare constantly updates the contents of its website in order to improve the usability of information. The periodic newsletter, sent to a list of selected recipients but made available to all through the website, adds further elements of transparency.

All Group companies create relationships with local communities by understanding their needs, promoting sustainable local projects that do not generate relationships of dependency and regularly involving stakeholders. An important role in supporting local communities is played in parallel by the Pesenti Foundation, named after the Cavaliere del Lavoro Carlo Pesenti, one of the protagonists of Italian industry and finance of the last century.

Although they operate in different industrial sectors and different markets, Italmobiliare and its Group companies are united in that they apply the highest possible standards of safety and integrity in the products and services that they offer to customers, as well as the regulatory obligations, which are combined with careful monitoring of the transparency and correctness of communications to customers and effective protection of personal data belonging to customers and other key stakeholders.

In order to comply with the regulatory provisions on privacy and the security of sensitive data, the Italmobiliare Group has defined its own model for the protection of personal data. Through it, the Group aims to guarantee respect for the rights of people subject to the treatment of personal data, to fulfil obligations, to prevent possible violations by monitoring and controlling all obligations and implementing adequate security measures. In 2020, Group companies did not receive any complaints about violations of customer privacy nor did they suffer any data losses or leaks.

Lastly, active participation in associations is also relevant, encouraging or supporting common initiatives and the adoption of responsible business practices.

Fondazione Pesenti

Established in June 2004 as an autonomous and independent body, it is a tool for promoting and disseminating the culture of innovation understood as the development of ideas, projects and actions capable of creating a positive impact on a social, environmental and cultural level.

It develops modern forms of interaction between the public sector, the private for-profit and non-profit sectors, with the design of sustainable solutions that meet the main social challenges.

Among the most significant projects, also with the financial contribution of Italmobiliare, the collaboration with Italian and foreign universities, constant support for scientific research and dissemination, humanitarian and social solidarity.

Company	Affiliations
Italmobiliare	AIDAF - Italian Association of Family Businesses, American Chamber of Commerce in Italy, Assolombarda, Assonime, Business Forum Italy/Thailand, Europeanissuers, United Nations Global Compact, Global Compact Network Italy (Foundation), Group of Italian Initiative of the Embassy of Italy in Brussels, ISPI - Institute for International Political Studies
Sirap	Industrial Association of Brescia, Mantua, Arezzo and Pordenone, Federation of Rubber Plastic, Corepla, CPA - Circular Plastic Alliance, EsPC - European Plastics Converters, Petcore Europe, Cicloplast (E), Federation Plasturgie (F), IK - Industrievereinigung Kunststoffverpackungen (D), Polish Union of Plastic Converters
Italgen	Confindustria Bergamo, Elettricità Futura
Clessidra	AIFI, AODV (Association of Members of Supervisory Bodies), Invest Europe, UN PRI - Principles for Responsible Investment
Caffè Borbone	Italian Coffee Committee, CONFIDA - Italian Association of Automatic Vending Industry

Environment

VALORIZATION OF NATURAL CAPITAL

In all Group activities and in business or social relations with all stakeholders in its sphere of influence, Italmobiliare:

- contributes to the protection of the environment through the responsible use of resources, adopting the best practicable options and effective management systems. At the same time, it makes the most of waste, giving priority to recycling, material recovery, energy recovery and ultimately resorting to environmentally and socially responsible forms of disposal.
- It pro-actively tackles the challenge of climate change, with the purpose of an overall reduction of greenhouse gas emissions over the entire life cycle, implementing measures aimed at energy saving, the efficiency of plants and the supply and distribution chain and designing products and services that contribute to the global goal.
- It protects the quality of water and soils, to safeguard the collective usability and to preserve biodiversity even outside protected areas, ensuring the best environmental management

Materiality

In this section, information and data include the following companies:

Responsible use of resources

- Caffè Borbone
- Sirap
- Capitelli

Low-carbon transition

- Caffè Borbone
- Sirap
- Italgen
- Capitelli

Land & biodiversity

- Italgen

Responsible use of resources

Group companies make responsible use of renewable resources of biological origin and non-renewable resources of extractive or fossil origin, favouring whenever possible those originating from virtuous recycling processes according to technological evolution and in compliance with sector regulations.

Applying the same principle, secondary products, co-products and by-products are intended for use by other parties in the supply chain. The waste generated in the process or in the auxiliary and maintenance activities are best exploited as resources for other consumption or production cycles and only as a last resort is it sent to controlled disposal sites, where further partial valorization is possible, at least in terms of energy.

Production processes, heating, sanitary uses and company fleets require thermal and electrical energy. Excluding initiatives to raise plant or operational efficiency, attention is focused on choosing fuels that are more favourable to the environment and renewable sources. Italgen plays a fundamental role in the energy transition, producing and marketing renewable hydroelectric energy. Caffè Borbone and Capitelli have photovoltaic systems that produce renewable energy used directly or fed into the grid.

Responsible manufacturing

51% of all raw materials, semi-finished products and ancillary materials used for production are renewable or come from recycling.

78% of the packaging materials used are renewable or recycled.

The energy used is mainly non-renewable, but at least twice the quantity of renewable energy is fed into the grid.

	units	2018	2019	2020
Raw materials, semifinished goods and ancillaries*				
TOTAL		111,282	113,646	78,748
Renewable		17,638	23,797	28,178
% of total from recycling	t	0%	0%	0%
Non-renewable		93,644	89,849	50,570
% of total from recycling		11%	12%	15%
Packaging materials				
TOTAL		9,705	11,817	15,207
Renewable		5,598	6,854	9,612
% of total from recycling**	t	53%	54%	59%
Non-renewable		4,107	4,963	5,595
% of total from recycling		38%	38%	42%

* Values relating to 2018 and 2019 that refer to Sirap were restated following a refinement of the survey methodologies.

** The percentage of recycled cardboard used by Caffè Borbone for packaging is estimated on the basis of the information relating to FSC certifications reported by suppliers in the sales documentation.

	units	2018	2019	2020
Energy consumed				
TOTAL		506,744	489,570	477,823
Renewable		28,881	29,211	31,593
% of total	GJ	6%	6%	7%
Non-renewable		477,863	460,359	446,230
% of total		94%	94%	93%
Energy fed into the grid				
Renewable		1,013,483	1,073,420	1,115,476
From hydroelectric	GJ	1,013,083	1,073,034	1,115,039
From photovoltaic		400	386	437
Water				
TOTAL consumed	m³	82,610	95,730	65,451
From water-stressed areas		4,400	11,140	11,505
Valorization of waste generated				
Hazardous waste		169.7	157.8	151.9
% Recovery of material or energy		20%	27%	18%
% Disposal	t	80%	73%	82%
Non-hazardous waste		6,367.8	9,229.2	7,210.7
% Recovery of material or energy		81%	86%	65%
% Disposal		19%	14%	35%

Water withdrawals are low and only 3% concern areas with water stress.

64% of the waste generated is sent for recovery, either material or energy.
The remainder goes to controlled disposal operations, where further valorization is possible, at least in terms of energy.

Low-carbon transition

The Group is well aware that the fight against climate change is a top priority. Direct emissions (Scope 1) derive from the use of fuels used in the company perimeter. Indirect emissions (Scope 2) derive from the electricity purchased and used. Value chain emissions (Scope 3) include all emissions related to the supply and use of the goods produced, including end-of-life options. The progressive quantification of the latter and of emissions avoided is a fundamental step towards a better understanding of one's carbon footprint and of the margins that can be explored for the definition of mitigation programmes.

	units	2018	2019	2020
Carbon footprint				
Scope 1		10,722	10,884	9,740
Scope 2 market based		38,770	39,175	35,737
(location based)	t CO₂	(35,629)	(33,923)	(31,655)
Scope 3 (estimated)		-	-	293,866
TOTAL		-	-	320,467
Emissions avoided (location based)				
TOTAL		108,580	109,957	107,060
From hydroelectric production	t CO₂	108,511	109,918	106,959
From photovoltaic production		69	39	101
Carbon intensity¹¹				
Scope 1+2 market based	t CO₂ /M€ EBITDA	840	577	390

11 companies that contribute to the carbon footprint: Caffè Borbone, Sirap, Italgen, Capitelli in 2020.

Land & biodiversity

Some companies in the Group may have a particular interconnection with services that affect the ecosystem, whether because of the origin of the raw materials used and because their production facilities are located in areas that are anthropized to a greater or lesser degree.

Where necessary, the companies concerned adopt operating methods and controls over how their plants function to ensure maximum protection of the soil, of aquifers and of plant and animal biodiversity, while also making sure that local communities can use any natural spaces.

ITALMOBILIARE
INVESTMENT HOLDING

ITALMOBILIARE



ITALMOBILIARE
INVESTMENT HOLDING

Italmobiliare

HUMAN CAPITAL DEVELOPMENT

Response to Covid-19

In addition to the mandatory measures, Italmobiliare has undertaken the following initiatives:

- Plexiglass dividers on the desks; sanitizing gel dispensers and masks on each floor; sanitizing wipes in each workstation; daily sanitation and periodic disinfection of offices.
- Quick swab screening every 15 days for all employees who need to go to work in the office. In case of positivity, a molecular swab is immediately carried out and health protocols are applied.
- COVID-19 policy for all employees with indemnity in the event of hospitalization and intensive care and subsequent convalescence. Post-hospitalization assistance services are also provided.
- Agreements with certain health facilities for teleconsultation with general and specialist doctors and possible medical examination and swab at home.
- Free flu vaccine for all employees and a relative.
- Encourage the use of alternative means of transport instead of public transportation to go to work.

The Parent Company Italmobiliare S.p.A. needs know-how, professionalism and internal processes suitable to best support its role as an Investment Holding Company, managing the flow of investments and disposals in order to guarantee the sustainable success of the Group through the creation of shared value over the long term.

At the end of 2020, it has a team of 38 motivated and specialized people (total turnover at 13% with 3 new hires). Direct employees are all covered by a collective bargaining agreement. 35% (31% of executives) of managerial positions are held by women.

The selection of human resources aims only to find the required skills and aptitudes, the most suitable types of contracts and the correct timing, without any discrimination or constraints. The hiring of resources at any level is assisted by a dedicated induction programme. Correctness, loyalty, transparency and mutual respect are the guiding elements of personnel management, well beyond the contractual aspects and the regulations in force on labour matters. Consistently with this approach, the remuneration policy is based on a merit matrix that matches performance and benchmarks with the outside market.

In response to the Covid-19 pandemic, all employees were invited to work in remote working mode, with appropriate technical and training interventions for the maximum effectiveness of use of digital platforms, for planning and teamwork, even remotely and for the development of technological, personal, methodological and leadership skills.

Each year, the Human Resources Department plans training initiatives starting from an analysis of individual needs and then follows delivery of the courses and their assessment. In 2020, training mainly involved governance and strategy issues, such as ethics and sustainability, and managerial and technical-operational aspects, such as management, safety and the environment, information systems and data privacy. Following the structured training plan and using mainly digital platforms, a total of 439 hours of training were provided in 2020.

The annual assessment of individual performance, extended to all staff, accompanies the development of human capital. Direct interviews between the Head of Human Resources and the managers of the company department or function in question and interviews between the latter and their collaborators feed the assessment scheme. This combines quantitative elements, i.e. achieving the results expected in the particular role held, and qualitative elements, such as the ability to complete tasks autonomously, meeting deadlines, being pro-active, continuity and other soft skills that may have been developed.

	2018			2019			2020		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Personnel									
TOTAL	20	17	37	19	18	37	19	19	38
Managers	4	11	16	4	11	15	5	11	16
Middle managers	-	-	-	-	-	-	3	4	7
Office workers	16	6	22	15	7	22	11	4	15
Contracts (%)									
Permanent (vs. fixed-term)	20 / 0	16 / 1	36 / 1	19 / 0	18 / 0	37 / 0	19 / 0	19 / 0	38 / 0
Full time (vs. part-time)	20 / 0	15 / 2	35 / 2	17 / 2	16 / 2	33 / 4	19 / 0	19 / 0	38 / 0
Training (hours per capita)									
TOTAL	16.1	26.1	20.8	33.2	23.5	28.5	9.5	13.6	11.6
Managers	35.5	31.0	32.2	42.1	13.8	21.4	13.9	14.3	14.2
Middle managers	-	-	-	-	-	-	20.2	15.4	17.4
Office workers	11.2	16.3	12.6	30.8	38.7	33.3	4.6	9.8	6.0
Performance assessment (%)									
TOTAL	100%	100%	100%	100%	100%	100%	100%	100%	100%
Managers	100%	100%	100%	100%	100%	100%	100%	100%	100%
Middle managers	-	-	-	-	-	-	100%	100%	100%
Office workers	100%	100%	100%	100%	100%	100%	100%	100%	100%

HEALTH, SAFETY & WELLBEING

Italmobiliare promotes the health, safety and wellbeing of all employees, creating and maintaining safe offices and other workplaces as an essential condition for the professional growth and enhancement of its resources.

The approach adopted is aligned with the applicable national regulations, starting with a solid risk assessment, updated periodically with the support of qualified third parties. A dedicated professional contact, the presence of a doctor for both institutional and voluntary health promotion activities and the formal involvement of the social partners constitute the support organisation. Preventive reporting of anomalous or risk conditions by everyone, an accurate analysis of accidental events, even if not serious, and adequate training activities ensure continuous improvement.

In the last three years there have been no accidents of any kind to employees or collaborators.

The psychological and physical wellbeing of people is promoted through the offer of health and social security benefits. For middle managers, office workers and intermediate staff, the Company provides a health plan for medical examinations and specialist tests, which covers all or part of the expense. As for management staff, a free annual check-up is provided at accredited facilities.

In 2020, Italmobiliare maintained the welfare initiatives introduced in previous years, including the flexibility of working hours and the portal dedicated to corporate welfare, with the possibility of purchasing goods and services that are useful for themselves and their families, such as health care, leisure, tuition and book reimbursement.

Recharge Room

With the renovation of the offices of the Milan office, an area with a green & botanic mood has been created, where it is possible to relax, have lunch, but also to develop ideas and organise informal meetings with guests or colleagues, releasing the tensions of daily commitments with the soundtrack of Spotify Business playlists.

The same area can easily be transformed into an in-house gym and makes it possible to organise courses and other social activities in a relaxing environment.

PORTFOLIO
COMPANIES
consolidated



Caffè Borbone

Caffè Borbone was founded in 1997 in Caivano (Naples) as a coffee roasting and packaging business, later becoming one of the main producers specialized in compatible capsules and pods, with a dense commercial network in Italy. It has been part of the Italmobiliare Group since May 2018, as a **subsidiary with a 60% stake**.

Italmobiliare and Caffè Borbone recognize the sensitive aspects of the global agro-commodity sector. In fact, the sector highlights important issues for the sustainable success of the business, economic, social and environmental issues, which cover the entire value cycle, from the procurement of raw materials to management of the products' end of life.

Caffè Borbone fully embraces the sustainable strategy of the Italmobiliare Group, through policies, management, operating methods and initiatives designed according to its specific characteristics, helping to promote a healthy, inclusive and sustainable global economy, respectful of human and labour rights, capable of safeguarding the environment and actively involved in the integrity of every aspect of the business.

In so doing, Caffè Borbone upholds the Italmobiliare Group's commitment with the Global Compact, confirming its support for the Ten Principles and contributing to the Sustainable Development Goals, as well as to the broader objectives of the United Nations.

Furthermore, through active membership in the Italian Coffee Committee, it shares the commitment of the European Coffee Federation towards the creation of sustainable value in the supply chain.

UN GLOBAL COMPACT & SDGS

Caffè Borbone upholds the Italmobiliare Group's commitment with the Global Compact, confirming its support for the Ten Principles and contributing to the Sustainable Development Goals.



Responsibility and integrity in the **supply chain** to promote agricultural practices in balance with ecosystems, resilient to climate change and attentive to social needs, women, indigenous peoples and farmers' families.



Efficiency of **production** to reduce the direct and indirect environmental footprint, from renewable energy to sustainable packaging, and ensure food safety.



Attention to **people** through the promotion of health, safety and wellbeing in an inclusive and modern working environment.



Involvement of the **community**, including that of consumers, with products and initiatives capable of promoting responsible lifestyles.



Integrity of business as a lever for success, from adoption of the Code of Ethics to cooperation with entities, organisations, institutions and authorities.

GOVERNANCE

GOVERNANCE & INTEGRITY

The composition and management of the governance bodies, starting with the Board of Directors, ensure representativeness, skills and the absence of conflicts of interest, aiming at maximum operational efficiency and integrity.

Board of Directors

- 6 members
- 2 female members
- 1 independent member

In line with the Group's approach, the Code of Ethics adopted by Caffè Borbone explicitly recalls the principles of the United Nations Global Compact, recognized as an advanced point of reference at international level, also in terms of corporate governance. Through a sustainable approach aimed at creating shared value for the society and for the environment, Caffè Borbone intends to explore further levers of success to increase turnover and profit margins, mitigate business risk, attract capital and investors, motivate its people and consolidate the brand.

Based on that of the Parent Company and considering the specificities relating to the nature, size, type of activity or structure of internal powers, Caffè Borbone has adopted an Organisation, Management and Control Model, which is foreseen by law but not mandatory. It is designed to limit the risk of committing certain types of crimes, mainly in terms of corruption, bribery, fraud against the State, corporate offences, fencing, unintentional serious injuries or fatalities due to non-compliance with safety norms, serious environmental crimes, but also terrorism or violations against the individual, market abuse and others. The Supervisory Body, appointed on the basis of autonomy and independence, is responsible for the control activity. In addition to specific periodic training, the approach adopted includes the whistleblowing procedure for reporting unlawful behaviour, in order to offer employees and third parties confidential channels to raise concerns or violations of the procedure, without fear of retaliation, discrimination or disciplinary action.

More generally, Caffè Borbone implements and strengthens the Enterprise Risk Management system over time, according to the management framework and the risk catalogue defined at Group level, which integrate ESG issues. The process adopted allows the identification, measurement, monitoring and management of the risks to which the company is exposed, at the same time helping to strengthen the Group's approach.

At an operational level, management systems represent a fundamental asset to guarantee activities that are fully aligned with the corporate strategy, in a logic of continuous improvement. Integration with business processes helps to consolidate the organisational, technological and behavioural methods implemented.

PROCUREMENT AND SUPPLY CHAIN

The main areas in the supply chain are the procurement of raw coffee, packaging materials and logistics and distribution services, which together accounted for over 60% of the total spending. In 2020, the main countries of origin of the coffee used were Uganda, Vietnam and India.

In order to consolidate the governance of the supply chain, in line with the Group and corporate codes and policies, Caffè Borbone is refining the criteria and protocols for selecting suppliers and the contractual elements to support a sustainable supply chain.

The management of strategic supplies requires special attention. To this end, Caffè Borbone creates partnerships with coffee suppliers, relying on selected international intermediaries committed to sustainability, who offer ample guarantees not only to align with international standards, but above all to actively promote a sustainable coffee supply chain. Confirming the collaborative approach, in 2020 Caffè Borbone helped fund an Olam project to combat the Covid pandemic during the harvest season in coffee growing areas and particularly in Uganda, a strategic country of origin for the company.

Caffè Borbone with Olam for Uganda

Headquartered in Singapore, Olam is active in the cocoa, coffee, cotton, nuts and spices sectors. It integrates sustainability into the business with an ethical, socially responsible and environmentally friendly approach. Coffee LENS is the sustainability programme dedicated to coffee. It is also a partner of the Sustainable Coffee Challenge, the largest collaborative platform for the sustainability of the supply chain involving companies, governments, NGOs, research institutes and other subjects.

In Uganda, a strategic country for Caffè Borbone, the lockdown closed processing plants and hundreds of women have lost their source of income.

The low level of education in rural areas and a lack of information about Covid protocols increase the risk of spreading the virus. Lower volumes of goods being transported from ports has been pushing up the prices of basic foodstuffs in rural areas. Schools have been closed as well, leaving most of the children exposed to infection.

The financial support provided covers the basic needs of over 50,000 families, helping the local diffusion of good prevention practices and promoting indoor recreational activities for children.

Caffè Borbone's production aims at the careful selection of raw materials, green coffee in particular. Choices are made that combine quality with responsibility and integrity in the supply chain to favour agricultural practices in balance with ecosystems, resilient to climate change and attentive to social needs, women, indigenous peoples and farmers' families.

SOCIETY

HUMAN CAPITAL DEVELOPMENT

Caffè Borbone benefits from the value of specialized and motivated people (overall turnover around 6% with 25 new hires). Direct employees, by choice mainly of local origin, are all covered by collective bargaining agreements. 10% (17% of executives) of managerial positions are held by women.

A significant use of collaborators was made¹², about 86 in 2020, partly to enable jobs to be rotated as a way of handling the pandemic. The dialogue with the social partners has allowed the protection of workers' health and the continuity of production activities, guaranteeing the necessary health protocols, remote working for administrative employees and the provision of 752 hours of mainly technical training.

12 Temporary workers, agents, self-employed workers and interns

	2018			2019			2020		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Personnel									
TOTAL	7	147	154	8	191	199	8	210	218
Managers	0	4	4	1	3	4	1	5	6
Middle managers	-	-	-	-	-	-	0	4	4
Office workers	4	25	29	7	22	29	7	19	26
Production workers	0	44	44	0	166	166	0	182	182
Contracts									
Permanent / fixed-term employment contracts	6 / 1	109 / 38	115 / 39	8 / 0	155 / 36	163 / 36	8 / 0	190/20	198/20
Full time / part-time	7 / 0	146 / 1	153 / 1	8 / 0	155 / 36	163 / 36	8/0	205/5	213/5
Training (hours per capita)									
TOTAL	2.3	10.2	9.8	3.0	5.1	5.0	1.0	3.5	3.4
Managers	0.0	26.7	20.0	16	16.0	16.0	0.0	0.0	0.0
Middle managers	-	-	-	-	-	-	-	0.0	0.0
Office workers	2.7	1.7	2.1	1.1	3.3	2.8	1.1	0.4	0.6
Production workers	-	10.7	10.7	-	5.2	5.2	-	4.0	4.0
Performance assessment (%)									
TOTAL	0%	0%	0%	100%	39%	11%	63%	10%	10%
Managers	-	0%	0%	-	100%	100%	100%	100%	100%
Middle managers	-	-	-	-	-	-	-	100%	100%
Office workers	0%	0%	0%	100%	100%	63%	57%	42%	46%
Production workers	-	0%	0%	-	0%	0%	-	0%	0%

HEALTH, SAFETY & WELLBEING

Caffè Borbone promotes the health, safety and wellbeing of all employees, including companies, suppliers, visitors, customers and the local community in the approach.

The approach adopted is aligned with the applicable national regulations, starting with a solid risk assessment, updated periodically with the support of qualified third parties. The interaction between people and mobile vehicles, process machines with moving mechanical parts and the presence of flammable materials are the prevailing risk conditions identified. A dedicated internal contact, the availability of a doctor for both institutional and voluntary health promotion activities and the formal involvement of the social partners constitute the support organisation. Preventive reporting of anomalous or risk conditions by everyone, an accurate analysis of accidental events, even if not serious, and adequate training activities ensure continuous improvement.

In line with the Policies of the Italmobiliare Group, Caffè Borbone intends to develop the management method, finding a foundation in the managerial leadership that supports the motivational elements, the organisational structures and the necessary operational tools, such as risk assessment and the analysis of accidental events. Far beyond simple legislative compliance, this approach aims to build a true culture of safety, protecting the safety of anyone involved in operational activities and, at the same time, improving managerial skills and motivations for achieving broader results objectives.

13 With absence from work for at least 180 days
 14 With absence from work for at least 24 hours
 15 Number of injuries (with absence from work for at least 24 hours) per million hours worked
 16 Temporary workers and interns

	2018	2019	2020
Employees			
Fatalities	0	0	0
Serious injuries ¹³	0	0	0
Injuries ¹⁴	4	2	3
Frequency rate ¹⁵	17.2	6.3	8.1
Collaborators¹⁶			
Fatalities	0	0	0
Serious injuries ¹³	0	0	0
Injuries ¹⁴	0	0	0
Frequency rate ¹⁵	0.0	0.0	0.0

Sustainable wrapping and packaging

Over 70% of the materials used in production and 100% of those used in packaging are renewable, recycled or with recycled content, or they are easily recyclable at the end of their life.

- The pods produced are compostable, including the paper, as certified by the Italian Composting Consortium
- The paper or cardboard used for packaging is mostly recyclable FSC MIX certified, i.e. with at least 70% certified or recycled materials
- Packaging aluminium is recycled and recyclable
- Packaging plastic is recycled and recyclable

PRODUCT AND SERVICE STEWARDSHIP

Caffè Borbone creates, produces and markets coffee in capsules, pods, beans or ground coffee according to quality regulations. Also in 2020 the level reached with various product lines was awarded a prize by the taste experts of the International Taste Institute and by consumers in the Quality Award.

Adding sustainable value to a recognised quality product is a clear line of strategy for Caffè Borbone. In addition to the responsible procurement of raw materials and the efficient management of the production site, particular attention is paid to the choice of ancillary materials used for the production of pods, capsules, ground coffee or beans and related wrapping and packaging.

The next steps are compostable capsules and even more easily recyclable wrappers, thanks to a lower use of poly laminate or diversified materials.

Responsibility does not stop with the product: all paper waste produced by the Caivano plant is collected and sent to a local paper mill which processes it, returning products that can be used for packaging.

MARKET & COMMUNITIES

Food quality and safety are ensured throughout the entire production process with advanced and integrated management systems, which thanks to the effectiveness demonstrated and verified over time have obtained formal third-party certification.

ISO 9001	The ISO 9001 standard lays down the requirements of an organisation quality management system. It is the reference standard for companies that want to submit their production process to quality control in a cyclical manner, starting with the requirements of customers, expressed or otherwise, through to the monitoring of the entire production process, from the procurement of raw materials and utilities to the finished products.	System certified by DNV-GL
IFS FOOD STANDARD	The IFS standard, which is applicable to companies in the food sector, identifies the specific elements of a management system focused on product quality and safety from a hygiene and health point of view. It provides for the adoption of reference good practices, a Hazard Analysis Critical Control Point (HACCP) system, a documented quality management system, control of standards for the workplace, for the product, for the process and for the staff. It also requires defined specifications for raw materials, intermediates/semifinished products and products, monitoring of suppliers and the pro-active management of environmental aspects such as waste management and industrial hygiene.	System certified by DNV-GL

Attention to customers and consumers is completed by the management of customer satisfaction and data protection, adopting and continuously improving its application of the legislative and voluntary standards. This approach also includes the shopping experience through digital channels, which the company tries to optimise in terms of user-friendliness and security.

Caffè Borbone also intends to actively promote responsible lifestyles through its brand. Wrappers contain clear and detailed information on the correct way to dispose of waste after use, in order to benefit fully from the products' characteristics of compostability and recyclability.

In 2020, a kit consisting of compostable cups and biodegradable birch wood stirrers was distributed, a set of accessories with a reduced environmental footprint that perfectly matched the compostable capsules and sustainable wrappers already on the market.

The many social initiatives in the area and for the local community are also part of this logic by combining business, social value and environmental responsibility.

Caffè Borbone with Exodus: recycling and inclusion

The jute bags of coffee arriving from the rural communities of origin create environmental and social value by being transformed into corporate shopping bags. These are created at the Social Cooperative "I Camminatori di Exodus" set up at Don Mazzi's Exodus Foundation, which has been working throughout Italy for over 35 years to reintegrate into society boys and girls who live in situations of hardship and addiction.

Caffè Borbone with the Municipality of Naples against social hatred

Caffè Borbone and the Municipality of Naples are promoting the creativity of the street artist CIBO to erase the messages of hate that disfigure the walls of the city and transform them into works of art, or rather graffiti art, inspired by food and the great products of Italy's culinary traditions.

ENVIRONMENT

RESPONSIBLE USE OF RESOURCES

Raw materials and energy are procured on the basis of production needs, with the aim of minimizing waste.

Computerised management of the entire process makes it possible to monitor the efficient use of resources and improve traceability, which is also essential for guaranteeing food safety. Particular attention is given to the materials used for pods and capsules, wrapping and packaging.

Water consumption at the plant is limited to sanitary uses. However, Caffè Borbone is aware of the significant water footprint of its supply chain,¹⁷ estimated for 2020 at around 300 million m³ of water, or 12,000 m³ per tonne of processed coffee.

17 Chapagain, A. K. & Hoekstra, A. Y., 2007. The water footprint of coffee and tea consumption in the Netherlands. Enschede: University of Twente.

Sustainable raw materials

- 82% renewable
- 73% recyclable
- 68% recycled material used in packaging

Renewable energies

The photovoltaic system produces and feeds over 100,000 kilowatt hours of electricity per year into the grid.

	units	2018	2019	2020
Raw materials				
Coffee		17,379	23,261	25,829
Paper for pods		252	308	444
Plastic for capsules		1,393	2,128	2,388
Other CO ₂ refrigerant		-	552	761
Packaging	t	5,165	6,625	10,258
Aluminium		2,205	2,725	3,358
Cardboard		2,896	3,642	6,577
Plastic		65	258	323
Energy				
TOTAL consumed		62,987	89,231	126,330
Thermal: natural gas from the grid		48,633	69,815	102,091
Electric: bought from the grid	GJ	14,354	19,415	24,239
TOTAL self-produced renewable		366	386	392
Sold to the grid		366	386	392

The waste generated by the production process can become a resource for other consumption or production cycles. With this awareness, in 2020 almost 2,100 tons of waste, including hazardous and non-hazardous waste, were sent for valorization. In any case, the remainder is sent to controlled disposal destinations, where further partial valorization is possible, at least in terms of energy.

	units	2018	2019	2020
Valorization of waste generated				
Hazardous waste		0.06	4.43	0.17
% Recovery of material or energy		100%	99%	57%
% Disposal		-	1%	43%
Non-hazardous waste*	t	1,372.82	2,104.6	2,114.01
% Recovery of material or energy		87%	88%	77%
% Disposal		13%	12%	23%

* The data relating to 2019 have been restated following a refinement of the collection methodology.

LOW-CARBON TRANSITION

The carbon footprint largely depends on the supply of green coffee. Pending an analytical assessment of emissions by the value chain (Scope 3), Caffè Borbone is committed to mitigating the climate-altering effects of its business. In addition to the efficiency of the production processes, the plant's photovoltaic system feeds over 100,000 kilowatt hours of electricity per year into the grid. Initiatives to improve compostability and facilitate packaging and product recycling further reduce the total footprint.

	unità	2018	2019	2020
Carbon footprint				
Scope 1	t CO ₂	2,648	3,956	5,767
Scope 2 market based		1,900	2,607	3,138
(location based)		(1,495)	(1,936)	(2,262)
Scope 3 estimate ¹⁸		-	-	118,306
TOTAL		-	-	127,210
Emissions avoided (location based)				
From photovoltaic production		48	52	51
Carbon intensity				
Scope 1+2 market based	t CO ₂ /M€ EBITDA	136	126	118

18 Nab C. & Maslin M. A., 2020. Life cycle assessment synthesis of the carbon footprint of Arabica coffee: Case study of Brazil and Vietnam conventional and sustainable coffee production and export to the United Kingdom.

Scope 1

Direct emissions from fuels

Scope 2

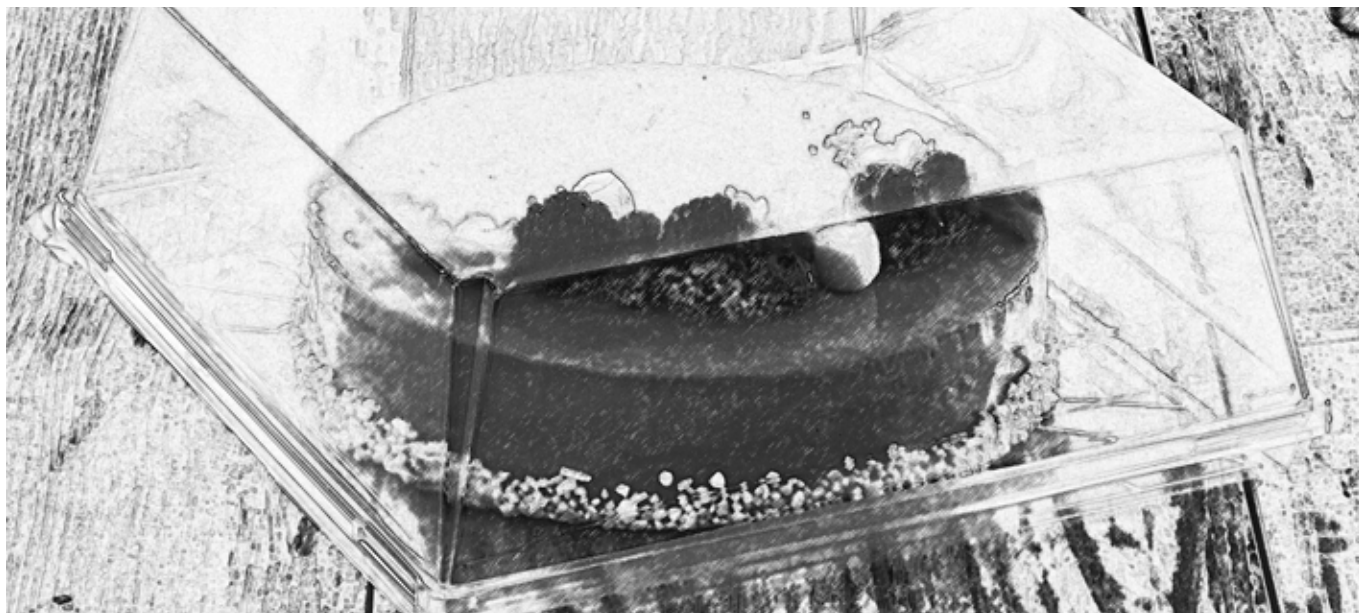
Indirect emissions from the purchase of electricity

Scope 3 (estimate)

The CO₂ emissions of the value chain are estimated on the basis of literature data.

The carbon footprint is distributed as follows:

Scope 1+2	7%
Scope 3	93%
Green coffee and packaging	38%
Use and end of life	55%



Sirap

For more than 50 years, Sirap, which is based in Verolanuova (Brescia), has been one of the most qualified European producers of plastic containers for fresh food. It has been part of the Italmobiliare Group since 1990, as a **subsidiary with a 100% stake**¹⁹.

Italmobiliare and Sirap recognize the sensitive aspects of the supply chain, also being aware of its important role in food conservation and logistics and in the fight against food waste. The sector highlights important issues for the sustainable success of the business, economic, social and environmental issues, which cover the entire value cycle, from the procurement of raw materials to management of the products' end of life.

Sirap fully embraces the sustainable strategy of the Italmobiliare Group, through policies, management, operating methods and initiatives designed according to its specific characteristics, helping to promote a healthy, inclusive and sustainable global economy, respectful of human and labour rights, capable of safeguarding the environment and actively involved in the integrity of every aspect of the business.

In so doing, Sirap upholds the Italmobiliare Group's commitment to the Global Compact, confirming its support for the Ten Principles and contributing to the Sustainable Development Goals, as well as to the broader objectives of the United Nations.

Moreover, through active membership in Unionplast - The Plastic Rubber Federation, it shares the commitment of the EuPC (European Plastic Converters) in its many sustainability initiatives, including supporting Waste Free Oceans in its mission to collect and recycle plastic from the oceans.

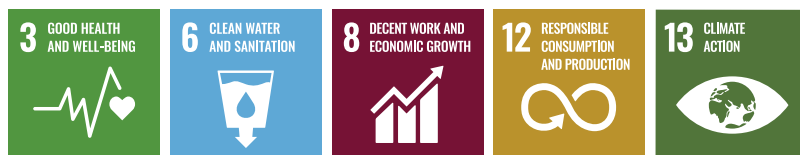
¹⁹ Early in 2021, Sirap's main assets in Italy, Poland and Spain were sold to the Farerch group and an agreement was signed with Zeus Packaging for the sale of Sirap's assets in Austria, Central-Eastern Europe and Germany. Sirap retains control of the assets in France and the United Kingdom. The information provided here relates to the entire perimeter that existed prior to the sale.

UN GLOBAL COMPACT & SDGS

Sirap upholds the Italmobiliare Group's commitment with the Global Compact, confirming its support for the Ten Principles and contributing to the Sustainable Development Goals.



Responsible choices in the **supply chain** to promote ethical supplies, with a low environmental footprint, also from the recovery of marine litter from the oceans.



Efficiency of **production** to reduce the direct and indirect environmental footprint and guarantee the safety of products used for food.



Attention to **people** through the promotion of health, safety and wellbeing in an inclusive and modern working environment.



Involvement of the **community**, including end-consumers, with social initiatives and the promotion of responsible lifestyles.



Integrity of business as a lever for success, from adoption of the Code of Ethics to cooperation with entities, organisations, institutions and authorities.

GOVERNANCE

Board of Directors

- 6 members
- 2 independent members

GOVERNANCE & INTEGRITY

The composition and management of the governance bodies, starting with the Board of Directors, ensure representativeness, skills and the absence of conflicts of interest, aiming at maximum operational efficiency and integrity.

In line with the Group's approach, the Code of Ethics adopted by Sirap explicitly recalls the principles of the United Nations Global Compact, recognized as an advanced point of reference at international level, also in terms of corporate governance. Through a sustainable approach aimed at creating shared value for the society and for the environment, Sirap intends to explore further levers of success to increase turnover and profit margins, mitigate business risk, attract capital and investors, motivate its people and consolidate the brand.

Based on that of the Parent Company and considering the specificities relating to the nature, size, type of activity or structure of internal powers, Sirap has adopted an Organisation, Management and Control Model, which is foreseen by law but not mandatory. It is designed to limit the risk of committing certain types of crimes, mainly in terms of corruption, bribery, fraud against the State, corporate offences, fencing, unintentional serious injuries or fatalities due to non-compliance with safety norms, serious environmental crimes, but also terrorism or violations against the individual, market abuse and others. The Supervisory Body, appointed on the basis of autonomy and independence, is responsible for the control activity. In addition to specific periodic training, the approach adopted includes the whistleblowing procedure for reporting unlawful behaviour, in order to offer employees and third parties confidential channels to raise concerns or violations of the procedure, without fear of retaliation, discrimination or disciplinary action.

More generally, Sirap implements and strengthens the Enterprise Risk Management system over time, according to the management framework and the risk catalogue defined at Group level, which integrate ESG issues. The process adopted allows the identification, measurement, monitoring and management of the risks to which the company is exposed, at the same time helping to strengthen the Group's approach.

At an operational level, management systems represent a fundamental asset to guarantee activities that are fully aligned with the corporate strategy, in a logic of continuous improvement. Integration with business processes helps to consolidate the organisational, technological and behavioural methods implemented.

Management systems

- Quality: ISO 9001
- Environment: ISO 14001
- Health & Safety: OHSAS 18001 or ISO 45001

PROCUREMENT AND SUPPLY CHAIN

The procurement of raw materials, semifinished products and auxiliary materials for production are the main items of purchase, together with logistics services, utilities and packaging materials.

The centralized Supply Chain function deals with purchasing, planning, logistics and customer services, defining procedures and workflows for each area and for all branches with particular attention to strategic supplies and the allocation of production capacities. With plants located in different European countries, the supply chain involves operators belonging to different markets. Local suppliers are favoured within each nation.

The inclusion of suppliers in the vendor list is re-evaluated annually, based on the requirements of reliability, quality, level of service and competence. All new and main suppliers are required to sign the Code of Ethics and Model 231. The evaluation parameters refer to financial elements and the results of quality controls and industrial tests, as well as quality compliance audits, if considered necessary. Due to the Covid-19 pandemic, it was not possible to carry out site visits to suppliers during 2020.

The international context of 2020 did not have any impact on procurement decisions, consolidating relationships with suppliers of raw materials. The local origin of suppliers has limited the critical

issues relating to border closures.

Starting in 2017, Sirap has increased its supply of raw materials from recycled and renewable sources in order to improve the environmental footprint of its products.

SOCIETY

HUMAN CAPITAL DEVELOPMENT

Sirap benefits from the value of 1,369 specialized and motivated people (overall turnover around 20% with 126 new hires). Direct employees, by choice mainly of local origin, are practically all covered by collective bargaining agreements, according to the regulations of the various countries in which Sirap operates. 20% of managerial positions are occupied by women.

Procedures are in place for the hiring of personnel, for the post-hiring induction programme and for remuneration, based on a merit matrix that matches performance and benchmarks with the outside market. Although not explicitly stated in the company's procedure, given the same profile, technical skills and characteristics, it is Group practice to favour the inclusion of women to improve the gender balance in the corporate population. With the aim of counteracting turnover, a search for young talents was carried out in each local community in which Sirap is present. After training and internal growth, they could act as team leader for production and maintenance.

Having guaranteed the health protocols, remote working for 70% of the headquarters staff was activated for the safety of workers, providing appropriate devices and technical instructions. The Covid-19 emergency was managed from the headquarters for all branches, including the request for aid and subsidies made available by all EU countries where Sirap is present.

At Sirap, training is a permanent factor for the development and updating of staff skills. Training courses are planned to respond to the needs of each function and country, as well as to provide recurring courses on technical topics and soft skills. A structured assessment scheme verifies the actual level of learning. Particular importance is attributed to knowledge sharing as a stimulus for the dissemination of the methodological approaches used within the organisation. In 2020, training hours were not consolidated.

A performance management system is envisaged for executives and middle managers which provides for the assignment of managerial objectives with an assessment at the end of the calendar year; if the result of the assessment is positive, this gives access to the variable component of remuneration. 2020 data were not consolidated.

	2018			2019			2020		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Personnel									
TOTAL	438	1,009	1,447	429	955	1,384	426	943	1,369
Managers	5	31	36	7	28	35	5	25	30
Middle managers	-	-	-	-	-	-	17	55	72
Office workers	208	267	475	197	253	450	175	215	390
Production workers	224	712	936	225	674	899	229	648	877
Contracts (%)									
Permanent (vs. fixed-term)	388 / 50	930 / 79	1,318 / 129	389 / 40	904 / 51	1,293 / 91	384 / 42	900 / 43	1,284 / 85
Full time (vs. part-time)	392 / 45	989 / 21	1,381 / 66	387 / 42	944 / 11	1,331 / 53	387 / 39	928 / 15	1,315 / 54
Training (hours per capita)									
TOTAL	4.3	7.8	6.7	5.0	3.1	3.7	-	-	-
Managers	24.3	24.4	24.4	33.1	13.5	17.5	-	-	-
Middle managers	-	-	-	-	-	-	-	-	-
Office workers	4.5	2.6	3.4	6.4	4.4	5.3	-	-	-
Production workers	3.6	9.0	7.7	2.9	2.2	2.4	-	-	-
Performance assessment (%)									
TOTAL	15%	18%	17%	4%	8%	7%	-	-	-
Managers	70%	73%	72%	57%	93%	86%	-	-	-
Middle managers	-	-	-	-	-	-	-	-	-
Office workers	23%	21%	22%	7%	21%	15%	-	-	-
Production workers	6%	13%	11%	0%	0%	0%	-	-	-

HEALTH, SAFETY & WELLBEING

Sirap promotes the health, safety and wellbeing of all employees, including companies, suppliers, visitors, customers and the local community in the approach.

The approach adopted is aligned with the national regulations applicable in various countries, starting with a solid risk assessment, updated periodically with the support of qualified third parties. In 2020, we have also integrated the elements necessary for the management of the Covid-19 pandemic. A dedicated internal contact, the availability of a doctor for both institutional and voluntary health promotion activities and the formal involvement of the social partners constitute the support organisation. Preventive reporting of anomalous or risk conditions by everyone, also through the Supervisory Body, accurate analysis of accidental events, even if not serious, near-accidents and system non-conformities, and intense training activities ensure continuous improvement and correct response to emergencies.

In line with the Policies of the Italmobiliare Group, Sirap has long since made the management method evolve far beyond simple legislative compliance, finding its foundation in managerial leadership that supports the motivational elements, the organizational structures and the necessary operational tools, such as evaluation of risks and the analysis of accidental events. The goal is to build and maintain a true culture of safety, protecting the safety of anyone involved in operational activities and, at the same time, improving managerial skills and motivation for the achievement of more ambitious objectives.

The "We Work In Safety" project has been going for nearly ten years and it has led to a progressive change in behaviour throughout the organisation. Under the inspiration of an integrated Safety Policy, Sirap has developed multiple communication and operational tools, including meters for days without accidents, a widespread system for reporting dangerous and near-miss conditions, secure work procedures for the riskier activities, the 5ESSE project designed to improve safety, productivity and quality and reduce waste, the Behaviour Observation System (BOS) which provides for local checks by the General Management at the related sites and the HSE Dialogue Sirap observation system, aimed at consolidating positive attitudes, actions and behaviours and identifying areas for improvement.

An Integrated HSE Management System developed on a voluntary basis for the optimization and continuous improvement of processes relating to worker health, safety at work and environmental protection is progressively implemented at the operating sites. The system certified according to the international standards ISO 45001, OHSAS 18001 and ISO 14001, currently covers over two thirds of the group's personnel; the only exceptions are the employees of Petruzalek's non-production locations, those of the production sites awaiting HSE certification and those of logistics sub-contractors of the Italian group companies.

20 With absence from work for at least 180 days

21 With absence from work for at least 24 hours

22 Number of injuries (with absence from work for at least 24 hours) per million hours worked. Due to the absence of data, worked hours for Sirap GEMA (Italy) and Inland (Poland) were estimated.

23 Temporary workers, self-employed workers, project collaborators, and agents

	2018	2019	2020
Employees			
Fatalities	0	0	0
Serious injuries ²⁰	0	1	0
Injuries ²¹	17	12	7
Frequency rate ²²	8.5	6.2	3.8
Collaborators²³			
Fatalities	0	0	0
Serious injuries ²⁰	0	0	0
Injuries ²¹	0	2	3
Frequency rate ²²	0.0	7.2	9.4

PRODUCT AND SERVICE STEWARDSHIP

Sirap's commitment to innovation allows it to pursue goals that are more and more challenging, progressively improving the performance of its products and reducing their environmental footprint throughout the entire life cycle.

The Life Cycle Assessment (LCA) makes it possible to measure the environmental components of the entire supply chain, from the extraction of raw materials by the suppliers to the disposal of the products by the end-consumer, making it possible to highlight areas for improvement. In addition, eco-design permits a design that already aims to mitigate the environmental footprint, for example by increasing the use of recycled PET and reducing the weight of the packaging without compromising its properties of food protection and preservation. Furthermore, after the products have been used, the design makes them easily manageable by waste treatment plants.

D.edge®, launched in 2019, is the range of products most representative of the results achieved by the innovation path that the company has undertaken. The patented technology makes it possible to reduce the environmental footprint throughout its life cycle, from design of the pack, to transport and post-consumer recycling, without losing anything in terms of performance. The particular shape of the product reduces the quantity of raw material used by 10%, while maintaining best performance in terms of load capacity and mechanical resistance. The container has a minimum of 50% recycled PET and is completely recyclable. Confirming the validity of the project, D.edge® Salad is the first Sirap line to have obtained the Environmental Product Declaration (EPD).

MARKET & COMMUNITIES

Sirap undertakes to guarantee that its products are of the highest quality possible, subjecting each phase of the production process to more than 1,000 daily checks at all plants, for a total of over 200,000 quality checks carried out in a year. During 2020, the new product ranges were validated internally by means of mechanical analyses and simulations of the final packaging, using specific control methods such as the assessment of cold brittleness, clouding, bottom and lid sealing.

Each year the internal laboratory collaborates with universities and research institutes to test more than 3,000 products in relation to their food and technological suitability, mechanical, thermal, optical, chemical-physical properties of materials, gas permeability and structural analysis. The legislative conformity of finished products is checked periodically by accredited third-party laboratories, guaranteeing constant process control, the use of suitable raw materials and the production of compliant and healthy products. With the exception of the Petruzalek site in Hungary, all of Sirap's factories are ISO 9001 certified.

In November 2020, the Tarascon plant in France obtained certification according to the BRC Issue 6 standard. Obtaining certification required the implementation of quality control and supplier monitoring procedures, an analysis of raw materials and finished products and the adoption of good processing practices in the production departments, in the cleaning of facilities and equipment, and for handling the calibration of the product verification tools.

Sirap undertakes to guarantee correct information on its products and to guide consumers in their correct use and disposal. For new ranges, a leaflet is prepared with further information on all the technical and commercial aspects of the new product ranges. Each year the supporting documentation, the technical sheets and the food compliance sheets are modified to comply with any updates of the legislation on objects that come into contact with food.

At every stage of the product, from design to production, the correctness of the information contained on the articles and supporting documentation is verified. The verification of technological suitability is validated by specific laboratory tests for each application. For compostable materials, the correctness of the labelling and symbols put on the containers is checked during periodic inspection visits and taking samples directly from the market.

ISO 9001

ISO 9001 is the reference standard for an organisation that intends to plan, implement, monitor and improve both operational and support processes, designing and putting into effect the quality management system as a means to achieve objectives.

BRC Issue 6

First published in 2001, the intention of the standard was to protect consumers by providing a common basis for the certification of companies that supply packaging to food producers.

In order to guarantee the protection of its customers' sensitive data, Sirap has adopted a Privacy Organisational Model pursuant to current regulations, similar to the one adopted by the parent company, Italmobiliare.

ENVIRONMENT

RESPONSIBLE USE OF RESOURCES

Sirap uses raw materials responsibly, thanks above all to research, innovation and eco-design applied to processes and products. Over the last few years, Sirap has introduced new product lines with a high content of recycled plastic (rPET) and from renewable sources (MaterBi® and PLA). In 2020, a model was defined to calculate the average content of recycled plastic in products, which also helps identify where there is room for further improvement. The model will be subjected to certification by a third party and applied in all plants that produce rPET products. At the same time, the analyses of Life Cycle Assessment (LCA), launched in 2018 and completed in 2020, will make it possible to monitor and optimise the environmental performance of the products.

In 2020, the Covid-19 health emergency led to a reduction in the consumption of petroleum derivatives, at the same level of production capacity, which led to lower prices for virgin raw materials. On the other hand, the greater complexities experienced in collection and recycling, combined with the lower consumption of specific categories of packaging products, have reduced the availability of recycled materials and increased their price, which got to the point that it was significantly higher than that of virgin materials. This market trend slowed down the Group's achievement of its targets in terms of increasing the recycled content of its products.

In its Strategic Sustainability Plan, Sirap intended to affirm its commitment to preventing marine litter at source, which it pursues through new research and development projects and communication and awareness initiatives at Group level and in the countries where its subsidiaries are located. 2020 saw the commercialisation of Ocean's, a new packaging line made with rPET plastic recovered from local communities living within 50 km of the coast, in areas where the risk of dispersion in the oceans is particularly high due to inadequate systems for the collection and treatment of waste. The recovery chain is certified and tracked through blockchain technologies and helps generate new jobs in developing countries.

Furthermore, correct disposal of plastic packaging materials after use can effectively counteract the risk of soil and sea pollution. In this sense, the quality of national collection and recovery chains is important, with close collaboration between producers, consumers, supply chain consortia, plant managers and institutional players. Sirap promotes numerous research and awareness initiatives to reduce end-of-life waste in all of the countries where it operates.

The volume of waste generated by the production of raw materials and the product transformation process is relatively limited, as shown in the LCA analyses completed in 2020. Sirap continues its goal of further reducing these volumes by maximising the opportunities for recycling and reusing processing waste, while constantly monitoring the process yields of raw materials and adopting improvement strategies based on quantitative indicators and targets.

Sirap has launched a process of optimisation of direct water consumption focused on the introduction of water recovery systems in production processes. In most plants there is a closed cycle system for the reuse and cooling of technological water through the use of evaporative towers or closed heat exchangers.

	units	2018	2019	2020
Raw materials*				
Renewable polymers	t	7	228	248
Recycled polymers		10,123	10,933	7,678
Other polymers		39,600	37,431	28,931
Renewable semifinished products		-	-	24
Other semifinished products		4,850	5,839	7,201
Additives and ancillaries		2,398	2,380	2,339
Butane gas		1,199	1,184	1,195
Packaging		4,539	5,192	4,374
Energy				
TOTAL consumed	GJ	414,496	370,552	311,267
Thermal: natural gas from the grid		74,177	47,487	348,476
Thermal: diesel		356	428	628
Electric: bought from the grid		337,708	318,926	292,647
Electric: self-produced renewable		261	-	-
Automotive: petrol		61	53	
Automotive: diesel		1,894	1,725	4,297
Automotive: LPG		39	1,923	1,216
TOTAL self-produced renewable		295	-	-
Sold to the grid		34	-	-
Water				
TOTAL consumed	m³	76,670	90,030	58,986
Withdrawn from surface waters		820	590	0
Withdrawn from wells		457,640	509,520	389,661
Withdrawn from an aqueduct		26,480	21,660	25,724
Discharged into surface waters		377,600	415,250	322,670
Discharged into sewers		30,670	26,490	28,833
Valorization of waste generated				
Hazardous waste	t	148.4	145.1	142.4
% Recovery of material or energy		10%	21%	14%
% Disposal		90%	79%	86%
Non-hazardous waste		4,319	5,455	4,623
% Recovery of material or energy		76%	80%	60%
% Disposal		24%	20%	40%

Raw materials

15% of the raw materials used in production are renewable or come from recycling.

Water

3% of the water withdrawn and 0.2% of the water discharged at the Castiglion Fiorentino (AR) plant involve areas suffering from water stress.

* The data relating to 2018 and 2019 have been restated following a refinement of the collection methodology.

LOW-CARBON TRANSITION

The LCA studies completed in 2020 to obtain EPD (Environmental Product Declaration) certifications made it possible to assess the greenhouse gas emissions attributable to the entire value chain. The upstream and downstream activities of Sirap's transformation process constitute the most significant contribution to the overall carbon footprint.

At the same time, it is worth noting that plastic food containers contribute significantly to the reduction of food waste, which makes a considerable contribution to climate change globally by generating for many agri-food chains higher CO₂ emissions than those caused by its production.

	unità	2018	2019	2020
Carbon footprint				
Scope 1	t CO ₂	8,533	6,900	3,605
Scope 2 market based		36,871	36,569	32,265
(location based)		(30,792)	(29,074)	(26,264)
Scope 3 estimate		-	-	141,288
TOTAL		-	-	171,158
Emissions avoided (location based)				
From photovoltaic production		29	-	-
Carbon intensity				
Scope 1+2 market based	t CO2 /M€ EBITDA	2,749	2,166	1,452

Scope 1

Direct emissions from fuels

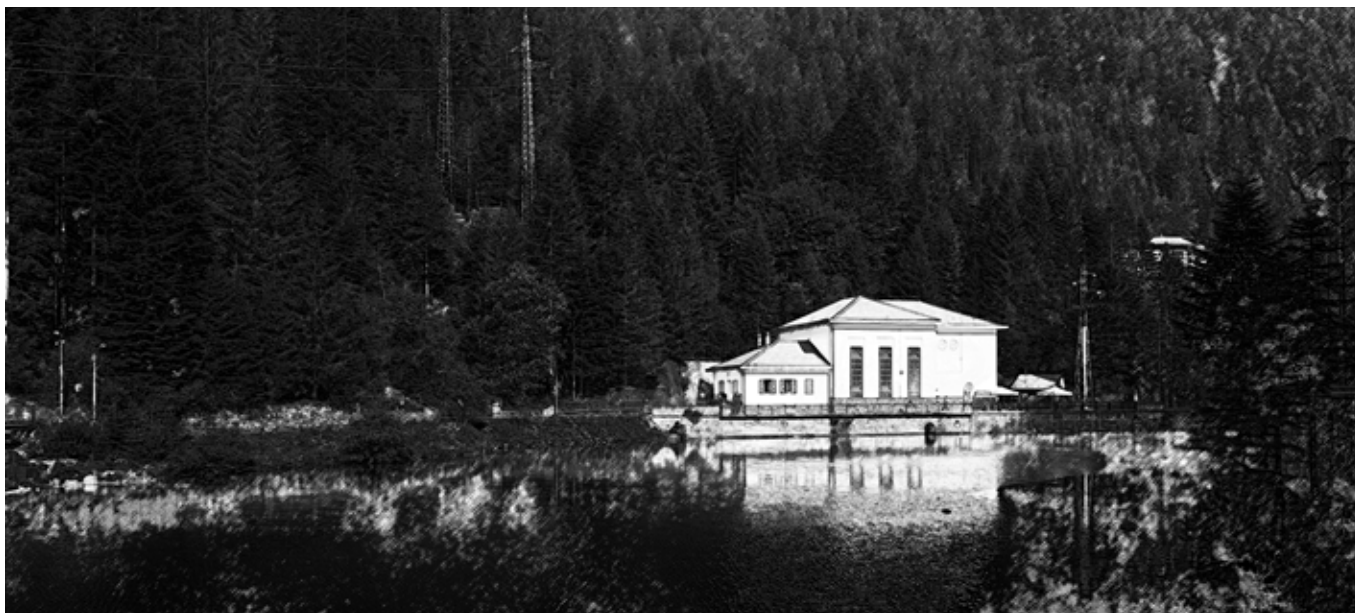
Scope 2

Indirect emissions from the purchase of electricity

Scope 3 (estimate)

The CO₂ emissions of the value chain are estimated on the basis of Sirap and sectoral LCA studies. On average, the carbon footprint is distributed as follows:

Scope 1+2	20%
Scope 3	80%
Upstream	44%
Downstream	36%



Italgen

Founded in 2001, capitalising on the experience gained as part of the Italcementi Group, Italgen operates as a producer and distributor of electricity from renewable sources, thanks to a production structure consisting of 15 hydroelectric plants located in Lombardy, Piedmont and Veneto and over 300 km of transmission lines. The energy generated is sold mainly on the National Power Exchange. Italgen's strategic development plan also includes the partnership in Bulgaria that manages two wind farms for a total of 18 MW and activity in the photovoltaic solar sector. It has been part of the Italmobiliare Group since May 2016, as a **subsidiary with a 100% stake**.

Italmobiliare and Italgen recognize the sensitive aspects of the energy sector and share the key role of renewable energy in the transition to a low-carbon economy and in promoting responsible lifestyles.

Italgen fully embraces the sustainable strategy of the Italmobiliare Group, through policies, management, operating methods and initiatives designed according to its specific characteristics, helping to promote a healthy, inclusive and sustainable global economy, respectful of human and labour rights, capable of safeguarding the environment and actively involved in the integrity of every aspect of the business.

In so doing, Italgen upholds the Italmobiliare Group's commitment with the Global Compact, confirming its support for the Ten Principles and contributing to the Sustainable Development Goals, as well as to the broader objectives of the United Nations.

In addition, through active membership of Elettricità Futura, the association of Italian electricity companies, it supports global decarbonisation, energy efficiency and sustainable electrification programmes.

UN GLOBAL COMPACT & SDGS

Italgas upholds the Italmobiliare Group's commitment with the Global Compact, confirming its support for the Ten Principles and contributing to the Sustainable Development Goals.



Responsibility and integrity in the choice of **business partners**.



Renewable energies and integrated services to support the **low-carbon transition**.



Attention to **people** through the promotion of health, safety and wellbeing in an inclusive and modern working environment.



Involvement of the **community**, including the business community, with products and services capable of promoting responsible lifestyles and social initiatives for the local area.



Integrity of business as a lever for success, from adoption of the Code of Ethics to cooperation with entities, organisations, institutions and authorities.

GOVERNANCE

Board of Directors

- 5 members
- 1 independent member

GOVERNANCE & INTEGRITY

The composition and management of the governance bodies, starting with the **Board of Directors**, ensure representativeness, skills and the absence of conflicts of interest, aiming at maximum operational efficiency and integrity.

In line with the Group's approach, the **Code of Ethics** adopted by Italgen explicitly recalls the principles of the United Nations Global Compact, recognized as an advanced point of reference at international level, also in terms of corporate governance. Through a sustainable approach aimed at creating shared value for the company and for the environment, Italgen intends to explore further levers of success to increase turnover and profit margins, mitigate business risk, attract capital and investors, motivate its people and consolidate the brand.

Based on that of the Parent Company and considering the specificities relating to the nature, size, type of activity or structure of internal powers, Italgen has adopted an **Organisation, Management and Control Model**, which is foreseen by law but not mandatory. It is designed to limit the risk of committing certain types of crimes, mainly in terms of corruption, bribery, fraud against the State, corporate offences, fencing, unintentional serious injuries or fatalities due to non-compliance with safety norms, serious environmental crimes, but also terrorism or violations against the individual, market abuse and others. The Supervisory Body, appointed on the basis of autonomy and independence, is responsible for the control activity. In addition to specific periodic training, the approach adopted includes the whistleblowing procedure for reporting unlawful behaviour, in order to offer employees and third parties confidential channels to raise concerns or violations of the procedure, without fear of retaliation, discrimination or disciplinary action.

More generally, Italgen implements and strengthens the **Enterprise Risk Management** system over time, according to the management framework and the risk catalogue defined at Group level, which integrate ESG approach. The process adopted allows the identification, measurement, monitoring and management of the risks to which the company is exposed, at the same time helping to strengthen the Group's approach.

At an operational level, **management systems** represent a fundamental asset to guarantee activities that are fully aligned with the corporate strategy, in a logic of continuous improvement. Integration with business processes helps to consolidate the organisational, technological and behavioural methods implemented.

Management systems

- Quality: ISO 9001
- Environment: ISO 14001 and EMAS registration
- Health & Safety: UNI-INAIL Guidelines

PROCUREMENT & SUPPLY CHAIN

Italgen uses suppliers mainly for the construction, installation, commissioning and maintenance of mechanical, electrical and instrumental equipment for power plants, for the renovation or repair of buildings, intake and derivation works and for design and engineering consultancy activities. The supply chain involves almost exclusively national operators.

The choice of suppliers starts with gathering information on the ethical, dimensional, product and technical profile, including the necessary certifications, reserving the right to carry out direct audits. In the contract, all suppliers are required to sign the compliance clause of the Code of Ethics and the Organisation, Management and Control Model adopted by Italgen.

SOCIETY

HUMAN CAPITAL DEVELOPMENT

Italgen benefits from the value of specialized and motivated people (overall turnover around 6% with 2 new hires). Direct employees, by choice mainly of local origin, are all covered by collective bargaining agreements. There are no managerial positions held by women.

Procedures are in place for the hiring of personnel, for the post-hiring induction programme and for remuneration, based on a merit matrix that matches performance and benchmarks with the outside market.

The Covid-19 pandemic accelerated the use of remote working for 19 workers, managers, administrative and technical employees not directly involved in production or in operating the plants, providing, when necessary, the technological support necessary to carry out the work remotely. A specific health policy was also stipulated in favour of all employees, with compensation for hospitalisation, convalescence and assistance.

Following a structured training plan and mostly using digital platforms, 783 hours of training were provided in 2020, covering topics well beyond legislative compliance, including those related to the best use of remote working. The Internal Academy was also created with the aim of enhancing the skills and experience present in the company, sharing know-how at all levels and increasing the level of engagement, raising awareness among staff on the most important issues, both managerial and technical-operational, such as ethics, sustainability, finance, energy management, planning and control.

The skills, behaviours and technical knowledge acquired by the staff are also monitored as part of their performance assessment, which is carried out annually through direct interviews.

	2018			2019			2020		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Personnel									
TOTAL	4	73	77	4	66	70	5	65	70
Managers	0	4	4	0	4	4	0	3	3
Middle managers	-	-	-	0	10	10	2	11	13
Office workers	4	25	29	4	12	16	3	12	15
Production workers	0	44	44	0	40	40	0	39	39
Contracts (%)									
Permanent (vs. fixed-term)	4 / 0	73 / 0	77 / 0	4 / 0	66 / 0	70 / 0	5 / 0	65 / 0	70 / 0
Full time (vs. part-time)	3 / 1	71 / 2	74 / 3	3 / 1	64 / 2	67 / 3	4 / 1	64 / 1	68 / 2
Training (hours per capita)									
TOTAL	11.0	8.8	8.9	5.0	16.7	16.1	26.2	10.0	11.2
Managers	-	0.0	0.0	-	17.3	17.3	-	15.0	15.0
Middle managers	-	-	-	-	-	-	0.0	35.0	29.7
Office workers	11.0	17.1	16.2	5.0	37.4	32.4	43.7	8.5	15.6
Production workers	-	4.9	4.9	-	5.3	5.3	-	3.1	3.1
Performance assessment (%)									
TOTAL	100%	40%	43%	100%	39%	43%	80%	32%	36%
Managers	-	100%	100%	-	100%	100%	-	100%	100%
Middle managers	-	-	-	-	-	-	50%	100%	92%
Office workers	100%	100%	100%	100%	100%	100%	100%	58%	67%
Production workers	-	0%	0%	-	0%	0%	-	0%	0%

HEALTH, SAFETY & WELLBEING

Italgen promotes the health, safety and wellbeing of all employees, including companies, suppliers, visitors, customers and the local community in the approach.

The approach adopted is aligned with the applicable national regulations, starting with a solid risk assessment, updated periodically with the support of qualified third parties. Electric shock, night work, working at a height and in isolated places, process machines with moving mechanical parts, the presence of flammable materials and the use of vehicles are the prevailing risk conditions that have been identified. In 2020, we have also integrated the elements necessary for the management of the Covid-19 pandemic. A dedicated internal contact, the availability of a doctor for both institutional and voluntary health promotion activities and the formal involvement of the social partners constitute the support organisation. Preventive reporting of anomalous or risk conditions by everyone, also through the Supervisory Body, accurate analysis of accidental events, even if not serious, near-accidents and system non-conformities, and intense training activities ensure continuous improvement and correct response to emergencies.

In line with the policies of the Italmobiliare Group, Italgen has developed the management method far beyond simple legislative compliance, finding a foundation in the managerial leadership that supports the motivational elements, the organisational structures and the necessary operational tools, such as risk assessment and the analysis of accidental events. The goal is to build and maintain a true culture of safety, protecting the safety of anyone involved in operational activities and, at the same time, improving managerial skills and motivation for the achievement of more ambitious objectives.

The correct functioning of the entire management system adopted in compliance with the UNINAIL Guidelines is subject to annual verification by an internal audit team coordinated by an external team leader.

24 With absence from work for at least 180 days
25 With absence from work for at least 24 hours
26 Number of injuries (with absence from work for at least 24 hours) per million hours worked

	2018	2019	2020
Employees			
Fatal injuries	0	0	0
Serious injuries ²⁴	0	0	0
Injuries ²⁵	1	0	0
Frequency rate ²⁶	6.8	0	0

Flexible employee benefits

- Life, accident and non-professional permanent disability insurance.
- Supplementary pension fund.
- Supplementary health insurance for managers and their families.
- Integration of the period of compulsory maternity leave with full pay.
- Granting of scholarships to the children of the most deserving employees.
- Possibility of converting all or part of the performance bonus into corporate welfare services of a health, school and recreational type, taking advantage of the relative tax relief.

In addition to health and safety, Italgen actively promotes psychological and physical wellbeing and work-life balance, making a range of flexible benefits available to its employees and managers. In 2020, in the midst of the pandemic, the company rewarded the commitment of employees in the production and plant management area, further increasing the reward that can be allocated to welfare services. The activation of remote working, made structural from 2021, will allow the people involved a better work-life balance.

Lastly, in 2020 Italgen converted part of the buildings and areas of the former Villa di Serio power plant into a clubhouse with a living area, dining area, changing rooms and a large outdoor green space. The new facility allows employees more convenient access to the cycle/foot path and the exercise circuit near the headquarters, along the river Serio.

PRODUCT AND SERVICE STEWARDSHIP

Italgen aims at the continuous improvement of product and service quality, in order to guarantee customer satisfaction and safety. The key elements are to supply electricity with the lowest possible carbon footprint and to guarantee production efficiency and distribution continuity and safety.

In 2019, Progetto Fibra automated remote monitoring of the entire production process, with high-precision sensors and cameras installed at the plants to monitor production parameters continuously and identify any anomalies and emergency situations in real time. The centralized control room at the Villa di Serio headquarters processes the information collected and is able to react promptly remotely or locally, activating the intervention teams. In 2020, Progetto Fibra continued with the automation and connection to the remote control system of the waterways of the Villa di Serio plant and the revamping of its substation. This will be followed by the automation and remote control of the electrical equipment used in transformation and transmission in 2021.

The 2021-23 Strategic Plan provides for a further reduction in the risk of unscheduled downtime, thanks to production indicators and active diagnostics, capable of anticipating the state of health of assets and generating automatic alerts in the event of performances below the expected values or maintenance problems.

Thanks to the remote control system, in 2020 there were no accidents or plant malfunctions that could have caused physical injury to people. There were 2 episodes of general service interruptions for a total of 265 minutes, while another 10 events affected individual distribution lines, without affecting the service as a whole, for a total of 2,213 minutes. These episodes are mainly to do with extreme weather conditions resulting in snow, heavy storms or falling trees. Italgen mitigates this risk by contributing to the maintenance of the wooded areas adjacent to the plants and transmission networks.

The 2021-23 Strategic Plan provides for the launch of a mapping, monitoring and evaluation process of new technologies able to compensate for the volatility of energy demand, activating tenders and research funding programmes in partnership with public and private entities to support technological innovation in the energy sector.

MARKET & COMMUNITIES

Protecting the transparency and correctness of customer information is a guiding value for Italgen. Given that an electricity bill is a document that is not particularly easy to understand, together with the tax invoice appropriate explanatory documentation is attached that specifies all of the items that make up the total amount to be paid, their meaning and, in compliance with the law, the energy procurement mix used to supply end-users.

To ensure the protection of its customers' and users' data and to ensure compliance with the requirements of the privacy regulations, Italgen has adopted the data protection model of the parent company Italmobiliare. Particular attention is also paid to the continuity and protection of production data, thanks to a back-up system that duplicates all signals through two suitably configured servers. As regards the company's IT systems, a disaster recovery plan has been activated, which backs up the entire database on a daily basis and stores it in a place other than the primary server. In 2021, an intrusion detection system is expected to be implemented to identify unauthorized access to computers or local networks.

In addition to business relationships, Italgen cultivates ties with the local area and local community, by promoting responsible lifestyles and initiatives to support social and cultural values.

Lastly, Italgen is opening up to global transparency by making available to all stakeholders the performance details contained in the Environmental Declaration foreseen as a result of the EMAS Registration and publishing a Sustainability Report from 2019 onwards.

At energy school

For over a decade Italgen has been the spokesperson for the training project, "At Energy School", aimed at students of primary and secondary schools, polytechnics and universities.

Over 1,000 youngsters visit the plants every year to discover the cycle of energy production from renewable sources. A project to educate the adults of tomorrow to a conscious use of a precious asset, water, according to stages and engaging activities with ad hoc paths, depending on their level of education.

In 2020, due to the impossibility of organizing events in presence, Italgen involved the schools of the province in the preparation of informative contents on sustainability, published in L'Eco di Bergamo.

ENVIRONMENT

RESPONSIBLE USE OF RESOURCES

The main natural resource used by Italgas is the water that passes through the turbines at its hydroelectric plants. It is a process in which water is neither consumed nor modified in its chemical and physical characteristics.

The company's production and administrative structures consume limited quantities of thermal and electrical energy and well water.

Renewable energies

In 2020, Italgas produced and fed into the grid for users 318 million kilowatt hours of 100% renewable electricity, equivalent to the average annual consumption of approximately 90,000 families of 4 people.

Water

Withdrawals and discharges do not affect water-stressed areas.

	units	2018	2019	2020
Energy				
TOTAL consumed		29,303	29,892	31,576
Thermal: diesel		-	-	106
Electricity: self-consumed and network losses		28,620	29,212	30,945
Automotive: diesel	GJ	525	529	429
Automotive: petrol		158	150	96
TOTAL sold		1,201,892	1,432,223	1,396,505
Electric: self-produced hydro		1,041,703	1,102,245	1,145,984
Electric: bought from the grid and resold		188,809	359,189	281,466
Water				
TOTAL consumed		5,935	5,706	6,089
Withdrawn from wells	m³	5,935	5,706	6,089
Withdrawn from an aqueduct		712	560	1,310
Discharged into sewers		712	560	1,310

The operation of the plants produces limited quantities of waste. The main type of waste originates from the cleaning of waterways at the intakes by means of grids installed at the entrance to the plants to hold back the various materials carried by the current, such as wood, plants, leaves, plastic and other organic or inorganic matter. The matter taken from the grids, called "sgrigliato", is collected in special bins waiting to be sent for recovery or disposal according to specific procedures.

The waste generated can become a resource for other consumption or production cycles. With this awareness, the 2021-23 Strategic Plan provides for the identification of objectives for each plant relating to the share of waste sent for recovery.

In 2020, over 260 tons of waste, including hazardous and non-hazardous waste, were sent for valorization. In any case, the remaining part is sent to controlled disposal destinations, where further valorization, including energy, is possible.

	units	2018	2019	2020
Valorization of waste generated				
Hazardous waste		21.20	8.24	8.61
% Recovery of material or energy	t	-	98%	95%
% Disposal		100%	2%	5%
Non-hazardous waste		337.10	1,699.90	258.67
% Recovery of material or energy		100%	100%	100%
% Disposal		-	-	-

TRANSIZIONE LOW-CARBON

Italgas actively contributes to the low-carbon transition with 15 hydroelectric plants in Lombardy, Piedmont and Veneto for a total installed capacity of 58 MW and approximately 300 kilometres of transmission lines. Self-consumption is extremely limited and decreasing constantly thanks to the continuous updating of the structures. Full implementation of the centralised remote control system and the progressive modernisation of the company's car pool further reduces its carbon footprint. The purchase of energy on the Power Exchange integrates contractual commitments that exceed production.

Hydroelectric production sent to the grid makes it possible to avoid the emission of significant quantities of greenhouse gases compared with the average output currently available on the market.

	units	2018	2019	2020
Carbon footprint				
Scope 1		46	42	47
Scope 2 market based		0	0	0
(location based)		(2,981)	(2,913)	(2,888)
Scope 3 estimate		-	-	26,270
TOTAL	t CO₂	-	-	29,205
Emissions avoided (location based)				
From hydroelectric production		108,511	109,918	106,958
Carbon intensity				
Scope 1+2 market based	t CO₂ /M€ EBITDA	5.5	3.0	3.5

Scope 1

Direct emissions from fuels

Scope 2

Indirect emissions from the purchase of electricity

Scope 3 (estimate)

Electrical energy purchased on the market (location based) and traded

LAND & BIODIVERSITY

Italgen's energy source is water, taken from the rivers Adda, Oglio, Dezzo, Povo, Brembo, Cassiglio, Stabina, Serio (Lombardy), Gesso, Vermenagna (Piedmont) and Meschio (Veneto). Thanks to intake and collection works, basins and penstocks or by simple direct flow, the water reaches the hydroelectric power plants where it passes through the turbines connected to the alternators that generate electricity. The total amount of turbine water is extremely significant, in the order of 6,000 million m³, but it is released immediately downstream of the plant, without being consumed or modified in its chemical and physical characteristics. The cooling circuits of the machinery lubrication oil do not come into contact with the water flowing through the turbines.

Italgen undertakes to ensure that its plants do not alter the balance of the ecosystem in which they are located. The release of the Minimum Vital Outflow, the installation of fish ladders, the restocking of fish species in the waterways on which the power plants are located represent a concrete commitment to the protection of biodiversity. The data of the microclimatic monitoring carried out by Italgen are made available to entities, institutions and other persons upon request.

To protect against any form of unintentional spillage on the ground, the high voltage electrical transformers present in most hydroelectric power plants are placed above a tank which in the event of an emergency intercepts any leakage of dielectric oil. Similarly, all product or waste storage tanks and containment tanks are subject to periodic controls planned according to the environmental management system adopted. The oil used at the shut-off devices is contained in tanks built above ground, making it easy to detect and resolve any leaks. In addition, Italgen has identified biodegradable lubricating oils on the market, undertaking to extend their use progressively to all plants subject to revamping or plant modifications. In 2020 there were no cases of accidental spillage at any operating site.

In order to contain land consumption, the 2021-23 Strategic Plan provides for systematic mapping of any abandoned or unproductive industrial areas and sites owned by Italgen, where new production activities could be installed. In 2021 redevelopment of the former cement plant at Modugno (BA) and its quarry will commence. This will see the construction of a new photovoltaic park, an area of high naturalistic value and an artificial lake that can be used by the local community.

Turbine waterAlmost 6 km³/year, slightly less than the volume of Lake Iseo.**Minimum vital outflow**

Quantity of water released by any collection work down the length of a lake, river, stream, or any water-course, capable of guaranteeing its natural ecological integrity, albeit with a reduced population, with particular reference to the protection of aquatic life.



Capitelli

Capitelli, which was founded in 1976 in Borgonovo Val Tidone (Piacenza), produces premium-range cooked ham ("San Giovanni" was awarded a prize as the best cooked ham in Italy for the year 2019 and reconfirmed for 2020 by the Espresso's "Guida Salumi d'Italia"). It is characterised by a careful choice of meats of selected origin and an original craft process, which make it a sought-after, niche product positioned among Italy's food excellences. It has been part of Italmobiliare Group since December 2019, as a **subsidiary with an 80% stake**.

Italmobiliare and Capitelli recognize the sensitive aspects of the animal-based commodity sector. In particular, the sector highlights important issues for the sustainable success of the business, economic, social and environmental issues, which cover the entire value cycle, from the procurement of raw materials to the promotion of responsible consumption.

Capitelli fully embraces the sustainable strategy of the Italmobiliare Group, through policies, management, operating methods and initiatives designed according to its specific characteristics, helping to promote a healthy, inclusive and sustainable global economy, respectful of human and labour rights, capable of safeguarding the environment and actively involved in the integrity of every aspect of the business.

In so doing, Capitelli upholds the Italmobiliare Group's commitment with the Global Compact, confirming its support for the Ten Principles and contributing to the Sustainable Development Goals, as well as to the broader objectives of the United Nations.

UN GLOBAL COMPACT & SDGS

Capitelli upholds the Italmobiliare Group's commitment with the Global Compact, confirming its support for the Ten Principles and contributing to the Sustainable Development Goals.



Responsibility and integrity in the **supply chain** to promote practices in balance with ecosystems, resilient to climate change, with decent working conditions for all men and women who work in the supply chain and attention to animal welfare.



Efficiency of **production** to reduce the direct and indirect environmental footprint, from renewable energies to the valorization of waste, and ensure food safety.



Attention to **people** through the promotion of health, safety and wellbeing in an inclusive and modern working environment.



Involvement of the **community**, including that of consumers, with products and initiatives capable of promoting responsible lifestyles and consumption.



Integrity of business as a lever for success, from adoption of the Code of Ethics to cooperation with entities, organisations, institutions and authorities.

Board of Directors

- 3 members

GOVERNANCE

GOVERNANCE & INTEGRITY

The composition and management of the governance bodies, starting with the Board of Directors, ensure representativeness, skills and the absence of conflicts of interest, aiming at maximum operational efficiency and integrity.

In line with the Group's approach, in 2020 Capitelli started drafting its Code of Ethics that explicitly recalls the principles of the United Nations Global Compact, recognized as an advanced point of reference at international level, also in terms of corporate governance. Through a sustainable approach aimed at creating shared value for the society and for the environment, Capitelli intends to explore further levers of success to increase turnover and profit margins, mitigate business risk, attract capital and investors, motivate its people and consolidate the brand.

Based on that of the Parent Company and considering the specificities relating to the nature, size, type of activity or structure of internal powers, Capitelli is defining an Organisation, Management and Control Model, which is foreseen by law but not mandatory. It is designed to limit the risk of committing certain types of crimes, mainly in terms of corruption, bribery, fraud against the State, corporate offences, fencing, unintentional serious injuries or fatalities due to non-compliance with safety norms, serious environmental crimes, but also terrorism or violations against the individual, market abuse and others. The Supervisory Body, appointed on the basis of autonomy and independence, is responsible for the control activity. In addition to specific periodic training, the approach includes the whistleblowing procedure for reporting unlawful behaviour, in order to offer employees and third parties confidential channels to raise concerns or violations of the procedure, without fear of retaliation, discrimination or disciplinary action.

Capitelli has already implemented the Enterprise Risk Management system, according to the management framework and the risk catalogue defined at Group level, which integrate ESG issues. The process adopted allows the identification, measurement, monitoring and management of the risks to which the company is exposed, at the same time helping to strengthen the Group's approach.

Integration with business processes helps to consolidate the organisational, technological and behavioural methods implemented.

"Filiera Capitelli"

- Common goal: to ensure sustainable growth, through social equity, attention to the environment and animal welfare and transparent information for consumers.
- Sharing and trust: values, responsibilities and benefits, in a direct relationship that integrates the needs and specificities of the individual players.
- Inclusion: openness to all breeders who respect and share Capitelli's values, quality standards and best practices, regardless of the breeds of pig that they have on their farms.
- Market independence: setting an adequate, advantageous and sustainable price for all those involved, which allows them to invest resources in the improvement and innovation of farming practices.

PROCUREMENT & SUPPLY CHAIN

The procurement of quality pork constitutes over 60% of Capitelli's total spending, buying largely from national suppliers concentrated in the Emilia and Lombardy regions, chosen on the basis of quality and certified food safety standards.

In addition, the **"Filiera Capitelli"** project was launched in 2020 with the fundamental aim of sharing techniques and good practices with breeders to achieve the highest ethical, socio-environmental and animal welfare standards. Capitelli chooses to reward the efforts of all breeders who share its vision of responsible quality with an additional economic contribution, an essential condition for obtaining a raw material that meets the quality standards needed for the production of premium-range products. Thanks to this policy, Capitelli also intends to mitigate the dependence of farmers on long-standing market logic that requires the offer to be adjusted to the trend in price lists, in favour of direct bargaining between the processing company, the farmers and the slaughterhouses. Full operation is expected in 2021, with the drafting of a specification and guidelines for farmers on nutrition, animal welfare, reduction of the environmental footprint and protection of workers' rights.

Suppliers of packaging and subsidiary materials are also required to comply with environmental standards, preferably certified, even without a formal procedure.

HEALTH, SAFETY & WELLBEING

Capitelli promotes the health, safety and wellbeing of all employees, including companies, suppliers, visitors, customers and the local community in the approach.

The approach adopted is aligned with the applicable national regulations, starting with a solid risk assessment, updated periodically with the support of qualified third parties. The use of cutting tools, potentially slippery surfaces, interaction between people and moving vehicles and process machines with moving mechanical parts are the prevailing risk conditions identified. A dedicated internal structure, the presence of the company doctor and the formal involvement of the social partners constitute the reference organisation. Preventive reporting of anomalous or risk conditions by everyone, an accurate analysis of accidental events, even if not serious, and adequate training activities ensure continuous improvement.

In line with the Policies of the Italmobiliare Group, Capitelli intends to develop the management method, finding a foundation in the managerial leadership that supports the motivational elements, the organisational structures and the necessary operational tools, such as risk assessment and the analysis of accidental events. Far beyond simple legislative compliance, this approach aims to build a true culture of safety, protecting the safety of anyone involved in operational activities and, at the same time, improving managerial skills and motivations for achieving broader results objectives.

29 With absence from work for at least 180 days
30 With absence from work for at least 24 hours
31 Number of injuries (with absence from work for at least 24 hours) per million hours worked
32 Agents and self-employed workers

	2018	2019	2020
Employees			
Fatalities	-	-	0
Serious injuries ²⁹	-	-	0
Injuries ³⁰	-	-	2
Frequency rate ³¹	-	-	37.6
Collaborators³²			
Fatalities	-	-	0
Serious injuries ²⁹	-	-	0
Injuries ³⁰	-	-	0
Frequency rate ³¹	-	-	0.0

PRODUCT AND SERVICE STEWARDSHIP

The ultimate goal of Capitelli's entire business is qualitative excellence repeatedly appreciated by the market. In 2020, "San Giovanni" cooked ham was awarded "five pins" by the Espresso's "Guida ai Salumi d'Italia", the only cooked ham in Italy to obtain this result since the first edition. The "Proibita" cooked shoulder ham was the only Italian cured meat to win a prize at the International Taste Award in Brussels. Such recognition is the result of careful research conducted in the field since the foundation of the company by Angelo Capitelli, starting with his rediscovery of traditional processing methods to pursue a progressive refinement of the individual phases.

The sustainable value of the products comes from the supply chain, with responsible choices for procurement that will be further consolidated with the "Filiere Capitelli". It continues with the initiatives aimed at reducing the environmental footprint of production, from renewable energies to the search for commercial partners for the valorization of processing waste. Furthermore, thanks to the close relationship with suppliers, Capitelli monitors the technological opportunities for the introduction of recycled and recyclable packaging materials and ancillaries.

MARKET & COMMUNITIES

The pursuit of qualitative excellence is inextricably combined with compliance with the highest food safety standards.

The main pork suppliers used by Capitelli have certifications in the field of food safety (BRC/IFS). Compliance with the HACCP system of the individual processing phases carried out in the plant is ensured by analytical plans for checking the physical, chemical and biological characteristics of the meat and by bimonthly sample analyses on the finished product by an external laboratory. Furthermore, every two months, analyses are carried out on incoming meat samples with swabs on processing surfaces, cold rooms and technical equipment. For the "San Giovanni" cooked ham line, an additional analysis of sample units is also planned on a six-monthly basis to search for bacteria and pathogens, as well as controls for determining the nitrite and nitrate content. The pork legs are subjected to pasteurisation, guaranteeing a longer shelf life.

In addition to direct production, as a marginal portion of its volume of business, Capitelli distributes national cured meats made by selected producers and with the maximum guarantees of quality and food safety.

The company actively participates in the audits carried out periodically by large-scale distribution chains, the specific evaluation parameters of which are integrated from time to time in the HACCP self-control protocol. In order to ensure greater control in the distribution phase, the company has introduced a punctual batch tracking system, which will be fully digitized during the course of 2021.

Capitelli adopts the utmost transparency criteria in product communication, to allow its customers and the end consumer to appreciate its distinctive characteristics and to promote responsible consumption. In addition to the mandatory information on the product label, the company website provides additional elements, such as nutritional values, ingredients and origin of raw materials, any allergens, packaging materials, advice for use and storage methods.

By virtue of its B2B business model, the company does not collect sensitive data relating to end-consumers.

ENVIRONMENT

RESPONSIBLE USE OF RESOURCES

In addition to pork legs, Capitelli consumes packaging materials, during cooking and pasteurisation, as well as during moulding and packing. Meat processing creates a significant quantity of by-products. At the slaughterhouse, an initial fraction is separated for use by other subjects in the food chain. At Capitelli, trimmings, bones, fat and gelatine are entrusted to specialist operators for direct commercial use or for transformation into animal feed, for the chemical industry, for the production of biofuels and for the production of fertilizers.

The water from internal wells is mainly consumed in the daily sanitation of facilities. However, Capitelli is aware of the significant water footprint of its supply chain³³, estimated for 2020 at almost 7 million m³ of water, or 4,200 m³ per tonne of processed meat.

BRC (British Retail Consortium)

The BRC Food Standard defines the requirements for the production of safe food and the criteria for managing the quality of products offered by suppliers and retailers, in order to meet customer expectations and protect the consumer.

IFS (International Food Standard)

The International Food Standard is a unified control system of quality and health and hygiene safety systems applied to all levels of food production.

HACCP (Hazard Analysis and Critical Control Points)

The HACCP system is a set of procedures, aimed at guaranteeing the wholesomeness of food, based on prevention at all stages of processing even before analysing the finished product.

³³ Engineering - Grandi Salumifici Italiani - Coop, Life cycle assessment applied to cured meats production, 2011.

Sustainable raw materials

- 94% renewable
- 76% recyclable packaging
- 52% recycled material used in packaging

Renewable energies

The photovoltaic system produces nearly 200,000 kilowatt hours of electricity per year, over 70% of which are used directly in the plant.

Water

Withdrawals and discharges do not affect water-stressed areas. An activated sludge purification plant supervises its discharge into a surface body of water on the basis of parameters that are better than the minimum standards required by national legislation.

	units	2018	2019	2020
Raw materials				
Pork meat	t	-	-	1,632
Other ingredients		-	-	77
Packaging		-	-	84
Aluminium		-	-	2
Cardboard		-	-	62
Plastic		-	-	20
Energy				
TOTAL consumed	GJ	-	-	8,650
Thermal: natural gas from the grid		-	-	4,914
Electric: bought from the grid		-	-	2,581
Electric: self-produced renewable		-	-	649
Automotive: diesel		-	-	507
TOTAL self-produced renewable		-	-	693
Sold to the grid		-	-	44
Water				
TOTAL consumed	m³	-	-	376
Withdrawn from wells		-	-	9,782
Discharged into sewers		-	-	406
Discharged into surface waters		-	-	9,000

For the "out of mould" cooking and pasteurisation of the legs, bags made of temperature-resistant polymeric materials are required, currently available only in virgin material and not recyclable except as energy recovery. Agreements with suppliers envisage introducing products with recycled content by 2025. Capitelli's finished products are packaged in bags made of poly laminates in virgin materials, which can be sent for material recovery after differentiation or for energy recovery. The packaged products are delivered to the carrier in FSC MIX certified cardboard packaging, i.e. partially recycled and completely recyclable.

Currently, the waste generated is all sent to controlled disposal destinations, where it is possible to valorize the energy, at least partially.

	units	2018	2019	2020
Valorization of waste generated				
Non-hazardous waste		-	-	214.88
% Recovery of material or energy	t	-	-	0%
% Disposal		-	-	100%

LOW-CARBON TRANSITION

The carbon footprint largely depends on the management of pig farms. Pending an analytical assessment of the emissions of the value chain (Scope 3), Capitelli is committed to mitigating the climate-altering effects of its business.

With the entry of Italmobiliare into the capital, 2020 saw the launch of a programme for the renewal of the heating and refrigeration systems which envisages the adoption of the best technologies available for the sector. Completion is scheduled for 2021.

In addition to the efficiency of the production processes, the plant owns an active photovoltaic system that produces almost 200,000 kilowatt hours of electricity per year, most of which is reused directly.

	units	2018	2019	2020
Carbon footprint				
Scope 1		-	-	321
Scope 2 market based		-	-	334
(location based)				(241)
Scope 3 estimate ³⁴	t CO ₂	-	-	8,002
TOTAL		-	-	8,564
Emissions avoided (location based)				
From photovoltaic production		-	-	90
Carbon intensity				
Scope 1+2 market based	t CO ₂ /M€ EBITDA	-	-	172

34 Engineering - Grandi Salumifici Italiani - Coop, Life cycle assessment applied to cured meats production, 2011.

Scope 1

Direct emissions from fuels

Scope 2

Indirect emissions from the purchase of electricity

Scope 3 (estimate)

The CO₂ emissions of the value chain are estimated on the basis of literature data collated by industry players. On average, the carbon footprint is distributed as follows:

Scope 1+2	7%
Scope 3	93%
Livestock	77%
Packaging	9%
Slaughter	4%
Transport and other	3%

 CLESSIDRA

Clessidra

Clessidra was founded in Milan in 2003 as an authorized asset management company (SGR), subject to the regulatory control activities of Consob and of the Bank of Italy. It is the leading manager of Private Equity funds dedicated to the Italian market. Between 2019 and 2020, Clessidra expanded its scope of operations to include Restructuring Funds and Factoring. It has been part of the Italmobiliare Group since September 2016, as a **subsidiary with a 100% stake**.

Italmobiliare and Clessidra recognize the importance of integrated risk assessment in investments and other financial transactions, but also the interconnected transformative capacity. In particular, the private equity business offers the opportunity to prioritize and mobilize financial resources in a targeted and selective manner, thus contributing to global challenges and, at the same time, protecting and strengthening financial performance for the benefit of investors and all other stakeholders.

Clessidra fully embraces the sustainable strategy of the Italmobiliare Group, through policies, management, operating methods and initiatives designed according to its specific characteristics, helping to promote a healthy, inclusive and sustainable global economy, respectful of human and labour rights, capable of safeguarding the environment and actively involved in the integrity of every aspect of the business.

In so doing, Clessidra upholds the Italmobiliare Group's commitment with the Global Compact, confirming its support for the Ten Principles and contributing to the Sustainable Development Goals, as well as to the broader objectives of the United Nations. In addition, Clessidra SGR adheres to the UN Principles for Responsible Investment (UNPRI), formally committing to follow its principles and guidelines.

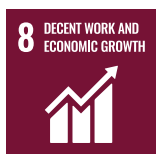
Through active participation in AIFI, the Italian Association of Private Equity, Venture Capital and Private Debt, and Invest Europe, the corresponding European trade association, Clessidra supports the numerous initiatives and guidelines on ESG.

UN GLOBAL COMPACT & SDGS

Clessidra upholds the Italmobiliare Group's commitment with the Global Compact, confirming its support for the Ten Principles and contributing to the Sustainable Development Goals.



Operational and social efficiency, through female empowerment and inclusiveness.



Sustainable business, through the efficiency of financial, human and natural resources.



Value chains resilient to climate change, through monitoring, mitigation and adaptation.



Compliance and integrity, through the promotion of and compliance with external and internal laws, rules and principles of governance.



Partnership, a partire da quella finanziaria, con investimenti mirati alla creazione di valore condiviso e gestiti responsabilmente.

GOVERNANCE

Board of Directors

- 9 members
- 1 female members
- 1 independent member

GOVERNANCE & INTEGRITY

The composition and management of the governance bodies, starting with the **Board of Directors**, ensure representativeness, skills and the absence of conflicts of interest, aiming at maximum operational efficiency and integrity.

In line with the Group's approach, the **Ethical Code** adopted by Clessidra explicitly recalls the commitment undertaken by joining the UN Principles for Responsible Investment (UN PRI) and recognizes the link between investment returns and environmental, social and governance (ESG) issues. Through a sustainable approach aimed at creating shared value for the society and for the environment, Clessidra intends its investees in exploring further levers of success to increase turnover and profit margins, mitigate business risk, attract capital and investors, motivate its people and consolidate the brand.

Based on that of the Parent Company and considering the specificities relating to the nature, size, type of activity or structure of internal powers, Clessidra has adopted an **Organisation, Management and Control Model**, which is foreseen by law but not mandatory. It is designed to limit the risk of committing certain types of crimes, mainly in terms of corruption, bribery, fraud against the State, corporate offences, fencing, unintentional serious injuries or fatalities due to non-compliance with safety norms, serious environmental crimes, but also terrorism or violations against the individual, market abuse and others. The Supervisory Body, appointed on the basis of autonomy and independence, is responsible for the control activity. In addition to specific periodic training, the approach adopted includes the whistleblowing procedure for reporting unlawful behaviour, in order to offer employees and third parties confidential channels to raise concerns or violations of the procedure, without fear of retaliation, discrimination or disciplinary action. Among the main updates that took place in 2020, Clessidra carried out a self-assessment of the risk of money laundering, updating its internal processes in compliance with the European Directives and with the regulations on the subject that have been transposed at national level.

In its investment activities, Clessidra undertakes to promote compliance with applicable regulations and the highest ethical standards at the portfolio companies. In particular, it collaborates with the portfolio companies in order to adopt or update their own Organisational, Management and Control Models, including ethical principles, codes of conduct, control tools, procedures and training activities.

As it is not subject to management and control by Italmobiliare, Clessidra plays a role similar to that of the holding company in relation to its subsidiaries. The **Risk Management function** holds an independent position with respect to the operating structures, and reports directly to the Board of Directors. It measures, manages and controls all financial and operational risks inherent to the assets managed, as well as those borne by the SGR such as strategic, operational and reputational risks. Specifically, the Risk Management function:

- Implements effective policies and procedures to identify and monitor on an ongoing basis the risks inherent to the investment strategy envisaged in the Regulation of each fund and to which each fund is currently or potentially exposed.
- Monitors compliance with the risk limits set in the Regulation of each fund and ensures that the risk profile communicated to investors during the marketing phase is compliant.
- Updates the Board of Directors at least every six months on the adequacy and effectiveness of the management process and on any actual or foreseeable violation of the risk limits set, thus allowing the prompt adoption of corrective actions.
- Reviews the policies and procedures adopted for the valuation of assets in the portfolio, ensuring consistency between the results of the valuation process and the measurement of the riskiness of the assets themselves.

The integration of the ESG approach in Clessidra's management processes in itself constitutes an element of risk mitigation.

Main risks mitigated through the ESG approach	Leve materiali interessate
Consistency with the ESG commitments of Clessidra and its subsidiaries and effectiveness of the execution of action plans	ALL
Alignment with the evolution of the regulatory framework for health, safety and the environment	GOVERNANCE & INTEGRITY
Alignment with the evolution of the regulatory framework on data privacy	GOVERNANCE & INTEGRITY
Identification and prevention of potential cases of active and passive corruption	GOVERNANCE & INTEGRITY
Indirect impacts of the COVID-19 pandemic on the activities of one or more invested companies	MARKET & COMMUNITIES HEALTH, SAFETY & WELLBEING

RESPONSIBLE INVESTMENTS

The strategy adopted by Clessidra SGR in the Private Equity investment segment is mainly focused on the acquisition of controlling stakes in unlisted Italian companies. Through controlling or joint-controlling investments, Clessidra SGR aims at building a diversified portfolio of investments in medium-large sized Italian market leaders with strong growth prospects. Clessidra proposes itself as an active partner for the creation of value in the medium-long term, also through acquisition strategies or add-ons.

Clessidra has been adhering to the UN Principles for Responsible Investment (UN PRI) since 2010. Responsibility, sustainability and integrity are core values in all investment decisions and building blocks of value creation. The ESG Policy adopted defines in detail the responsible approach in all the phases being managed.

Clessidra has adopted a three-year ESG Plan which includes a set of qualitative and quantitative targets common to the companies in the portfolio, the implementation of which is monitored on an annual basis and communicated to the Limited Partners through a specific report. Responsibilities and procedures are also defined for the reporting and timely communication of particular events. The investors in the funds are informed annually on the ESG performances achieved and receive prompt notification during the year in the event of any "ESG incidents", together with details of the corrective action taken.

In 2020, ESG interactions took place with all of the companies in the portfolio. The ESG management methods differ according to the level of control, the maturity of the investee and the time spent in the portfolio.

ESG Policy

- Pre-investment: the ESG profile, in terms of risk and opportunities to create value, is assessed through a proprietary checklist that is in line with the main international guidelines. The results of the ESG due diligence are examined by the Investment Committee and then by the Board of Directors.
- Active management: the Investment Team collaborates with the portfolio companies to support ESG management, promoting, supporting and monitoring improvement action plans.
- Disposal: the ESG profile is brought to the attention of potential buyers.

Company	Type of interaction	Main actions in 2020	2021 targets
Harmont & Blaine	Annual collection of KPI and monitoring of ESG plan	• Training Webinars for all shop staff. • Start of energy efficiency programme in stores • Activation of a project to improve the sustainability of packaging, introducing FSC-certified shopping bags, labels in recycled paper and packaging in recycled plastic.	Employees Opinion Survey (EOS).
L&S	First annual collection of KPI and implementation of Model 231	• Start of ISO 14001 certification for Italy (already obtained for the plant in Germany). • Definition of the Supplier Code of Conduct, with mandatory subscription for all suppliers. • Activation in Italy of the anonymous collection of feedback on health, safety and workplace issues. • Implementation in Italy and China of a variable remuneration scheme linked to the achievement of objectives. • Increase in the use of renewable energies.	• Definition of the ESG plan based on an analysis of the data collected in 2020 (first collection by the investment in 2019). • Alignment of products to the requirements of the Energy-Related Products Directive with the aim of improving the energy efficiency class up to 2-3 times. • Progressive extension to other countries of the anonymous collection of feedback on health, safety and workplace issues.
Nexi / Depobank	Annual collection of data from NFR	The percentage held in the investee and the level of governance exercisable by Clessidra do not allow direct influence on sustainability issues. However, companies have a high level of sensitivity to sustainability issues and Clessidra records their progress annually. Being listed, the companies are bound by the obligations relating to non-financial communication.	
Scrigno	Annual collection of KPI and monitoring of ESG plan	Introduction of a corporate welfare plan linked to productivity objectives	Initiatives to reduce energy consumption.

SOCIETY

HUMAN CAPITAL DEVELOPMENT

Clessidra has a team of 30 motivated and specialized people (total turnover at 23% with 4 new hires). Direct employees are all covered by a collective bargaining agreement. 26% (13% of executives) of managerial positions are held by women.

Clessidra has adopted a remuneration and incentive system in line with the long-term corporate strategy. This means that it integrates the objectives, values and interests of its Alternative Investment Funds and their investors with the financial and socio-environmental performance, corporate values, development and retention of professional skills.

With the Covid-19 pandemic, remote working was introduced for all employees, adopting all the necessary health protocols and making the IT tools available to employees to carry on their work at home. This method did not entail any interruption to the company's operations nor any particularly critical issues.

Following a structured training plan and mostly using digital platforms, 48 hours of training were provided in 2020.

In order to accompany the development of human capital, Clessidra has adopted an individual performance assessment system extended to all staff based on individual annual qualitative and quantitative objectives, to which the variable element of annual remuneration is related.

	2018			2019			2020		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Personnel									
TOTAL	9	17	26	10	19	29	10	20	30
Managers	1	11	12	2	14	16	2	13	15
Middle managers	-	-	-	-	-	-	4	4	8
Office workers	8	6	14	8	5	13	4	3	7
Contracts (%)									
Permanent (vs. fixed-term)	8 / 1	17 / 0	25 / 1	9 / 1	19 / 0	28 / 1	10 / 0	18 / 2	28 / 2
Full time (vs. part-time)	7 / 2	17 / 0	24 / 2	8 / 2	18 / 1	26 / 3	8 / 2	20 / 0	28 / 2
Training (hours per capita)									
TOTAL	4.5	5.8	4.2	3.6	13.6	10.1	2.4	1.2	1.6
Managers	5.7	9.5	6.1	18.0	9.7	10.8	4.0	0.6	1.1
Middle managers	-	-	-	-	-	-	2.0	2.0	2.0
Office workers	3.3	2.0	2.6	0.0	24.4	9.4	2.0	2.7	2.3
Performance assessment (%)									
TOTAL	100%	100%	100%	100%	100%	100%	100%	100%	100%
Managers	100%	100%	100%	100%	100%	100%	100%	100%	100%
Middle managers	-	-	-	-	-	-	100%	100%	100%
Office workers	100%	100%	100%	100%	100%	100%	100%	100%	100%

HEALTH, SAFETY & WELLBEING

Clessidra promotes the health, safety and wellbeing of all employees and a safety culture that is also shared with the companies in its portfolio. The approach adopted is aligned with the applicable national regulations, starting with a solid risk assessment, updated periodically with the support of qualified third parties. The main risk conditions that have been identified are external to the workplace and mainly concern the use of company cars. A dedicated internal contact, the availability of a doctor for both institutional and voluntary health promotion activities and the formal involvement of the social partners constitute the support organisation. Preventive reporting of anomalous or risk conditions by everyone, an accurate analysis of accidental events, even if not serious, and adequate training activities ensure continuous improvement.

All employees benefit from health insurance: full cover for middle managers and white collar workers and supplementary cover for managers. Managers are also entitled to an annual check-up at a leading hospital.

	2018	2019	2020
Employees			
Fatal injuries	0	0	0
Serious injuries ³⁵	0	0	0
Injuries ³⁶	0	1	0
Frequency rate ³⁷	0	24.3	0

35 With absence from work for at least 180 days

36 With absence from work for at least 24 hours

37 Number of injuries (with absence from work for at least 24 hours) per million hours worked

MARKET & COMMUNITIES

Clessidra SGR offers its investors quality services, creating and maintaining solid relationships built on transparency and trust. Communicating with subscribers guarantees an adequate and equal level of information for all investors, safeguards the confidentiality of processed information and protects the successful outcome of investments/disposals in progress.

Within 60 days from the end of each year, Clessidra prepares a management report on each of its funds in accordance with the Bank of Italy's Collective Savings Management Regulation. The report includes a balance sheet, income statement, notes and directors' report and is subject to certification by the Independent Auditors. On a voluntary basis and in agreement with investors and according to international practice, the SGR also prepares a quarterly report called the LP Report which contains information based on official data similar to that of the management report. Those in charge of drafting respond jointly to requests for clarifications or insights about the communications sent, assessing the advisability of providing additional information to the general public of investors.

In addition to the communications due by law and voluntary reporting, the SGR conveys information in response to specific requests from investors in the event that they express, in writing, a need to be aware of foreseeable developments in investment management so that they can assess potential sales of their shares. The information provided to investors is checked periodically by the independent auditors and by internal control bodies and functions.

Clessidra SGR fully adopts the principle of transparency also in the reporting of ESG performance and annually responds to the UN PRI questionnaire, publishing the Transparency Report. Furthermore, to ensure transparency towards investors, in the financial reports prepared in accordance with the Bank of Italy's instructions, there is a specific paragraph about responsible investments. In addition, there is a quarterly report, based on guidelines for the presentation of financial information (IPEV Reporting Guidelines) and for valuations (International Private Equity and Venture Capital Valuation Guidelines), which highlights any critical issues and management's approach, also to issues of responsible investment. Finally, Clessidra SGR provides its investors with an Annual Report on ESG activities.

Clessidra pays the utmost care and attention to data protection and the protection of the rights and freedoms of natural persons and to this end applies the technical and organisational measures needed to ensure implementation of the ruling regulations. In particular, the SGR implements appropriate and specific measures to avoid the violation of personal data, above all the risk of data loss or access by unauthorised parties. The Policy on the Protection of Personal Data and Data Breach is constantly updated with respect to regulatory changes and amendments to internal processes.

UN PRI Transparency Report

Principles for Responsible Investment signatories are required to report publicly on responsible investment activities annually.

The Transparency Report provides stakeholders with extensive information on the ESG approach adopted.

PORTFOLIO
COMPANIES
consolidated
in 2021



Officina Profumo-Farmaceutica di Santa Maria Novella

In Florence, for eight centuries and always in the same places, Officina Profumo-Farmaceutica di Santa Maria Novella creates, produces and distributes high-end perfumes and cosmetics, and products for health and well-being.

From its origins as the pharmacy of the Dominican friars, the oldest apothecary in Europe, the Officina Profumo-Farmaceutica di Santa Maria Novella projects its centuries-old history into the present and into the future.

From the study of nature and its active ingredients, which has always been the main feature of the Officina's activity, and from highly selected raw materials, products are created based on historical formulations, but which respond to the new needs of consumers all over the world. It has been part of Italmobiliare Group since January 2020, and since September 2020 as a **subsidiary with an 80% stake**.

Italmobiliare and Officina Profumo-Farmaceutica di Santa Maria Novella recognize the sensitive aspects of the sector, already detailed during the due diligence carried out at the time of the first investment.

Today, Officina Profumo-Farmaceutica di Santa Maria Novella fully embraces the sustainable strategy of the Italmobiliare Group, through policies, management, operating methods and initiatives designed according to its specific characteristics, helping to promote a healthy, inclusive and sustainable global economy, respectful of human and labour rights, capable of safeguarding the environment and actively involved in the integrity of every aspect of the business.

In so doing, Officina Profumo-Farmaceutica di Santa Maria Novella upholds the Italmobiliare Group's commitment with the Global Compact, confirming its support for the Ten Principles and contributing to the Sustainable Development Goals, as well as to the broader objectives of the United Nations.

UN GLOBAL COMPACT & SDGS

Officina Profumo-Farmaceutica di Santa Maria Novella upholds the Italmobiliare Group's commitment with the Global Compact, confirming its support for the Ten Principles and contributing to the Sustainable Development Goals.



Responsibility and integrity in the **supply chain** to encourage ethical purchases and services, with social value and a low environmental footprint.



Efficiency of production to reduce the direct and indirect environmental footprint, from renewable energy to sustainable packaging, and to ensure health, safety and wellbeing.



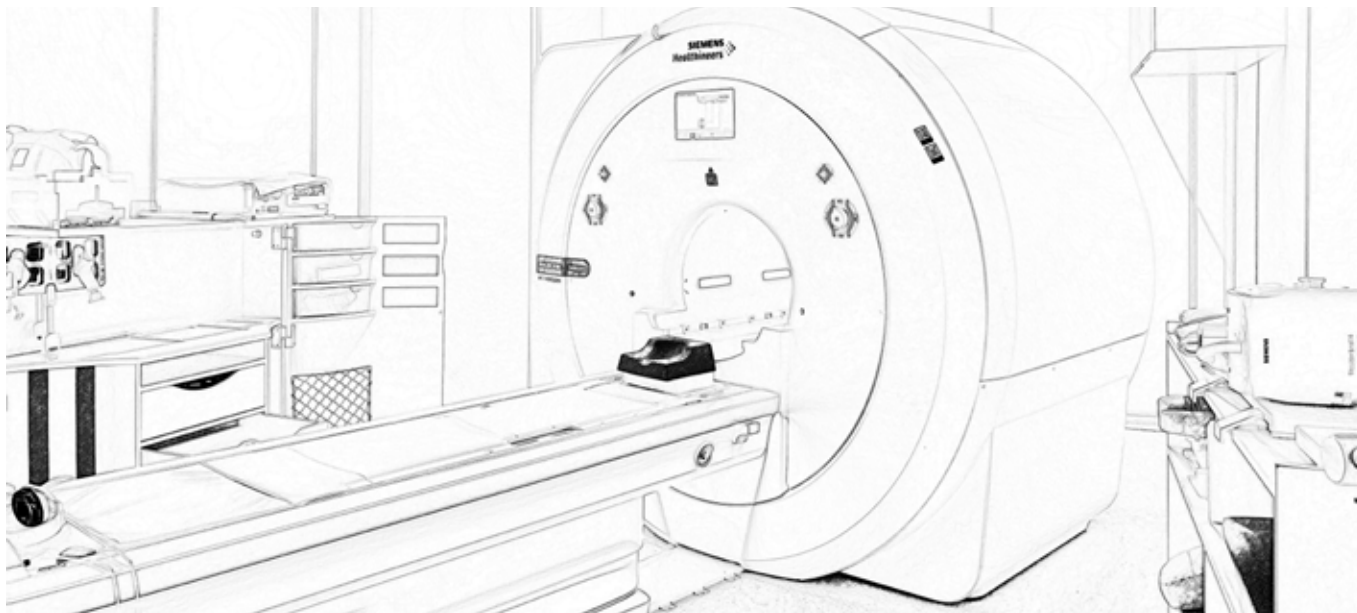
Attention to **people** through the promotion of health, safety and wellbeing in an inclusive and modern working environment.



Involvement of the **community**, including that of consumers, with products and initiatives capable of promoting responsible lifestyles.



Integrity of business as a lever for success, from adoption of the Code of Ethics to cooperation with entities, organisations, institutions and authorities.



Casa della Salute

Casa della Salute is a network of specialist clinics, diagnostics, dentists, physiokinesitherapy, with numerous facilities in Liguria and Piedmont, with the common goal of contributing to the protection of the right to health and guaranteeing citizens a high quality health service and short waiting lists.

The Clinic was born in 2014 as the first private centre for diagnostics and sports medicine, growing rapidly thanks to its high-quality healthcare service based on the optimisation of internal processes, the use of state-of-the-art technology and highly qualified medical staff. It has been part of the Italmobiliare Group since December 2020, as a **subsidiary with a 92.5% stake**.

Italmobiliare and Casa della Salute recognize the sensitive aspects of the sector, already investigated during the due diligence, aiming at innovative and highly digitized healthcare.

The company's growth is based on a sophisticated business model that uses advanced IT systems and cutting-edge equipment, which make for high operational efficiency, prices close to the NHS prescription charge, optimisation of internal processes and a reduction in the environmental footprint. At Casa della Salute, it is possible to obtain the following types of services: diagnostic imaging, laboratory analyses, specialist visits, sports medicine, aesthetic medicine, dentistry, physiotherapy and functional rehabilitation.

Attention to people's well-being is also achieved through a profound sense of social responsibility, including health services for certain categories of patients that are either free or at beneficial prices.

Casa della Salute fully embraces the sustainable strategy of the Italmobiliare Group, through policies, management, operating methods and initiatives designed according to its specific characteristics, helping to promote a healthy, inclusive and sustainable global economy, respectful of human and labour rights, capable of safeguarding the environment and actively involved in the integrity of every aspect of the business.

In so doing, Casa della Salute upholds the Italmobiliare Group's commitment with the Global Compact, confirming its support for the Ten Principles and contributing to the Sustainable Development Goals, as well as to the broader objectives of the United Nations.

UN GLOBAL COMPACT & SDGS

The due diligence and initial contacts with management position Casa della Salute in line with the Italmobiliare Group's commitment to the Global Compact. The policies and operational management adopted aim to support the Ten Principles and contribute to the Sustainable Development Goals.



Innovation and scientific research to support quality basic and specialist health services.



Operational **efficiency** of structures to ensure hygiene, wellbeing and a low environmental footprint.



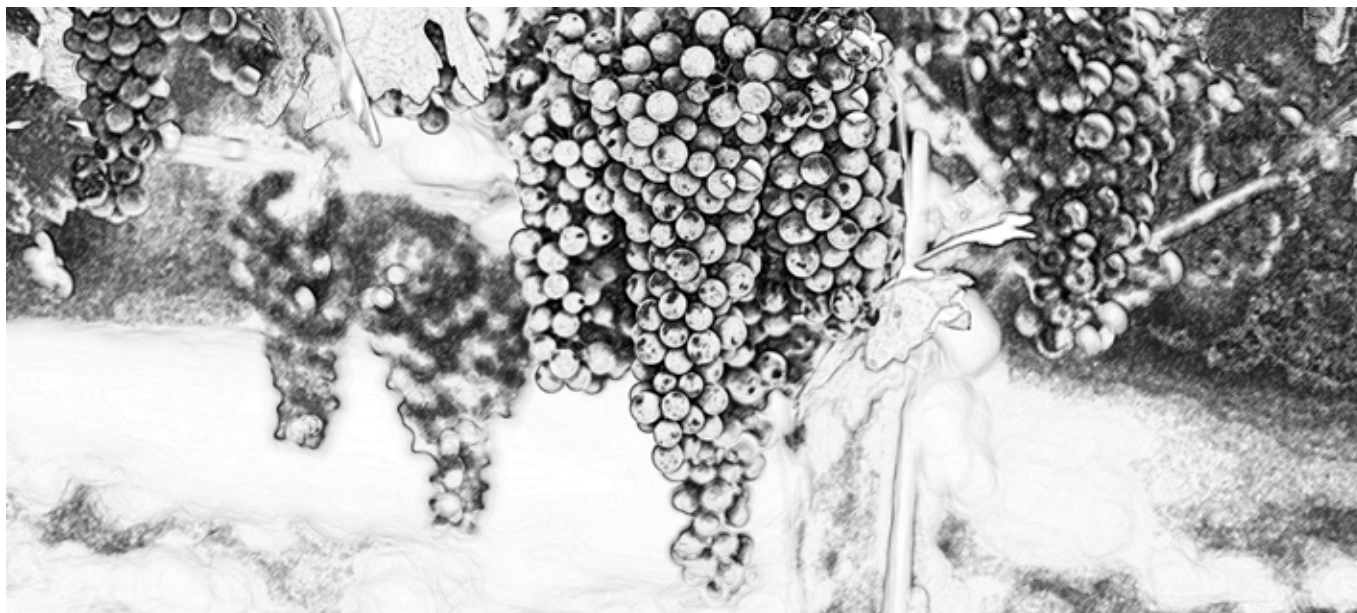
Attention to **people** through the promotion of health, safety and well-being in a context dedicated to people's health but also inclusive and evolutionary for those who work there.



Involvement of the **community**, also through initiatives and services dedicated to the most vulnerable of population.



Integrity of business as a lever for success, from adoption of the Code of Ethics to cooperation with entities, organisations, institutions and authorities.



callmewine

Callmewine

Callmewine, established by Paolo Zanetti in 2010, is an e-commerce platform that specialises in the sale of wine, where it ranks as one of the market leaders in Italy. It boasts an extensive catalogue of wines with around 10,000 labels on offer, ranging from big names on the global wine scene to small producers. It has been part of the Italmobiliare Group since December 2020, as a **subsidiary with a 60% stake**.

Italmobiliare and Callmewine recognize the sensitive aspects of the sector, already examined in depth during the due diligence.

By developing the concept of the "personal online sommelier", Callmewine has managed to reach a growing public that uses an online platform not only to buy goods at competitive prices, but also to find advice in selecting the most suitable wines, whether for special occasions or for daily consumption.

Callmewine is characterised by a selection of almost 1,900 certified craft, organic and bio-dynamic wines, but also wines that are natural, macerated and produced in amphora. Above all, the craft wines are produced by independent artisans with their own vineyards according to an agricultural model as natural as possible, one that completely excludes the use of synthetic pesticides, herbicides or insecticides.

This same approach includes support for small wineries, offering their wines on the market at fair prices, creating and maintaining solid relationships with niche or little-known producers: all realities that find in Callmewine a commercial partner and an incomparable virtual showcase.

Wine is environment. Callmewine protects it even with attention to the smallest operating details, such as the use of packaging entirely in cardboard, 100% recyclable, and without the use of polystyrene or other plastics.

Callmewine fully embraces the sustainable strategy of the Italmobiliare Group, through policies, management, operating methods and initiatives designed according to its specific characteristics, helping to promote a healthy, inclusive and sustainable global economy, respectful of human and labour rights, capable of safeguarding the environment and actively involved in the integrity of every aspect of the business.

In so doing, Callmewine upholds the Italmobiliare Group's commitment with the Global Compact, confirming its support for the Ten Principles and contributing to the Sustainable Development Goals, as well as to the broader objectives of the United Nations.

UN GLOBAL COMPACT & SDGS

Due diligence and the first management contacts position Callmewine in line with the Italmobiliare Group's commitment to the Global Compact. The policies and operational management adopted aim to support the Ten Principles and contribute to the Sustainable Development Goals.



Responsibility and integrity in the **supply chain**, also to promote agricultural practices in balance with ecosystems, resilient to climate change and attentive to social needs.



Effectiveness in operational management to reduce the direct and indirect environmental footprint, for example through sustainable logistics and packaging.



Attention to **people** through the promotion of health, safety and wellbeing in an inclusive and modern working environment.



Involvement of the **community**, including that of consumers, with products and initiatives capable of promoting responsible lifestyles and consumption.



Integrity of business as a lever for success, from adoption of the Code of Ethics to cooperation with entities, organisations, institutions and authorities.

PORTFOLIO
COMPANIES
affiliated



Tecnica Group

Tecnica Group is a leading manufacturer of outdoor footwear and ski equipment with a portfolio that includes some of the industry's longest standing brand names: Tecnica (ski boots and footwear), Nordica (skis and boots), Moon Boot® (footwear), Lowa (hiking and outdoor shoes), Blizzard (skis) and Rollerblade (in-line skates). Founded in 1962 by Giancarlo Zanatta, today it is an international group with 10 direct branches and agencies, and over 40 distribution partners, to serve a total of more than 80 countries around the world. 3,300 employees, including some 300 in Italy, almost all of whom work at the head office in Gaiavara del Montello (TV). It has been part of the Italmobiliare Group since November 2017, as an **affiliate with a 40% stake**.

Italmobiliare and Tecnica Group recognize the sensitive aspects of the sector, from the procurement of raw materials to the end-of-life of the products marketed, and share the commitment to contribute positively to global challenges.

Tecnica Group fully embraces the sustainable strategy of the Italmobiliare Group, through policies, management, operating methods and initiatives designed according to its specific characteristics, helping to promote a healthy, inclusive and sustainable global economy, respectful of human and labour rights, capable of safeguarding the environment and actively involved in the integrity of every aspect of the business.

The measures that the Group has decided to take to strengthen the brands focus on innovation to come up with highly differentiated products, new distribution channels and programmes to make production and logistics more efficient. In addition, investments to reduce energy consumption, the installation of photovoltaic systems, the updating of industrial lighting systems and the promotion of electric mobility reflect the Group's commitment in favour of the climate.

Tecnica Group protects the environment with targeted actions, such as optimising the use of non-renewable resources, plastic in particular. The lining of the inner shoe of its ski boots is made principally by using recycled material derived from plastic bottles, while other pilot initiatives involve its packaging: plastic bags in the packaging of ski boots in biodegradable material and the reduction of single-use packaging using multi-content boxes.

The durability of the products in itself mitigates the environmental footprint. Outdoor footwear is designed and built to last, thanks to the quality of the raw materials used, virgin or recycled, to the technology and the competence and passion of the Group's people. Dedicated repair laboratories permit further creation of sustainable value.

SDGS

The policies and operational management adopted align Tecnica Group's activities with the Sustainable Development Goals.



Responsibility and integrity in the **supply chain** to encourage ethical purchases and services, with social value and a low environmental footprint.



Production **efficiency** to reduce the direct and indirect environmental footprint, from renewable energy to sustainable packaging and product durability.



Attention to **people** through the promotion of health, safety and wellbeing in an inclusive and modern working environment.



Involvement of the **community**, including that of consumers, with products and initiatives capable of promoting responsible, healthy and outdoor lifestyles.



Integrity of business as a lever for success, from adoption of the Code of Ethics to cooperation with entities, organisations, institutions and authorities.



Autogas Nord - AGN ENERGIA Group

Founded in 1958 along with the distribution of LPG for domestic, agricultural, industrial and automotive use, Autogas Group is today a leading energy multi-utility at national level. Over the years, the offer has been diversified to include the supply of electricity and natural gas, energy efficiency solutions, solar and photovoltaic renewables and support for electric mobility. It has been part of the Italmobiliare Group since October 2018, as an **affiliate with a 30% stake**.

Italmobiliare and Autogas Group recognize the sensitive aspects of the energy sector and share the key role of multi-utilities in the transition to a low-carbon economy and in promoting responsible lifestyles.

Autogas Nord - AGN ENERGIA Group fully embraces the sustainable strategy of the Italmobiliare Group, through policies, management, operating methods and initiatives designed according to its specific characteristics, helping to promote a healthy, inclusive and sustainable global economy, respectful of human and labour rights, capable of safeguarding the environment and actively involved in the integrity of every aspect of the business.

Sustainability is also a commitment to human resources for Autogas Nord - AGN ENERGIA Group. It enhances their talents and skills through training and professional qualifications, paying attention to the health and safety of workers and plants, contractual fairness and transparency, and providing support for local communities.

Social commitment is aimed at strengthening collaboration with important partners who give life to concrete projects of social utility, especially those that, in line with the Group's mission, look to young people and the promotion of responsible lifestyles. For example, accessible and sustainable tourism projects, rules of good conduct for the protection of the planet, and tree planting projects are among the initiatives brought together in the City of Energy, the stage where all of the social responsibility activities promoted by the AGN ENERGIA brand are recounted, shared and passed on.

Autogas Group participates in Responsible Care, the voluntary programme to promote the sustainable development of the global chemical industry, according to values and behaviours oriented towards safety, health, the environment and social responsibility.

SDGS

The policies and operational management adopted align Autogas Nord - AGN ENERGIA Group activities with the Sustainable Development Goals.



Responsibility and integrity in the choice of **business partners**.



Renewable energies and integrated services to support the **low-carbon transition**.



Attention to **people** through the promotion of health, safety and wellbeing in an inclusive and modern working environment.



Involvement of the **community**, including that of consumers, with products and services capable of promoting responsible lifestyles and social initiatives for the local area.



Integrity of business as a lever for success, from adoption of the Code of Ethics to cooperation with entities, organisations, institutions and authorities.



Iseo

Founded in 1969 in Pisogne (Brescia), Iseo is a European leader in the design, manufacture and sale of products for intelligent access management and anti-intrusion security. Thanks to the acquisitions made over time, the Iseo Group has production sites in Italy, France, Germany, Spain, the United Kingdom and South Africa and commercial companies in China, Asia, Romania, the Middle East and South America. It has been part of the Italmobiliare Group since October 2018, as an **affiliate with a 39% stake**.

Italmobiliare and Iseo recognize the sensitive aspects of the sector and share a passion for safety, with a vision that extends from the technical aspects of the products marketed to the perception of the value of people and the environment in which they live and work.

Iseo fully embraces the sustainable strategy of the Italmobiliare Group, through policies, management, operating methods and initiatives designed according to its specific characteristics, helping to promote a healthy, inclusive and sustainable global economy, respectful of human and labour rights, capable of safeguarding the environment and actively involved in the integrity of every aspect of the business.

For Iseo, sustainability is a commitment built on values that unite ethics, environment, energy, safety and respect for the interests of all parties involved in the quality and reliability of innovative products. Advanced and participatory management systems constitute not only a guarantee of environmental, energy, health, safety and quality performances for the benefit of the market and the community, but also a continuous stimulus for the professional and motivational growth of the people in the group, at all levels. Thanks to an effectively integrated management policy, Iseo has ISO 9001 (quality), ISO 14001 (Environment), ISO 50001 (energy) and ISO 45001 (health and safety) certifications.

Attention to the people in the group is also important, with training plans for the development of human capital, the promotion of corporate welfare or the creation of a solidarity fund dedicated to staff and family members to support expenses related to health, study, physical activities and other individual needs.

Sustainability is also commitment for the community and integration with the territory through activities such as the promotion and sponsorship of local initiatives both in the sports and social fields, as well as helping to fund nursery schools.

SDGS

The policies and operational management adopted align Iseo's activities with the Sustainable Development Goals.



Responsibility and integrity in the **supply chain** to encourage ethical purchases and services, with social value and a low environmental footprint.



Production **efficiency** to reduce the direct and indirect environmental footprint, from renewable energy to sustainable packaging.



Attention to **people** through the promotion of health, safety and wellbeing in an inclusive and modern working environment.



Involvement of the **community**, including that of consumers, with products capable of promoting comfort and safety and initiatives aimed at promoting responsible lifestyles.



Integrity of business as a lever for success, from adoption of the Code of Ethics to cooperation with entities, organisations, institutions and authorities.

SUPPLEMENTARY
DATA

GRI 102-8 Information on employees and other workers

TOTAL NUMBER OF EMPLOYEES BY EMPLOYMENT CONTRACT (OPEN-ENDED AND FIXED-TERM), BY GENDER

		2018			2019			2020		
		Women	Men	Total	Women	Men	Total	Women	Men	Total
GROUP	TOTAL	494	1,295	1,789	470	1,249	1,719	481	1,294	1,775
	Open-ended	444	1,176	1,620	429	1,162	1,591	433	1,214	1,647
	Fixed-term	50	119	169	41	87	128	48	80	128
France	TOTAL	60	206	266	57	200	257	55	191	246
	Open-ended	56	200	256	57	196	253	55	190	245
	Fixed-term	4	6	10	0	4	4	0	1	1
Germany	TOTAL	9	9	18	9	8	17	7	9	16
	Open-ended	9	9	18	8	8	16	7	9	16
	Fixed-term	0	0	0	1	0	1	0	0	0
Italy	TOTAL	131	630	761	119	631	751	133	679	812
	Open-ended	128	571	699	119	590	709	126	630	756
	Fixed-term	3	59	62	1	41	42	7	49	56
Poland	TOTAL	164	161	325	161	174	335	164	166	330
	Open-ended	121	111	232	125	132	257	123	136	259
	Fixed-term	43	50	93	36	42	78	41	30	71
United Kingdom	TOTAL	25	100	125	21	63	84	18	61	79
	Open-ended	25	100	125	21	63	84	18	61	79
	Fixed-term	0	0	0	0	0	0	0	0	0
Spain	TOTAL	30	41	71	32	42	74	30	44	74
	Open-ended	30	41	71	32	42	74	30	44	74
	Fixed-term	0	0	0	0	0	0	0	0	0
Hungary	TOTAL	75	148	223	70	131	201	74	144	218
	Open-ended	75	144	219	67	131	198	74	144	218
	Fixed-term	0	4	4	3	0	3	0	0	0

TOTAL NUMBER OF EMPLOYEES BY EMPLOYMENT CONTRACT (FULL-TIME AND PART-TIME), BY GENDER

		2018			2019			2020		
		Women	Men	Total	Women	Men	Total	Women	Men	Total
GROUP	TOTAL	494	1,295	1,789	470	1,249	1,719	481	1,294	1,775
	Full-time	439	1,276	1,715	423	1,229	1,652	432	1,259	1,691
	Part-time	55	19	74	47	20	67	49	35	84

EXTERNAL WORKERS, BY GENDER

		2018	2019	2020
GROUP	TOTAL	220	176	334
	Temporary workers, self-employed workers, project workers	191	156	261
	Interns	8	4	2
	Agents	21	16	71

GRI 102-9 Supply chain

TOTAL NUMBER OF SUPPLIERS AND LIST OF MAIN TYPES OF GOODS AND SERVICES PROVIDED TO THE CONTROLLED COMPANIES

		2018	2019	2020
GROUP	Total number of suppliers	5,500	3,829	4,302
Italmobiliare S.p.A.	Management software Consulting services			
Caffè Borbone	Raw coffee Packaging materials Transport services			
Sirap	Plastic raw materials, mainly GPPS – general purpose polystyrene and PET - polyethylene terephthalate)			
Italgen	Supply, installation, implementation and maintenance of mechanical, electrical and instrumental equipment for power plants Renovation and/or repair of buildings, intake and derivation works Engineering services			
Capitelli	Pork meat Trading services			
Clessidra	Management software Consulting services			

GRI 102-41 Collective bargaining agreements

PERCENTAGE OF EMPLOYEES COVERED BY COLLECTIVE BARGAINING AGREEMENTS

		2018	2019	2020
GROUP		79%	82%	64%
Italmobiliare S.p.A.	CCNL Cement and CCNL Industry Managers	100%	100%	100%
Caffè Borbone	CCNL Food Industry	100%	100%	100%
Sirap	CCNL Rubber and Plastic Industry and CCNL IndustryManagers	75%	78%	53%
Italgen	CCNL Cement and CCNL Industry Managers	100%	100%	100%
Capitelli	CCNL Food Industry	-	-	100%
Clessidra	CCNL Commerce and Services	100%	100%	100%

GRI 305-1/2 Direct (Scope 1) and indirect (Scope 2) GHG emissions, by Country

TONNES OF CO₂ EMITTED

		2018	2019	2020
France	Scope 1	59.2	1,468.2	135.4
	Scope 2 (location based)	1,181.7	1,626.8	1,110.2
	Scope 2 (market based)	1,278.4	1,157.5	852.4
Italy	Scope 1	5,789.1	7,028.7	9,331.5
	Scope 2 (location based)	19,023.1	18,688.6	18,477.6
	Scope 2 (market based)	25,180.8	25,158.7	21,621.0
Poland	Scope 1	49.5	43.3	82.0
	Scope 2 (location based)	9,347.9	9,192.8	9,221.0
	Scope 2 (market based)	9,963.3	10,780.4	9,686.8
United Kingdom	Scope 1	3,468.0	2,080.6	31.6
	Scope 2 (location based)	4,451.5	3,251.6	1,862.0
	Scope 2 (market based)	5,263.2	4,341.5	2,373.5
Spain	Scope 1	17.0	19.8	28.1
	Scope 2 (location based)	649.9	777.5	576.6
	Scope 2 (market based)	1,142.2	1,177.8	775.7
Hungary	Scope 1	96.5	81.8	131.3
	Scope 2 (location based)	504.0	385.9	407.6
	Scope 2 (market based)	597.4	481.2	427.1

CONVERSION FACTORS USED

			2018	2019	2020
Source: UK Government - GHG Conversion Factors for Company Reporting 2018/2019/2020	Electricity	GJ/kWh	0.0036	0.0036	0.036
	Natural gas (methane)	GJ/t	48.38	44.798	44.76
		kg/m³	0.75	0.8	0.8
		GJ/m³	0.036285	0.0358384	0.035808
	Gas oil	GJ/t	42.569	42.569	42.57
		l/t	1,171	1,171	1,171
		GJ/l	0.03635269	0.03635269	0.036353544
	Diesel	GJ/t	42.79	42.72	42.64
		l/t	1,192	1,190.45	1,189.54
			0.035897651	0.035885589	0.035845789
	Petrol	GJ/t	43.92	43.86	43.83
		l/t	1,340	1,357	1,357.02
		GJ/l	0.032776119	0.032321297	0.032298713
	LPG	GJ/t	45.92	45.91	45.94
		l/t	1,934	1,929	1,889.47
	GJ/l	0.023743537	0.023799896	0.024313696	

CO₂ EMISSION FACTORS USED

			2018	2019	2020
Source: UK Government - GHG Conversion Factors for Company Reporting 2018/2019/2020	Natural gas (methane)	tCO ₂ e/m ³	0.00203053	0.00204652	0.00202266
	Butane	tCO ₂ e/kg	0.003	0.003	0.00293881
	Gas oil for production processes and heating		0.00275821	0.00297049	0.00254603
	Diesel	tCO ₂ e/l	0.00259411	0.00262694	0.00275776
	Petrol		0.00220904	0.00220307	0.00216802
	LPG		0.0015226	0.00151906	0.00155537
Source: European Regulation on F-gases 517/2014	R-407C		-	1,774	1,774
	HFC R134	GWP	-	1,100	1,100
	R-22		-	1,810	1,810
	R-404A		-	3,922	3,922
Source: Terna, International Comparisons 2018, 2017, 2016 Electricity location based	France	tCO ₂ /kWh	0.000053	0.000072	0.000056
	Italy		0.00036	0.000359	0.000336
	Poland		0.000783	0.000765	0.000772
	United Kingdom		0.00031	0.000285	0.000273
	Spain		0.000254	0.000296	0.000255
	Hungary		0.000288	0.000277	0.000273
Source: European Residual Mixes 2019, 2018, 2017 Electricity market based	France	tCO ₂ /kWh	0.00005734	0.00005123	0.000043
	Italy		0.00047653	0.00048329	0.000466
	Poland		0.00083455	0.00089712	0.000811
	United Kingdom		0.00036652	0.00038052	0.000348
	Spain		0.00044638	0.00044839	0.000343
	Hungary		0.0003414	0.00034537	0.000286

GRI 303-3/4/5 Water withdrawal, discharge and consumption

Data expressed in Megaliters (Ml), for the whole Italmobiliare Group

		2018	2019	2020
Volume and source of water withdrawal	Surface water	0.8	0.6	0.0
	<i>from water stressed areas</i>	-	0.0	0.0
	Groundwater	463.6	515.2	405.5
	<i>from water stressed areas</i>	3.1	11.1	10.6
	Acqueduct	27.2	22.2	27.0
	<i>from water stressed areas</i>	1.3	1.3	1.7
	TOTAL	491.6	538.0	432.6
	<i>in water stressed areas</i>	-	12.4	12.3
	<i>in freshwater</i>	-	538.0	432.6
Volume and destination of water discharge	<i>in other water bodies (>1,000 mg/l total dissolved solids)</i>	-	0.0	0.0
	Surface water	377.6	415.3	331.7
	<i>in water stressed areas</i>	-	0.0	0.0
	Groundwater	0.0	0	4.9
	<i>in water stressed areas</i>	-	0.0	0.0
	Sewage	31.4	27.1	30.6
	<i>in water stressed areas</i>	-	1.3	0.8
	TOTAL	489.0	442.3	367.1
	<i>in water stressed areas</i>	1.3	1.3	0.8
Water consumption	<i>in freshwater</i>	-	434.4	367.1
	<i>in other water bodies (>1,000 mg/l total dissolved solids)</i>	-	7.4	0.0
	TOTAL	82.6	95.7	65.5
	<i>in water stressed areas</i>	3.1	11.1	11.5

GRI 401-1 Total number and rate of new hires and turnover rate by age group, gender and region

NUMBER AND TURNOVER RATE (HIRES AND TERMINATIONS) IN ITALMOBILIARE GROUP, BY COUNTRY

The rate of new hires is the ratio between employees hired during the reporting period and the total number of employees.

The turnover rate is the ratio between employees who have terminated their relationship with the Company and the total number of employees.

The rate of new hires for persons under 30 is the ratio between employees under 30 during the reporting period and total employees under 30. The same process is applied for the rate of new hires of employees aged between 30 and 50 and for those aged over 50, as well as for the turnover rate.

		2018				2019				2020			
		Women	Men	Total	rate %	Women	Men	Total	rate %	Women	Men	Total	rate %
GROUP	Entry	82	239	321	18%	74	165	239	17%	40	129	169	10%
	rate %	17%	18%	18%	-	17%	17%	17%	-	8%	10%	10%	-
	< 30	22	107	129	58%	18	52	70	51%	10	33	43	22%
	30-50	40	117	157	15%	39	94	133	17%	23	81	104	10%
	> 50	20	15	35	7%	17	19	36	8%	7	15	22	4%
	Exit	104	206	310	17%	80	183	263	19%	41	114	155	9%
	rate %	21%	16%	17%	-	19%	19%	19%	-	9%	9%	9%	-
	< 30	22	62	84	38%	15	35	50	36%	4	24	28	15%
	30-50	49	98	147	14%	39	89	128	16%	25	48	73	7%
	> 50	33	46	79	15%	26	59	85	19%	12	42	54	10%
France	Entry	9	12	21	8%	3	10	13	5%	0	1	1	0%
	rate %	15%	6%	8%	-	5%	5%	5%	-	0%	1%	0%	-
	< 30	5	9	14	127%	1	4	5	42%	0	0	0	0%
	30-50	3	3	6	3%	2	5	7	4%	0	1	1	1%
	> 50	1	0	1	1%	0	1	1	1%	0	0	0	0%
	Exit	10	18	28	11%	6	16	22	9%	2	10	12	5%
	rate %	17%	9%	11%	-	11%	8%	9%	-	4%	5%	5%	-
	< 30	4	8	12	109%	0	2	2	17%	0	2	2	22%
	30-50	1	7	8	5%	4	7	11	7%	2	4	6	5%
	> 50	5	3	8	10%	2	7	9	11%	0	4	4	4%
Germany	Entry	2	4	6	33%	3	1	4	24%	2	2	4	25%
	rate %	22%	44%	33%	-	33%	13%	24%	-	29%	22%	25%	-
	< 30	1	1	2	50%	1	0	1	33%	0	0	0	0%
	30-50	0	2	2	22%	1	0	1	11%	1	2	3	33%
	> 50	1	1	2	40%	1	1	2	40%	1	0	1	17%
	Exit	5	2	7	39%	3	2	5	29%	4	1	5	31%
	rate %	56%	33%	39%	-	33%	25%	29%	-	57%	11%	31%	-
	< 30	2	0	2	50%	1	1	2	67%	0	0	0	0%
	30-50	2	1	3	33%	2	0	2	22%	3	0	3	33%
	> 50	1	1	2	40%	0	1	1	20%	1	1	2	33%
Italy*	Entry	9	110	119	16%	17	82	99	24%	6	61	67	8%
	rate %	7%	18%	16%	-	22%	24%	24%	-	5%	9%	8%	-
	< 30	2	49	51	48%	4	29	33	69%	1	17	18	17%
	30-50	4	55	59	13%	11	48	59	24%	3	39	42	9%
	> 50	3	6	9	4%	2	5	7	6%	2	5	7	3%
	Exit	15	81	96	13%	8	55	63	15%	4	44	48	6%
	rate %	12%	13%	13%	-	10%	16%	15%	-	3%	6%	6%	-
	< 30	3	13	16	15%	1	12	13	27%	2	8	10	10%
	30-50	7	43	50	11%	4	20	24	10%	1	20	21	4%
	> 50	5	25	30	14%	3	23	26	22%	1	16	17	8%

*2019 data have been restated following a refinement of the collection methods.

		2018				2019				2020			
		Women	Men	Total	rate %	Women	Men	Total	rate %	Women	Men	Total	rate %
Poland	Entry	31	38	69	21%	31	37	68	20%	17	16	33	10%
	rate %	19%	24%	21%	-	19%	21%	20%	-	10%	10%	10%	-
	< 30	4	10	14	29%	7	13	20	49%	5	6	11	25%
	30-50	12	24	36	24%	15	19	34	20%	10	8	18	11%
	> 50	15	4	19	15%	9	5	14	11%	2	2	4	3%
	Exit	52	35	87	27%	34	24	58	17%	15	23	38	12%
	rate %	32%	22%	27%	-	21%	14%	17%	-	9%	14%	12%	-
	< 30	10	10	20	42%	6	6	12	29%	0	5	5	11%
	30-50	21	16	37	24%	11	15	26	15%	8	6	14	8%
	> 50	21	9	30	24%	17	3	20	16%	7	12	19	16%
United Kingdom	Entry	8	50	58	46%	0	6	6	7%	1	11	12	15%
	rate %	32%	50%	46%	-	0%	10%	7%	-	6%	18%	15%	-
	< 30	2	32	34	142%	0	2	2	15%	0	3	3	30%
	30-50	6	15	21	32%	0	3	3	7%	1	6	7	17%
	> 50	0	3	3	8%	0	1	1	3%	0	2	2	7%
	Exit	8	50	58	46%	5	42	47	56%	4	13	17	22%
	rate %	32%	50%	46%	-	24%	67%	56%	-	22%	21%	22%	-
	< 30	2	29	31	129%	2	8	10	77%	0	4	4	40%
	30-50	6	18	24	37%	2	19	21	50%	3	4	7	17%
	> 50	0	3	3	8%	1	15	16	55%	1	5	6	22%
Spain	Entry	7	4	11	16%	2	4	6	8%	1	4	5	7%
	rate %	23%	10%	16%	-	6%	10%	8%	-	3%	9%	7%	-
	< 30	4	0	4	67%	0	0	0	0%	0	0	0	0%
	30-50	3	4	7	18%	1	3	4	10%	1	3	4	10%
	> 50	0	0	0	0%	1	1	2	7%	0	1	1	3%
	Exit	3	1	4	6%	1	2	3	4%	3	2	5	7%
	rate %	10%	8%	6%	-	3%	5%	4%	-	10%	5%	7%	-
	< 30	0	0	0	0%	0	0	0	0%	0	0	0	0%
	30-50	3	1	4	10%	0	2	2	5%	2	2	4	10%
	> 50	0	0	0	0%	1	0	1	3%	1	0	1	3%
Hungary	Entry	16	21	37	17%	18	25	43	21%	13	34	47	22%
	rate %	21%	14%	17%	-	26%	19%	21%	-	18%	24%	22%	-
	< 30	4	6	10	53%	5	4	9	53%	4	7	11	52%
	30-50	12	14	26	16%	9	16	25	18%	7	22	29	21%
	> 50	0	1	1	3%	4	5	9	20%	2	5	7	13%
	Exit	11	19	30	14%	23	42	65	32%	9	21	30	14%
	rate %	15%	13%	14%	-	33%	32%	32%	-	12%	15%	14%	-
	< 30	1	2	3	16%	5	6	11	65%	2	5	7	33%
	30-50	9	12	21	13%	16	26	42	30%	6	12	18	13%
	> 50	1	5	6	15%	2	10	12	27%	1	4	5	9%

GRI 403-9 number and rate of recordable work-related injuries with high-consequence work-related injuries and/or fatalities, by Country

NUMBER AND RATE OF INJURIES PER MILLION HOURS WORKED

Data include work-related injuries, injuries with high consequences and fatalities, excluding events occurring on the commute from home to work not organized by the Group companies.

High-consequence injuries are those from which a worker cannot recover, does not recover or it is not realistic to foresee that they will fully recover by returning to their pre-accident state of health within 6 months.

For Sirap, the German subsidiary, which represents 1% of the total staff, is not consolidated.

			2018	2019	2020
France	Employees	Number of fatalities	0	0	0
		Number of high-consequence injuries (excluding fatalities)	0	1	0
		Number of recordable injuries	5	2	0
		Hours worked	397,051.0	386,417.0	350,647.8
		Rate of fatalities	0.0	0.0	0.0
		Rate of high-consequence injuries (excluding fatalities)	0.0	2.6	0.0
		Rate of recordable injuries	12.6	5.2	0.0
	External workers	Number of fatalities	0	0	0
		Number of high-consequence injuries (excluding fatalities)	0	0	0
		Number of recordable injuries	0	0	0
		Hours worked	37,249.4	46,157.5	33,968.8
		Rate of fatalities	0.0	0.0	0.0
		Rate of high-consequence injuries (excluding fatalities)	0.0	0.0	0.0
		Rate of recordable injuries	0.0	0.0	0.0
Italy*	Employees	Number of fatalities	0	0	0
		Number of high-consequence injuries (excluding fatalities)	0	0	0
		Number of recordable injuries	8	6	6
		Hours worked	1,124,120.0	1,194,622.0	1,291,459.5
		Rate of fatalities	0.0	0.0	0.0
		Rate of high-consequence injuries (excluding fatalities)	0.0	0.0	0.0
		Rate of recordable injuries	7.1	5.0	4.6
	External workers	Number of fatalities	0	0	0
		Number of high-consequence injuries (excluding fatalities)	0	0	0
		Number of recordable injuries	0	2	1
		Hours worked	56,685.8	47,981.8	116,479.5
		Rate of fatalities	0.0	0.0	0.0
		Rate of high-consequence injuries (excluding fatalities)	0.0	0.0	0.0
		Rate of recordable injuries	0.0	41.7	8.6
Poland**	Employees	Number of fatalities	0	0	0
		Number of high-consequence injuries (excluding fatalities)	0	0	0
		Number of recordable injuries	1	5	2
		Hours worked	645,559.0	527,021.0	519,155.0
		Rate of fatalities	0.0	0.0	0.0
		Rate of high-consequence injuries (excluding fatalities)	0.0	0.0	0.0
		Rate of recordable injuries	1.5	9.5	5.8
	External workers	Number of fatalities	0	0	0
		Number of high-consequence injuries (excluding fatalities)	0	0	0
		Number of recordable injuries	0	0	1
		Hours worked	141,476.5	147,120.5	197,451.2
		Rate of fatalities	0.0	0.0	0.0
		Rate of high-consequence injuries (excluding fatalities)	0.0	0.0	0.0
		Rate of recordable injuries	0.0	0.0	5.1

* In the absence of accounting data, worked hours for Sirap Gema (Sirap - Italy) were estimated.

** In the absence of accounting data, worked hours for Inline (Sirap - Poland) were estimated.

			2018	2019	2020
United Kingdom	Employees	Number of fatalities	0	0	0
		Number of high-consequence injuries (excluding fatalities)	0	0	0
		Number of recordable injuries	3	1	1
		Hours worked	256,540.0	207,910.0	148,030.0
		Rate of fatalities	0.0	0.0	0.0
		Rate of high-consequence injuries (excluding fatalities)	0.0	0.0	0.0
		Rate of recordable injuries	11.7	4.8	6.8
	External workers	Number of fatalities	0	0	0
		Number of high-consequence injuries (excluding fatalities)	0	0	0
		Number of recordable injuries	0	0	0
		Hours worked	5,419.0	4,280.0	4,069.0
		Rate of fatalities	0.0	0.0	0.0
		Rate of high-consequence injuries (excluding fatalities)	0.0	0.0	0.0
		Rate of recordable injuries	0.0	0.0	0.0
Spain	Employees	Number of fatalities	0	0	0
		Number of high-consequence injuries (excluding fatalities)	0	0	0
		Number of recordable injuries	5	1	2
		Hours worked	143,927.0	107,021.0	98,646.3
		Rate of fatalities	0.0	0.0	0.0
		Rate of high-consequence injuries (excluding fatalities)	0.0	0.0	0.0
		Rate of recordable injuries	34.7	9.3	20.3
	External workers	Number of fatalities	0	0	0
		Number of high-consequence injuries (excluding fatalities)	0	0	0
		Number of recordable injuries	0	0	1
		Hours worked	30,088.0	29,522.0	26,426.0
		Rate of fatalities	0.0	0.0	0.0
		Rate of high-consequence injuries (excluding fatalities)	0.0	0.0	0.0
		Rate of recordable injuries	0.0	0.0	37.8
Hungary	Employees	Number of fatalities	0	0	0
		Number of high-consequence injuries (excluding fatalities)	0	0	0
		Number of recordable injuries	0	0	1
		Hours worked	75,103.0	65,956.0	73,257.0
		Rate of fatalities	0.0	0.0	0.0
		Rate of high-consequence injuries (excluding fatalities)	0.0	0.0	0.0
		Rate of recordable injuries	0.0	0.0	13.65
	External workers	Number of fatalities	0	0	0
		Number of high-consequence injuries (excluding fatalities)	0	0	0
		Number of recordable injuries	0	0	0
		Hours worked	1,448.0	3,981.0	4,944.5
		Rate of fatalities	0.0	0.0	0.0
		Rate of high-consequence injuries (excluding fatalities)	0.0	0.0	0.0
		Rate of recordable injuries	0.0	0.0	0.0

REPORTING

REPORTING

Scope and methodology

The Sustainability Report includes the services, data and information on the parent company Italmobiliare and on all the companies consolidated on a line-by-line basis in the Annual Report, excluding those which, due to the insignificance of the business (% NAV, assets, number of employees) or due to the absence of significant environmental, social or governance aspects or because of the type of business, are considered irrelevant in order to represent the Group's sustainable strategy.

In the event of changes to the scope of consolidation during the year, such as the acquisition or sale of companies or changes in the percentage of control, the data and information relating to these companies will in principle be included or excluded in accordance with the Annual Report

or in any case in the following cases:

- for companies that entered the scope of consolidation in the first 6 months of the year, figures and information are normally included in the Sustainability Report for the entire year;
- for companies that entered the scope of consolidation in the last 6 months of the year, the figures and information are normally excluded from the Sustainability Report;
- for companies that were excluded from the scope of consolidation in the first 6 months of the year, the situation is considered case by case whether to include or exclude the figures and information in the Sustainability Report for the entire year.

For Portfolio Companies that are controlled but not yet consolidated and other affiliates, key figures and information are provided. The following table summarizes the reporting perimeter, over years.

	Investment year	Share held	2018	2019	2020
Parent Company and Consolidated Portfolio Companies					
(full information and data)					
Italmobiliare			✓	✓	✓
Sirap	May 1990	100%	✓	✓	✓
Italgen	July 2016	100%	✓	✓	✓
Clessidra	September 2016	100%	✓	✓	✓
Caffè Borbone	May 2018	60%	✓	✓	✓
Capitelli	December 2019	80%			✓
Portfolio Companies consolidated in 2021					
(basic information only)					
Officina Profumo-Farmaceutica di Santa Maria Novella	January 2020	80%*			✓
Casa della Salute	December 2020	92.5%			✓
Callmewine	December 2020	60%			✓
Affiliated Portfolio Companies					
(basic information only)					
Tecnica Group	November 2017	40%			✓
Iseo	October 2018	39%			✓
Autogas Nord - AGN ENERGIA Group	January 2019	30%			✓

* 20% up to September 2020

In the first months of 2021, Sirap's assets in Italy, Poland and Spain were sold to the Faerch group. At 31 December 2020, the companies being sold contributed to the result of the activities in operation. Therefore, the Sirap perimeter is fully included.

In the last months of 2020, it took place the acquisition of 80% of the share capital of Officina Profumo-Farmaceutica di Santa Maria Novella, 92.5% of Casa della Salute and 60% of Callmewine, which will therefore be consolidated starting from 2021 exercise.

Although 100% controlled and consolidated, Franco Tosi Ventures, Crédit Mobilier de Monaco, Italmobiliare Servizi Punta Ala and SEPAC are not included, as their activities are not relevant to the Group's sustainable strategy. Together they represent less than 5% of NAV, have a very limited number of employees, and have no significant environmental, social or governance aspects.

The scope of the economic and financial data and information in this Report is the same as that of the Consolidated Financial Statements of the Italmobiliare Group at 31 December 2020. The scope of the figures and information provided in this report varies according to the materiality of these topics for the various Group companies. In particular, with regard to environmental aspects, the production sites of the consolidated companies in the industrial sector (Sirap, Italgen, Caffè Borbone and Capitelli) are included, excluding the administrative and commercial offices, which are not relevant to the Group's sustainable strategy.

		Italmobiliare Group and Parent Company		Consolidated Portfolio Companies				
		Gruppo Italmobiliare	Italmobiliare	Caffè Borbone	Sirap	Italgen	Capitelli	Clessidra
GOVERNANCE	ECONOMIC RESULTS & SHARED VALUE	✓						
	GOVERNANCE & INTEGRITY	✓		✓	✓	✓	✓	✓
	RESPONSIBLE INVESTMENTS	✓						✓
	PROCUREMENT & SUPPLY CHAIN	✓		✓	✓	✓	✓	
COMPANY	HUMAN CAPITAL DEVELOPMENT	✓	✓	✓	✓	✓	✓	✓
	HEALTH, SAFETY & WELLBEING	✓	✓	✓	✓	✓	✓	✓
	PRODUCT AND SERVICE STEWARDSHIP	✓		✓	✓	✓	✓	
	MARKET & COMMUNITIES	✓		✓	✓	✓	✓	✓
ENVIRONMENT	Responsible use of resources	✓		✓	✓		✓	
VALORIZATION OF NATURAL CAPITAL	Low-carbon transition	✓		✓	✓	✓	✓	
	Land & biodiversity	✓				✓		

Estimates were used as little as possible to give a true representation of performance and to ensure that the figures are reliable. Where estimates have been used, they are based on the best available methodologies and appropriately reported. The data relating to the financial year 2018 and 2019 are reported for comparative purposes in order to facilitate the understanding of the performance trend.

The 2020 Sustainability Report was drawn up in compliance with the "Reporting Standards" defined by the Global Reporting Initiative (GRI), according to the "in accordance - Core" option. As regards the specific Standards GRI 403 (Health and safety at work) and GRI 303 (Water and waste water), the most recent version of 2018 has been adopted. In addition, the "Financial Services Sector Disclosures" for Italmobiliare and Clessidra and the "Electric Utilities Sector Disclosures" for Italgas, defined by the GRI in 2013, were taken into consideration. The "Supplementary Data" section is an integral part of this document. It contains the detailed information and data, in order to give complete evidence of the coverage of the GRI indicators associated with each theme that emerged as material. The Group has implemented a reporting process of non-financial information which involved the subsidiaries, both in the definition of material issues and by sharing the reporting model established by the Parent Company.

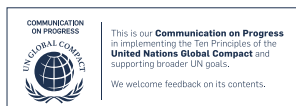
To make the matrix more communicative, material topics have been aggregated into macro-issues on the basis of their affinity, following the reconciliation table hereunder.

Macro-issues	Material topics	GRI standard
ECONOMIC RESULTS & SHARED VALUE	Lasting value creation Economic and financial results	201
GOVERNANCE & INTEGRITY	Ethics and business integrity Transparency Prevention of anti-competitive behaviour Environmental compliance Socio-economic compliance Risk management	205 206 207 307 419
RESPONSIBLE INVESTMENTS	Sustainable investment principles Governance of the portfolio companies	FS10 FS11
HUMAN CAPITAL DEVELOPMENT	Employee wellness and development Training and education	401-1 404
HEALTH, SAFETY & WELLBEING	Employee wellness and development Occupational health and safety	401-2
PRODUCT & SERVICE STEWARDSHIP	Research and development Customer health and safety	416
MARKET & COMMUNITIES	Marketing and labelling Data protection	417 418
VALORIZATION OF NATURAL CAPITAL	Conscious consumption of raw materials Energy management Water and effluents Emissions to atmosphere and mitigation of climate change Waste management	301 302 303 305 306
PROCUREMENT & SUPPLY CHAIN	Supplier social assessment	414

This Sustainability Report, which is drawn up on an annual basis, was approved by the Risks and Sustainability Committee of Italmobiliare S.p.A. at its meeting of February 26, 2020 and by the Board of Directors on March 4, 2021.

The Report is also subject to a limited review (or "limited assurance engagement" according with the criteria indicated by ISAE 3000 Revised) by Deloitte & Touche S.p.A. which, at the end of the its work, releases a specific report on the consistency of the information provided in the consolidated non-financial statement prepared by Italmobiliare S.p.A. in accordance with Legislative Decree 254/2016.

This document is available at: <https://www.italmobiliare.it/en/sustainability/sustainability-report-non-financial-consolidated-statement>. For information or clarification, contact the company at the email address IR@Italmobiliare.it.



UN Global Compact: Communication On Progress (COP)

The Italmobiliare Group adheres to the United Nations Global Compact by means of a declaration of commitment - both formal and substantial - to promote a healthy, inclusive and sustainable global economy, respectful of human and labour rights, capable of protecting the environment and actively involved in every aspect of business integrity. To this end, Italmobiliare shares, supports and applies the 10 fundamental principles of the Global Compact in its sphere of influence and actively contributes to the achievement of the United Nations Sustainable Development Goals.

The Sustainability Report contains the information necessary for the Communication on Progress (COP), formally due to report on progresses in the implementation. The following table makes reference to the appropriate sections of the Report. The table on page F17 details the direct and indirect contribution to the SDGs.

Principles of the Global Compact		Material topics and sections of the Report
HUMAN RIGHTS		
Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights; and	GOVERNANCE & INTEGRITY RESPONSIBLE INVESTMENTS PROCUREMENT & SUPPLY CHAIN HUMAN CAPITAL DEVELOPMENT HEALTH, SAFETY & WELLBEING PRODUCT & SERVICE STEWARDSHIP MARKET & COMMUNITIES VALORIZATION OF NATURAL CAPITAL Responsible use of resources Low-carbon transition Land & biodiversity
Principle 2	make sure that they are not complicit in human rights abuses .	
LABOUR		
Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	GOVERNANCE & INTEGRITY RESPONSIBLE INVESTMENTS PROCUREMENT & SUPPLY CHAIN HUMAN CAPITAL DEVELOPMENT
Principle 4	the elimination of all forms of forced and compulsory labour;	
Principle 5	the effective elimination of child labour; and	
Principle 6	the elimination of discrimination in respect of employment and occupation.	
ENVIRONMENT		
Principle 7	Businesses should support a precautionary approach to environmental challenges;	RESPONSIBLE INVESTMENTS PRODUCT & SERVICE STEWARDSHIP VALORIZATION OF NATURAL CAPITAL Responsible use of resources Low-carbon transition Land & biodiversity
Principle 8	undertake initiatives to promote greater environmental responsibility; and	
Principle 9	encourage the development and diffusion of environmentally friendly technologies	
ANTI-CORRUPTION		
Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery.	GOVERNANCE & INTEGRITY RESPONSIBLE INVESTMENTS PROCUREMENT & SUPPLY CHAIN MARKET & COMMUNITIES

NON-FINANCIAL REPORT (NFR)

The Sustainability Report contains the information necessary to meet the requirements of the consolidated non-financial report (NFR) in compliance with Legislative Decree 254/16. As required by Art. 5 of the Decree itself, is published separately from the management report.

The document reports on the issues deemed relevant and foresees by Art. 3 and by Art. 4 of Legislative Decree 254/2016 with reference to the 2020 financial year (from 1 January to 31 December), to the extent necessary to ensure the understanding of the business activity, its trend, results, social and environmental impacts.

The definition of the relevant issues for the Italmobiliare Group and its stakeholders took place on the basis of the structured materiality analysis process described in the "Strategy, materiality and SDGs" paragraph of this document.

The following table summarises the main elements.

Themes requested by Legislative Decree 254/16	Material topics and sections of the Report
a) The business model for the management and organization of the company's activities, including any organization and management models adopted pursuant to article 6, paragraph 1, letter a), of legislative decree 231, also with reference to the management of the aforementioned issues	GOVERNANCE & INTEGRITY RESPONSIBLE INVESTMENTS PROCUREMENT & SUPPLY CHAIN
b) The policies enforced by the company, including those related to due diligence, the results achieved and the key performance indicators of non-financial nature	
c) The main risks, generated or suffered, connected to the aforementioned issues and deriving from the company's activities, its products, services or commercial relationships, including, where relevant, supply chains and subcontracting	
Environment	
a) The use of energy resources, distinguishing between those produced from renewable and non-renewable sources, and the use of water resources	VALORIZATION OF NATURAL CAPITAL Responsible use of resources Low-carbon transition Land & biodiversity
b) Greenhouse gas emissions and polluting emissions into the atmosphere	
c) The impact, where possible on the basis of hypotheses or realistic scenarios even in the medium term, on the environment as well as on health and safety, associated with risk factors or other relevant environmental and health risk factors	
Social aspects related to personnel and respect for human rights	
c) The impact, where possible on the basis of hypotheses or realistic scenarios even in the medium term, on the environment as well as on health and safety, associated with risk factors or other relevant environmental and health risk factors	HUMAN CAPITAL DEVELOPMENT HEALTH, SAFETY & WELLBEING PRODUCT & SERVICE STEWARDSHIP MARKET & COMMUNITIES
d) Social aspects and aspects relating to personnel management, including the actions taken to guarantee gender equality, the measures aimed at implementing the conventions of international and supranational organizations on the subject, and the ways in which dialogue with the social partners	
e) Respect for human rights, the measures adopted to prevent violations, as well as the actions taken to prevent discriminatory attitudes and actions	
Fight against active and passive corruption	
f) Fight against both active and passive corruption, with indication of the tools adopted for this purpose	GOVERNANCE & INTEGRITY RESPONSIBLE INVESTMENTS

GRI standards

		Page / Remarks	Omissions
GRI 102	General Disclosures 2016		
102-1	Name of the organization	F3	
102-2	Activities, brands, products, and services	F11-12	
102-3	Location of headquarters	F3	
102-4	Location of operations	F11-12	
102-5	Ownership and legal form	F8	
102-6	Markets served	F11-12	
102-7	Scale of the organization	F13	
102-8	Information on employees and other workers	F24, F92	
102-9	Supply chain	F38, F46, F54, F62, F93	
102-10	Significant changes to the organization and its supply chain	F11	
102-11	Precautionary principle or approach	F28	
102-12	External initiatives	F26	
102-13	Membership of associations	F26	
102-14	Statement from senior decision-maker	A4	
102-16	Values, principles, standards, and norms of behavior	F20	
102-18	Governance structure	F20	
102-20	Executive-level responsibility for economic, environmental, and social topics	F20	
102-21	Consulting stakeholders on economic, environmental, and social topics	F14	
102-22	Composition of the highest governance body and its committees	F20	
102-23	Chair of the highest governance body	F20	
102-26	Role of highest governance body in setting purpose, values, and strategy	F20	
102-29	Identifying and managing economic, environmental, and social impacts	F14	
102-30	Effectiveness of risk management processes	F21	
102-32	Highest governance body's role in sustainability reporting	F97	
102-40	List of stakeholder groups	F14	
102-41	Collective bargaining agreements	F93	
102-42	Identifying and selecting stakeholders	F14	
102-43	Approach to stakeholder engagement	F26	
102-44	Key topics and concerns raised	F14	
102-45	Entities included in the consolidated financial statements	F96	
102-46	Defining report content and topic Boundaries	F14, F97	
102-47	List of material topics	F14	
102-48	Restatements of information	F97	

		Page / Remarks	Omissions
102-49	Changes in reporting	F14, F96-97	
102-50	Reporting period	F97	
102-51	Date of most recent report	31 March 2020	
102-52	Reporting cycle	F97	
102-53	Contact point for questions regarding the report	www.italmobiliare.it/en/contacts	
102-54	Claims of reporting in accordance with the GRI Standards	F104	
102-55	GRI content index	F108	
102-56	External assurance	F113	
Material topic: Economic results and shared value			
GRI 103	Management Approach 2016		
103-1	Explanation of the material topic and its Boundary	F14, F97	
103-2	The management approach and its components	F18	
103-3	Evaluation of the management approach	F18	
GRI 201	Economic Performance 2016		
201-1	Direct economic value generated and distributed	F19	
Material topic: Governance and integrity			
103-1	Explanation of the material topic and its Boundary	F14, F97	
103-2	The management approach and its components	F20	
103-3	Evaluation of the management approach	F20	
GRI 205	Anti-corruption 2016		
205-3	Confirmed incidents of corruption and actions taken	F21-22	
GRI 206	Anti-competitive Behavior 2016		
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	F22	
GRI 207	Tax 2019		
207-1	Approach to tax	F21	
207-2	Tax governance, control, and risk management	F21	
207-3	Stakeholder engagement and management of concerns related to tax	F21	
207-4	Country-by-country reporting	F21	
GRI 307	Environmental Compliance 2016		
307-1	Non-compliance with environmental laws and regulations	F21-22	
GRI 419	Socioeconomic Compliance 2016		
419-1	Non-compliance with laws and regulations in the social and economic area	F21-22	
Material topic: Valorization of natural capital			

		Page / Remarks	Omissions
Responsible use of resources			
103-1	Explanation of the material topic and its Boundary	F14, F97	
103-2	The management approach and its components	F28	
103-3	Evaluation of the management approach	F28	
GRI 301	Materials 2016		
301-1	Materials used by weight or volume	F28	
301-2	Recycled input materials used	F28	
GRI 302	Energy 2016		
302-1	Energy consumption within the organization	F29	
GRI 303	Water and Effluents 2018		
303-1	Interaction with water as a shared resource	F28, F42, F50, F58, F65	
303-2	Management of water discharge-related impacts	F28, F42, F50, F58, F65	
303-3	Water withdrawal	F28, F42, F50, F58, F65, F95	
303-4	Water discharge	F28, F42, F50, F58, F65, F95	
303-5	Water consumption	F28, F42, F50, F58, F65, F95	
GRI 306	Waste 2016		
306-2	Waste by type and disposal method	F29	
Low carbon transition			
103-1	Explanation of the material topic and its Boundary	F14, F97	
103-2	The management approach and its components	F29	
103-3	Evaluation of the management approach	F29	
GRI 305	Emissions 2016		
305-1	Direct (Scope 1) GHG emissions	F29, F94	
305-2	Energy indirect (Scope 2) GHG emissions	F29, F94	
305-3	Other indirect (Scope 3) GHG emissions	F29	
305-4	GHG emissions intensity	F29	
Land and biodiversity			
103-1	Explanation of the material topic and its Boundary	F29	
103-2	The management approach and its components	F29	
103-3	Evaluation of the management approach	F29	
Material topic: Human capital development			
103-1	Explanation of the material topic and its Boundary	F14, F97	
103-2	The management approach and its components	F23-F24	
103-3	Evaluation of the management approach	F23-F24	
GRI 401	Employment 2016		
401-1	New employee hires and employee turnover	F24, F96	
GRI 404	Training and Education 2016		
404-1	Average hours of training per year per employee	F24	

		Page / Remarks	Omissions
404-3	Percentage of employees receiving regular performance and career development reviews	F24	
Material topic: Health, safety and wellbeing			
103-1	Explanation of the material topic and its Boundary	F14, F97	
103-2	The management approach and its components	F25	
103-3	Evaluation of the management approach	F25	
GRI 401	Employment 2016		
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	F33, F40, F48, F56	
GRI 403	Occupational Health and Safety 2018		
403-1	Occupational health and safety management system	F33, F40, F48, F56	
403-2	Hazard identification, risk assessment, and incident investigation	F33, F40, F48, F56	
403-3	Occupational health services	F33, F40, F48, F56	
403-4	Worker participation, consultation, and communication on occupational health and safety	F33, F40, F48, F56	
403-5	Worker training on occupational health and safety	F33, F40, F48, F56	
403-6	Promotion of worker health	F33, F40, F48, F56	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	F33, F40, F48, F56	
403-9	Work-related injuries	F25, F98	
Material topic: Procurement and supply chain			
103-1	Explanation of the material topic and its Boundary	F14, F97	
103-2	The management approach and its components	F38, F46, F54, F62	
103-3	Evaluation of the management approach	F38, F46, F54, F62	
GRI 414	Supplier Social Assessment 2016		
414-1	New suppliers that were screened using social criteria	At present, the companies of the Group do not implement formalized processes for the selection of their suppliers based on social criteria. Development is expected in the next exercises.	
Material topic: Product and service stewardship			
103-1	Explanation of the material topic and its Boundary	F14, F97	
103-2	The management approach and its components	F25-26	
103-3	Evaluation of the management approach	F25-26	
GRI 416	Customer Health and Safety 2016		
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	In 2020 no incidents of non-compliance with regulations and / or self-regulation codes regarding the impacts on the health and safety of products and services were recorded.	
Material topic: Market and community			
103-1	Explanation of the material topic and its Boundary	F27-28	

		Page / Remarks	Omissions
103-2	The management approach and its components	F27-28	
103-3	Evaluation of the management approach	F27-28	
GRI 417	Marketing and Labelling 2016		
417-2	Incidents of non-compliance concerning product and service information and labelling	In 2020 incidents of non-compliance with regulations and / or self-regulatory codes regarding information and labeling of products and services and marketing communications were recorded.	
417-3	Incidents of non-compliance concerning marketing communications		
GRI 418	Customer Privacy 2016		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	In 2020, the Group companies did not receive any complaints regarding violations of customer privacy and loss of customer data.	
Material topic: Responsible investments			
103-1	Explanation of the material topic and its Boundary	F14, F97	
103-2	The management approach and its components	F22, F71	
103-3	Evaluation of the management approach	F22, F71	
GRI Sector Disclosure - Financial Services			
FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues	F22, F71	
FS11	Percentage of assets subject to positive and negative environmental or social screening	F22, F71	



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**INDEPENDENT AUDITOR'S REPORT
ON THE CONSOLIDATED NON-FINANCIAL STATEMENT PURSUANT TO ARTICLE 3,
PARAGRAPH 10 OF LEGISLATIVE DECREE No. 254 OF DECEMBER 30, 2016
AND ART. 5 OF CONSOB REGULATION N. 20267 OF JANUARY 2018**

**To the Board of Directors of
Italmobiliare S.p.A.**

Pursuant to article 3, paragraph 10, of the Legislative Decree no. 254 of December 30, 2016 (hereinafter "Decree") and to article 5 of the CONSOB Regulation n. 20267/2018, we have carried out a limited assurance engagement on the Consolidated Non-Financial Statement of Italmobiliare S.p.A. and its subsidiaries (hereinafter "Italmobiliare Group" or "Group") as of December 31, 2020 prepared on the basis of art. 4 of the Decree, and approved by the Board of Directors on March 4, 2021 (hereinafter "NFS").

Responsibility of the Directors and the Board of Statutory Auditors for the NFS

The Directors are responsible for the preparation of the NFS in accordance with articles 3 and 4 of the Decree and the "*Global Reporting Initiative Sustainability Reporting Standards*" established by GRI - *Global Reporting Initiative* (hereinafter "GRI Standards"), which they have identified as reporting framework.

The Directors are also responsible, within the terms established by law, for such internal control as they determine is necessary to enable the preparation of NFS that is free from material misstatement, whether due to fraud or error.

The Directors are moreover responsible for defining the contents of the NFS, within the topics specified in article 3, paragraph 1, of the Decree, taking into account the activities and characteristics of the Group, and to the extent necessary in order to ensure the understanding of the Group's activities, its trends, performance and the related impacts.

Finally, the Directors are responsible for defining the business management model and the organisation of the Group's activities as well as, with reference to the topics detected and reported in the NFS, for the policies pursued by the Group and for identifying and managing the risks generated or undertaken by the Group.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the compliance with the provisions set out in the Decree.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona

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Auditor's Independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the *International Ethics Standards Board for Accountants*, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our auditing firm applies *International Standard on Quality Control 1* (ISQC Italia 1) and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's responsibility

Our responsibility is to express our conclusion based on the procedures performed about the compliance of the NFS with the Decree and the *GRI Standards*. We conducted our work in accordance with the criteria established in the "*International Standard on Assurance Engagements ISAE 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information*" (hereinafter "*ISAE 3000 Revised*"), issued by the *International Auditing and Assurance Standards Board* (IAASB) for limited assurance engagements. The standard requires that we plan and perform the engagement to obtain limited assurance whether the NFS is free from material misstatement. Therefore, the procedures performed in a limited assurance engagement are less than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised, and, therefore, do not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

The procedures performed on NFS are based on our professional judgement and included inquiries, primarily with company personnel responsible for the preparation of information included in the NFS, analysis of documents, recalculations and other procedures aimed to obtain evidence as appropriate.

Specifically we carried out the following procedures:

1. analysis of relevant topics with reference to the Group's activities and characteristics disclosed in the NFS, in order to assess the reasonableness of the selection process in place in light of the provisions of art. 3 of the Decree and taking into account the adopted reporting standard;
2. analysis and assessment of the identification criteria of the consolidation area, in order to assess its compliance with the Decree;
3. comparison between the financial data and information included in the NFS with those included in the consolidated financial statements of the Italmobiliare Group;
4. understanding of the following matters:
 - business management model of the Group's activities, with reference to the management of the topics specified by article 3 of the Decree;
 - policies adopted by the entity in connection with the topics specified by article 3 of the Decree, achieved results and related fundamental performance indicators;
 - main risks, generated and/or undertaken, in connection with the topics specified by article 3 of the Decree.

Moreover, with reference to these matters, we carried out a comparison with the information contained in the NFS and the verifications described in the subsequent point 5, letter a);



5. understanding of the processes underlying the origination, recording and management of qualitative and quantitative material information included in the NFS.

In particular, we carried out interviews and discussions with the management of Italmobiliare S.p.A. and with the employees of the subsidiary Caffè Borbone S.r.l., Sirap Gema S.p.A., Inline Poland Sp. z.o.o., Sirap UK Limited, Capitelli F.Ili S.r.l. and we carried out limited documentary verifications, in order to gather information about the processes and procedures which support the collection, aggregation, elaboration and transmittal of non-financial data and information to the department responsible for the preparation of the NFS.

In addition, for material information, taking into consideration the Group's activities and characteristics:

- at the parent company's and subsidiaries' level:
 - a) with regards to qualitative information included in the NFS, and specifically with reference to the business management model, policies applied and main risks, we carried out interviews and gathered supporting documentation in order to verify its consistency with the available evidence;
 - b) with regards to quantitative information, we carried out both analytical procedures and limited verifications in order to ensure, on a sample basis, the correct aggregation of data;
- for the following company and sites, Milano headquarters for Italmobiliare S.p.A., Caivano (NA) site and production plant for Caffè Borbone S.r.l., Verolanuova (MN) site and production plant for Sirap Gema S.p.A., Murowana Goslina site and production plant for Inline Poland Sp. z.o.o., Sedgfield site and production plant for Sirap UK Limited, which we selected based on their activities, their contribution to the performance indicators at the consolidated level and their location, we carried out remote meetings, during which we have met their management and have gathered supporting documentation with reference to the correct application of procedures and calculation methods used for the indicators.

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of the Italmobiliare Group as of December 31, 2020 is not prepared, in all material aspects, in accordance with articles 3 and 4 of the Decree and the GRI Standards.

DELOITTE & TOUCHE S.p.A.

Signed by
Massimiliano Semprini
 Partner

Milan, Italy
 March 29, 2021

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

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