



ITALMOBILIARE
INVESTMENT HOLDING

Annual
Report

Sustainability
Report

2019



GIAMPIERO PESENTI
5 May 1931 - 24 July 2019

Giampiero Pesenti died in Bergamo during the night of July 24, 2019. Engineer. Eighty-eight years, fifty of which lived intensely among the immense drafting offices of the technical department, the factories designed down to the smallest detail and therefore known in every detail, the rigorous white collar offices overlooking Bergamo Alta, the skyscraper in Paris from which you could see the Eiffel Tower, the boiserie of the sober Milan office where he sat as a chief executive officer and president in 1984. The locations used by Giampiero Pesenti were rigorous, linear, discreet, without any ostentation. Only the small Dürer on the wall reflected the successful career of a large, historic family of entrepreneurs.

The "Short XXth Century" was the cradle of Italian entrepreneurship. During the twentieth century, especially in the second part, the transformation of Italy from a rural country to the seventh industrial power on Earth was largely thanks to the actions of the great Italian industrial families, the Agnelli, Pirelli, Orlando, Marzotto, Falck, Costa, Pesenti, but also the Sinigaglia and Mattei, to extraordinary bankers, like Mattioli, great financiers, like Cuccia, and great scientists, like Natta.

It was in this environment that Giampiero Pesenti was born and grew, a life that is the link between the values of that period and the globalization of the new millennium that he was able to anticipate in 1992 with the acquisition of Ciments Français. An operation that transformed Italmobiliare and Italcementi from a rich Italian cement company into a global player in the sector. An operation that represented the largest acquisition of an Italian group abroad, the largest increase in capital ever seen by the Bourse de Paris, the most exciting growth of an Italian industrial company that in a single leap almost quadrupled its turnover. But it was not just a financial operation, it was above all a rigorous managerial initiative, lucid and determined. Small teams of engineers left from Bergamo with computers, cameras and notebooks to visit and analyze every single plant of the new group distributed in more than 20 countries with over 20 thousand employees. On their return, meetings in Bergamo and Paris redesigned the group's industrial structure. They were years of great sacrifice and rigor, in some cases even harsh; but the ambition to win the challenge was so strong in all group employees that soon the renunciations were replaced by an awareness of success. Giampiero Pesenti, an engineer, was also supported in this by some fundamental aspects of his character, the analytical examination of the issues to be addressed and the ability to dialogue with everyone with a natural inclusiveness. It is no coincidence that the first initiative of the large new group was the CTG, the Group Technical Center, where the best engineers and technicians from branches all over the world were brought together, because "value in our industry is generated by the efficiency of our plants". The second was the setting up of the Comex, or Executive Committee, composed of an equal number of Italians and French, where Giampiero Pesenti's role, especially to begin with, was to minimize the natural conflicts that historically characterize relations between these two nations.

But remembering Giampiero Pesenti only for the Ciments Français operation is too simplistic. Through Italmobiliare he was able to be an entrepreneur, not only for his business, but also for the country. His contributions were decisive in certain operations that at the time were defined as "systemic": he contributed to the defense of Mediobanca from the appetites of politicians by participating in the syndicate agreement that allowed its privatization; he cooperated in the privatization of what is now Unicredit, an operation of such magnitude that for a certain period the bank was the most important investment of the Italmobiliare holding company; he also worked on and took part in the refinancing of Montedison and the creation of the new Edison; but the most important thing in the almost institutional figure of Giampiero Pesenti was the rescue of Rizzoli-Corriere della Sera, acting as the president of its shareholder syndicate for nine years. The defense of the Corriere's autonomy is recognized by the editors who succeeded each other at the head of the newspaper. It was an environment often in eruption in which Giampiero Pesenti moved, thanks to his personal talents, to keep a world together that on the pages of the newspaper was often in conflict. One episode brings to mind the intellectual honesty of the Engineer and his extraordinary capacity for dialogue and consensus building around hot topics.

To a young journalist who asked him in Via Solferino what his preferences were for the management of the newspaper, he replied "you have to understand, I am president of the Syndicate, I do not declare my preferences, I summarize the preferences of the members". He lived the Corriere with the respect owed to one of the country's democratic institutions.

"Engineer Pesenti was a man of great honesty, a person you could trust even when there were differences of opinion," was how a great banker described him having shared half a century of personal and professional relationships. The ability to dialogue with the whole industrial and financial system of the country was also helped by his proverbial discretion, his silence, his non-ostentation of the role he played. He was a man who could stand in line, certainly in the front row, but in line.

He only ever wore the small rosette as a Cavaliere del Lavoro at the Quirinale reception on June 2, never at meetings of Confindustria of which he was vice president. He was not in the habit of showing off the many awards and honors that he had been awarded: Grand'Ufficiale della Repubblica, Cavaliere di Gran Croce, an honorary degree in Management Engineering from the University of Bergamo, of which he was president in the early nineties, promoting the transformation of the university into a state university. But his greatest emotion could be perceived when he gave his speech of thanks at the Donizetti Theatre of Bergamo when he was granted France's most prestigious honor: the Légion d'Honneur. In 2004. That was a historic year not only because marked the 140th anniversary of the foundation of Italcementi, or because the new great plant in Calusco was inaugurated, or because the Fondazione Cav. Lav. Carlo Pesenti was set up, but above all because the group's operational leadership was transferred from Giampiero to his son Carlo. A transfer that had been prepared for a long time, as though following the rhythms of the father. A transfer that was accompanied discreetly until 2017 when Giampiero Pesenti left the presidency of Italmobiliare. The year before Italcementi was sold, another great operation, this time a sale. It was not an emotional decision nor one dictated by necessity, but a strategic interpretation of the changes that were transforming the cement sector at a global level: multibillion-dollar aggregations and more and more stringent development constraints, with increasingly aggressive players beginning to emerge, at a time when the rules of the game were becoming looser. The 1992 investment in Ciments Français amounted to 1500 billion lire; fourteen years later the group was worth almost 7 billion euros.

"Italcementi and HeidelbergCement are two companies that have been operating in this sector for a century and a half - recalled Giampiero Pesenti. This long journey, with a huge wealth of technical and entrepreneurial knowledge, is now being united with a far-sighted decision that will ensure continuity and growth for both companies. From our history we have inherited values that entrepreneurial capacity has been able to put to use by creating a large international group. An entrepreneur knows that the important thing is to guarantee the future development of the business, rather than insisting on continuity of control over it." The entrepreneur goes beyond the individual personality: the entrepreneur and his initiatives can belong to a collective entity.

The resources deriving from this sale will allow Italmobiliare to travel a new important section of Italy's future entrepreneurial development from a different perspective. At the service of the growth and development of new and significant Italian companies to which to confer not only financial resources, know-how, business values, but above all people. "People are any company's real capital. Plants can be bought, financing can be found, but people, their knowledge, their culture and their passion are rare commodities that must be cultivated day after day" he said in his thank-you speech for the Légion d'Honneur.

Many adjectives have been used to describe Giampiero Pesenti, both in life and in death, but one noun sums him up more than any other: Engineer. Even in his personal affections, he was deep and solid.

Annual Report

Sustainability Report

CONSOLIDATED
NON-FINANCIAL STATEMENT

IN ACCORDANCE WITH THE LEGISLATIVE DECREE
NO. 254/2016

2019 Annual Report

reviewed by the Board of Directors on March, 4 2020

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

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 - 3.2.3 Energy consumption and emissions
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GENERAL INFORMATION



Laura Zanetti
CHAIRMAN



Carlo Pesenti
**CHIEF EXECUTIVE OFFICER
AND CHIEF OPERATING
OFFICER**

Letter to the Stakeholders

At this difficult and painful time, when doubts about the immediate future risk affecting our vision of tomorrow, for which all of us must be ready, "optimism of the will" is an essential motto that we would like to adopt and share with all of you. And it is in this light that we invite you to read this Letter.

An important three-year period ends with the 2019 financial statements, during which Italmobiliare's portfolio was enriched with 6 new investments in Italian companies of excellence.

Overall, the portfolio companies generate an annual turnover of 1.6 billion euro and an EBITDA of over 200 million. In addition to financial resources, we have invested managerial skills in these companies which have enabled us to support important development projects and to achieve significant increases in results, particularly for Tecnica Group and Caffè Borbone, which were the first investments we made in the three-year period. Although the portfolio is still "young" (the average holding period of the investments is in fact 1.5 years), the 300 million euro of investments made have appreciated considerably, more than doubling in value by the end of 2019.

The portfolio of Italian and international private equity funds has also increased yet again, expanding into important segments such as Venture Capital and High-Tech Growth Capital. In particular, Clessidra is organising itself more and more as an alternative investment platform, alongside its traditional activity in Private Equity; in 2019, it entered the bank NPL segment, with a particular focus on so-called "unlikely to pay" loans, launching the new Clessidra Restructuring Fund (CRF).

In 2019, alongside new investments in the energy sector, with 30% of Autogas-AGN Energia, and expansion in the food sector with the purchase of 80% of Capitelli (a premium brand in the Italian cured meats sector) and the disposal of the interest in Jaggaer for more than 90 million (its NAV at the end of 2018 was 56 million).

The recent investments and the positive performance of the acquired companies are reflected in a higher weighting on the part of the Portfolio Companies, now more than 40% of Italmobiliare's total NAV. The remainder of the portfolio is equally divided between private equity funds, other equity investments (including non-controlling interests in listed companies) and a reserve of cash and cash equivalents in order to seize market opportunities. Among the most recent ones, at the beginning of 2020 Italmobiliare took a 20% interest in Officina Profumo Farmaceutica di Santa Maria Novella to further enhance this historic brand of high-end cosmetics on international markets.

During this three-year period, the Board of Directors has constantly monitored and analysed the Company's lines of development, providing a valid contribution to the processes of analysis and assumption of strategic decisions. Our heartfelt thanks go to the Directors and members of the Board of Statutory Auditors for their commitment in their respective roles.

In its long history as an investment holding company, Italmobiliare was one of the forerunners in Italy in adopting innovative solutions for Sustainable Development and in 2019 it launched a formal procedure to promote the explicit integration of ESG factors in its own business strategy and in that of the Portfolio Companies.

As part of our portfolio analysis, considerable attention has been paid to monitoring risk factors and implementing suitable mitigation measures. This has made it possible to maintain the level of the overall financial risk of Italmobiliare's NAV lower than that of the global equity index, thanks to appropriate sector diversification and balanced exposure to geographical areas.

In September 2019 Italmobiliare chose to join the STAR segment, which is reserved for companies with high transparency and governance requirements. During the year, the stock appreciated by around 30%, with a consequent reduction in the "NAV discount", which at the end of the year was around 35%. Having strengthened our Investor Relations, the Italmobiliare stock has been the subject

of growing interest from new national and international investors, which has led to greater dynamism and higher trading volumes on the Stock Exchange.

The first few months of 2020 have been marred by the dramatic events caused by the Covid-19 pandemic, which has spread at a rate that few expected. Economically, the period has also been hit by the precautionary measures introduced by the government and regional authorities.

Italmobiliare has complied with their instructions, promptly implementing, both at Holding Company level and at the subsidiaries, all safety and control measures in favour of employees to limit the possibilities of contagion, while at the same time doing all we could to ensure that production was able to continue.

The effects on the Group's activities of the dramatic events that we are experiencing cannot yet be determined with any precision. They are subject to constant monitoring and analysis, both for listed securities (HeidelbergCement's shares have been hit by the hefty correction of markets generally and the high volatility that has caused) and for the performance of the other portfolio companies. As far as the portfolio companies are concerned, however, diversification and careful risk management should allow us to limit the potential impacts on the Holding Company. The predominant part of the portfolio in terms of Net Asset Value is represented by companies in sectors related to the food chain (Caffè Borbone, Sirap and Capitelli) and to the energy sector (Italgen and AGN Energia), i.e. businesses that produce "essential" goods and services, for which it seems reasonable to assume that the consequences of the crisis will be less harsh. Specific measures to remodel operating activities have been implemented for the other companies, especially those exposed to retail trends or that supply "non-essential" goods and services and which are potentially more subject to the security measures and limitations adopted around the world, with particular attention to the sustainability of their cash requirements.

The investments we made have proved to be resilient, but above all careful risk management and operating procedures have made it possible to keep production going at almost all of the portfolio companies.

The Holding Company's business remains concentrated on careful monitoring and risk assessment, and will be able to take advantage of its significant cash position (approximately 500 million euro at the end of 2019), which guarantees ample room for manoeuvre, even in particularly critical scenarios.

In these dramatic months, Italmobiliare, together with the Pesenti Foundation and the Group companies, has felt very strongly the need to participate actively in solidarity initiatives to help cope with the country's serious health and social emergency. Support has been given to institutions and operators by purchasing medical and healthcare material and making it available; and in this context, among other things, a programme has been developed, together with other groups, to buy equipment and ventilators for intensive care units in Italian hospitals.

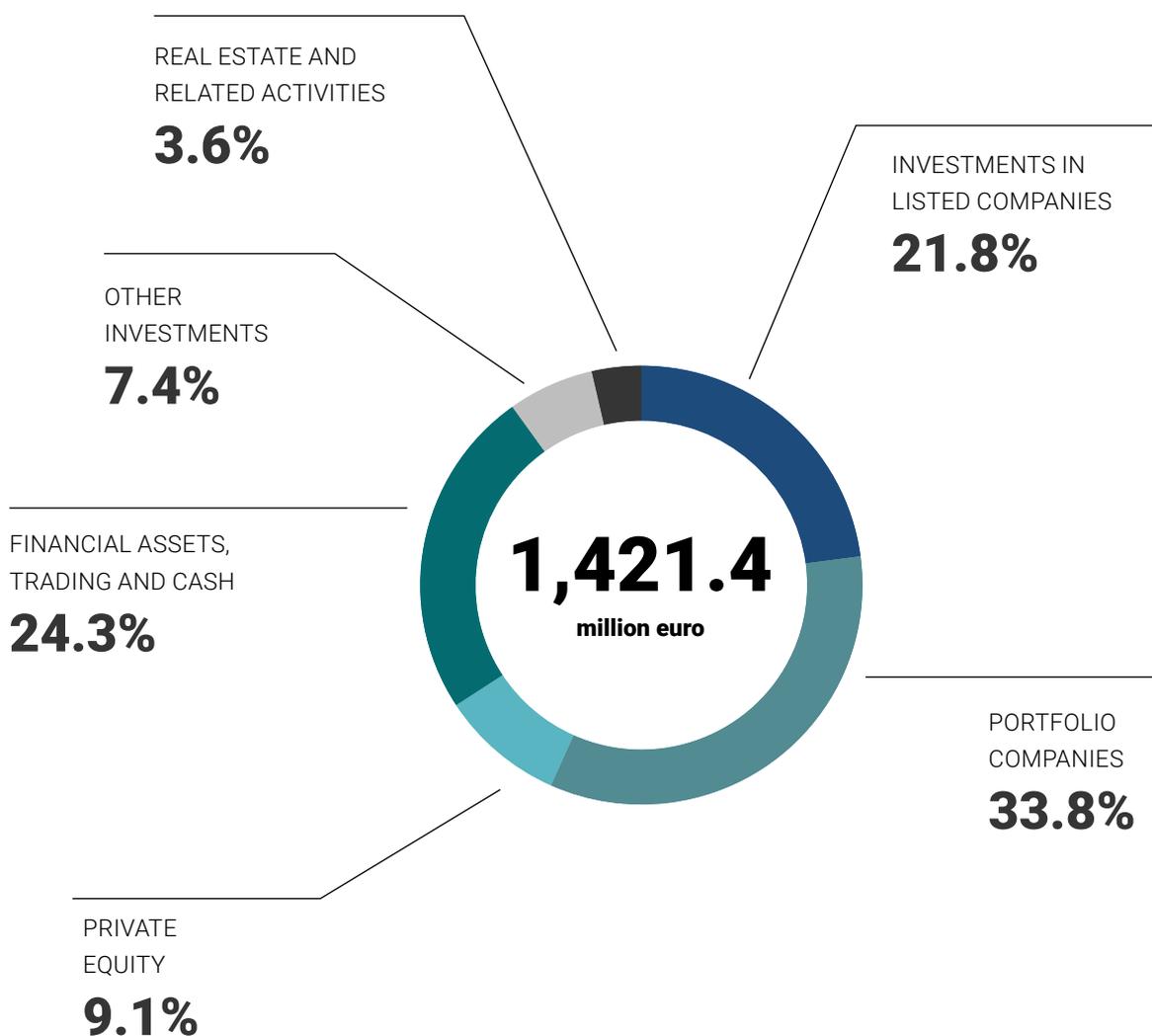
It is difficult to envisage what the future holds for us all. There are still too many variables that need to be defined. We will certainly enter a complicated transition phase, characterised by high levels of uncertainty and volatility, which will lead us to a new economic and social model, hopefully one that is better. It is up to all of us, including institutions, politicians and intermediate bodies, to do our best to make this happen.



Net Asset Value 2018

Changes in the portfolio composition

Caffè Borbone	IN
ISEO	IN

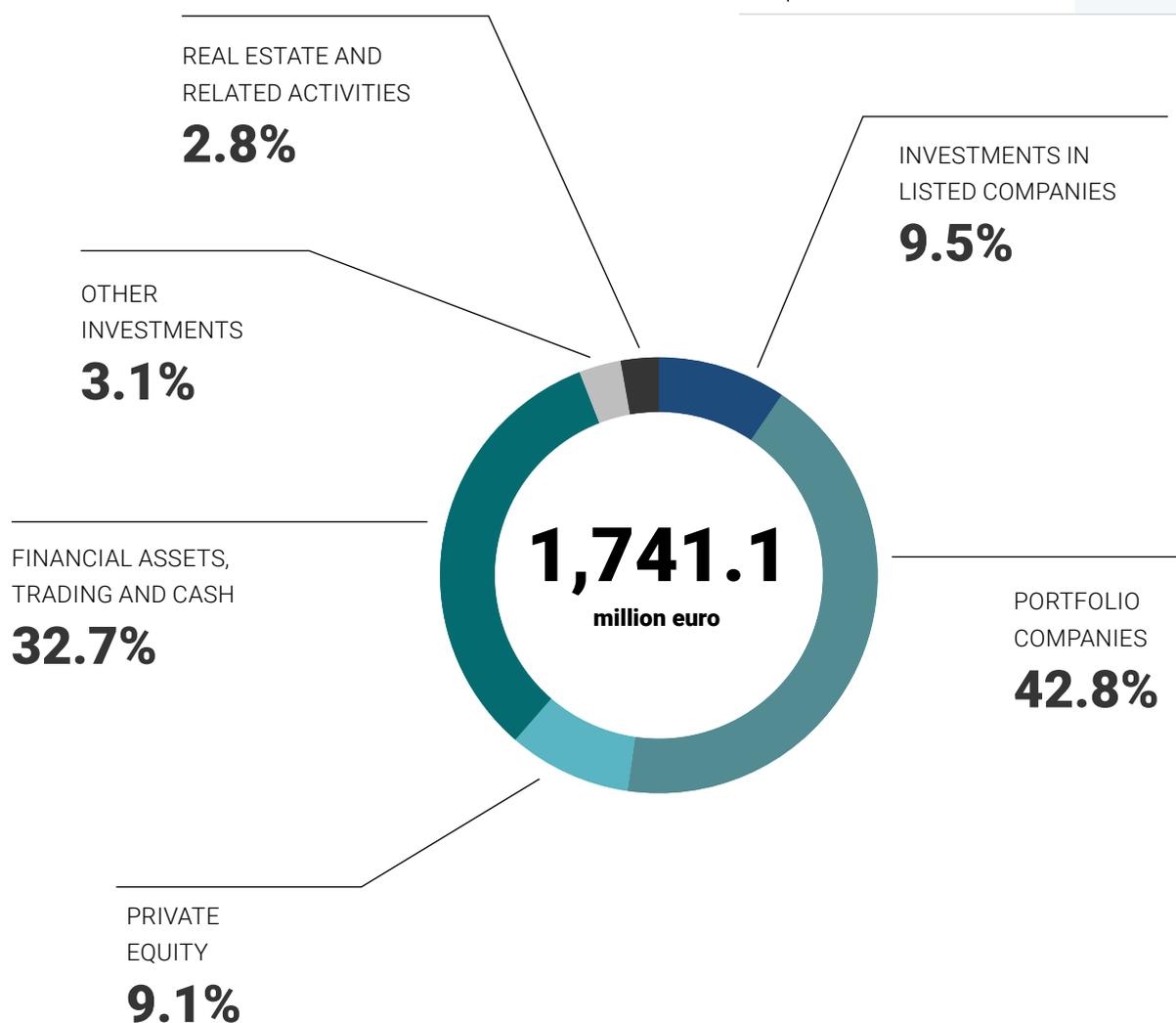


NAV PER SHARE

33.9€

	(million euro)
Investments in listed companies	310.4
Portfolio Companies	480.1
Private Equity	128.8
Financial assets, trading and cash	344.9
Other investments	105.8
Real estate and related activities	51.4
Total NAV at December 31, 2018	1,421.4

Net Asset Value 2019



Changes in the portfolio composition

Jaggaer	OUT
Autogas - AGN Energia	IN
Capitelli	IN

NAV PER SHARE

41.5€

	(million euro)
Investments in listed companies	165.1
Portfolio Companies	744.9
Private Equity	158.1
Financial assets, trading and cash	569.6
Other investments	54.3
Real estate and related activities	49.1
Total NAV at December 31, 2019	1,741.1



History

1946 THE FOUNDATION

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.

1950s - 60s

In 1952 a first shareholding was acquired 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.

1970s

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.

1980s

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.

1990s

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.

FROM 2000 TO 2015

During 2002, the main investment transaction was the sale of the 100% of SAB Autoservizi to the UK group Arriva.

Following a reorganisation of the partnership, in 2004 Italmobiliare bought an additional stake in RCS MediaGroup, confirming itself as one of the publishing group's main shareholders.

Also in 2005, the major portfolio transactions involved the publishing sector with the disposal of the interest held in Poligrafici Editoriale.

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 40% interest in ISEO Serrature. Private equity investments increased, including the BDT Capital Partners funds.

2019

Acquisition of a 30% stake in Autogas – AGN ENERGIA. 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.

Investments

ITALMOBILIARE INVESTMENT HOLDING

INVESTMENT
HOLDING

CONSOLIDATED REVENUE

565.9 mln

(463.1 mln vs. 2018)

77 mln

CONSOLIDATED PROFIT

(31.7 mln vs. 2018)

1,776

EMPLOYEES

Founded in 1946 and listed on the Milan Stock Exchange since 1980, Italmobiliare S.p.A. is an investment holding 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. 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.

STRATEGY AND SUSTAINABILITY

Italmobiliare acts as a preferential strategic partner for entrepreneurs who have developed excellent companies and who are looking for an investor to accompany their growth and offer an alternative approach to typical buy-out strategies, while they can still participate as a majority or minority shareholder.

Italmobiliare makes available to affiliates its own economic resources, management skills and industrial and financial network to provide support for their medium-long term development, economic growth, internationalisation and best practices in terms of corporate governance.

As regards potential investments, Italmobiliare prefers opportunities where there is a strong harmony of vision and a relationship of knowledge and sharing of long-term objectives with the entrepreneur making the proposal; it does not undertake direct investments of a purely financial, speculative nature or with a marked use of debt.

Italmobiliare's industrial experience and investment strategy allow it to fully apply the ESG principles to portfolio management, thanks to constant monitoring of socio-environmental risks and performances and active involvement of the investee companies on a path of continuous improvement based on the Sustainability Policy.

Italmobiliare

60%



Caffè Borbone

www.caffèborbone.it

100%



Sirap

www.sirapgroup.it

100%



Italgen

www.italgen.it

80%



Capitelli

www.cottocapitelli.it

40%



Tecnica Group

www.tecnicagroup.it

40%



Iseo

www.iseo.it

30%



Autogas - AGN Energia

www.agnenergia.it

20%



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

www.smn.it

* acquisition completed in January 2020

100%



Clessidra SGR

www.clessidrasgr.it

KEY CONSOLIDATE FIGURES

(in millions of euro)	2019	2018	Change %
Revenue and income	565.9	463.1	22.2
Gross operating profit (EBITDA)	125.9	41.2	n.s.
% of revenue	22.3	8.9	
Amortization and depreciation	(27.7)	(21.1)	(31.0)
Impairment losses on non-current assets	(1.1)	1.2	n.s.
Operating profit (EBIT)	97.1	21.3	n.s.
% of revenue	17.2	4.6	
Net finance income (costs)	(5.4)	(4.8)	(12.0)
Impairment losses on financial assets	(2.6)	0.0	n.s.
Share of profit/(loss) of equity-accounted associates	10.5	2.0	n.s.
Profit/(loss) before tax	99.6	18.5	n.s.
% of revenue	17.6	4.0	
Tax	(22.6)	13.2	n.s.
Profit/(loss) for the year	77.0	31.7	n.s.
attributable to:			
- Owners of the parent company	63.5	27.7	n.s.
- Non-controlling interests	13.5	4.0	n.s.
Cash flows from operating activities	105.4	10.0	
Cash flows from investing activities	156.2	435.8	

n.s. = not significant

(in millions of euro)	December 31, 2019	December 31, 2018
Total equity	1,474.2	1,302.2
Equity attributable to owners of the parent company	1,358.7	1,202.5
Net financial position	475.2	222.3
Employees (headcount) at the end of the year	1,776	1,799

PERFORMANCE OF THE MAIN GROUP COMPANIES

(in millions of euro)	Revenue			EBITDA		
	Dec. 31, 2019	Dec. 31, 2018	Change %	Dec. 31, 2019	Dec. 31, 2018	Change %
Italmobiliare	86.1	55.0	56.7	45.7	1.4	n.s.
Portfolio companies:						
Caffè Borbone ¹	172.6	135.2	27.6	52.0	34.2	51.9
Sirap	269.3	275.1	(2.1)	19.9	16.3	22.5
Italgen	34.3	36.0	(4.8)	14.2	8.4	69.5
Capitelli ²	14.0	11.6	20.7	3.9	2.4	60.7
Tecnica Group	424.0	398.5	6.4	51.5	37.9	35.7
Iseo	142.7	136.7	4.3	15.3	15.0	2.0
Autogas - AGN Energia ²	493.3	526.2	(6.3)	36.0	34.4	4.7
Total portfolio companies	1,550.2	1,519.3	2.0	192.8	148.6	29.7

n.s. = not significant

1. The 2018 figure refers to the income statement of 12 months

2. The figures have not been audited

PORTFOLIO COMPANIES

NAV 744.9€ mln

42.8%



60%

INTEREST

REVENUE
172.6 mln
(+27.6% vs. 2018)

EBITDA
52.0 mln
(+51.9 vs. 2018)

199
EMPLOYEES

100%
COMPOSTABLE
PODS CERTIFIED
"COMPOSTABLE CIC" BY
THE ITALIAN COMPOSTING
CONSORTIUM

~90%
RECOVERED WASTE

CAFFÈ BORBONE

Founded in 1997, Caffè Borbone is now one of the main coffee producers in Italy, with sales volumes that are growing constantly. Together with the traditional ground coffee for mocha coffee pots and coffee in beans, production focuses mainly on pods and compatible capsules, an innovation that has changed consumer habits. This is now the most dynamic area of the entire coffee market.

The strong positive trend in sales supported by high customer appreciation in recent years are rooted in the care dedicated to the quality of raw materials, the choice of blends, constant expansion and diversification of the product range on offer and a communication strategy that identifies the product with the age-old Neapolitan coffee tradition.

SEGMENT

Food

YEAR OF INVESTMENT

2018

STRATEGY AND SUSTAINABILITY

Quality and sustainability are at the heart of the Caffè Borbone strategy.

Caffè Borbone procures the best varieties of raw coffee beans with a view to environmental protection and the least ecological impact, always choosing to invest and promote sustainable and responsible practices.

High quality materials that are combined with modern and innovative processing and packaging methods, such as packaging with an aroma-saving valve, or environmentally friendly products, such as compostable pods.

Supporting Italian social, cultural and artistic values in line with its equilibrium between tradition and technological innovation is one of the commitments that Caffè Borbone has long adopted as a responsible company: for this reason, since the 2018/2019 season it has been partner and official supplier of the Teatro alla Scala, one of Italian culture's main points of reference world-wide.

caffeborbone.it



100%
INTEREST

REVENUE
269.3 mln
(-2.1% vs. 2018)

EBITDA
19.9 mln
(+22.5 vs. 2018)

1,384
EMPLOYEES

11%
ENERGY
CONSUMPTION
REDUCTION IN
PLANTS

> 80%
RECOVERED
WASTE

SIRAP

Sirap has been one of the best producers of fresh food containers in Europe for more than 50 years. The Group has based its growth and success on its ability to provide innovative solutions for every type of food packaging, establishing itself in the eyes of its customers and partners for the high quality of its products and entrepreneurial approach.

SEGMENT

Packaging for the food sector

YEAR OF INVESTMENT

1990

STRATEGY AND SUSTAINABILITY

At the heart of Sirap's strategy is the idea that competitive advantage in the market depends on a company's innovative strength and the ability to combine economic development, social and human growth and environmental protection over the long term.

Since 2008, Sirap has embarked on a process of cultural and organisational change that has led to an increase in workplace safety standards, reducing accidents at work by 95%.

Taking up the challenges of the sector as an opportunity to innovate, in 2020 Sirap intends to position itself as one of the main proponents of change to face the complexity of the market and the growing sensitivity of consumers to the environment, also through the design of innovative products in a circular perspective.

At the basis of this commitment, the sustainability strategy is divided into four pillars:

1. a reduction in its environmental footprint;
2. the use of packaging solutions that promote circularity in the product and the entire supply chain;
3. decisive action to resolve the problem of plastic in the sea;
4. training and information for people inside and outside the company on the real environmental impact of plastic and the role it plays in the fight against food waste.

sirapgroup.com



100%
INTEREST

REVENUE
34.4 mln
(-4.8% vs. 2018)

EBITDA
14.2 mln
(+69.5% vs. 2018)

70
EMPLOYEES

306,179
MWh
ELECTRIC ENERGY
PRODUCTION

109,918 t
CO₂
NOT EMITTED INTO
THE ATMOSPHERE

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.

SEGMENT

Renewables

YEAR OF INVESTMENT

2016

STRATEGY AND SUSTAINABILITY

The company does not limit itself to producing clean energy, actively contributing to the ongoing energy transition, but has always oriented its strategies and activities towards attention to the environment.

By interacting closely with a delicate ecosystem such as water, Italgen is well aware of the importance of safeguarding biodiversity. A commitment at the hydroelectric plants that in practical terms has translated into the release of the minimum vital run-off of waterways for the protection of living organisms in the river basins and the construction of fish ladders.

The company's attention for the areas in which it operates takes the form of support for sports, cultural and environmental initiatives and active support for environmental and infrastructural requalification.

A special commitment is geared to involving young people through the "Energy School" programme, presented at schools and plants during the many Open Doors events with the aim of educating tomorrow's adults in the conscious use of a precious asset: water.

italgen.it



80%
INTEREST

REVENUE
14 mln
(+20.7% vs. 2018)

EBITDA
3.9 mln
(+60.7% vs. 2018)

30
EMPLOYEES

CAPITELLI

Capitelli, which was founded in 1976 in Borgonovo Val Tidone (Piacenza), produces premium-range cooked ham ("San Giovanni" received the award as the best cooked ham in Italy in 2019, repeating this accolade in 2020 in 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.

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 the best Italian farms and selected directly on the slaughtering lines, brine not added but made by injecting an infusion of herbs and spices, as was done in the past, so as not to alter the fibre of the meat, which is 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.

cottocapitelli.com



40%

INTEREST

REVENUE
424 mln
(+6.4% vs. 2018)

EBITDA
51.5 mln
(+35.7% vs. 2018)

3,292
EMPLOYEES

 **BLIZZARD**

 **TECNICA**

LOWA
simply more...

NORDICA

MOON BOOT
the Original


Rollerblade

TECNICA GROUP

Tecnica Group, the main Italian group in the sports sector, is the 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 (trekking shoes), Blizzard (skis) and Rollerblade (inline skates).

After the recent reorganisation and the investment by Italmobiliare, developments in 2019 include an increase in the stake held in the German company LOWA to 75% and the acquisition of the Treviso-based company Riko Sport, which is its main supplier.

SEGMENT

Sport system

YEAR OF INVESTMENT

2017

STRATEGY AND SUSTAINABILITY

The Group's industrial strategy is based on four lines of intervention: strengthening each brand with particular attention being paid to the end-consumer; increased investment in innovation for highly differentiated products; investment in new distribution channels; implementation of production and logistics efficiency programmes.

Tecnica Group produces footwear to be used out-of-doors, so protecting nature is its main objective, a corporate philosophy that is pursued by creating long-lasting footwear, using quality raw materials and making important choices aimed at preserving the environment.

Tecnica bases its activity on the principles of the circular economy, with particular attention to reducing the consumption of plastics. Over 70% of the inner lining of ski boots is produced with recycled material derived from plastic bottles. In 2019, a pilot project was launched to replace plastic bags in the packaging of ski boots with biodegradable materials and to replace individual cardboard boxes with boxes containing multiple boots.

As part of this strategy, energy impact reduction plays a central role, through the installation of photovoltaic systems at the production sites, the replacement of traditional lighting systems with LED lights and the installation of charging stations for electric cars at the Parent Company's headquarters.

tecnicagroup.com



40%
INTEREST

REVENUE
142.7 mln €
(+4.3% vs. 2018)

EBITDA
15.3 mln €
(+2.0% vs. 2018)

1,197
EMPLOYEES

15
ISO 14001
CERTIFIED PLANTS

3
ISO 50001
CERTIFIED PLANTS

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, the United Kingdom and South Africa and commercial companies in China, Asia, Romania, 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 2019 that permits access management by smartphone, also on a remote basis.

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, including those dedicated to the machine pool, working at heights, the handling of loads and the ergonomics of workstations to mitigate the risk of injuries. Together with the company doctor, Iseo also has a plan to lower personnel health risks, to be implemented in 2020.

Reducing environmental impact has also been pursued in recent years by obtaining environmental certifications (ISO 14001) and interventions concerning the entire production process, such as establishing action plans aimed at energy efficiency within the ambit of ISO 50001 Management System, replacing the plant run on perchlorethylene with modified alcohol and introducing vegetable oils to replace the mineral oils used in the lathe workshops.

iseo.com



30%

INTEREST

REVENUE

487.7 mln

(-6.3% vs. 2018)

EBITDA

36 mln

(+4.7% vs. 2018)

571

EMPLOYEES

>150.000 t

RETAIL LPG
SALES VOLUMES

AUTOGAS - AGN ENERGIA

For over 60 years, the Autogas Group has been a national leader in the distribution of LPG for domestic, agricultural, industrial and automotive use. Over the years, the services on offer have diversified to include electricity & gas, energy efficiency and photovoltaic systems, giving rise to a modern energy company.

In 2019, thanks to the entry of Italmobiliare, the Group finalised the acquisition of Lampogas, another leading national distributor of LPG, further strengthening its position on the market and aggregating its offer under the new brand: AGN Energia.

SEGMENT

Energy

YEAR OF INVESTMENT

2019

STRATEGY AND SUSTAINABILITY

Thanks to its focus on LPG distribution and diversification into alternative energy sources, the Group is an active protagonist of the ongoing de-carbonisation process, contributing to the objectives defined in the EU's 2030 Climate and Energy Framework. In the current phase of energy transition, gas plays a central role as a more sustainable alternative in the medium term to traditional fossil fuels, also demonstrated by the rapid increase in "green" registrations of LPG-powered cars.

The Group interprets its responsibility in the social sphere as well, through lasting support for initiatives and events with educational, sporting and environmental purposes, aimed in particular at young people. Among others, the Group has been supporting Il Porto dei Piccoli Onlus since 2005, an association born in Genoa with the mission of giving moments of diversion to children who live the difficult experience of an illness at home or in hospital, through recreational and educational activities inspired by the sea and nature. Since 2015 Autogas has been FAI's Corporate Golden Donor and has supported it in protecting the environment and landscape as main sponsor of FAI's Winter Mornings for Schools: as part of the initiative, the Group invites students to participate in the survey "Your Green Idea" dedicated to good daily habits to contribute to environmental sustainability.

agnenergia.com



100%
INTEREST

~3.0 bln €
ASSETS UNDER
MANAGEMENT

23
OF INVESTMENTS

3
CURRENTLY
MANAGED FUNDS









CLESSIDRA SGR

Clessidra SGR is the leading manager 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 and Harmont & Blaine. An important step in the diversification of the company's activities was the launch of the CRF fund which, through the transfer of UTP credits by 10 Italian banks and the availability of new finance, will support about fifteen Italian companies that are restructuring and relaunching their businesses.

SEGMENT

Alternative investments

YEAR OF INVESTMENT

2016

STRATEGY AND SUSTAINABILITY

Clessidra, which for Italmobiliare represents a diversification of Alternative Investments, operates with the characteristics of a private equity player in terms of the type of investment, the marked use of leverage and a predetermined time horizon. An investment policy focused on leveraged buyouts through controlling interests in small to medium sized unlisted Italian companies.

Clessidra has signed up to the United Nations' Principles for Responsible Investment - UNPRI and recognises the link between investment returns and environmental, social and governance (ESG) issues.

Clessidra proposes itself as an active investor able to provide support to improve the operational management and strategic positioning of the companies in its portfolio. The involvement of the acquired companies' management is a fundamental characteristic of a successful investment. While Clessidra maintains a role of strategic direction, an alignment of interests is always pursued, while the management group of the target company is left an adequate degree of autonomy.

clessidrasgr.it

ALTERNATIVE
INVESTMENTS

NAV 158.1€ mln

9.1%

CLESSIDRA
*Capital Partners 3*CLESSIDRA
*Restructuring Fund*BDT CAPITAL
PARTNERS
FUND IIBDT CAPITAL
PARTNERS
FUND III

ICONIQ

ISOMER
CAPITAL

connect

PARTICIPATIONS

NAV 268.5€ mln

15.4%

HEIDELBERGCEMENT

Vontobel

Alpha Test

Cold Chain Capital®

* Acquisition completed in 2020

SESAAB
L'ECO DI BERGAMO
La ProvinciaSES
Gazzetta del Sud
GIORNALE DI SICILIAFINANCIAL ASSETS,
TRADING AND CASH

NAV 569.6€ mln

32.7%

Corporate Bodies

BOARD OF DIRECTORS

(Term ends on approval of financial statements at 31.12.2019)

Laura Zanetti	1-7	Chairman
Livio Strazzera	1-7	Deputy Chairman
Carlo Pesenti	1-2	Chief Executive Officer - Chief Operating Officer
Vittorio Bertazzoni	3-6	
Giorgio Bonomi	4	
Mirja Cartia d'Asero	4-5-6	
Valentina Casella	4-5-6	
Elsa Fornero	5-6	
Sebastiano Mazzoleni		
Luca Minoli	1	
Chiara Palmieri	1-3-6	
Clemente Rebecchini	7	
Antonio Salerno	6	
Paolo Sfameni	3-6	
Afra Casiraghi		Secretary to the Board

- 1** Member of the Executive Committee
- 2** Director in charge of the Internal Control and Risk Management system
- 3** Member of the Remuneration and Nominations Committee
- 4** Member of the Risks and Sustainability Committee
- 5** Member of the Committee for Transactions with Related Parties
- 6** Independent director (pursuant to the Code of Conduct 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 31.12.2019)

Standing Auditors		Alternate Auditors	
Francesco Di Carlo	Chairman	Alberto Giussani	
Angelo Casò		Paolo Ludovici	
Luciana Ravicini		Giovanna Rita	

FINANCIAL REPORTING MANAGER

Mauro Torri

INDEPENDENT AUDITORS

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

Born in Bergamo, July 26, 1970.

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

Born in Trapani, July 23, 1961.

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

Born in Milan, March 30, 1963.

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. 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 for several terms of office.

He is currently Chairman of Clessidra SGR and a member of the Board of Directors of Tecnica Group, Caffè Borbone and Officina Profumo Farmaceutica di Santa Maria Novella (Italmobiliare portfolio companies). He is also a Director of Fondazione San Patrignano. 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 promoting interaction between profit and non-profit organisations and supporting initiatives, projects and actions for social development, environment and culture.

Vittorio Bertazzoni - Director since April 19, 2017

Born in Parma, March 29, 1976.

Degree in law from the University of Parma.

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

Subsequently, he worked with the Research Department of Mediobanca S.p.A. He is currently De-

puty 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., the family group holding company.

Giorgio Bonomi - Director since May 3, 2002

Born in Bergamo, November 2, 1955.

Degree in law - Milan State University.

Legal practice in Bergamo. Registered auditor.

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

Born in Catania, November 22, 1969.

She holds a 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 posts 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. and Zurich Investments Life S.p.A.

Valentina Casella - Director since April 19, 2017

Born in Boston (USA), October 19, 1979.

She holds a degree in law from the University of Milan, and a specialisation in business law and corporate economics, as well as a Master in Laws from Columbia University and an M.B.A. from INSEAD. She has been a member of the Italian bar association since 2006 and of the New York State bar association since 2008.

From 2007 to 2012 she was an associate of the Simpson Thacher & Bartlett law firm (New York).

She has been a partner of the Casella e Associati practice since 2014.

She is a director of Banco di Desio e della Brianza S.p.A.

Elsa Fornero - Director since July 27, 2017

Born in San Carlo Canavese (Turin), May 7, 1948.

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; vice president of the Survey of Health, Ageing and Retirement in Europe; honorary senior fellow at the Carlo Alberto College, research fellow at the Netspar Network for Studies on Pensions, Ageing and Retirement and policy fellow at the Institute of Labour Economics (IZA) 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 the Observatoire de l'Épargne Européenne (Paris).

She is a director of Centrale del Latte d'Italia S.p.A and 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

Born in Milan, May 11, 1968

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 a research geologist 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

Born in Naples, January 29, 1961

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

Member of the Italian bar association since 1988. Registered member of the Order of Cassation Lawyers since 2006.

1986 to 1987, associate of Hughes Hubbard & Reed in New York. First associate, later partner from 1991 of the Ardito law firm. Partner, from 2004 to 2012, of the Dewey & LeBoeuf law firm.

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

Chiara Palmieri - Director since April 19, 2017

Born in Milan, December 9, 1970.

She is the Sole Director of Tack S.r.l., a company that provides Family Office services; she is a professor at Bocconi University and a member of the Board of Directors of the following companies: Snaitech S.p.A, Fratelli Branca Distillerie S.r.l., Ceme S.p.A. and Design Holding S.p.A.; she also sits on the Board of Amref Health Africa Onlus-Italia.

Earlier, she worked as Chief Operating Officer of Laprima Holding S.r.l., Single Family Office, and in London for more than ten years, at Morgan Stanley, Credit Suisse and Goldman Sachs, where she was Chief Operating Officer and an executive director of the Private Wealth Management division for Europe and Asia.

She was a director of Poste S.p.A.

She graduated summa cum laude from Bocconi University, 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.

Clemente Rebecchini - Director since May 25, 2011

Born in Rome, March 8, 1964

After graduating in economics & commerce, in 1988 he qualified as a certified public accountant.

In 1989 he joined Mediobanca, where he is currently Central Director with responsibility for the Principal Investing Division.

He was a director of Gemina S.p.A., Atlantia S.p.A., Aeroporti di Roma and Telco S.p.A., where from

2012 to 2015 he was also Chairman of the Board of Directors.

Current posts

- Deputy Chairman of Assicurazioni Generali S.p.A.
- Director of Istituto Europeo di Oncologia S.r.l.
- Central Director with responsibility for the Principal Investing Division at Mediobanca S.p.A.

Antonio Salerno - Director since April 19, 2017

Born in Catanzaro, May 6, 1974.

He holds a degree in economics and banking science from the University of Siena, and a master in international finance from the University of Amsterdam.

He developed his expertise in corporate governance, strategic analysis and company valuations first at Deminor as a corporate governance consultant (2000-2004) and later as an analyst and then investment manager at Hermes European Focus Fund (2005-2012).

Since 2012 he has been investment manager at RWC European Focus Fund.

Paolo Sfameni - Director since July 31, 2018

Born in Milan, November 25, 1965.

Degree in economics & commerce from Bocconi University, Milan.

Certified public accountant and registered auditor.

Independent consultant on corporate law, and banking and financial market law.

He was previously a director of Italmobiliare from 2011 to 2017.

Associate professor in commercial law and professor in financial market law at the Aosta Valley University.

Adjunct professor in financial brokerage law on the jurisprudence course at Bocconi University, Milan.

Professor on the F. Stella company's master's degree in criminal law, Milan Catholic University.

Member of the editorial committee of law journals and author of papers on corporate law.

He is Chairman of the Board of Directors of Investitori SGR S.p.A. and RB Fiduciaria S.p.A.

His other positions include director of Allianz Bank Financial Advisors S.p.A. and Genialloyd S.p.A., bondholders' representative at Mittel S.p.A., Chairman of the Board of Statutory Auditors of Vorwerk Management S.r.l and Wise Equity SGR S.p.A., Chairman of the Supervisory Board of various companies

including Italmobiliare S.p.A., Bayer S.p.A., General Electric Healthcare S.r.l., General Electric Medical Systems S.p.A., Techint S.p.A. and Pirelli Tyre S.p.A..

BOARD OF STATUTORY AUDITORS

Francesco Di Carlo

Born in Milan, October 4, 1969

Degree in economics & commerce from the Catholic University of Milan. Certified public accountant and registered auditor in Milan.

Founder member and managing partner of Studio Craca Di Carlo Guffanti Pisapia Tatozzi & Associati since January 2014, and for many years he has provided consultancy to leading Italian and international corporations on corporate, banking, financial market, insurance, listed issuers and anti-laundering law. He began his professional career in 1995. In 1996 he joined the Pirola, Pennuto, Zei e Associati law firm and in 2000 was a founder member of the Annunziata e Associati practice, where he worked until December 2013.

From 2007 to 2016 he was President of the Law & Legal and Fiscal Consultancy Commission at the Italian Private Banking Association, of which he is still a member. Among the main positions that he holds, he is currently Statutory Auditor of Mediobanca S.p.A. and Director of Milano Investment Partners SGR S.p.A.

Among previous posts, he was Chairman and Director of Pitagora S.p.A.; a director of Duemme SGR S.p.A.; Chairman of the Board of Statutory Auditors of Equita SIM S.p.A., Equita Group S.p.A. and Idea Capital SGR S.p.A.; standing auditor of Clessidra SGR S.p.A., Vontobel SGR S.p.A. and Whirlpool EMEA S.p.A.; Chairman of the Supervisory Body of Intek S.p.A., Kairos Partners SGR S.p.A. and Kairos Julius Baer SIM S.p.A. and Banca Leonardo S.p.A.

He has lectured at the Catholic University in Milan and at the University of Bologna, in the Economics Faculty. He has lectured on juridical issues at the Bocconi University Business School.

He speaks frequently at conferences in Italy and abroad on topics relating to his area of specialization.

Angelo Casò

Born in Milan, August 11, 1940

Degree in economics & commerce from Bocconi University, Milan.

Certified public accountant and registered auditor in Milan.

He chaired the Fédération des Experts Comptables Européens (F.E.E.) from 1991 to 1993, after serving as Deputy Chairman for six years.

Since 1993 he has cooperated with the International Federation of Accountants (IFAC), holding a variety of roles on committees and the Board.

He was a member of the IFAC - Compliance Advisory Panel Committee.

Member of the Milan Arbitration Chamber from 1998 to 2005.

Since 2008 he has chaired the Management Committee of the Organismo Italiano Contabilità (OIC), and from 2004 to 2008 chaired the OIC Scientific Technical Committee.

Board member of EFRAG since January 1, 2015.

Milan court-appointed receiver, judicial receivership commissioner, extraordinary commissioner and liquidator of insurance companies, company liquidator appointed by shareholders and the Court of Milan.

He has been a certified public accountant since 1965 with offices in Milan.

He is currently Chairman of the Board of Statutory Auditors of Bracco Imaging S.p.A., Bracco S.p.A., Benetton Group S.r.l., Bic Italia S.p.A., Edizione S.r.l. and Falck S.p.A.

Luciana Ravicini

Born in Milan, January 10, 1959

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., Bonera 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 Sigè S.r.l.; and Standing Statutory Auditor of Almag S.p.A., Bival S.p.A., Brawo S.p.A., Doc Servizi Soc. Coop. and Carlo Tassara 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.

Annual Report



ITALMOBILIARE
INVESTMENT HOLDING

DIRECTORS'
REPORT

DIRECTORS' REPORT

General information

INTRODUCTION

The Italmobiliare Group consolidated financial statements for the year ended December 31, 2019, and the corresponding figures for 2018, have been prepared in accordance with the International Financial Reporting Standards (IFRS).

During the 2019, the consolidation area changed following the Italmobiliare S.p.A. acquisition of a 30% stake in Autogas - AGN Energia, 80% of Capitelli F.Ili S.r.l. (Capitelli), the incorporation of the subsidiaries Franco Tosi Ventures S.r.l., FT1 S.r.l., and FT2 S.r.l. and the closure of the subsidiary Finimage 15 Sagl, previously in liquidation.

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, organizational 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.

NET ASSET VALUE

The **Net Asset Value** (NAV) of Italmobiliare S.p.A. at December 31, 2019 (whose definition and reconciliation is provided in Annex 1), excluding treasury shares, amounted to 1,741.1 million euro (1,421.4 million euro at December 31, 2018) and consisted of the following assets:

(in millions of euro)	December 31, 2019	% of total	December 31, 2018	% of total
Investments in listed companies ¹	165.1	9.5%	310.4	21.8%
Portfolio Companies ²	744.9	42.8%	480.1	33.8%
Other equity investments	54.3	3.1%	105.8	7.4%
Private equity funds	158.1	9.1%	128.8	9.1%
Properties and related assets	49.1	2.8%	51.4	3.6%
Financial assets, trading, cash and cash equivalents	569.6	32.7%	344.9	24.3%
Total Net Asset Value	1,741.1	100.0%	1,421.4	100.0%

The main changes in the **value of NAV** which increased by **319.7 million euro** compared with December 31, 2018, arose from:

- Sale of shares in HeidelbergCement AG and Mediobanca S.p.A. (for 222.9 million euro) with a positive effect on reserves of 48.1 million euro and an increase in the fair value of the residual shares of 29.4 million euro;
- increase in the fair value of the portfolio companies (+186.6 million euro overall): increase in the fair value of Caffè Borbone, Autogas – AGN Energia and Tecnica Group, partially offset by a negative change in the fair value of Sirap;
- positive performance of the portfolio of Private Equity funds, with an increase in fair value of about 30 million euro;
- a positive effect on reserves of 34.8 million, thanks to the sale of Jaggaer for 91.2 million euro occurred during the period.

¹ The investment in Fin.Priv. has been reclassified under the "Other investments" caption, as well as the corresponding figure for 2018.

² Portfolio Companies include the investments in Sirap Gema S.p.A., Italgem S.p.A., Caffè Borbone S.r.l., Clessidra SGR S.p.A., Tecnica Group S.p.A., Iseo Serrature S.p.A., Autogas Nord S.p.A. (AGN Energia), Franco Tosi Ventures S.p.A., FT1 S.r.l., FT2 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 under the "Other investments" caption, as well as the corresponding figures for 2018.

The composition of the Italmobiliare's NAV, also considering the changes mentioned above, showed important changes, in particular:

- the component of NAV invested in listed equity investments decreased by 145.3 million euro;
- the portfolio companies grew overall by 264.8 million euro following the acquisition of Autogas - AGN Energia (+60.0 million euro) and Capitelli (+22.7 million euro) through the newco FT1 S.r.l., in addition to the increase in fair value of the portfolio investments described above;
- the change in other investments, down by about 51 million euro, is mainly due to the sale of Jaggaer.
- For the changes in financial assets, trading and liquidity (+224.7 million euro) and private equity funds (+29.3 million euro overall), please refer to the comments on the Italmobiliare S.p.A.'s results.

At December 31, 2019, Italmobiliare S.p.A.'s **NAV per share**, excluding treasury shares, amounted to 41.46 euro, showing an increase of 22.37% compared with December 31, 2018 (33.9 euro).

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

1. the market price at December 31, 2019 of the equity investments in listed companies;
2. 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;
3. the market value of real estate assets;
4. 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, their conclusions are included in the Report.

n.s. = not significant

1. The 2018 figure refers to the income statement of 12 months
2. The figures have not been audited.
3. Free cash flow is calculated as the difference between the net financial position of the year and the net financial position of the previous year, gross of the dividends paid.

Please note that the 2019 financial statements have been prepared applying for the first time the new accounting principle IFRS 16, with a material impact on the gross operating profit compared with 2018. Please refer to the sections dedicated to Sirap and Tecnica Group for details.

(*) 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.

PERFORMANCE OF THE MAIN GROUP COMPANIES (*)

(in millions of euro)	Revenue			Gross operating profit (EBITDA)			Fcf ³
	Dec. 31, 2019	Dec. 31, 2018	Change % vs Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018	Change % vs Dec. 31, 2018	2019 Actual
Italmobiliare	86.1	55.0	56.7	45.7	1.4	n.s.	n.s.
Portfolio companies							
Caffè Borbone ¹	172.6	135.2	27,6	52.0	34.2	51.9	27.6
Sirap	269.3	275.1	(2.1)	19.9	16.3	22.5	9.4
Italgen	34.3	36.0	(4.8)	14.2	8.4	69.5	6.9
Capitelli ²	14.0	11.6	20.7	3.9	2.4	60,7	3.0
Tecnica Group	424.0	398.5	6.4	51.5	37.9	35.7	15.2
Iseo	142.7	136.7	4.3	15.3	15.0	2.0	6.9
Autogas - AGN Energia ²	493.3	526.2	(6.3)	36.0	34.4	4.7	14.7
Total portfolio companies	1,550.2	1,519.3	2.0	192.8	148.6	29.7	83.7

Generally speaking, the 2019 was a positive year for the Portfolio Companies. Looking at the proforma aggregate:

- Revenue in 2019 amounted to 1,550 million euro, showing an increase of 2% compared with 2018 despite the decrease incurred at Autogas and Italgen, with no impact on their profitability, as detailed below;
- Gross operating profit stood at 192.8 million euro, showing an overall improvement of 30% compared with 2018 and an increase for all Portfolio Companies compared with the previous year;
- Positive cash flow for 83.7 million euro, gross of the payment of 19.2 million of dividends paid in total to the shareholders in 2019.

Looking at the individual companies, reference should be made also to the related sections for further details:

- In the food sector, Caffè Borbone and Capitelli both performed very well, continuing their growth in terms of revenue (+28% and +21% respectively vs. 2018) and improving their gross operating profit much more than proportionally (+52% and +61% respectively vs. 2018) thanks to the increase in margin, with excellent cash generation;
- In the energy sector, as already mentioned, the reduction in turnover of Autogas and Italgas was due to contingent factors without any impact on their profitability (to be precise, Autogas was affected by the drop in the selling price of LPG, linked to a similar decrease in its purchase price, while Italgas suffered a drop in the pass-through revenue). In terms of results, Autogas completed the integration with Lampogas in less than a year, with significant synergies, and showed an improvement in gross operating profit despite the increase in receivables' adjustments; Italgas definitely improved its gross operating profit compared with 2018 (+70%), thanks to above-average rainfall and greater efficiency on the part of the structure;
- In the industrial sector, Sirap ended positively the first year of the company's new Business Plan, with a slight decrease in turnover only due to the change in the perimeter (+2% on a comparable basis) and good cash generation during the year. Iseo grew in terms of turnover compared with 2018, with a good performance of its mechanical products, with the gross operating profit substantially in line, despite the non-recurring costs incurred in 2019;
- During 2019, Tecnica Group strengthened its strategic structure thanks to the acquisition of Riko (Lowa's key supplier) and the increase in its share in Lowa. In terms of results, turnover increased thanks especially to the good performance of the winter brands and Lowa; gross operating profit improved significantly, even if the acquisition of Riko will only have a real impact from 2020 (in 2019, the higher margins linked to the integration were substantially neutralised by one-off costs).

Italmobiliare Group

KEY CONSOLIDATED FIGURES

(in millions of euro)	2019	2018	Change %
Revenue and other income	565.9	463.1	22.2
Gross operating profit	125.9	41.2	n.s.
% of revenue	22.3	8.9	
Amortization and depreciation	(27.7)	(21.1)	(31.0)
Impairment losses on non-current assets	(1.1)	1.2	n.s.
Operating profit (EBIT)	97.1	21.3	n.s.
% of revenue	17.2	4.6	
Net finance income (costs)	(5.4)	(4.8)	(12.0)
Impairment losses on financial assets	(2.6)	0.0	n.s.
Share of profit/(loss) of equity-accounted associates	10.5	2.0	n.s.
Profit/(loss) before tax	99.6	18.5	n.s.
% of revenue	17.6	4.0	
Tax	(22.6)	13.2	n.s.
Profit/(loss) for the year	77.0	31.7	n.s.
attributable to:			
- Owners of the parent	63.5	27.7	n.s.
- Non-controlling interests	13.5	4.0	n.s.
Cash flows from operating activities	105.4	10.0	
Cash flows from investing activities	156.2	435.8	

n.s. = not significant

(in millions of euro)	December 31, 2019	December 31, 2018
Total equity	1,474.2	1,302.2
Equity attributable to owners of the parent	1,358.7	1,202.5
Net financial position	475.2	222.3
Employees (headcount) at the end of the year	1,776	1,799

The financial indicators on continuing operations for the year ended December 31, 2019 were barely comparable with those of the previous year given that Caffè Borbone was acquired at the beginning of May 2018, so the income statement for that year only included eight months' operations.

- **Revenue and other income:** 565.9 million euro compared with 463.1 million euro for the year ended December 31, 2018 (+22.2);
- **Gross operating profit:** 125.9 million euro compared with 41.2 million euro for the year ended December 31, 2018;
- **Operating profit:** 97.1 million euro compared with 21.3 million euro for the year ended December 31, 2018;
- **Profit before tax:** 99.6 million euro compared with 18.5 million euro for the year ended December 31, 2018.

The positive change in revenue and income was mainly attributable to Italmobiliare (+31.1 million euro) and Caffè Borbone (+80.6 million euro).

At December 31, 2019, **total equity** was 1,474.2 million euro, while **equity attributable to owners of the parent** was 1,358.7 million euro, compared with 1,302.2 million euro and 1,202.5 million euro

respectively at December 31, 2018.

In 2019, **capital expenditure** totalled 156.9 million euro, showing a decrease compared with 2018 (435.8 million euro).

The **consolidated financial position** at December 31, 2019 showed a positive balance of 475.2 million euro, compared with 222.3 million euro at the end of 2018. The positive change of 253.0 million euro was mainly due to the disposals made during the year (in particular Jaggaer, HeidelbergCement and Mediobanca), as detailed in the section entitled Net financial position of Italmobiliare.

Gross operating profit, equalled to 125.9 million euro, increased by 84.7 million euro compared with December 31, 2018 (41.2 million euro), mainly due to the improvement made by Italmobiliare (+44.3 million euro) and Caffè Borbone (+29.5 million euro).

Operating profit, after registering an increase in amortization and depreciation compared to 2018, was 97.1 million euro (21.3 million euro in 2018).

FINANCE COSTS AND OTHER ITEMS

Net finance costs amounted to 5.4 million euro, showing a deterioration of 0.6 million euro from December 31, 2018. In particular, these costs mainly refer to Sirap and Caffè Borbone.

The caption did not include Italmobiliare's finance income and costs as they form part of the Company's core business and were therefore presented in line items included in the gross operating profit.

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

Share of profit/(loss) of equity-accounted associates amounted to 10.5 million euro (2.0 million euro in 2018), thanks to positive contributions of Tecnica Group, Iseo and Autogas Nord.

PROFIT FOR THE PERIOD

The Group generated a **profit before tax** of 99.6 million euro (18.5 million euro in 2018).

After negative income taxes for 22.6 million euro (income of 13.2 million euro in 2018), the **profit for the year from continuing operations** resulted in 77.0 million euro (31.7 million euro in 2018).

Overall, the **Group's consolidated profit** for the year totalled 77.0 million euro, (of which 63.5 million euro attributable to owners of the parent), compared with the consolidated profit of 31.7 million euro for the year ended to December 31, 2018 (of which 27.7 million euro attributable to owners of the parent).

REVENUE AND OPERATING PROFIT FOR 2019

CONTRIBUTION TO CONSOLIDATED REVENUE AND INCOME

(net of intragroup eliminations)

(in millions of euro)	2019		2018		Change	
		%		%		% ¹
Business segments						
Italmobiliare	72.5	12.8	44.9	9.7	27.6	61.6
Caffè Borbone	172.6	30.5	92.0	19.9	80.6	87.6
Sirap	269.3	47.6	275.1	59.3	(5.8)	-2.1
Italgen	34.3	6.1	36.0	7.8	(1.7)	(4.8)
Other companies ²	17.1	3.0	15.1	3.3	2.0	13.5
Total	565.9	100.0	463.1	100.0	102.7	22.2

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 2019	% of total	December 2018	% of total
Italmobiliare	19.7	31.0	20.6	74.4
Caffè Borbone	20.5	32.3	6.1	22.0
Sirap	1.0	1.6	6.4	23.1
Italgen	7.4	11.7	0.4	1.44
Tecnica Group	4.8	7.6	2.0	7.2
Iseo	3.0	4.72	-	-
Autogas – AGN Energia	2.0	3.15		
Other companies	1.7	2.7	0.8	2.9
Elimination of dividends and intragroup gains/losses	3.4	5.4	(8.6)	(31.0)
Profit/(loss) for the year attributable to owners of the parent	63.5	100.0	27.7	100.0

STATEMENT OF COMPREHENSIVE INCOME

In 2019, other comprehensive income relating to continuing operations amounted to 114.8 million euro (expense of 175.7 million euro in 2018), mainly due to fair value gains on FVTOCI assets totalling 114.7 million euro, as a result of the positive performance of the HeidelbergCement and Mediobanca shares and the sale of part of the securities. Considering the profit for the year of 77 million euro and the above items, the Group registered a total comprehensive income of 194 million euro in 2019 (the equivalent figure in 2018 was negative for 144 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, 2019	December 31, 2018
Property, plant & equipment and investment property	169.0	157.4
Intangible assets	360.5	352.0
Other non-current assets	569.2	696.7
Non-current assets	1,098.7	1,206.1
Current assets	805.1	554.7
Assets classified as held for sale	6.7	6.2
Total assets	1,910.5	1,767.0
Equity attributable to owners of the parent	1,358.7	1,202.5
Non-controlling interests	115.5	99.8
Total equity	1,474.2	1,302.3
Non-current liabilities	258.5	266.3
Current liabilities	177.3	198.2
Total liabilities	435.8	464.5
Liabilities directly linked to discontinued operations	0.5	0.2
Total equity and liabilities	1,910.5	1,767.0

EQUITY

Total equity at December 31, 2019 was 1,474.2 million euro, it went up 172 million euro from December 31, 2018. The overall change was due to:

- the profit for the year of 77.0 million euro;
- dividends of 26.3 million euro paid to shareholders of Italmobiliare and non-controlling shareholders of portfolio companies;
- exchange-rate gains of 2.0 million euro;
- positive change in the scope of consolidation area of 3.8 million euro;
- gain in the FVTOCI reserve, net of deferred taxes, of 115.3 million euro.

NET FINANCIAL POSITION

At December 31, 2019, the **consolidated net financial position** showed a positive balance of 475.2 million euro, up by 253.0 million euro compared to the figure at December 31, 2018 (+ 222.3 million euro).

Cash flows for the period showed a positive balance of 253.0 million euro, mainly due to the disposals for 357.6 million euro, partially offset by investments for 156.9 million euro. Furthermore, there were dividends paid for 26.3 million euro and proceeds from operating activities for 105.4 million euro.

BREAKDOWN OF THE NET FINANCIAL POSITION

(in millions of euro)	December 31, 2019	December 31, 2018
Current financial assets	630.9	380.6
Current financial liabilities	(67.3)	(83.3)
Non-current financial assets	31.1	38.5
Non-current financial liabilities	(119.6)	(113.9)
NFP of assets held for sale	0.1	0.4
Net financial position	475.2	222.3

The breakdown of the "Net financial position" is provided in the notes of the consolidated financial statements in the IFRS 7 section.

CONDENSED STATEMENT OF CASH FLOWS

(in millions of euro)	December 31, 2019	December 31, 2018
Net financial position at the beginning of year	222.3	494.8
Cash flows from operating activities	105.4	10.1
Capital expenditure:		
<i>PPE, investment property and intangible assets</i>	(33.5)	(15.0)
<i>Non-current financial assets</i>	(122.9)	(420.8)
Cash flows from investing activities	(156.4)	(435.8)
Proceeds from disposal of non-current assets	357.7	48.5
Purchase of treasury shares	0.9	(0.1)
Contributions from shareholders and third parties	3.5	94.2
Dividends paid	(26.3)	(23.1)
Translation and structure differences	10.3	46.8
Other	(42.2)	(11.8)
Net cash flows for the year	252.9	(271.2)
Cash flows relating to assets classified as held for sale		(1.3)
Net financial position at the end of year	475.2	222.3

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	
	2019	2018	2019	2018	2019	2018	2019	2018
Business segments								
Italmobiliare	96.7 ¹	67.8	1.6	0.2	0.2	0.2	98.5	68.2
Caffè Borbone		336.1	2.8	4.5	0.3	0.2	3.1	340.8
Sirap		16.8	20.5	5.5	0.3	1.0	20.8	23.3
Italgen		-	3.3	3.4	0.1	-	3.4	3.4
Capitelli	26.1 ²	-	-	-	-	-	26.1	-
Iseo		-	-	-	-	-	-	-
Other companies		-	5.5	0.1	-	-	5.5	0.1
Inter-segment eliminations		-	(0.5)	-	-	-	(0.5)	-
Total capital expenditure	122.8³	420.7	33.2	13.7	0.9	1.4	156.9	435.8

1 The figure includes the investment in Autogas - AGN Energia.

2 The figure includes the consideration paid for the acquisition of Capitelli, gross of third party contributions.

3 The amount includes the cash and cash equivalents of the acquired companies, totalling 10.0 million euro.

Group capital expenditure in 2019 amounted to 156.9 million euro, showing a significant decrease from 2018 (435.8 million euro).

Capital expenditure on non-current financial assets amounted to 122.8 million euro (420.7 million euro in 2018) and related mainly to the investments in Autogas - AGN Energia (60.3 million euro), Capitelli (26.1), BDT Fund (18.9 million euro) and Clessidra Fund (9.4 million euro).

Capital expenditure on property, plant and equipment and investment property amounted to 33.2 million euro and referred mainly to the investments made by Sirap for 20.5 million euro, Italgem for 3.3 million euro and Caffè Borbone for 2.8 million euro.

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

(in millions of euro)	December 31, 2019
Profit for the year of the parent Italmobiliare S.p.A.	19.7
Consolidation adjustments	
• Profit for the year of the consolidated companies (Group share)	30.1
• Adjustment to the carrying amount of equity-accounted associates	10.3
• Dividends in the year	(12.7)
• Intercompany gains or losses and other changes	16.1
Profit for the year attributable to owners of the parent	63.5
Equity of the parent company Italmobiliare S.p.A.	1,347.0
• Derecognition of the carrying amount of consolidated equity investments	(450.8)
<i>in fully consolidated companies</i>	(285.4)
<i>in equity-accounted associates and subsidiaries</i>	(165.4)
• Recognition of equity of consolidated equity investments	397.1
<i>in fully consolidated companies</i>	290.3
<i>in equity-accounted associates and subsidiaries</i>	106.8
Gains allocated to the equity of the subsidiaries and associates	65.0
Elimination of intragroup transactions and other changes	0.3
Consolidated equity attributable to owners of the parent	1,358.7

RISKS AND UNCERTAINTIES

Risks and uncertainties were examined in each individual segments section, since they are different and specific for each Group segment.

INFORMATION ON PERSONNEL AND THE ENVIRONMENT

Information on personnel and the environment was provided in each individual segment, since each segment presents its own specific characteristics.

Italmobiliare S.p.A.



BUSINESS AND FINANCIAL PERFORMANCE

(in millions of euro)	2019	2018	Change %
Revenue and income	86.1	55.0	56.7
Gross operating profit (EBITDA)	45.7	1.4	n.s.
% of revenue	53.0	2.6	
Amortization and depreciation	(0.7)	(0.6)	18.8
Operating profit (EBIT)	45.0	0.8	n.s.
% of revenue	52.2	1.5	
Net finance income (costs)	(0.1)	(0.1)	(51.1)
Impairment of financial assets	(14.3)	-	n.s.
Profit/(loss) before tax	30.6	0.7	n.s.
% of revenue	35.6	1.3	
Income tax	(10.9)	19.1	n.s.
Profit/(loss) for the year	19.7	19.8	(0.3)

n.s. = not significant

(in millions of euro)	December 31, 2019	December 31, 2018
Equity	1,347.0	1,230.1
Net financial position	569.6	344.9
Employees (headcount) at the end of the year	37	37

Revenue and income for the year amounted to 86.1 million euro (55.0 million euro in 2018), and consisted mainly of dividends from equity investments (22.5 million euro), gains and fair value gains on equity investments, funds and securities (46.2 million euro), other finance income (16.8 million euro) and revenue from services provided (0.6 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 included, with regard to FVTOCI equity investments, the dividends received. On the other hand, with regard to equity investments in subsidiaries and associates, the item included both dividends and gains/losses realized on sales as well as any impairment losses.
- "Net gains (losses) on investments of cash and cash equivalents", which included 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" consisted essentially of interest expense on borrowings, bank commissions and costs;
- "Other income and expense" included personnel expenses and operating expenses for the financial structure, net of amounts recovered from other Group companies or third parties.

(in millions of euro)	2019	2018	Change %
Net gains (losses) on equity investments	8.1	23.8	(66.0)
Net gains on investments of cash and cash equivalents	47.2	0.1	n.s.
Total finance income/costs	55.3	23.9	131.4
Other expenses	(24.8)	(23.2)	6.9
Income tax	(10.8)	19.1	n.s.
Profit/(loss) for the year	19.7	19.8	(0.5)

n.s. = not significant

The company realized net gains for 8.1 million euro on equity investments, a reduction from 23.8 million euro at December 31, 2018 due to the write-down of some equity investments (-14.3 million euro) and the reduction in dividends (1.4 million euro).

Net gains and losses on investments of cash and cash equivalents, on the other hand, increased by 47.1 million euro, mainly due to the positive performance of the investment and private equity funds (+40.6 million euro) and the held for trading equity investments (+13.5 million euro), partially offset by the decrease in derivatives (7.0 million euro).

Other income and charges showed a negative balance of 24.8 million euro, an increase of 1.6 million euro on the previous year mainly due to higher provisions for risks.

Taxes were negative for 10.8 million euro, whereas in 2018 they were positive for 19.1 million euro. The change was mainly due to the activation of tax benefits on prior-year tax losses and on deductible temporary differences made in 2018.

Equity amounted to 1,347 million euro, increased by 117 million euro compared with the previous year, mainly due to the improvement in the FVTOCI reserve for 36.6 million euro thanks to the increase in the value of the shares in portfolio, the increase in retained earnings due to the sale of equity investments for 78 million euro, the reduction in the stock option reserve for 10.5 million euro and the distribution of dividends for 23 million euro.

SIGNIFICANT EVENTS DURING THE PERIOD

In January 2019, Italmobiliare reached an agreement for entering into the Autogas - AGN Energia Group, at the same time agreeing the terms for the acquisition of Lampogas. Italmobiliare, which has invested 60 million euro in the deal, became a shareholder, with an interest of around 30%, in a group with a total turnover of approximately 500 million euro. With the purchase of Lampogas, the Autogas Group has significantly strengthened its presence in the national market for the distribution of LPG, at the same time rapidly expanding its overall offer in the energy sector.

The Ordinary and Extraordinary Shareholders' Meeting of April 17, 2019 approved the proposal to cancel 5,133,800 out of a total of 5,685,870 treasury shares, without reducing the share capital and using available reserves. After the cancellation, the number of issued shares fell from 47,633,800 to 42,500,000. The shareholders also renewed the authorization for the purchase and disposal of treasury shares for the following 18 months.

Lastly, the Shareholders' Meeting confirmed Paolo Sfameni as a director, he was previously co-opted by the Board on July 31, 2018 and appointed Deloitte & Touche S.p.A. as independent auditors for the years 2019-2027, as KPMG SpA's engagement for the period 2010-2018 had expired.

The Board of Directors of Italmobiliare S.p.A. updated the Company's By-laws on June 18, 2019 in accordance with the updates on the regulatory requirements.

On August 16, 2019, Italmobiliare sold its stake (9.5%) in Jaggaer (software platforms for eProcurement and spend management) to Cinven, for a total of 91.2 million euro. At the end of 2017, Italmobiliare sold the investment in BravoSolution to Jaggaer and, as part of the agreement, invested about 35 million euro in the US company, becoming a shareholder with a stake of approximately 9.5% of the share capital. In the same period, it was also completed the sale on the secondary market of its stake in the Aksia IV fund for 21.6 million euro.

Italmobiliare applied for and obtained admission to the STAR segment of Borsa Italiana S.p.A.; trading started on September 24, 2019.

The acquisition of Capitelli F.lli Srl (Capitelli), an example of Italian excellence in the food sector, was completed on December 11, 2019. Capitelli, which was founded in 1976 in Borgonovo Val Tidone (Piacenza), produces premium-range cooked ham. 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. Italmobiliare S.p.A. invested 22 million euro (of which 8.6 as a capital increase reserve) in the operation, becoming a shareholder through the newco FT1 S.r.l. with an 80% stake in a company with a turnover of approximately 13 million euro.

In December, Italmobiliare S.p.A. reached an agreement, which was then closed in January 2020, for the purchase of a 20% stake in "Officina Profumo Farmaceutica di Santa Maria Novella" based in Florence, a top-of-the-range cosmetics company and historic brand with international allure. Italmobiliare S.p.A. invested 40 million euro in the operation, becoming a non-controlling shareholder of a group with a turnover of approximately 31 million euro, with a chance to increase the shareholding over time.

The breakdown of the Italmobiliare "net financial position" is provided in the notes of the separate financial statements of Italmobiliare in the IFRS 7 section.

ITALMOBILIARE NET FINANCIAL POSITION

(in millions of euro)	December 31, 2019	December 31, 2018
Current financial assets	544.9	329.1
Current financial liabilities	(2.7)	(11.8)
Current net financial position	542.2	317.3
Non-current financial assets	27.6	27.6
Non-current financial liabilities	(0.2)	0.0
Non-current net financial position	27.4	27.6
Net financial position	569.6	344.9

At December 31, 2019 the net financial position of Italmobiliare S.p.A. increased by 224.7 million euro, going from 344.9 million euro at December 31, 2018 to 569.6 million euro at the end of December 2019, 40% allocated to the Vontobel Fund with a conservative risk profile consistent with the Company's investment policies. The main flows include the sale of HeidelbergCement and Mediobanca shares (+222.9 million euro), the sale of the investment in Jaggaer (+91.2 million euro), partially offset by the acquisition of Autogas - AGN Energia (-60.1 million euro) and Capitelli, which took place through the newco FT1 S.r.l. (-22.7 million euro, of which 8.6 as a capital increase reserve).

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 level 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.

Assuming market proxies for the illiquid and unlisted components, the quantitative analysis (VaR, CVaR) shows that the systematic risk of the NAV is lower than the parametric risk of the global equity index. This lower relative risk is mainly due to the share of cash and to the partial compensation of the components with greater correlation with the fluctuation of the economic cycle (HeidelbergCement, Tecnica) with those less exposed to the cycle (Caffè Borbone and, to a lesser extent, Autogas - AGN Energia and Italgas).

Furthermore, the correlation analysis highlights the diversification between sectors.

With regards to the equity investment portfolio, an analysis of the most common risks among Group companies reveals a greater exposure to potential regulatory and financial risks (in terms of changes in fair value, credit and liquidity, depending on the individual company) and price/availability of raw materials.

With regard to exposure by geographical area, analysis of the portfolio by country/registered office of the investment overestimates the exposure to Italy (approximately 65%): the effective exposure in fact drops to about half of the portfolio (51%) considering the distribution of the NAV in proportion to the geographical diversification of the turnover of the equity investments, albeit increasing

compared with 2018 (40%) mainly due to the growth of Caffè Borbone, the entry of Autogas – AGN Energia and the progressive reduction of exposure in HeidelbergCement.

The main risks to which Italmobiliare S.p.A. is exposed are described below.

Holding company risks

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 associates 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, 2019, the number of people employed was 37, the same as at the end of 2018.

LITIGATION AND DISPUTES PENDING

A description of the main legal and tax disputes involving Italmobiliare S.p.A. is provided in relevant section on page B45.

OUTLOOK

The business outlook for Italmobiliare S.p.A. is explained in the relevant section on page B46.

Caffè Borbone

(60% INTEREST)



BUSINESS AND FINANCIAL PERFORMANCE

(in millions of euro)	2019	May-December 2018	2018 (*)	Change '19/ '18 %
Revenue and income	172.6	92.0	135.2	27.6
Gross operating profit (EBITDA)	52.0	22.5	34.2	51.9
% of revenue	30.1	24.5	25.3	
Amortization and depreciation	(8.6)	(5.6)	(6.5)	31.2
Impairment losses of non-current assets	0.0	0.0	0.0	
Operating profit (EBIT)	43.4	16.9	27.7	56.8
% of revenue	25.2	18.4	20.5	
Net finance income (costs)	(1.7)	(1.6)	(2.6)	34.3
Profit/(loss) before tax	41.7	15.3	25.1	66.2
% of revenue	24.2	16.6	18.6	
Income tax	(7.5)	(5.2)	(8.6)	12.7
Profit/(loss) for the year	34.2	10.1	16.5	n.s.
Capital expenditure	2.8	340.8 ¹	341.5	n.s.

n.s. = not significant.

(in millions of euro)	December 31, 2019	December 31, 2018
Total equity	275.3	249.2
Net financial position	(31.6)	(51.2)
Employees (headcount) at the end of the year	199	154

In 2018, the income statement figures were consolidated for the period from May 3 (date of acquisition of the stake in Caffè Borbone Srl by Italmobiliare) to December 31; the comparisons with 2018 figures, where present, are based on management figures. The 2019 figures include the impacts of the first-time adoption of IFRS 16: they are therefore not totally comparable with the 2018 figures, though the impacts on Caffè Borbone are not significant.

(*) The figures have not been consolidated.

¹ The table includes the consideration paid for the purchase of 100% of L'Aromatika S.r.l., gross of third-party contributions (non-controlling interests in Caffè Borbone) now reflected directly in the financial statements of Caffè Borbone S.r.l. after the reverse merger of Caffè Borbone S.p.A. into L'Aromatika S.r.l., now Caffè Borbone S.r.l.

Caffè Borbone ended with a stunning positive 2019 showing a turnover of 172.6 million euro, increased by 28% compared with 2018.

Distribution channels, online and mass merchandising were particularly dynamic, with Caffè Borbone's growth compared to 2018 (+77%) much higher than the overall growth in the single-dose coffee market (+9% in the same period, source Nielsen); retailers were still the main sales channel, with growth substantially in line with the average. With regards to products, both pods and capsules continued to grow; the trend in sales of coffee beans and ground coffee was also positive (+39%).

Gross operating profit was 52.0 million euro, with a growth of 52% compared with 2018: profit margins were better at 30% (+4.8 p.p. compared with the previous year), mainly thanks to the scale effect over structure costs despite the significant investment in communication made to support the positioning of the Caffè Borbone brand.

Amortization and depreciation increased to 8.6 million euro, essentially due to the amortization of the customer list portfolio for the entire 12 months, whereas in 2018 it was only charged for 8 months, starting in May.

Taxes amounted to 7.5 million euro, down compared with 2018 despite the increase in the profit before tax, thanks to the tax relief obtained in 2019 on the income derived from the use of the Caffè Borbone brand (due to the so-called "Patent Box" for the years 2016, 2017, 2018 and 2019).

The 2019 profit amounted to 34.2 million euro, increasing more than double compared to the figure in 2018.

Note that cash flow for investments, 2.8 million euro in 2019, was shown net of the tax credits for investments made in the South of Italy (Law 208/2015) obtained for a total of 2.2 million euro.

The net financial debt at December 31, 2019 amounted to 31.6 million euro, with positive cash generation during the year for 27.6 million euro, gross of the 8 million euro of dividends paid in the second quarter of 2019.

RISKS AND UNCERTAINTIES

The Caffè Borbone business is exposed to two main areas of risk and uncertainties: 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

During 2019, Caffè Borbone continued to pay a great deal of attention to the sustainability of its

products and activities. Among the numerous projects already completed, worth noting is the fact that the company's pods are now completely compostable, thanks to the use of completely organic materials, as well as its adherence to the 100% Campania programme, which focuses on the reuse of paper supplied by local paper mills.

In 2020, the company will renew its commitment to increasing respect for the environment, confirming sustainability as a key factor in the future development of the company: in particular, during the year a new type of packaging will be launched, certified by the international NGO Forest Stewardship Council (FSC) to ensure that the product is made with raw materials from forests that are managed according to the principles of sustainability, and pilot projects will be launched on the compostability of capsules.

SAFETY INITIATIVES

In September 2019, the company completed its adoption of the 231 model which includes, among other areas, the monitoring of the full compliance of its work with the health and safety legislation in the workplace. In particular, during 2019 the company launched a series of initiatives dedicated to improving the safety of its production site.

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 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 2019, the workforce grew by 45, going from 154 to 199 employees, new hires mainly relate to the production area, for which were employed 35 people during the year.

LITIGATION AND DISPUTES PENDING

During 2019, the company assessed the effects of certain disputes and lawsuits by making the appropriate provisions where the liabilities were deemed probable and quantifiable.

OUTLOOK

The company expects in 2020 to continue its growth as in the recent years: in the positive context of the single-dose coffee market in Italy, Caffè Borbone still has significant growth potentialities in terms of geography, products and channels. The sales trend in the first weeks of 2020 seems to confirm this potential, with growth rates of more than 20%.

Also in terms of profit margins, the company expects to repeat the levels achieved in recent years.

Sirap

(100% INTEREST)



BUSINESS AND FINANCIAL PERFORMANCE

(in millions of euro)	2019	2018	Change %
Revenue and income	269.3	275.1	(2.1)
Gross operating profit (EBITDA)	19.9	16.3	22.5
% of revenue	7.4	5.9	
Amortization and depreciation	(13.8)	(11.2)	(23.2)
Impairment losses of non-current assets	(1.1)	4.1	n.s.
Operating profit (EBIT)	5.0	9.2	(46.2)
% of revenue	1.8	3.3	
Net finance income (costs)	(3.7)	(3.9)	5.1
Profit/(loss) before tax	1.3	5.3	(76.1)
% of revenue	0.5	1.9	
Income tax	(0.3)	1.0	n.s.
Profit/(loss) for the year	1.0	6.3	(83.9)
<i>attributable to:</i>			
- Owners of the parent	1.0	6.4	(84.0)
- Non-controlling interests	-	(0.1)	(92.5)
Capital expenditure	20.5	6.5	n.s.

n.s. = not significant

(in millions of euro)	December 31, 2019	December 31, 2018
Total equity	34.1	31.0
Equity attributable to owners of the parent	34.0	30.9
Net financial position	(80.8)	(82.3)
Employees (headcount) at the end of the year	1,384	1,471

The figures in the table refer to the Sirap Group.

The 2019 figures include the impacts of the first-time adoption of IFRS 16: they are therefore not totally comparable with the 2018 figures, with material impacts for the Sirap Group on its gross operating profit, capital expenditure and net financial position, as explained below.

The 2019 was the first year of the new Sirap Group's three-years Business Plan: during the year, the company launched and completed various initiatives contained in the Plan, with an impact on the economic and financial results explained in detail below. The initiatives included:

- Closure of the Italian plant in Bovezzo (Rosa Plast) and the consequent merger of Rosa Plast Due S.r.l. into Sirap Gema S.p.A., which will enable the creation of production and distribution synergies in the "Rigid" sector;
- The merger of Sirap Remoulins S.a.s. and Sirap Tarascon S.a.s. into Sirap France S.a.s. to simplify the structure of the Group's French activities and help containing future operating costs;
- Closure of the OPS leaf extrusion line at Sirap UK Ltd. following a drop in the demand from third parties. This will improve the profitability of the Group's UK activities, which were penalised in 2019 by the negative result of the leaf sector, and optimise the saturation of the OPS leaf extrusion line in Italy;
- Liquidation of the subsidiary Petruzalek Ltd. (Turkey), which was no longer functional to the Group's strategic structure due to the lack of development prospects in the local market;
- Sale of the non-controlling interest (23.99%) in CJSC Inline-R (Russia), not considered strategic for the development of the business in Eastern Europe.

The Group's net turnover in 2019 stood at 269.3 million euro, slightly down (-2.1%) compared with 2018; on a like-for-like basis (i.e. excluding the sale of OPS leaf in the UK and the Turkish subsidiary of Petruzalek), Group turnover went up 2.4%.

Looking at the individual businesses:

- In the "Rigid" segment, Italy and Poland confirmed their growth trend of recent years. As for the companies acquired in 2018, there were positive performances in France, which grew in double figures compared with the previous year, and Spain (+6%). Germany was substantially stable, while England decreased slightly, partly because of the discontinuity in OPS leaf mentioned previously;
- In the "Foam" segment, Italy's turnover was in line with 2018, whereas France grew by 4% compared with the previous year;
- Petruzalek decreased (-6%), partly because of the liquidation in Turkey, and partly because it was affected by a drop in the Hungary demand for polystyrene trays.

The Group's gross operating profit in 2019, already net of costs outside of the normal business caused by the various transactions mentioned in the introduction, amounted to 19.9 million euro; without these costs, the gross operating profit would have been 21.3 million euro. Bear in mind that, when making comparisons with the previous year, the two balances are not on a like-for-like basis as the first adoption of the IFRS 16 involved reclassification of the costs relating to operating rents and leases into depreciation, with an impact on the 2019 gross operating profit of 3.2 million euro. Neutralising this effect, the gross operating profit for 2019 would have been 16.7 million euro, higher than the 2018 figures for 0.4 million euro (+3%).

Amortization and depreciation amounted to 13.8 million euro, up from the previous year mainly due to the impact of IFRS 16 (3.2 million euro).

Impairment losses of non-current assets amounted to 1.1 million euro and were attributable to the Business Plan initiatives mentioned in the introduction: specifically, they mainly refer to the closure of the OPS leaf production line (0.6 million euro) and of the Bovezzo plant (0.4 million euro). It should be remembered that the previous year's figure (positive for 4.1 million euro) was attributable to the good deal made for companies acquired during the year.

Taxes had a negative balance of 0.3 million euro for the period, compared with the positive balance of 1.0 million euro of the previous year; the latter was made up of 1.5 million euro of negative current taxes and 2.5 million euro of positive deferred taxes originating from the tax consolidation of Sirap Gema S.p.A. into Italmobiliare S.p.A.

The consolidated net profit at December 31, 2019 was 1.0 million euro, showing a decrease of 5.3 million euro compared with December 31, 2018 mainly due to the differences in impairment losses.

The cash flow for investments, equal to 20.5 million euro for the year, was affected by the application of IFRS 16, which had an impact of 11.0 million euro. Net of IFRS 16, investments amounted to 9.8 million euro, showing an increase on 2018 both for the initiatives to support the "Rigid" business growth and to test alternative solutions in the "Foam" business.

The consolidated net financial position at December 31, 2019 was negative for 80.8 million euro. Neutralising the impact of IFRS 16, the balance would have been 72.9 million euro compared with 82.3 million euro at December 31, 2018, with a positive cash flow generation during the period for 9.4 million euro, also thanks to careful management of working capital.

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

RISKS AND UNCERTAINTIES

Considering the nature of the company's business, two main macro-risks are highlighted.

On the one hand, uncertainty remains high with regard to the price trend for the plastic raw materials used in production. While 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, the Group is currently evaluating the use of derivatives to (at least partially) hedge the risk of fluctuations in such commodity prices.

On the other hand, the plastics sector is increasingly affected by possible changes in the regulatory framework, both at European level (e.g. Single Use Plastic Directive) and in the main markets in which the Group operates (e.g. possible introduction of a Plastic Tax in Italy). 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 in new alternatives;
- Research activities to assess the impact of various materials on the environment, also through active collaboration with universities and two projects commissioned by the Sirap Group;
- Membership of associations (e.g. active participation in Unionplast) and lobbying (e.g. meetings on the Plastic Tax) to guide the evolution of the regulatory framework;
- With specific reference to the possible introduction of a Plastic Tax in Italy, definition of a timely plan to limit the possible impact on the Group's profitability.

In some countries where the Sirap Group operates, the regulatory changes mentioned above 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 falling volumes in the medium-long term.

Sirap operates through a number of subsidiaries in countries outside the Eurozone and is therefore exposed to the risk of fluctuation in the exchange rates of local currencies. This risk is carefully monitored by the parent company Sirap Gema S.p.A. through a special internal procedure; in particular, where material, derivatives (interest-rate swaps) are used to hedge interest-rate and exchange-rate risk.

ENVIRONMENTAL INITIATIVES

Since January 1, 2012, the Sirap Group has had an Environmental Policy document providing visibility on its commitment and the action taken to safeguard the environment in the countries where it operates. Guidelines have been established and made known to personnel summarizing the group's intention of complying with local regulations and applying the best ecological standards for sustainable and responsible development.

In the two-year period 2017-2018, all production plants were certified UNI ISO 14001:2015 with the exception of the newly acquired companies. Programs are being implemented to align the new production sites with Sirap standards. As part of the strategic development at the beginning of 2018, Company Policy was updated to put more emphasis on sustainability, quality, health & safety and the environment.

Starting from 2019, the Sirap Group adopted its own sustainability management system, laying down a 2020-2022 plan to establish virtuous sustainability standards: as part of this plan, the Sirap Group will publish its first Sustainability Report in 2020 based on the year ended December 31, 2019.

SAFETY INITIATIVES

In its factories, Sirap adopts the necessary measures to ensure maximum safety for its workers and property. Development continued of a Groupwide safety culture project set up in 2009, with the involvement of all senior managers: this involves dissemination of extensive information on accidents and accident statistics, and also on potential risk situations. In addition, action is promoted to prevent the risk of accidents.

The central role of quality and safety in Sirap Group policy was reiterated in 2018, and over the three years 2016-2018 all the production facilities, with the exception of those of the recently acquired companies, were certified for compliance with the international OHSAS 18001:2007 standard. Programs are being implemented to align the new production sites with Sirap standards.

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, 2019 the Group workforce numbered 1,384 employees, down by 87 employees compared with December 31, 2018.

Also in this case, the decrease was due to the Business Plan initiatives, mainly involving Sirap UK (-41 employees, largely related to the closure of the OPS Extrusion Department), Sirap Gema S.p.A. (-27 employees, mainly for the closure of the plant in Bovezzo) and Petruzalek (-22 employees, where in addition to the liquidation of the Turkish subsidiary, were also made specific operations on structural costs).

LITIGATION AND DISPUTES PENDING

With regard to the current dispute with the European Commission, details of which can be found in previous directors' reports, with the sentence issued on July 11, 2019 (Case T-523/15) the Court of the European Union rejected the appeal of Italmobiliare and the Sirap Group companies involved in the proceedings, confirming the amount of the fine imposed.

The sentence was appealed within the time limits and the proceedings are currently pending before the EU Court of Justice (Case C-694/19).

OUTLOOK

In 2020, the Company will start the second year of its three-year business plan, which includes other initiatives that focus on operational efficiency.

At business level, growth in the "Rigid" segment is expected to continue, while volumes are expected to decrease in the "Foam" segment, especially in France. In terms of margins, the Company expects an increase in its gross operating profit thanks to the efficiency measures finalised in 2019; the cost of raw materials, which is still at a low level in the first few weeks of 2020, will obviously be a key variable and subject to careful monitoring during the year to assess the need for any corrective action.

Italgen

(100% INTEREST)



BUSINESS AND FINANCIAL PERFORMANCE

(in millions of euro)	2019	2018	Change %
Revenue and income	34.4	36.0	(4.8)
Gross operating profit (EBITDA)	14.2	8.4	69.5
% of revenue	41.4	23.3	
Amortization and depreciation	(3.8)	(3.7)	3.8
Impairment losses of non-current assets	0.0	(2.9)	n.s.
Operating profit (EBIT)	10.4	1.8	n.s.
% of revenue	30.3	4.9	
Net finance income (costs)	(0.2)	0.2	n.s.
Share of profit (loss) of equity-accounted associates	0.2	-	n.s.
Profit/(loss) before tax	10.4	2.0	n.s.
% of revenue	30.4	5.4	
Income tax	(3.0)	(1.6)	89.4
Profit/(loss) for the year	7.4	0.4	n.s.
Capital expenditure	3.3	3.4	0.7

n.s. = not significant

The figures in the table refer to the Italgen Group.

The 2019 figures include the impacts of the first-time adoption of IFRS 16: they are therefore not totally comparable with the 2018 figures, though the impacts on the Italgen Group are not significant.

(in millions of euro)	December 31, 2019	December 31, 2018
Total equity	21.6	20.0
Net financial position	(20.1)	(21.0)
Employees (headcount) at the end of the year	70	77

In 2019, the production of hydroelectric energy reached to 306.2 GWh, showing an increase compared to the amount of 289.4 GWh of the previous year (+5.8%) thanks to higher than average rainfall, especially in the last quarter of the year, and an optimal level of plant availability.

Average unit revenue is also up, at 53.1 €/MWh compared to 50.5 €/MWh in 2018, thanks also to the positive impact of selling part of production at the beginning of 2019 at a fixed price.

Having said this, the Italgem Group's operating revenue for the year amounted to 34.4 million euro, down 1.6 million euro compared with 2018 only for the impact of the decrease in passthrough revenue (-3.7 million euro compared with 2018) without any impact on the Company's profitability.

In 2019 the gross operating profit stood at 14.2 million euro, up sharply (+69.5%) compared with 2018, which was penalised by significant costs outside of the normal course of business mainly related to the restructuring; without considering revenue and costs outside of the normal course of business, the gross operating profit would have been 14.6 million euro in 2019, in any case higher than the 10.7 million euro in 2018. Also in the current year, costs outside of the normal course of business (0.4 million euro) were largely attributable to redundancy plans.

The charge for amortization and depreciation of 3.8 million euro, substantially in line with 2018, led to an operating profit of 10.4 million euro, much better than in 2018 (1.8 million euro), which suffered impairment losses of 2.9 million euro relating to the subsidiary Italgem Maroc Ener SA.

Net financial costs amounted to 0.2 million euro, reflecting the impact of the medium-term refinancing; it should be remembered that the positive balance of net financial income in 2018 was helped by the sale of the non-controlling interest in i.Fotoguglia (0.5 million euro).

The Italgem Group's profit in 2019 therefore resulted 7.4 million euro, a distinct improvement on 2018 (0.4 million euro).

Capital expenditure during the year amounted to 3.3 million euro, in line with the 2018 figures; they mainly included the completion of the last phases of the Fiber Project (automation and remote control of the various plants, -0.6 million euro), the renovation of Villa di Serio (-0.5 million euro) and the resolution of the malfunction occurred to the Group 2 impeller at the San Giovanni Bianco hydroelectric plant (-0.4 million euro).

The net financial position of the Italgem Group at the end of 2019 stood at -20.1 million, slightly better than the 2018 amount (21.0 million) thanks to the positive cash flow of 6.9 million generated during the year, gross of the 6.0 million dividend payment made in the second quarter of 2019.

RISKS AND UNCERTAINTIES

Considering the nature of the company's business, three main macro-risks are highlighted.

With regards to the economic and financial results of the stand alone year, the Italgem Group is exposed to rainfall risk, which can every single year deviate significantly from the historical average 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; relating to price risk, the Company has already activated a hedging strategy by selling part of the non-subsidised production on the fixed price market.

With regards to the Italian activities of the Italgem 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 57.5 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 the possibility to continue operating on a provisional basis has been extended until December 31, 2020 with a probable extension to December 31, 2023.

With regard to the Group's foreign operations, particularly the project to build a 320 MW wind farm in Egypt (in Gulf El Zeit), in the first half of 2019 the company repeatedly asked the Egyptian authorities about renewal of the temporary licence and completion of the Power Purchase Agreement, following the applications sent to the Authorities back in mid-2018. Given the lack of a reply, the company has activated the procedure provided for by the "Bilateral Agreement for the Promotion and Protection of Investments between the Arab Republic of Egypt and the Italian Republic" dated March 2, 1989 which provides for a mandatory conciliation period of 6 months before being able to start an arbitration procedure.

During this period, the parties involved met several times in order to outline possible scenarios to allow the company to move ahead with the project.

At the date of approval of the financial statements at December 31, 2019, the conciliation period is still pending and, in light of the responses obtained, it was subsequently extended on the parties' agreement until the end of April 2020. The financial assets involved in the project are still classified under the assets held for sale as management believes that the project is likely to be sold in the next 12 months.

ENVIRONMENTAL INITIATIVES

Italgen's sustainable development and environmental policy initiatives confirm its commitment to protect the environment through harmonious integration of its facilities with the territory, and to develop innovative technologies to save natural resources and use 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 Statement presenting the results of its hydroelectric plants after the introduction of management systems geared to continuous improvement of its environmental performance.

Furthermore, the Italgen Group will publish its first Sustainability Report in 2020 based on the year ended December 31, 2019.

SAFETY INITIATIVES

In 2019 work continued for the continuous improvement of risk prevention and workplace safety, consisting mainly of updating of risk assessment and safety procedures, personnel training, health surveillance and regulatory updating.

RESEARCH AND DEVELOPMENT

There were no significant research and development activities during 2019.

HUMAN RESOURCES AND ORGANIZATION

At December 31, 2019, Italgas had 70 employees, compared with 77 at the end of 2018, following full implementation of the automation and remote control project, which led to a redefinition of the organisational model to make it more efficient.

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.

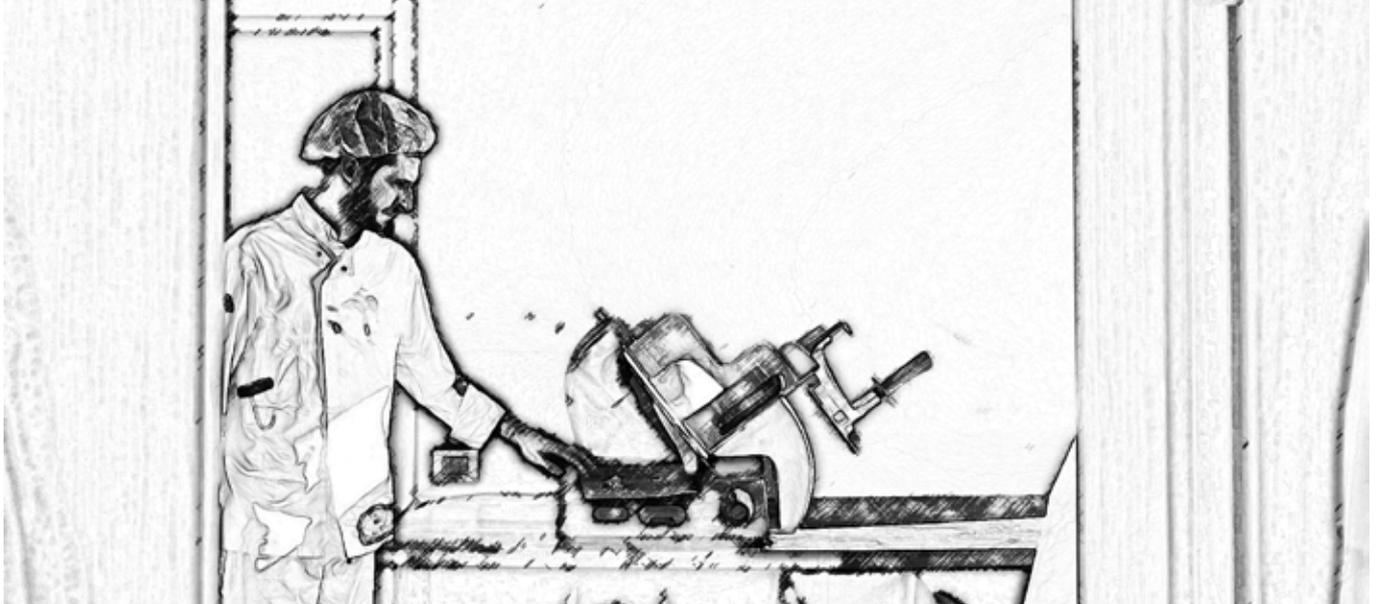
In addition to the provision for risks set aside in the financial statements, it is possible that Italgas may sustain other liabilities in the future, in addition to the amounts already provided for, due to uncertainties about possible regulatory developments in the energy sector, as well as the final 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

Overall, 2019 was a year that substantially lived up to expectations, albeit influenced by a strong quarterly volatility compared with the historical average. The company expects constant margins in 2020, assuming a year in line with the historical average in terms of rainfall and considering all the plants in operation during the year.

Capitelli

(80% INTEREST)
through the newco FT1 S.r.l.



BUSINESS AND FINANCIAL PERFORMANCE

(in millions of euro)	2019 (*)	2018 (**)	Change %
Revenue and income	14.0	11.6	20.7
Gross operating profit (EBITDA)	3.9	2.4	62.5
% of revenue	27.9	20.7	
Amortization and depreciation	(0.1)	(0.1)	0.0
Operating profit (EBIT)	3.8	2.3	65.2
% of revenue	27.1	19.8	
Net finance income (costs)	0.5	0.1	n.s.
Profit/(loss) before tax	4.3	2.4	79.2
% of revenue	30.7	20.7	
Income tax	(1.2)	(0.7)	71.4
Profit/(loss) for the year	3.1	1.7	82.4
Capital expenditure	0.2		

n.s. = not significant

(*) The figures refer to the consolidated financial statements of FT1 Srl and Capitelli and are not consolidated in the Italmobiliare as the acquisition took place in December. Figures are prepared in accordance with Italian accounting principles, reclassified according to the Group formats.

(**) The 2018 data are prepared in accordance with Italian accounting principles and have not been audited.

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

The company was consolidated only on the basis of its statement of financial position at December 31, 2019 based on a preliminary process of purchase price allocation. 2018 figures are based on management figures.

On December 11, 2019 Italmobiliare completed the agreement to acquire a 80% stake of the Capitelli's capital, confirming its strategic desire to support Italian excellence in the food sector.

Salumificio Capitelli, which was founded in 1976 in Borgonovo Val Tidone (Piacenza), produces premium-range cooked ham (San Giovanni recently received a prestigious award from 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.

The figures for 2019 showed a strong growth in revenue, which reached to 14.0 million euro (+21% compared with 2018), testifying to the good positioning achieved by the company's products on the market, in particular the "San Giovanni" cooked ham and the "Giovanna" bacon.

Gross operating profit also reported a strong growth in 2019 reaching the amount of 3.9 million euro (+62.5% compared with 2018), with a margin of 28% on sales; in fact, in addition to the turnover growth, the cost of domestic raw materials was lower than the previous year, especially during the first half of 2019.

Capitelli therefore closed the 2019 with a profit of 3.1 million euro, higher than in 2018 (1.7 million euro).

The net financial position at December 31, 2019 was positive for 10.3 million euro, with positive cash generation of 3.0 million euro during the year.

Tecnica Group

(40% INTEREST)



BUSINESS AND FINANCIAL PERFORMANCE

(in millions of euro)	2019	2018	Change %
Revenue and income	424.0	398.5	6.4
Gross operating profit (EBITDA)	51.5	37.9	35.7
% of revenue	12.1	9.5	
Amortization and depreciation	(18.2)	(11.8)	53.3
Operating profit (EBIT)	33.3	26.1	27.8
% of revenue	7.9	6.5	
Net finance income (costs)	(15.4)	(7.2)	n.s.
Share of profit (loss) of equity-accounted associates	(1.4)	(1.6)	15.9
Profit/(loss) before tax	16.5	17.3	(4.1)
% of revenue	3.9	4.3	
Income tax	0.4	(6.2)	n.s.
Profit/(loss) for the year	16.9	11.1	52.0
Capital expenditure	51.1	11.3	352.2

n.s. = not significant.

(in millions of euro)	December 31, 2019	December 31, 2018
Total equity	55.2	63.9
Equity attributable to owners of the parent	36.6	38.1
Net financial position	(221.1)	(113.4)
Employees (headcount) at the end of the year	3,292	1,541

The figures in the table refer to the Tecnica Group.

The 2019 figures include the impacts of the first-time adoption of IFRS 16: they are therefore not totally comparable with the 2018 figures, with material impacts for the Tecnica Group on its gross operating profit, capital expenditure and net financial position, as explained below.

As mentioned in the previous quarterly reports, 2019 for Tecnica was marked by an extraordinary transaction that strengthened the Group's strategic positioning: in particular, on July 25, 2019 the Tecnica Group completed its acquisition of a further 15% of Lowa, going from 60% to 75%, and the entire capital of Riko Sport S.r.l., a company that specialises in the production of high level footwear and is the main supplier of Lowa. The figures for 2019 reflect this operation, both in economic terms (for the 5 months from August to December) and in terms of net indebtedness.

In terms of revenue, the Tecnica Group closed the year at 424.0 million euro, a marked increase compared with 2018 (+6.4%), continuing the positive trend of recent years.

Growth is driven by the Group's winter brands (Nordica, Blizzard and Tecnica), which overall closed the year up 10% compared with 2018, higher than the forecasts in the last quarterly report. Good performance of Lowa too, which has consolidated its position as the Group's no. 1 brand; Moon Boot also did well; Rollerblade recovered in the last quarter and closed the 2019 in line with the previous year, while Tecnica Outdoor posted a slight decline. It should be noted that the Riko-Lowa deal described above did not have any impact on the consolidated revenue of the Tecnica Group, as Riko's turnover was entirely intragroup.

In 2019, the gross operating profit was 51.5 million euro, including an IFRS 16 impact of 5.2 million euro; without it, the gross operating profit comes to 46.3 million euro, which is still better than in 2018 (37.9 million euro, +22%). Also in this case, the Riko-Lowa operation was essentially neutral, as the higher margins linked to the integration of Riko were offset by one-off negative effects. By pro-forming the Riko result for the whole 2019, the gross operating profit, net of the effect of IFRS 16, would come to 59.6 million euro. Amortization and depreciation amounted to 18.2 million euro, with an increase of 6.4 million compared with the previous year, mainly due to the impact of IFRS 16 (5.2 million euro) and for the consolidation of Riko for 5 months (higher depreciation of 1.2 million euro).

The operating profit for 2019 therefore amounted to 33.3 million euro, a marked improvement (+27.8%) compared to 2018.

Net finance costs totalled 15.4 million euro, a deterioration of 8.2 million euro compared with 2018, mainly due to the one-off expenses for the obtaining of a new loan with banks and the simultaneous closure of the old loan.

Income tax had a positive balance of 0.4 million euro (-6.2 million euro in 2018) due to the effect of recognising deferred tax assets on losses made on the basis of a future recoverability forecast for Tecnica Group S.p.A. and Blizzard Sport, for a total of 7.6 million.

The Tecnica Group consolidated profit in 2019 was therefore 16.9 million euro, with an increase of 52% compared with 2018.

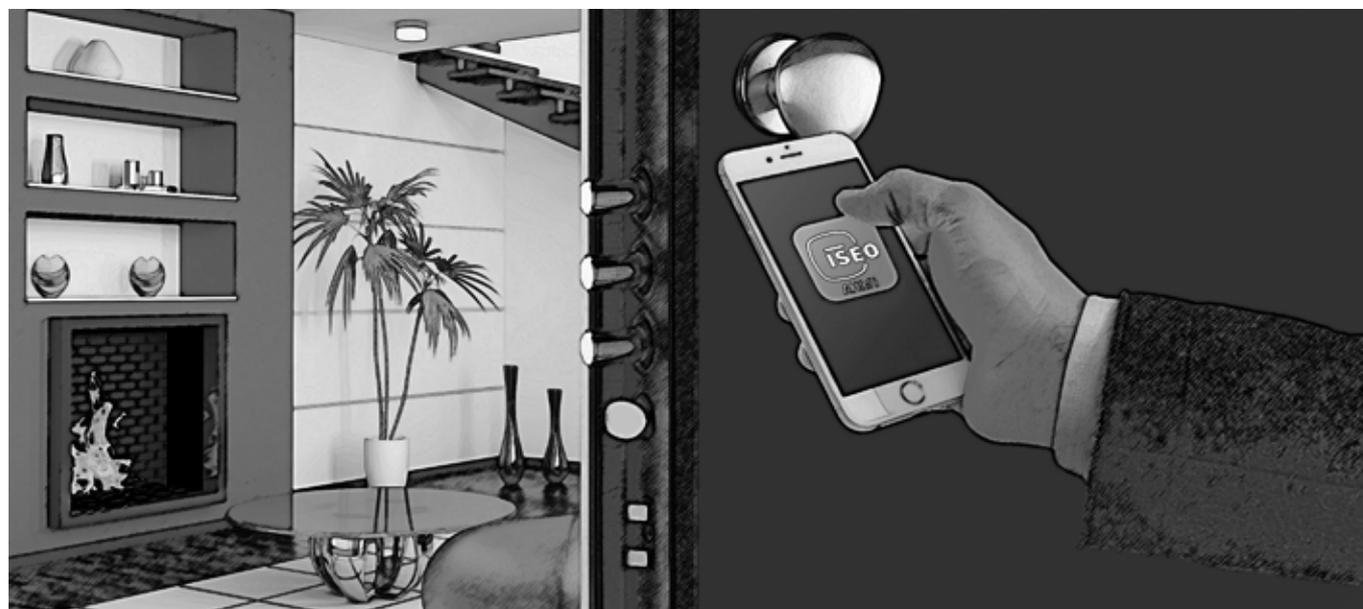
Capital expenditure during the year amounted to 51.1 million euro, of which 36.7 million euro related to the first time adoption of the IFRS 16. Without this effect, it would have amounted to 14.4 million euro. Also, the growth compared with the previous year is mainly explained by the consolidation of Riko (investments of 2.5 million euro over 5 months and 2.8 million euro pro-forma over the whole of 2019).

The net financial position at December 31, 2019 showed a negative balance of 221.1 million euro, the impact also in this case is related to, both the Riko-Lowa deal (-86.0 million euro) and the first-time adoption of the IFRS 16 (-36.9 million euro). Net of these effects, the net financial position would have been -98.2 million euro, with an increase compared with the figure at December 31, 2018 (-113.4 million euro) and a positive cash flow generated in the year for 15.2 million euro.

Lastly, it should be noted that the growth in the number of employees, which went from 1,541 at the end of 2018 to 3,292 at the end of 2019 (+1,751) was essentially due to the acquisition of Riko, which had a workforce of 1,731 at December 31, 2019.

Iseo

(40% INTEREST)



BUSINESS AND FINANCIAL PERFORMANCE

(in millions of euro)	2019	2018	Change %
Revenue and income	142.7	136.7	4.3
Gross operating profit (EBITDA)	15.3	15.0	2.0
% of revenue	10.7	10.9	
Amortization and depreciation	(7.5)	(7.6)	(1.5)
Operating profit (EBIT)	7.8	7.3	5.6
% of revenue	5.4	5.4	
Net finance income (costs)	0.7	(0.6)	n.s.
Profit/(loss) before tax	8.5	6.7	26.3
% of revenue	5.9	4.9	
Income tax	(2.4)	(1.4)	65.8
Profit/(loss) for the year	6.1	5.3	15.4
Capital expenditure	4.8	7.1	(32.4)

n.s. = not significant

The figures in the table refer to the Iseo Group.

The 2018 and 2019 results include the impacts of the first-time adoption of IFRS 16. It should be remembered that the 2019 consolidated financial statements of Italmobiliare include the consolidated net result of Iseo for the fourth quarter of 2018 and for 2019, for a total of 15 months.

(in millions of euro)	December 31, 2019	December 31, 2018
Total equity	62.9	58.3
Equity attributable to owners of the parent	60.6	56.1
Net financial position	(34.6)	(43.7)
Employees (headcount) at the end of the year	1,197	1,182

In 2019 the Iseo Group's turnover stood at 142.7 million euro, up (+4.3%) compared to the previous year.

Mechanical products contribute positively to business development, with an average increase of 6% compared with 2018. Electronic products, on the other hand - as mentioned in the previous quarterly report - have been affected during the year by the contingent problems at the subsidiaries of Liras (identifiable as the "Locken Group"); vice versa, the "Iseo" range of electronic products closed the year with double-digit growth compared with 2018.

In terms of geographical areas, Italy and France remained the main markets, also thanks to the slight increase in sales recorded in the two countries compared with 2018, although the unfavourable socio-political situation in France led to a reduction in residential construction; Europe generally continued to grow. A significant contribution also came from the turnover achieved mainly in non-European markets, the Middle East and North Africa.

In 2019, the gross operating profit amounted to 15.3 million euro, and included expenses unrelated to operational management and mainly related to reorganisation and redundancy incentives for 3.4 million euro. Without this expenses, the gross operating profit would have been 18.7 million euro, clearly increasing compared with the previous year (+25%).

The operating profit for 2019 stood at 7.8 million euro, improving compared with 2018.

Net finance income amounted to 0.7 million euro, mainly due to the decrease in the fair value of the liability accounted for in previous years in relation to the option to purchase the residual shares of the subsidiary Liras, which generated a positive effect of 1.6 million euro.

The net result of 6.1 million euro, marked a 15.4% improvement on the previous year.

Capital expenditure in 2019 amounted to 4.8 million euro, mainly related to the purchase of technologically advanced machinery sustained for guaranteeing greater flexibility and production efficiency, as well as for constant interventions to improve safety.

The net financial position at December 31, 2019 was negative for 34.6 million euro, including the effect of the first-time adoption of the IFRS 16 for -7.8 million euro and the "fair value" put option on the Liras remaining shares for 2.0 million euro; without these effects, the net financial position would have been -24.8 million euro. At December 31, 2018, the net financial position, net of the two effects mentioned above (IFRS 16: 9.5 million euro, fair value of the put option: 3.7 million euro) would have been negative for -30.5 million euro. It follows that cash flow generated in 2019 was 6.9 million euro, before the distribution of 1.2 million euro as dividends.

Autogas - AGN Energia

(30% INTEREST)



BUSINESS AND FINANCIAL PERFORMANCE

(in millions of euro)	2019 preliminary	2018 pro-forma	Change %
Revenue and income	487.7	526.2	(7.3)
Gross operating profit (EBITDA)	36.0	34.4	4.7
% of revenue	7.4	6.5	
Amortization and depreciation	(25.2)	(21.4)	17.8
Operating profit (EBIT)	10.8	13.0	(16.9)
% of revenue	2.2	2.5	
Net finance income (costs)	(3.2)	(0.6)	433.3
Share of profit (loss) of equity-accounted associates			
Profit/(loss) before tax	7.6	12.4	(38.7)
% of revenue	1.6	2.4	
Income tax (expense)	(2.8)	(4.6)	(39.1)
Profit/(loss) for the year	4.8	7.8	(38.5)
Capital expenditure	20.3	15.5	

n.s. = not significant

(in millions of euro)	December 31, 2019	December 31, 2018
Total equity	156.5	156.8
Equity attributable to owners of the parent	155.2	154.6
Net financial position	(127.2)	(137.9)
Employees (headcount) at the end of the year	571	600

The figures in the table refer to the Autogas – AGN Energia Group

Figures prepared in accordance with Italian accounting standards, reclassified according to the Group IFRS formats.

The comparisons with 2018 are based on pro-forma management figures on a like-for-like basis including Lampogas and have not been audited, while "preliminary figures for 2019 financial year" include management figures referring to the fourth quarter 2019.

For Autogas, 2019 was marked by the acquisition of Lampogas, completed on January 15, 2019, and by its subsequent integration, which formally ended with the merger of Lampogas into Autogas Nord in November 2019.

Among the objectives achieved during the integration process, it is worth mentioning:

- The precise identification of synergies related to the integration worth 9.5 million euro estimated considering the full operational at the end of 2021, 3.5 million euro of which already achieved in 2019 (including 0.5 million of financial expenses and 0.5 of lower raw material costs);
- The definition of a new organisation at the head office and of the network, with five integrated commercial Areas already active in the national territory;
- Full integration of the Group's supply chain, both for deposits throughout the territory and for primary and secondary transportations;
- The launch of a new Group brand (AGN Energia), which maintains a reference to the values and history of Autogas Nord and Lampogas;
- Completion of the migration of Lampogas to the IT system of Autogas, with dedicated training for all the resources involved.

Looking at the economic results, 2019 closed with a Group turnover of 487.7 million euro, less than in 2018 but only because of the decrease in the average selling price of the LPG (linked to the decrease in the purchase price of raw materials), without any real impact on the company's margins.

Looking at the individual businesses, LPG Retail volumes were up by 1.0% compared with 2018, while Wholesale volumes were slightly down (-1.9%); despite the drop in the average selling price, the margin between the selling and the purchase price of LPG is improving. Revenue from new businesses (electricity, natural gas and energy efficiency), on the other hand, confirmed a positive trend; electricity volumes grew by 70% compared with 2018, while natural gas stood at +27% on the previous year.

The gross operating profit was 36.0 million euro compared with 34.4 million euro of the previous year, showing an improvement of 1.6 million euro. This change was mainly related to the improvement in LPG margins (+9.1 million euro) and initial synergies from the integration with Lampogas (+3.0 million euro), partially offset by the increase in receivables losses (-9.9 million euro) in large part due to the difficulties of two large industrial customers that were still being supplied with electricity and natural gas (8.2 million euro of impairment losses only on these two positions). In this regard, it is worth emphasising that the Company has already taken action to strengthen the credit collection process, also by strengthening the organisation and applying more selective criteria for the acquisition of customers for the electricity and natural gas business.

Amortization and depreciation for the year amounted to 25.2 million euro, increasing from the previous year mainly for the impact of standardising the depreciation rates of Lampogas tanks with those of the Autogas Group.

Operating profit was 10.8 million euro, not as good as in 2018 (13.0 million euro).

Finance costs were negative in 2019 for 3.2 million euro and include the effect of one-off costs linked to closure of the loan agreement for the acquisition of Lampogas.

The consolidated net result of the Autogas Group was positive for 4.8 million euro, 3.0 million euro lower than the previous year.

At December 31, 2019 the net financial position showed a negative balance of 127.2 million euro, an improvement of 10.7 million euro compared with the pro-forma figures at December 31, 2018; if we also consider the payment of 4.0 million euro of dividends in 2019, cash generated in 2019 was positive for 14.7 million euro.

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. The segment is of marginal importance within the Italmobiliare Group.

At December 31, 2019, overall revenue and income amounted to 20.1 million euro (mainly composed of Clessidra's revenue of 15.1 million euro), increasing by 13.8 million euro from 2018, reaching a gross operating profit of 3.2 million euro (+ 1.3 million euro at December 31, 2018).

After amortization and depreciation of 1.1 million euro and income tax expenses of 0.9 million euro, the profit for the year was 1.4 million euro (+0.8 million euro in 2018). The largest contributor to these results was Clessidra SGR S.p.A.

CLESSIDRA SGR S.P.A.

During 2019 Clessidra SGR S.p.A. continued managing of the equity investments in the managed funds portfolio.

Specifically with regard to the CCPII Fund, management activities are flanked by the search for and finalisation of a suitable opportunity to dispose of the last company left in the portfolio.

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

During the third quarter of 2019, Clessidra expanded the scope of its business by entering the bank loan segment, with a particular focus on the so-called Unlikely to Pay loans. Clessidra has in fact decided to take this opportunity and enter in this market with the launch of a new fund reserved to institutional investors, Clessidra Restructuring Fund (CRF). This fund is made up of two sectors dedicated respectively to the credit component (which includes the positions sold by 10 banking and financial groups to 14 Italian companies characterised by a process of industrial recovery) and the new finance component (which includes the financial resources raised from institutional investors, which will be used to contribute to the relaunch and development of the companies in portfolio), with the subscription of a share by Italmobiliare.

Revenue, essentially represented by Clessidra fund management commissions, amounted to 15.1 million euro (11.1 million euro at December 31, 2018). Administrative expenses for the period amounted to 16.8 million euro (13.2 million euro at December 31, 2018) and were mainly composed of personnel expenses, consultancy and management expenses. After registering other operating income of 3.5 million euro (2.3 million euro at December 31, 2018), the operating profit was 1.3 million euro (0.1 million euro at December 31, 2018).

MAIN RISKS AND UNCERTAINTIES

The companies' risk factors differ, depending on the activities they perform. Specifically:

- through the funds it manages, Clessidra SGR carries out investment activities involving 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 risks connected to effective management of 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. Consequently they are not exposed to significant risks;
- the real estate companies hold land, buildings and small quotas stakes in non-listed companies. They are exposed to market trends they operate, which could impact their asset values.

INFORMATION ON PERSONNEL AND THE ENVIRONMENT

Personnel are adequate for the needs of the companies in the segment. At December 31, 2019 the segment had 56 employees, four fewer than at the end of 2018. No material environmental issues exist.

Main financial assets of Italmobiliare S.p.A.

HEIDELBERGCEMENT

During 2019, the global equity market for construction companies recorded a positive trend trying benefit both from macro factors like a drop in the price of energy raw materials, a widespread recovery in demand and the price of cement, and from heavily discounted valuations compared with the global index. In this context, the HeidelbergCement stock showed a variance, including dividends, of 25.4%. The valuation multiples of the stock remain at a discount with respect to its main competitors, while at company level the process of optimising the portfolio, increasing efficiency and reducing net debt has continued. Given this rise in the stock price, the opportunity was taken to further reduce exposure.

MEDIOBANCA

In 2019, the stock turned in a performance, including dividends, of 39.1%, higher than both the Eurozone banking sector index (18.1%) and the general reference index FTSE MIB (33.8%). The rise in prices was taken as an opportunity to complete the sale of direct exposure to the stock. A position still remains through FIN.PRIV. S.r.l.

JAGGAER

On August 14, 2019 was made the completion of the sale of the investment in Jaggaer (9.5%), a company that operates in the field of software platforms for eProcurement and spend management. It was acquired as a reinvestment following the sale of BravoSolution at the end of 2017 for 35 million euro. The investment, held through the vehicle company SciQuest Topco and classified as a financial asset measured at fair value through other comprehensive income (FVTOCI), was sold for 102.1 million dollars (91.2 million euro), which made it possible to realize a capital gain of 56.2 million euro before taxes. This gain was booked directly to the equity reserve as required by international accounting standards.

PRIVATE EQUITY FUNDS

The Company has invested in a portfolio of selected Italian and international Private Equity funds with a view to diversifying sectors and geographical investments, including the CCP3 fund of Clesidra, the BDT Fund II and III, Isomer Capital I, Connect Ventures 3, Iconiq IV.

In 2019 the value of the Private Equity funds increased overall by 29.4 million euro, mainly due to capital calls (35.6 million euro), the increase in fair value (30.0 million euro) and the exchange difference (+0.6 million euro), partially offset by repayments (-16.8 million euro) and disposals (Aksia: net carrying amount at December 31, 2018 of 20.0 million euro, sold for 21.6 million euro with a return on investment in terms of "money on money" equal to approximately 2.2X from the commitment of 2015).

Other significant information on the Group

HUMAN RESOURCES

The Italmobiliare Group had 1,766 employees at December 31, 2019, with a decrease of 23 employees from December 31, 2018.

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

(headcount)	December 31, 2019		December 31, 2018	
		%		%
Italmobiliare	37	2.1	37	2.0
Caffè Borbone	199	11.2	154	8.6
Sirap	1,384	77.9	1,471	81.8
Italgen	70	3.9	77	4.3
Capitelli	30	1.7		0.0
Other companies	56	3.2	60	3.3
Total	1,776	100.0	1,799	100.0

TRANSACTIONS WITH RELATED PARTIES

For the purposes of the Group 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 with a financial nature, are conducted at normal market conditions and in compliance with the Code of Conduct.

Highlights at December 31, 2019 for transactions with related parties are provided in the notes.

No atypical or unusual transactions took place in 2019 as defined by Consob Communication no. DEM/6064293 of July 28, 2006.

Transactions with subsidiaries, associates and their subsidiaries

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

The parent company Italmobiliare S.p.A. also provides administrative services to certain subsidiaries, regulated based on the costs sustained for rendering the service.

Transactions with other related parties

Transactions with other related parties in 2019 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 591,885 euro (of which 245,262 euro capitalized for the purchase of equity investments);
- legal consultancy and assistance provided to the subsidiary Italgem S.p.A. by the Gattai Minoli Agostinelli & Partners law firm, of which the director Luca Minoli is a partner, for fees totalling 71,975 euro;
- payment of insurance policy premiums to Assicurazioni Generali S.p.A., of which the Italmobiliare director Clemente Rebecchini is a director, for a fee of approximately 14,483 euro;
- payment of insurance premiums to Zurich Investments Life, of which the Italmobiliare director Mirja Cartia d'Asero is a director, for a fee of approximately 10,480;
- trust management services on securities and assets by Compagnia Fiduciaria Nazionale for considerations totalling 6,000 euro;
- a donation of 500,000 euro and charge back of costs of staff on secondment to the "Fondazione Cav. Lav. Carlo Pesenti", whose Board of Directors is chaired by Carlo Pesenti;
- contribution of 68,134 euro to ISPI (Istituto per gli Studi di Politica Internazionale), the body in which Carlo Pesenti is a director;
- compensation for the work performed as an employee by Giampiero Pesenti, son of Carlo Pesenti, paid by Sirap and Italmobiliare for a total of 75,168 euro;
- consultancy activities performed by Roberto Pesenti, son of Carlo Pesenti, at the subsidiary Franco Tosi Ventures for a total of 18,720 euro;

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

The equity investments held by Directors, Statutory Auditors, the General Manager, and the 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 at December 31, 2019 for transactions with related parties are provided in the notes.

LEGAL AND TAX DISPUTES

With regard to Italmobiliare S.p.A., as already illustrated in previous financial reports, the Italcementi shares 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., whose majority shares were 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.

In May, with sentences nos. 2316 and 2317, the Provincial Tax Commission of Milan rejected the appeals concerning dividends and CFC matters for the years 2010 and 2011, as already discussed in previous reports. The Company intends to appeal against these sentences.

With sentence no. 2187 of May 17, 2019, the Commission accepted the Company's appeal against the assessment notice relating to the property in Rome.

In November, the Lombardy Regional Directorate for Large Taxpayers Office notified the Company of a CFC tax assessment notice for 2014.

Appropriate provision was 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.

Details of the main disputes were provided in the sections of individual segments.

COMPLIANCE WITH THE CONDITIONS FOR LISTING LAID OUT IN THE CONSOB 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 headquartered 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 the Consob 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. provided appropriate disclosures to the market.

CONSOLIDATED DISCLOSURE ON NON-FINANCIAL INFORMATION

The Italmobiliare S.p.A. consolidated disclosure on non-financial information drafted pursuant to Legislative decree no. 254/16, is a separate report (Sustainability Report) from this Director's Report, pursuant to art. 5, par 3, head b) of Legislative Decree 254/16, and is available on the www.italmobiliare.it website in the "Investor/Reports" section.

* * *

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

* * *

Outlook

The slowdown of the global economic cycle, which began in 2018, showed signs of stabilisation during the last quarter of 2019. In particular, with the service sector showing an expansive dynamic, supported by consumer demand, the manufacturing sector has shown some signs of inverting the contraction trend. The economic cycle has started to benefit from two main factors: easing of the tension and uncertainty of the China-US trade negotiations, which came to an initial agreement, and the support of monetary policies, with over 85% of central banks preferring an accommodative approach compared with 35% at the beginning of the 2019. Both factors pushed financial markets higher - the global equity index ended the year with a total return of 26.2% - and credit spreads were compressed even more. Favourable financial conditions were therefore created which began to reflect on the main economies, both advanced and emerging. Looking ahead to 2020, globally, the expected growth rate in GDP averaged 3.3%, up from 2.9% in 2019, based on the leading indicators of the last quarter of 2019.

However, this trend of stabilisation and recovery was put at risk at the beginning of the year by the Coronavirus shock. The impact, through multipliers and channels both direct (demand) and indirect (business value chain), is difficult to quantify with respect to similar events (such as SARS), given China's greater weight on growth and world trade, and greater interconnection between the various geographical areas. Should the impact extend significantly over the course of the year and Covid-19 becomes much more widespread, the potential deviation of the global GDP growth rate from the expected trend could be significant.

In addition to the uncertainty about how the Coronavirus is likely to evolve, the macro and financial normalisation scenario of 2020 remains exposed to other exogenous events, geopolitical risks, including the negotiations on Brexit and commercial tariffs, and the US presidential election, as well as endogenous ones (sustainability of private sector debt and inflationary dynamics beyond expectations).

In this context of high uncertainty, the Company's commitment will remain focused on providing economic and strategic support to the companies in its portfolio, to sustain their growth trends also through acquisitions and extraordinary corporate finance, with particular attention to careful monitoring and risk management, starting from any strategic and operational criticalities caused by the Coronavirus. Any further investment opportunities will be carefully evaluated, also in light of the expected effects of the current contingent situation, as well as the management of the liquidity available in the portfolio.

The positive performance recorded by the portfolio companies highlights the consistency of Italmobiliare's strategy with the ability to read the Italian business landscape, made up of entities with unique skills and product excellence, which can benefit from the transversal skills made available by the management team of the holding company: industrial and financial planning, best practices in terms of governance and sustainability, and international networks of both business and institutional contacts.

In particular, the main focus will continue to be on the continuous search for industrial and managerial efficiency in the more traditional industrial situations, such as Sirap and Iseo, or energy like Italgas and Autogas - AGN Energia, and solid, sustainable development accompanied by significant cash generation by Tecnica and Borbone.

The proactive approach that has characterised Italmobiliare's activity with its portfolio companies will also characterise its commitment to the companies that have just entered the portfolio, starting with Capitelli and Officina Profumo Farmaceutica di Santa Maria Novella, iconic brands of high quality and with high growth potential.

The recent investments and the positive performance of the companies acquired were reflected in the increased weighting of the portfolio companies, which rose to over 40% of the overall NAV of Italmobiliare, confirming the course towards the declared objective of abundantly exceeding 50%, with the remainder of the portfolio equally divided between Private Equity Funds, other equity investments (including non-controlling interests in listed companies) and cash and cash equivalents in order to seize market opportunities.

Indeed, the component invested in listed companies decreased significantly during the year (approximately 160 million in HeidelbergCement remain and further reduction opportunities will be evaluated on the basis of market trends), while the portfolio of Private Equity Funds has further increased, adding important segments such as the Venture and the Growth Capital with high technological content, in addition to renewed support for the investment projects of Clessidra in Italy and BDT in the USA.

Milan, March 4, 2020

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

ANNEX 1

Annex 1

The Net Asset Value (NAV) of Italmobiliare S.p.A., as a non-GAAP financial measure, 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	12.31.2019	12.31.2018	Change
Listed equity investments	A	165	310	(145)
Portfolio Companies	B	745	480	265
Other equity investments	C	54	106	(52)
Private equity funds	D	158	129	29
Properties and related assets	E	49	51	(2)
Financial assets, trading, cash and cash equivalents	F	570	345	225
Total		1,741	1,421	320

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, 2019.

(in millions of euro)	Notes	12.31.2019	12.31.2018	Change
Listed equity investments as per NAV	A	165	310	(145)
Other equity investments				
HeidelbergCement		165	246	(81)
Mediobanca		-	64	(64)
Total amounts as per statement of financial position	G	165	310	(145)
Difference	G-A	(0)	(0)	(0)

(in millions of euro)	Notes	12.31.2019	12.31.2018	Change
Portfolio Companies as per NAV	B	745	480	265
Equity investments in subsidiaries and associates				
Clessidra		19	19	-
Tecnica Group		43	43	-
Italgen Group		20	20	-
Sirap Group		49	61	(12)
Caffè Borbone S.r.l.		144	144	-
ISEO		43	43	-
Autogas		60	-	60
Franco Tosi Ventures		0	-	0
FT1 - Capitelli increase in capital		23	-	23
FT2		0	-	0
Total amounts as per statement of financial position	H	401	330	71
Difference	H-B	344	151	193

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	12.31.2019	12.31.2018	Change
Other equity investments as per NAV	C	54	106	(52)
Other equity investments				
Vontobel		7	5	2
UBI		0	0	0
Unicredit		3	2	1
Cairo Communication		1	1	(0)
Coima Res		4	3	1
SciQuest LLC		-	56	(56)
Piaggio		0	1	(0)
Sesaab		1	2	(1)
Fin Priv. - Az. Mediobanca		20	16	5
Ideami		3	3	0
035 Capital expenditure		1	1	(0)
Compagnia fiduciaria		1	1	(0)
Italgen Misr		0	0	-
Total	I	42	91	(49)
Equity investments in subsidiaries and associates				
Crédit Mobilier de Monaco		5	5	-
SES		7	10	(3)
Total	L	12	15	(3)
Total amounts as per statement of financial position	I+L	54	105	(52)
Difference	(I+L)-C	0.5	0.3	0

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	12.31.2019	12.31.2018	Change
Private equity funds as per NAV	D	158	129	29
Bonds and mutual funds				
Clessidra (Funds)		69	47	21
AKSIA		0	20	(20)
BDT 2		53	34	20
BDT 3		2	0	2
Amber		11	11	0
Draper		0	0	(0)
Isomer		6	4	2
ICONIQ		4	-	4
Connect Ventures		0	-	0
Total	M	146	116	30
Equity investments in subsidiaries and associates				
Dokime		3	3	-
Total	N	3	3	-
Other equity investments				
Atmos Venture		0	0	(0)
New Flour S.p.A		4	3	1
Total	O	4	3	1
Total amounts as per statement of financial position	M+N+O	153	122	31
Difference	(M+N+O)-D	5	7	(2)

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

(in millions of euro)	Notes	12.31.2019	12.31.2018	Change
Properties and related assets as per NAV	E	49	51	(2)
of which properties		45	48	(3)
of which subsidiaries		4	4	0
Property, plant and equipment of Italmobiliare S.p.A.				
Property - Via Borgonuovo, Milan		5	4	1
Total	P	5	4	1
Investment property of Italmobiliare S.p.A.				
Property - Via Sallustiana, Rome		10	15	(5)
Total	Q	10	15	(5)
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)
Other equity investments				
Astra Immobiliare		0	0	0
Total		0	0	0
Total amounts as per statement of financial position	(P+Q+R)	27	31	(4)
Difference	(P+Q+R) - E	22	20	2

The difference relates for approximately Euro 22 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	12.31.2019	12.31.2018	Change
Financial assets, trading, cash and cash equivalents as per NAV	F	570	345	225
Cash and cash equivalents		190	90	100
FV of derivatives receivable		1	3	(2)
Other current assets (1)		354	236	118
Non-current financial assets (2)		28	28	0
Total cash and cash equivalents		573	357	216
Current loans and borrowings		(0)	(7)	7
Current financial liabilities		(2)	(3)	0
Current options on securities		(0)	(2)	2
Non-current lease payables (3)		(0)	-	(0)
Total financial position		(3)	(12)	9
Total net financial position	S	570	345	225
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	12.31.2019	12.31.2018	Change
Gross operating profit (EBITDA)	A	125.9	41.2	84.7
Revenue and income		565.9	463.1	102.8
Other revenue and income		11.2	9.5	1.8
Change in inventories		5.0	11.2	(6.2)
Internally produced and capitalised assets		0.3	0.3	(0.0)
Raw materials and supplies		(246.1)	(227.4)	(18.7)
Services		(87.5)	(77.3)	(10.1)
Employee benefits expenses		(103.5)	(98.7)	(4.8)
Other operating income (expense)		(19.5)	(39.5)	20.0
Total amounts as per income statement	B	125.9	41.2	84.7
Difference	A-B	(0)	(0)	0

(in millions of euro)	Notes	12.31.2019	12.31.2018	Change
Operating profit (EBIT) as per report	C	97.1	21.3	75.8
Revenue and income		565.9	463.1	102.8
Other revenue and income		11.2	9.5	1.8
Change in inventories		5.0	11.2	(6.2)
Internally produced and capitalised assets		0.3	0.3	(0.0)
Raw materials and supplies		(246.1)	(227.4)	(18.7)
Services		(87.5)	(77.3)	(10.1)
Employee benefits expenses		(103.5)	(98.7)	(4.8)
Other operating income (expense)		(19.5)	(39.5)	20.0
Amortisation and depreciation		(27.7)	(21.2)	(6.6)
Impairment losses on non-current assets		(1.1)	1.2	(2.3)
Total amounts as per income statement	D	97.1	21.3	75.8
Difference	C-D	0	0	0

(in millions of euro)	Notes	12.31.2019	12.31.2018	Change
Net financial position	E	475.2	222.3	252.9
Caption	Financial statement class			
Cash and cash equivalents	Cash and cash equivalents	248.1	121.9	126.2
Short-term derivatives	Other current assets including derivative financial instruments	0.4	2.4	(2.0)
Equity investments measured at FVTPL	Equity investments, bonds and current financial receivables	24.1	33.7	(9.6)
Financial assets at amortised cost	Equity investments, bonds and current financial receivables	-	0.4	(0.4)
Funds and other financial instruments	Equity investments, bonds and current financial receivables	328.8	211.8	117.0
Other receivables	Equity investments, bonds and current financial receivables	19.2	1.7	17.5
Other loan assets and financial instruments	Other current assets including derivative financial instruments	10.2	8.6	1.6
Prepaid expenses	Other current assets including derivative financial instruments	0.1	-	0.1
Total current financial assets		630.9	380.6	250.4
Loans and borrowings	Loans and borrowings	(21.7)	(25.1)	3.4
Financial liabilities	Financial liabilities	(36.4)	(47.2)	10.8
Due to financial and private equity companies	Other liabilities	(8.9)	(9.1)	0.2
Derivatives	Other liabilities	(0.4)	(2.0)	1.6
Total current financial liabilities		(67.3)	(83.3)	15.9
Non-current receivables	Trade receivables and other non-current assets	15.7	19.3	(3.7)
Other	Trade receivables and other non-current assets	2.5	2.6	(0.1)
Financial assets measured at amortised cost	Trade receivables and other non-current assets	9.0	13.4	(4.4)
Financial assets at FVTPL in NFP	Trade receivables and other non-current assets	3.9	3.2	0.8
Total non-current financial assets		31.1	38.5	(7.5)
Financial liabilities	Financial liabilities	(118.8)	(113.3)	(5.5)
Derivatives payable on loans	Other non-current payables and liabilities	(0.8)	(0.6)	(0.2)
Total non-current financial liabilities		(119.6)	(113.9)	(5.7)
Net financial position relating to continuing operations		475.1	221.9	20.7
Financial assets held for sale	Financial assets held for sale	0.1	0.3	(0.2)
Net financial position relating to discontinued operations		0.1	0.3	(0.2)
Total net financial position	F	475.2	222.3	253.2
	Difference	E-F	0	0

REPORT ON
CORPORATE
GOVERNANCE
AND THE
OWNERSHIP
STRUCTURE

TRADITIONAL ADMINISTRATION
AND CONTROL MODEL

**APPROVED BY THE BOARD OF DIRECTORS
ON MARCH 4, 2020**

REPORT ON CORPORATE GOVERNANCE AND THE OWNERSHIP STRUCTURE

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 promoted by the Corporate Governance Committee (the "**Corporate Governance Code**" or the "**Code**," available on the website of Borsa Italiana at www.borsaitaliana.it/comitato-corporate-governance/codice/codice.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, 2019 but is updated with any significant subsequent events that took place up to the date of its approval.

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 Organisation, Management and Control Model pursuant to Legislative Decree 231/2001 and the Code of Ethics;
- 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-MTA) 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 110,800 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 and other information in the Company's possession.

SIGNIFICANT SHAREHOLDINGS

Shareholder	No. of shares	% of share capital	% of voting capital
Efiparind B.V. <i>(indirectly and through Compagnia Fiduciaria Nazionale S.p.A.)</i>	20,969,250	49.339%	49.702%
Serfis S.p.A.	4,765,000	11.212%	11.294%
Mediobanca S.p.A.	2,894,044	6.81%	6.86%

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

The Company and some of its subsidiaries have loan agreements which, according to normal business practice, should control of the Company change, grant the lender the right to withdraw from or terminate the loan agreement in advance of the contractual deadline, with 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 17, 2019 resolved to: cancel 5,133,800 treasury shares without reducing the share capital; authorise (under art. 2357 of the Italian Civil Code) the purchase of 2,200,000 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 310,070 treasury shares, purchased under the authorisations previously approved by the Shareholders' Meeting.

The Shareholders' Meeting of April 21, 2020, convened for the approval of the 2019 financial statements, will also be called to resolve on the 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.

l) 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. (formerly Cemital S.p.A. with which Privital S.p.A. and Finanziaria Aureliana S.p.A. were merged from October 1, 2019) and through fiduciary registration with Compagnia Fiduciaria Nazionale S.p.A.

On February 14, 2020 the Board of Directors again confirmed that 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 bu-

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 out of the 14 making up the Board of Directors of Italmobiliare, Luca Minoli, who has not been granted any powers in either of the companies in which he is a Director, 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, as well as 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 the Risks and Sustainability Committee, the Board of Directors can confirm 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 value for the Shareholders. They hold office while dedicating the time needed for diligent performance of their duties.

The Chairman, or if absent, the Deputy 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, such as confidentiality, not to permit advance distribution of the material.

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 respected during the 2019 for transactions subject to Board approval. Only with reference to one investment 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. On certain occasions, documents providing additional information were made available to the Board the day of the meeting.

As recommended in the communication from the Chairman of the Corporate Governance Commit-

tee dated December 21, 2018, at the meeting on February 14, 2020 the Board of Directors made a specific assessment of the information provided prior to the Board meeting, which 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 operates a competitor business for themselves or on behalf of third parties, nor is a director or general manager in competitor companies.

In 2019, the Board of Directors held nine meetings, lasting for almost three 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 Corporate Affairs. The Heads of Investment Management, IR, Internal Audit, Development & Investments, Finance & Treasury and Human Resources also attended for matters concerning their sphere of competence.

In December 2019, the Company issued a calendar of corporate events for 2020, which can be found on www.italmobiliare.it. In 2020, up to the date of approval of this Report, the Board of Directors has met three times.

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 Corporate Governance Code 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 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.

During the last renewal of the corporate bodies in 2017, the Board of Directors decided not to give shareholders guidelines on the size of the Board and on the managerial and professional figures whose presence was deemed appropriate. In view of the renewal of the corporate bodies on which the Shareholders' Meeting will resolve on April 21, 2020, after consulting the Remuneration and Nominations Committee, also on the basis of the results of the self-assessment process, the Board of Directors has developed guidelines to the shareholders on the size and composition of the administrative body, also expressing its opinion about the base compensation to be assigned to the members of the Board and of the Board committees. The guidelines have been published on the Company's website in the "Governance/Shareholders' Meeting" section.

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 19, 2017 up until approval of the financial statements at December 31, 2019, is made up of fourteen members.

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 2017 eleven of the fourteen Directors currently in office were selected from the slate submitted by the majority shareholder Compagnia Fiduciaria Nazionale S.p.A.: Laura Zanetti, Carlo Pesenti, Livio Strazzera, Vittorio Bertazzoni, Giorgio Bonomi, Mirja Cartia D'Asero, Valentina Casella, Sebastiano Mazzoleni, Luca Minoli, Chiara Palmieri, and Clemente Rebecchini. Antonio Salerno was selected from the minority slate submitted by RWC Asset Management LLP. Elsa Fornero was co-opted by the Board of Directors on July 27, 2017, following the resignation of Livia Pomodoro, and subsequently confirmed by the Shareholders' Meeting of April 18, 2018 on the proposal of the Board of Directors. Lastly, in accordance with the provisions of art. 16 of the By-laws, Paolo Sfameni, the first and only candidate not elected from the majority slate submitted by Compagnia Fiduciaria Nazionale S.p.A. at the Shareholders' Meeting in 2017, was co-opted by the Board of Directors on July 31, 2018 following the resignation of Massimo Taroni, and then confirmed by the Shareholders' Meeting of April 17, 2019 on the proposal of the Board of Directors.

When the corporate bodies were renewed in 2017, 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 during the nomination, are available on the website www.italmobiliare.it in the section entitled "Governance/Shareholders' Meeting/ Shareholders' Meetings Archive/2017".

The curriculum vitae of each Director is available in the "Governance/Organisation" 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 fourteen Directors currently in office, thirteen are non-executive; seven of these are independent according to both the CLF and the Code, and three are independent only according to the CLF. In compliance with the provisions on gender quotas, one third of the positions are reserved for the gender that is less represented.

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, and Chairman of the Executive Committee
Livio Strazzerà*	Deputy Chairman, and member of the Executive Committee
Carlo Pesenti	Chief Executive Officer - Chief Operating Officer, and member of the Executive Committee
Vittorio Bertazzoni**	Member of the Remuneration and Nominations Committee
Giorgio Bonomi	Member of the Risks and Sustainability Committee
Mirja Cartia d'Asero**	Chairman of the Risks and Sustainability Committee and member of the Committee for Transactions with Related Parties
Valentina Casella**	Chairman of the Committee for Transactions with Related Parties and member of the Risks and Sustainability Committee
Elsa Fornero**	Member of the Committee for Transactions with Related Parties
Sebastiano Mazzoleni	
Luca Minoli	Member of the Executive Committee
Chiara Palmieri**	Member of the Remuneration and Nominations Committee and member of the Executive Committee
Clemente Rebecchini*	
Antonio Salerno**	
Paolo Sfameni**	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

The Board of Directors, with a view to efficiency and clarity, with a resolution passed on March 6, 2018, set the maximum number of offices held in listed companies in regulated markets, in Italy or abroad, as four, including the office in Italmobiliare S.p.A., excluding the companies of the Italmobiliare Group, which can be considered compatible with the efficient performance of the office of 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 Strazzerà	Serfis S.p.A.	Sole Director
Carlo Pesenti	Clessidra SGR S.p.A.	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
Valentina Casella	Banco di Desio e della Brianza S.p.A.	Director
	Buzzi Unicem S.p.A.	Director
Elsa Fornero	Centrale del Latte d'Italia S.p.A.	Director
	Cemital Privital Aureliana S.p.A.	Chairman
Clemente Rebecchini	Assicurazioni Generali S.p.A.	Deputy Chairman
Paolo Sfameni	Allianz Bank S.p.A.	Director
	Investitori SGR S.p.A.	Chairman of the Board of Directors
	Genialloyd S.p.A.	Director
	Wise SGR S.p.A.	Chairman of the Board of Statutory Auditors

EXECUTIVE DIRECTORS

Of the fourteen 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, last amended on June 7, 2018, setting limits on how they can be exercised.

EXECUTIVE COMMITTEE, CHAIRMAN AND CHIEF EXECUTIVE OFFICER - CHIEF OPERATING OFFICER

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

The **Executive Committee**, made up of Laura Zanetti, Carlo Pesenti, Livio Strazzera, Luca Minoli and Chiara Palmieri, was granted all the powers and attributions of the Board of Directors, except for those which under the law and By-laws cannot be delegated, to be exercised within a limit of Euro 300 million, as last resolved on June 7, 2018. The Executive Committee has to report to the Board of Directors on the resolutions that it has passed at the first possible meeting.

The Executive Committee did not meet during 2019.

The following duties have been assigned to the **Chairman**, Ms Laura Zanetti: to submit proposals to be resolved on by the Board of Directors and/or Executive Committee; to supervise and ensure compliance with the principles of Corporate Governance approved by the Company, proposing 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 and supervise the work of the Chief Operating Officer with reference to real estate management transactions. In addition to the powers of representation established in the By-laws, the Chairman has been granted, among others, the powers to act, including before the criminal court, to protect the Company's interests, with the broadest mandate in terms of the capacity to lodge actions in criminal court, including the right to sign and submit charges and lawsuits against those liable for offences to the detriment of the Company and with all ensuing and subsequent powers, including the right to appear as a civil party against those liable, as well as to grant special powers of attorney based on such powers to trusted individuals and appoint attorneys and proxies; to appoint consultants in general, establishing their remuneration, compensation and any deposits, suspending, concluding and changing the relationship, with the right to grant special powers of attorney based on such powers to other people; to grant special and general powers of attorney, including related signature powers, individual or joint, and with the powers and attributions that will be considered necessary for the best performance of the company; to negotiate and conclude any transaction or contract for real estate purchase or sale, exchange and division, for the establishment of easements or property rights in general, permitting and requesting mortgage registrations, cancellations and entries, waiving mortgages and releasing the property registrar from all liability and with the right to appoint as a substitute, for each transaction or contract, one or more special attorneys with all the required powers, with the limit of Euro 20 million with joint signature together with the Chief Operating Officer.

The **Chief Executive Officer and Chief Operating Officer** Carlo Pesenti has been assigned the following tasks, inter alia: to submit proposals to be resolved on by the Board of Directors and/or Executive Committee; to oversee the execution and implementation of the investment plans defined by the Board of Directors and/or Executive Committee; to look after the management policies and corporate development strategies of Italmobiliare and its main subsidiaries, held directly and indirectly; to oversee and direct the activities of Italmobiliare and its main subsidiaries; to establish guidelines for managing the main companies in which Italmobiliare, directly or indirectly, holds an equity investment that allows it to exercise significant influence; to look after corporate organisation and propose any changes to the Board of Directors. The same person has been granted, inter alia, in addition to the powers of representation established in the By-laws, 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.

The powers granted for the office of Chief Operating Officer can be exercised within a limit of Euro 20 million per single transaction; the powers granted for the office of Chief Executive Officer can be exercised within a limit of Euro 20 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 trading 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.

In consideration of the Company's organisational structure, on the Committee's recommendation, the Board of Directors has not yet adopted a succession plan, although 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 in a transition phase.

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 2017, 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.

Subsequently, the Board of Directors periodically assessed whether the independence requirements were still met, having regard to the positions held by the non-Executive Directors and considering the declarations made by those directly concerned. The Board of Directors last assessed the independence requirements of each of the non-Executive Directors on February 14, 2020.

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, Valentina Casella, Elsa Fornero, Chiara Palmieri, Antonio Salerno and Paolo Sfameni. These Inde-

pendent Directors met once during 2019 without the other Directors.

The following qualify as Independent Directors only under the CLF: Laura Zanetti, Livio Strazzera and Clemente Rebecchini.

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.

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 19, 2017, the Board of Directors resolved not to appoint a "Lead Independent Director" for the 2017-2019 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 the 2019 financial year, 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 5.

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

The results of the self-assessment were presented to the Board of Directors at the meeting on February 14, 2020, 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 frequency and duration of the meetings, 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.

In 2019, induction sessions were held in the presence of certain members of management: one dedicated to the subsidiary Autogas Nord S.p.A., another dedicated to macro market trends and a third dedicated to the subsidiary Clessidra SGR S.p.A.

INTERNAL COMMITTEES OF THE BOARD OF DIRECTORS

In addition to the Executive Committee mentioned above, the Board of Directors has also set up the following Committees: the Remuneration and Nominations Committee and the Risks and Sustainability Committee, whose roles are to give advice and make proposals to the Board of Directors; and, in application of the regulatory provisions on related-party transactions, the Committee for Transactions with Related Parties.

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 and the Risks and Sustainability Committee is provided in the rest of this section of the report, 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 Committee, made up solely of Independent Directors who meet the requirements laid down in the Code and the CLF, currently consists of Paolo Sfameni, Chairman, Vittorio Bertazzoni and Chiara Palmieri.

All of the members have adequate experience in accounting, financial and remuneration policy matters. 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 part of meetings 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.

The Committee performs the following functions, among others: it makes proposals to the Board with regard to a remuneration policy for the Executive Directors, Directors vested with special powers and 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 incentive plans and variable remuneration have been achieved, also making use of information received from the relevant company departments. The Committee 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 and conducts preliminary investigations in order 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, with the Board of Statutory Auditors in attendance; meetings lasted more than one hour on average. During the year, the Committee was assisted by

Willis Tower Watson as an external consultant to prepare the remuneration policy for the three-year period 2020-2022 and the new long-term incentive plan, which will be submitted for approval by the next Shareholders' Meeting.

During 2019, the Committee carried out the following activities involving remuneration matters: it examined the remuneration policy of the Executive Directors and key management personnel to be submitted to the Board of Directors and to the subsequent advisory 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 (2018 MBO); it made a proposal to the Board of Directors on the fixed remuneration of the Chief Executive Officer - Chief Operating Officer for the period up to the end of the Board's term of office; 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 2019; it began preliminary activities for the preparation of the Company's new long-term incentive plan.

In 2020, the Committee has met twice up to the date of approval of this Report. Its activities on remuneration matters included the following: in light of the new legislative provisions, it defined the Company's remuneration policy for year 2020 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 examined the structure of the 2020 MBO for the Chief Executive Officer - Chief Operating Officer and the key management personnel; it verified the level of achievement of the objectives under the "2017-2019 Cash Incentive Plan linked to the performance of Italmobiliare S.p.A. shares", approved by the Shareholders' Meeting of April 19, 2017, processing the related assignment proposals; lastly, it made a proposal to the Board of Directors to adopt the Company's new long-term incentive plan to be submitted for approval to Italmobiliare's Shareholders' Meeting on April 21, 2020.

In 2019, in its capacity as Nominations Committee, it carried out the investigation into succession plans and formulated a proposal on the guidance opinion on the composition of the newly appointed Board of Directors, subsequently approved by the Board.

For further information on the duties of the Remuneration and Nominations Committee, and in general on the remuneration policy for Directors and key management personnel, 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.

RISKS AND SUSTAINABILITY COMMITTEE

The Board of Directors has set up a Risks and Sustainability Committee, made up of Mirja Cartia D'Asero, Chairman, Valentina Casella, both Independent Directors, and Giorgio Bonomi, non-Executive Director.

The Committee complies with the requirement of the Code that at least one member should have adequate experience in accounting and financial matters.

The Committee has a duty to provide the Board with advice and proposals on: i) the Internal Control and Risk Management System (ICRMS); ii) periodic financial reporting; iii) social sustainability matters linked to the exercise of the Company's business activities, also for non-financial reporting purposes. In particular, 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;
- f. the non-financial statement pursuant to Legislative Decree 254/2016.

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 monitors that there is adequate supervision of any sustainability issues involved in the Company's business activities, also for non-financial reporting purposes, as well as the interaction with stakeholders, the latter being understood as the recipients of non-financial reports;
- d. it examines the periodic reports on the assessment of the ICRMS and those of particular importance prepared by the Internal Audit Department;
- e. it monitors the independence, adequacy, efficiency and effectiveness of the Internal Audit Department;
- f. 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;
- g. it examines the periodic reports on internal control and risk management and on sustainability issues received from the subsidiaries of Italmobiliare S.p.A. and, in particular, those prepared by the equivalent Committees;
- h. 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;
- i. 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 Risks and Sustainability 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 2019, the Committee held a total of seven meetings, lasting two and a half hours on average, with all its members always in attendance. The full Board of Statutory Auditors always attended these meetings.

During 2019, the Committee, among other things:

- a. examined and approved the Company's method to carrying out impairment tests; it also reviewed and took note of the results;
- b. examined and approved the Company's approach to preparing the 2018 non-financial report and read the draft version, which was subsequently approved by the Board of Directors;
- c. examined the materiality matrix used in preparing the 2019 non-financial report, Italmobiliare's sustainability policy as well as the updates made to the "Investment and Development Guidelines" to incorporate sustainability issues; these documents were subsequently approved by the Board of Directors;
- d. 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;
- e. reviewed the Audit Plan for 2019, which was subsequently approved by the Board of Directors, and monitored its implementation;
- f. analysed the results of the risk management;
- g. examined the reports prepared by the Head of Internal Audit to check the adequacy, efficiency and effective functioning of the ICRMS;
- h. met the equivalent corporate bodies of the main subsidiaries;
- i. examined the method for measuring and representing NAV, expressing its opinion in favour of the proposal to modify it, which was subsequently approved by the Board of Directors;
- j. received periodic updates from the Head of Legal Affairs on the state of outstanding disputes for and against the Company.

In 2020, up to the date of approval of this Report, the Committee met four times in the presence of the Board of Statutory Auditors to examine, inter alia: the impairment test methodology applied in 2019 and the results; the results of risk management; the accounting policies used for drawing up the 2019 financial report; the draft non-financial report for 2019; updates on outstanding disputes; the results of the 2019 Audit and the 2020 Audit Plan. The Committee also reviewed the section of this Report that describes the ICRMS, agreeing on its content.

A total of seven meetings are scheduled for 2020.

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 Risks and Sustainability 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 the strategic plan, periodically monitoring its 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 Risks and Sustainability 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 Risks and Sustainability 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 Risks and Sustainability Committee, 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 report prepared by the Committee.

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 Risks and Sustainability 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 and the Executive Committee carried out their investment analyses, they 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 19, 2017 the Board of Directors decided that the Chief Executive Officer - Chief Operating Officer, Carlo Pesenti, should be 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 Risks and Sustainability 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 Risks and Sustainability 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 the 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 Risks and Sustainability 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.

THE HEAD OF THE INTERNAL AUDIT DEPARTMENT

The Board meeting on April 19, 2017 confirmed Delia Strazzarino as the Head of the Internal Audit Department, as proposed by the Director in charge of the ICRMS, 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 Risks and Sustainability Committee, the Board of Directors has established the remuneration of the Head of Internal Audit in line with company policies and ensured that this role has 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 Risks and Sustainability 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 Risks and Sustainability 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; this process was started in the last quarter of 2019 and ended with an assessment of substantial compliance with the standards for professional practice and the Internal Audit Code of Ethics.

After obtaining the opinion of the Risks and Sustainability 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 2020 prepared by the Head of Internal Audit, reviewed at the meeting on January 28, 2020.

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 July 11, 2018.

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 2018 the changes subject to the approval of the Board involved: simplifying the structure of the Model and updating the General Section, in light of the new organisational structure and regulatory changes (e.g. on whistleblowing); updating the special section in light of the corporate reorganisation and the regulatory changes made, which included the expansion of the types of offences provided for under Legislative Decree 231/2001 (in particular, self-money laundering).

The General Section of the Model is available on the Company's website www.italmobiliare.it, in the "Governance/ 231 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 is currently made up of Paolo Sfameni (Chairman), independent director, Dino Fumagalli, external consultant, and Delia Strazzarino, 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 Risks and Sustainability 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 Risks and Sustainability 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 during the preliminary analysis, are responsible for the activities linked to 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 meeting held on June 21, 2017, the Board of Directors appointed Mauro Torri as Financial Reporting Officer, pursuant to art. 154-bis of the CLF and art. 29 of the By-laws, effective from July 1, 2017. 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.

The Financial Reporting Officer of Italmobiliare receives and assesses the activity reports prepared by the internal control and risk management bodies of Group companies identified as significant entities.

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:

- 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 2020, applies to all entities, functions and corporate bodies

of Italmobiliare, as well as to 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 Risks and Sustainability 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

In the area of corporate risk management, the Company has activated a process of Enterprise Risk Management. Since August 2019, responsibility for risk management has been delegated to the Internal Audit Manager.

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 subsidiaries;
- 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 Risk and Sustainability 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 and opportunities that could affect achievement of the objectives of the Company and the Group continued in 2019 and up to the date of approval of this Report.

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, Risks and Sustainability Committee, Head of 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 Risks and Sustainability 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 gen-

der 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 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 be 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, 2019, was appointed by the Shareholders' Meeting on April 19, 2017 and is made up of Francesco Di Carlo, Chairman, Angelo Casò and Luciana Ravicini. The Alternate Auditors are Paolo Ludovici, Alberto Giussani, and Giovanna Rita.

The Board of Statutory Auditors in office was appointed using the slate voting system: Angelo Casò, Luciana Ravicini, Alberto Giussani and Giovanna Rita were selected from the majority slate submitted by Compagnia Fiduciaria Nazionale S.p.A.; Francesco Di Carlo and Paolo Ludovici were selected from the minority slate submitted by various institutional investors (Amber Capital UK LLP, Fidelity Funds International and RWC Asset Management LLP). The slates are available in the "Governance/Shareholders' Meeting Archive/2017" 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. The Board of Statutory Auditors checks once a year that all members meet the independence requirements. The Board of Directors last checked that its members met the requirements on February 14, 2020.

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.

The Board of Statutory Auditors, in 2019, held a total of 14 meetings lasting around two hours on average, with all of its members in attendance, in addition to participating in all the 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.

Due to the forthcoming renewal of the corporate bodies, the Board of Statutory Auditors has scheduled six meetings for the first quarter of 2020.

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 aimed at providing them with adequate knowledge of the sector in which the Company operates, the company dynamics and their evolution, the principles of correct risk management and the regulatory and self-regulatory framework of reference. In particular, in 2019, 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 Risks and Sustainability Committee. This coordination is guaranteed by the Board of Statutory Auditors attending all meetings of the Risk and Sustainability 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 Risks and Sustainability 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 prevent 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 activities 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 trading 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 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 2019 Ordinary and Extraordinary Shareholders' Meetings were convened on April 17 to vote resolutions on the following agenda:

Extraordinary Meeting

1. Proposed cancellation of 5,133,800 treasury shares without reduction of the share capital and consequent amendment of article 5 of the Company's By-laws.

Ordinary Meeting

1. Financial statements at December 31, 2018 and allocation of the profit.
2. Appointment of a director.
3. Appointment of the External Auditor for the years 2019-2027.
4. Authorisation to buy and sell treasury shares, subject to revocation of the authorisation given by the Ordinary Shareholders' Meeting held on April 18, 2018.
5. Consultation on the first section of the remuneration report pursuant to article 123-ter, para. 6, Legislative Decree 58/1998.

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.

Up until January 2020, the Company's By-laws expressly provided, with regard to the appointment of the Board of Directors according to the slate voting system, that slates comprising a number of candidates equal to or greater than three should be composed of candidates belonging to both genders, so that one or the other of the genders was represented by at least one third (rounded upwards) of the candidates. For the Board of Statutory Auditors, slates that have a total number of candidates equal to or greater than three must be composed of candidates belonging to both genders, so that one or other gender is represented by at least one third (rounded upwards) of candidates for the office of Standing Auditor and at least one third (rounded upwards) of the candidates for the office of Alternate Auditor. 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.

Adequate gender representation is ensured on the current Board of Directors, with the presence of 5 female Directors out of 14, i.e. 36%. As regards the age of Directors, 64% of them are over 50 years old, while 36% belong to the 30-50 age range. 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.

In this regard, 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 2019 as well.

In view of the renewal of the corporate bodies to be approved by the next Shareholders' Meeting, the Board of Directors has 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.

In addition to the above, it is worth remembering that on November 7, 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 Italmobiliare 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

On November 12, 2010, the Company's Board of Directors, having obtained the favourable opinion of the specifically appointed Committee for Transactions with Related Parties, adopted the Related Party Transactions Procedure, 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, made up of the Independent Directors Valentina Casella, Chairman, Elsa Fornero and Mirja Cartia D'Asero, 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 "par-

ties 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 application 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.

In 2019 the Committee met once, in a meeting that lasted less than an hour, in the presence of all its members and members of the Board of Statutory Auditors.

The Procedure is available on the Company's website www.italmobiliare.it in the "Governance/"

Documents and Procedures" section.

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 at the meeting on November 8, 2018.

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 main subsidiaries of the Group (Sirap Gema S.p.A., Italgem S.p.A., Caffè Borbone S.r.l. and Clesidra SGR S.p.A.) 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 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 19, 2019.

As regards the recommendations made in it, the Board of Directors noted that:

- i. the Company operates in order to integrate sustainability profiles into its strategy, promoting and supporting ESG themes also at its subsidiaries. In this sense, it is useful to remember that in 2019 the Company adopted its own policy regarding sustainability and that the ESG profiles have been considered for the purpose of preparing the remuneration policy for the years 2020-2022, which will be submitted to the next Shareholders' Meeting;
- ii. the information to the Board of Directors, its completeness, usability and timeliness are adequate;
- iii. the criteria established by the Code for the purpose of assessing independence have been rigorously applied. Since there is no consultancy relationship and, in general, no relationships that might condition the independent judgement between the Company and the Directors qualified as independent, no quantitative thresholds have been introduced to assess the ongoing existence of independence;
- iv. the Remuneration and Nominations Committee - also in view of the renewal of the corporate bodies - examined, subsequently reporting to the Board, an analysis of benchmarks concerning the remuneration of non-Executive Directors, members of the internal board committees and of the Board of Statutory Auditors. On this basis, the Board of Directors expressed its opinion about the basic remuneration to be assigned to the members of the Board and of the Board Committees, which is included in the guidelines on the composition of the Board of Directors to be appointed.

Unless otherwise indicated in the preceding sections, on closure of the financial year 2019, no changes had occurred that might significantly affect the contents of this Report.

Structure of the board and its committees

Board of Directors											Risks and Sustainability Committee			Remuneration and Nominations Committee		Committee for Transactions with Related Parties		Executive Committee			
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	19.04.2017	Fin.Stat 2019	M	•	•	•	•	0	9/9							0/0	C	
Deputy Chairman	Livio Strazzera	1961	03.05.2002	19.04.2017	Fin.Stat 2019	M	•	•	•	•	1	9/9							0/0	M	
Chief Executive Officer - Chief Operating Officer • ◊	Carlo Pesenti	1963	17.06.1999	19.04.2017	Fin.Stat 2019	M	•	•	•	•	2	9/9							0/0	M	
Director	Vittorio Bertazzoni	1976	19.04.2017	19.04.2017	Fin.Stat 2019	M	•	•	•	•	2	7/9			3/4		M				
Director	Giorgio Bonomi	1955	03.05.2002	19.04.2017	Fin.Stat 2019	M	•	•	•	•	0	9/9	7/7		M						
Director	Mirja Cartia d'Asero	1969	19.04.2017	19.04.2017	Fin.Stat 2019	M	•	•	•	•	2	9/9	7/7		C			1/1		M	
Director	Valentina Casella	1979	19.04.2017	19.04.2017	Fin.Stat 2019	M	•	•	•	•	1	8/9	7/7		M			1/1		C	
Director	Elsa Fornero	1948	27.07.2017	27.07.2017	Fin.Stat 2019		•	•	•	•	2	9/9						1/1		M	
Director	Sebastiano Mazzoleni	1968	25.05.2011	19.04.2017	Fin.Stat 2019	M	•	•	•	•	0	9/9									
Director	Luca Minoli	1961	03.05.2002	19.04.2017	Fin.Stat 2019	M	•	•	•	•	1	9/9							0/0	M	
Director	Chiara Palmieri	1970	19.04.2017	19.04.2017	Fin.Stat 2019	M	•	•	•	•	0	9/9			4/4		M			0/0	M
Director	Clemente Rebecchini	1964	25.05.2011	19.04.2017	Fin.Stat 2019	M	•	•	•	•	1	7/9									
Director	Antonio Salerno	1974	19.04.2017	19.04.2017	Fin.Stat 2019	m	•	•	•	•	0	9/9									
Director	Paolo Domenico Sfameni	1965	25.05.2011	31.07.2018	Fin.Stat 2019	M	•	•	•	•	4	9/9			4/4		P				
Number of Board meetings held during the year:		9		Risks and Sustainability Committee:		7		Remuneration and Nominations Committee:		4		Committee for Transactions with Related Parties:		1		Executive Committee:		0			

Quorum required for minorities to submit slates to elect one or more members (pursuant to Art. 147-ter CLF): 1%

• 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 BoD and the committees.

(**) This column shows the status of the Director within the Committee: "C": Chairman; "M": member.

Board of statutory auditors

Position	Members	Year of birth	Date of first appointment *	In office since	In office until	Slate **	Indep. Code	Attendance at Board of S.A. meetings ***	Attendance at Board of Directors' meetings	No. of other offices ****
Chairman	Francesco Di Carlo	1969	25.05.2011	19.04.2017	Fin.Stat 2019	m	•	14/14	8/9	3, of which 1 is listed
Standing Auditor	Angelo Casò	1940	25.05.2011	19.04.2017	Fin.Stat 2019	M	•	14/14	7/9	6
Standing Auditor	Luciana Ravicini	1959	27.05.2014	19.04.2017	Fin.Stat 2019	M	•	14/14	9/9	14
Alternate Auditor	Alberto Giussani	1946	19.04.2017	19.04.2017	Fin.Stat 2019	M	-	-	-	-
Alternate Auditor	Giovanna Rita	1973	19.04.2017	19.04.2017	Fin.Stat 2019	M	-	-	-	-
Alternate Auditor	Paolo Ludovici	1965	25.05.2011	19.04.2017	Fin.Stat 2019	m	-	-	-	-

Number of meetings held during the year: 14

Quorum required to submit slates by the minority parties for election of one or more members (pursuant to Art. 148 of the CLF): 1%

* 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.

ITALMOBILIARE

INVESTMENT HOLDING

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CONSOLIDATED
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CONSOLIDATED FINANCIAL STATEMENTS

Statement of financial position

(in thousands of euro)	Notes	12.31.2019	12.31.2018	Change
Non-current assets				
Property, plant & equipment	1	161,033	148,534	12,499
Investment property	2	7,919	8,864	(945)
Goodwill	3	181,864	167,141	14,723
Intangible assets	4	178,592	184,892	(6,300)
Investments in associates	5	164,147	102,384	61,763
Other equity investments	6	210,531	404,382	(193,851)
Trade receivables and other non-current assets	7	180,909	157,057	23,852
Deferred tax assets	22	13,075	32,349	(19,274)
Non-current receivables from employees		648	554	94
Total non-current assets		1,098,718	1,206,157	(107,439)
Current assets				
Inventories	8	57,202	58,170	(968)
Trade receivables	9	96,646	92,043	4,603
Other current assets including derivative financial instruments	10	22,953	27,830	(4,877)
Tax assets	11	8,089	6,204	1,885
Equity investments, bonds and current financial receivables	12	372,150	248,504	123,646
Cash and cash equivalents	13	248,112	121,930	126,182
Total current assets		805,152	554,681	250,471
Assets classified as held for sale	14	6,713	6,171	542
Total assets		1,910,583	1,767,009	143,574
Equity				
Share capital	15	100,167	100,167	
Share premium	16	55,607	177,191	(121,584)
Reserves	16	1,236	(31,174)	32,410
Treasury shares	17	(12,154)	(134,659)	122,505
Retained earnings		1,213,873	1,090,936	122,937
Equity attributable to owners of the parent		1,358,729	1,202,461	156,268
Non-controlling interests	18	115,467	99,775	15,692
Total equity		1,474,196	1,302,236	171,960
Non-current liabilities				
Financial liabilities	20	118,817	113,333	5,484
Employee benefits	19	12,525	12,321	204
Provisions	21	64,107	77,186	(13,079)
Non-current tax liabilities		8,358		8,358
Other non-current liabilities		861	5,622	(4,761)
Deferred tax liabilities	22	53,843	57,546	(3,703)
Total non-current liabilities		258,511	266,008	(7,497)
Current liabilities				
Loans and borrowings	20	21,658	25,065	(3,407)
Financial liabilities	20	36,416	47,173	(10,757)
Trade payables	23	68,857	78,200	(9,343)
Provisions	21	788	952	(164)
Tax liabilities	24	2,252	9,533	(7,281)
Other liabilities	25	47,338	37,264	10,074
Total current liabilities		177,309	198,187	(20,878)
Total liabilities		435,820	464,195	(28,375)
Liabilities directly associated with assets classified as held for sale	14	567	578	(11)
Total equity and liabilities		1,910,583	1,767,009	143,574

Income statement

(in thousands of euro)	Notes	2019	%	2018	%	Change	%
Revenue		476,982		404,324		72,658	
Gains on disposal							
Other income		88,893		58,745		30,148	
Total revenue and income	26	565,875	100.0	463,069	100.0	102,806	22.2
Other revenue and income		11,216		9,453		1,763	
Changes in inventories		5,000		11,221		(6,221)	
Internally produced and capitalised assets		326		329		(3)	
Raw materials and supplies	27	(246,091)		(227,350)		(18,741)	
Services	28	(87,472)		(77,326)		(10,146)	
Personnel expenses	29	(103,458)		(98,676)		(4,782)	
Other operating income (expenses)	30	(19,488)		(39,497)		20,009	
Gross operating profit (EBITDA)		125,908	22.3	41,223	8.9	84,685	n.s.
Amortisation and depreciation	31	(27,704)		(21,152)		(6,552)	
Impairment losses on non-current assets	32	(1,119)		1,218		(2,337)	
Operating profit (EBIT)		97,085	17.2	21,289	4.6	75,796	n.s.
Finance income	33	326		635		(309)	
Finance costs	33	(6,026)		(5,148)		(878)	
Net gain/(loss) on exchange-rate differences and derivatives	33	316		(296)		612	
Impairment of financial assets	34	(2,601)				(2,601)	
Share of profit/(loss) of equity-accounted associates	35	10,475		1,975		8,500	
Profit/(loss) before tax		99,575	17.6	18,455	4.0	81,120	n.s.
Income tax	36	(22,537)		13,217		(35,754)	
Profit/(loss) from continuing operations		77,038	13.6	31,672	6.8	45,366	n.s.
Profit/(loss) relating to discontinued operations, net of tax							
Profit/(loss) for the year		77,038	13.6	31,672	6.8	45,366	n.s.
Attributable to:							
Owners of the parent		63,520	11.2	27,701	6.0	35,819	n.s.
Non-controlling interests		13,518	2.3	3,971	0.9	9,547	n.s.
Earnings per share	38						
Basic		1.514 €		0.660 €			
Diluted		1.510 €		0.658 €			

n.s. = not significant

Statement of comprehensive income

(in thousands of euro)	Notes	2019	%	2018	%	Change	%
Profit/(loss) for the year		77,038	13.6	31,672	6.8	45,366	n.s.
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		(304)		219		(523)	
Remeasurement of net defined benefit liability - share of other comprehensive income of associates		(36)					
Fair value gain/(loss) on investments in equity instruments designated as at FVTOCI		114,651		(177,448)		292,099	
Income tax		502		1,267		(765)	
Total items that will never be reclassified to profit or loss		114,813		(175,962)		290,811	
Items that may be reclassified subsequently to profit or loss							
Foreign currency translation reserve		1,471		55		1,416	
Foreign currency translation reserve - share of other comprehensive income of associates		523		541		(18)	
Fair value gain/(loss) arising on hedging instruments during the period		(194)		(559)		365	
Fair value gain/(loss) arising on hedging instruments during the period - share of other comprehensive income of associates		518		226		292	
Income tax		182				182	
Total items that may be reclassified subsequently to profit or loss		2,500		263		2,237	
Total other comprehensive income for the year		117,313		(175,699)		293,048	
Total comprehensive income for the year		194,351	34.3	(144,027)	-31.1	338,378	n.s.
Attributable to:							
owners of the parent		180,866		(148,145)		329,011	
non-controlling interests		13,485		4,118		9,367	

Consolidated statement of changes in equity

(in thousands of euro)	Attributable to owners of the parent											Non-controlling interests	Total equity
	Reserves												
	Share capital	Share premium	AFS 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, 2017	100,167	177,191	173,027		(406)	(497)	12,073	(134,608)	(7,601)	1,053,952	1,373,298	359	1,373,657
Profit/(loss) for the year										27,701	27,701	3,971	31,672
Total other comprehensive income (expense) from continuing operations			(176,082)	(109)	110			235			(175,846)	147	(175,699)
Total comprehensive income for the year			(176,082)	(109)	110			235		27,701	(148,145)	4,118	(144,027)
Dividends paid										(23,071)	(23,071)		(23,071)
Sale of treasury shares								(51)			(51)		(51)
Reclassifications on first-time adoption of IFRS 9			(173,027)	133,836						38,684	(507)		(507)
% change in control and consolidation scope and reclassifications					(104)	6	(1)		1,028	8	937	95,298	96,235
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 for the year			115,123	513	(284)			1,994		63,520	180,866	13,485	194,351
Dividends paid										(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

Statement of cash flows

(in thousands of euro)	Notes	2019	2018
A) Cash flows from operating activities:			
Profit/(loss) before tax		99,575	18,455
Adjustments for:			
Depreciation and amortisation		31,595	19,935
Reversal of share of profit/(loss) of equity-accounted associates		(10,475)	(1,975)
(Gain)/loss on non-current assets		(5,410)	(2,033)
Change in employee benefits and other provisions		(13,421)	2,517
Reversal of net finance costs and income		(6,088)	(20,614)
Cash flows from operating activities before tax, finance income/costs, working capital		95,776	16,285
Change in working capital:			
Decrease/(increase) in inventories		1,220	(13,171)
Decrease/(increase) in trade receivables		(1,868)	(10,414)
Decrease/(increase) in trade liabilities		(10,640)	918
Other receivables/liabilities, accruals and deferrals		24,728	8,924
Cash flows from operating activities before tax and finance income/costs		109,216	2,542
Net finance costs paid		(1,983)	1,473
Dividends received		9,971	14,869
Income tax paid		(11,505)	(2,339)
Exit from derivatives		(342)	
		(3,859)	14,003
Cash flow from operating activities relating to discontinued operations		(183)	
Total A)		105,174	16,545
B) Cash flows from investing activities:			
Capital expenditure:			
Property, plant, equipment and investment property		(15,676)	(13,631)
Intangible assets		(857)	(1,345)
Financial assets (equity investments and funds) net of cash acquisitions (*)		(122,872)	(387,335)
Total capital expenditure		(139,405)	(402,311)
Proceeds from disposal of non-current assets		357,650	42,011
Disposal of discontinued operations			6,450
Total disposals		357,650	48,461
Total B)		218,245	(353,850)
C) Cash flows from financing activities:			
Change in financial payables		(31,582)	82,337
Change in financial assets		(163,587)	75,544
Change in current equity investments		9,624	8,913
Purchase of treasury shares		921	(51)
Dividends paid		(26,271)	(23,071)
Third-party contributions (Capitelli/Caffè Borbone non-controlling interests)		3,503	94,237
Other changes		(266)	
Total C)		(207,658)	237,909
D) Translation differences and other changes			
Translation differences and other changes		10,234	5,101
Translation differences and other changes relating to assets classified as held for sale		187	(1,645)
Total D)		10,421	3,456
E) Cash flows for the period (A+B+C+D)		126,182	(95,940)
F) Cash and cash equivalents at beginning of period		121,930	217,870
Cash and cash equivalents at the end of the year (E+F)	13	248,112	121,930
(*) cash and cash equivalents from acquired and consolidated companies		9,950	

Main changes of cash flows coming from investing activities are discussed in the section "Statement of cash flows" of the notes.

NOTES

The consolidated financial statements of Italmobiliare S.p.A. for the year ended December 31, 2019 were approved by the Board of Directors on March 4, 2020. During the meeting, the Directors authorized also the publication of a press release dated March 4, 2020, containing the abovementioned financial statements' key information.

The financial statements have been prepared on a going-concern basis. Despite the difficult economic and financial situation, Italmobiliare does not show any evidence of material uncertainties, which could affect its going-concern, thanks also to its creditworthiness and solid financial structure.

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. Italmobiliare S.p.A. is an investment holding, and consequently manages a diversified portfolio of investments and equity investments.

Accounting policies

These financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS) applicable at December 31, 2019 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 denominated SIC.

The Italian laws that enact EU Directive 2013/34 also apply, where compatible, to companies that draw up 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 (formerly IFRIC) at December 31, 2019 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 Group starting from January 1, 2019:

- On January 13, 2016, the IASB published IFRS 16 – Leases which is intended to replace IAS 17 – Leases, as well as IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC- 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Standard provides a new definition of lease and introduces a criterion based on the notion of control (or "right of use") of an asset to distinguish lease contracts from service contracts, identifying as lease discriminators: the identification of the asset, the right to replace it, the right to obtain substantially all the economic benefits deriving from use of the asset and, lastly, the right to direct the use of the asset underlying the contract.

This Standard introduced a single recognition and valuation model for lease contracts for the lessee according to which the lessee records a leased asset, also under an operating lease, on the assets side of the balance sheet with a financial liability as the contra-entry. On the other hand, the standard does not include significant changes for lessors.

The Group has chosen to apply the standard retrospectively with the simplified method, however, recording the cumulative effect deriving from application of the standard under equity at January 1, 2019 (without changing the comparative figures for 2018), in accordance with paragraphs C7-C13 of IFRS 16. In particular, for the contracts previously classified as operating leases, the Group has recorded:

- a financial liability, equal to the current value of future lease payments outstanding at the transition date, discounted at the incremental borrowing rate applicable at the transition date for each contract;
- a right of use equal to the value of the financial liability at the transition date, net of any accruals and deferrals related to the lease and recognized in the balance sheet at the reporting date of the previous financial statements.
- the effects on equity are therefore nil.

The following table shows the impacts deriving from adoption of IFRS 16 at the transition date.

(in thousands of euro)	1.1.2019
Non-current assets	
Right of use of properties	8,937
Right of use of plant and machinery	2,859
Right of use of office furniture	182
Right to use of motor vehicles	2,550
Total assets	14,528
Non-current liabilities	
Financial liabilities	12,094
Current liabilities	
Financial liabilities	2,434
Total liabilities	14,528

The weighted average incremental borrowing rate applied to financial liabilities recorded at January 1, 2019 was 1.97%.

The value of non-current assets relating to operating lease contracts was increased for the balance of prepaid expenses recorded at December 31, 2018 for an amount of Euro 2,139 thousand.

In adopting IFRS 16, the Group made use of the exemption granted by paragraph IFRS 16:5(a) in relation to short-term leases for the following asset classes:

- Properties;
- Computers, telephones and tablets
- Printers;
- Other electronic devices;
- Furniture and fittings.

Likewise, the Group took advantage of the exemption granted by IFRS 16:5 (b) concerning lease contracts for which the underlying asset is considered a low-value asset (i.e. the assets underlying the lease contract do not exceed Euro 5,000 when new). The contracts for which the exemption has been applied fall mainly into the following categories:

- Computers, telephones and tablets;
- Printers;
- Other electronic devices;
- Furniture and fittings.

For these contracts, the introduction of IFRS 16 did not entail recognition of the financial liability of the lease and the related right of use; instead, the lease payments are recorded in the income statement on a linear basis for the duration of the respective contracts.

The Group took advantage of the following practical expedients envisaged by IFRS 16 during the transition:

- Separation of non-lease components: the Group took advantage of the exemption granted by IFRS 16:15 only for cars, where the accounting documentation allowed separation. The non-lease components of these assets have not been separated and accounted for separately from the lease components, but have been considered together with the latter in determining the financial liability of the lease and the related right of use.
- Use of the assignment made at December 31, 2018 according to the rules of IAS 37 Provisions, Contingent Liabilities and Contingent Assets in relation to the accounting for onerous contracts as an alternative to the application of the impairment test on the value of the right of use as of January 1, 2019;
- Classification of contracts that expire within 12 months of the transition date as a short term lease. For these contracts the lease instalments are recorded in the income statement on a linear basis;
- Use of information available at the transition date for determining the lease term, with particular reference to the exercise of extension options and early closure..

In order to help understand the impacts of first-time adoption of the Standard, the difference between the value recognized as future commitments under lease contracts in the 2018 financial statements (15,821 thousand euro) and the impact of adopting IFRS 16 at January 1, 2019 is essentially due to discounting of the cash flows.

- On October 12, 2017 the IASB published an amendment to IFRS 9 "Prepayment Features with Negative Compensation". This document specifies that instruments that provide for an early repayment could comply with the Solely Payments of Principal and Interest ("SPPI") test even if the "reasonable additional compensation" to be paid in the event of early repayment constitutes "negative compensation" for the lender. The adoption of this amendment had no effect on the Group's consolidated financial statements.
- On June 7, 2017 the IASB published the interpretation "Uncertainty over Income Tax Treatments (IFRIC Interpretation 23)". The interpretation deals with the issue of uncertainties regarding the tax treatment to be applied to income taxes. In particular, the Interpretation requires an entity to analyse the uncertain tax treatments (individually or as a whole, depending on their characteristics), always assuming that the tax authority examines the tax position in question, having full knowledge of all the relevant information. In the event that the entity considers it unlikely that the tax authority will accept the tax treatment followed, the entity has to reflect the impact of the uncertainty in the measurement of its current and deferred income taxes. Furthermore, the document does not contain any new disclosure requirements, but underlines that the entity will have to establish whether it will have to provide information on the considerations made by management about the uncertainty inherent in accounting for taxes, in accordance with the provisions of IAS1. The directors also applied this new interpretation to indirect taxes. The new interpretation was applied from January 1, 2019. The introduction of the new amendment led to the reclassification from Provisions to Non-current financial liabilities for 14,005 thousand euro and Due for other taxes for 235 thousand euro.

- On December 12, 2017 the IASB published the document "Annual Improvements to IFRSs 2015-2017 Cycle" which incorporates the changes to certain standards as part of their annual improvement process. The main changes concern:
 - IFRS 3 Business Combinations and IFRS 11 Joint Arrangements: the amendment clarifies that when an entity gains control of a business that represents a joint operation, it must re-measure the interest previously held in that business. However, this process is not envisaged in the event of joint control being obtained.
 - IAS 12 Income Taxes: the amendment clarifies that all tax effects related to dividends (including payments on financial instruments classified in equity) should be accounted for in a manner consistent with the transaction that generated the profits (income statement, OCI or equity).
 - IAS 23 Borrowing costs: the amendment clarifies that in the case of loans outstanding even after the qualifying asset in question is ready for use or for sale, they become part of the set of loans used to calculate borrowing costs.

The adoption of this amendment had no effect on the Group's consolidated financial statements.

- On February 7, 2018 the IASB published the document "Plant Amendment, Curtailment or Settlement (Amendments to IAS 19)". The document clarifies how an entity should recognize a change (i.e. a curtailment or settlement) of a defined benefit plan. The changes require the entity to update its assumptions and re-measure the net asset or liability deriving from the plan. The amendments clarify that after such an event has taken place, the entity uses updated assumptions to measure the current service cost and interest for the rest of the period of reference following the event. The adoption of this amendment had no effect on the Group's consolidated financial statements.
- On October 12, 2017 the IASB published the document "Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)". This document clarifies the need to apply IFRS 9, including the requirements related to impairment, to other long-term interests in associates and joint ventures for which the equity method does not apply. The adoption of this amendment had no effect on the Group's consolidated financial statements.
- Lastly, although the amendment was only endorsed by the European Union on January 15, 2020, the Group early adopted in these financial statements the amendments entitled "Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform", published on September 26, 2019 by the IASB. In particular, the amendments modify some of the requirements of hedge accounting, providing a relief for temporary exemptions from the potential effects of the uncertainty caused by IBOR reform (still in progress) on future cash flows. The amendments also require companies to provide additional information regarding their hedging relationships which are directly affected by these uncertainties. The impacts of (early) adoption of the amendments by the Group are described below:
 - The Group holds floating rate debt instruments related to the Euribor (bank loan), the cash flow of which is hedged by interest rate swaps. The changes allow hedge accounting to be continued, even though there is uncertainty about the replacement of the floating interest rates included in the interest rate swaps

Adoption of these amendments allows the Group to continue hedge accounting in the period of uncertainty due to the interest rate reform.

As regards the details of hedging derivatives, please refer to section on IFRS 7.

The Group will continue to apply the amendments relating to IFRS 9 until such time that the uncertainties arising from the interest rate benchmark reform to which the Group is exposed, with specific reference to maturities and the amount of the underlying cash flow, are resolved. The Group expects that uncertainty will persist until the Group's IBOR-indexed contracts are modified to specify the date after which the benchmark interest rate will be replaced, the cash flows related to the new rate and the related spread adjustment. In part this will depend on the

introduction of the fall back clauses, which have not yet been added to the Group's contracts, and on negotiations with the lenders.

STANDARDS AND INTERPRETATIONS THAT HAVE BEEN ISSUED AND ENDORSED BUT ARE NOT YET IN EFFECT

The new policies or amendments to policies applicable in annual reporting periods beginning after January 1, 2020, early application of which may be elected, are indicated below. The Group has decided not to elect early application in the preparation of these consolidated financial statements:

- 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. The amendments introduced were approved on November 29, 2019 and apply to all transactions subsequent to January 1, 2020.
- 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.

STANDARDS AND INTERPRETATIONS PUBLISHED BY THE IASB AND THE IFRIC AT DECEMBER 31, 2019, 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 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 a test (called a "concentration test"), which is optional for the entity, to determine whether or not a set of purchased activities or processes and assets is a business. If the test provides a positive result, the set of purchased activities or processes and assets do not constitute a business and the standard does not require further verification. If the test provides a negative result, the entity will have to carry out further analyses on the purchased activities or processes and assets to identify the presence of a business. To this end, the amendment added numerous illustrative examples to IFRS 3 to help understand the practical application of the new definition of a business in specific cases. The amendments apply to all business combinations and acquisitions of activities subsequent to January 1, 2020, but early application is allowed. The directors expect no effects on the Group's consolidated financial statements from the adoption of this amendment.

- On May 18, 2017, the IASB published IFRS 17 – Insurance Contracts which is intended to replace IFRS 4 – Insurance Contracts. The directors do not expect a significant effect on the Group's consolidated financial statements from the adoption of this standard.

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: 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 re-measurement of defined benefit plans;
- on the statement of cash flows, the indirect method is used.

USE OF ESTIMATES

In preparing the consolidated financial statements, no significant judgements were taken during the process of applying the Group's accounting standards, 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:

- indefinite useful life of brands (for further details, see the intangible assets note 4);
- provisions (for further details, see the current and non-current provisions note 21);
- impairment of goodwill (for further details, see the goodwill note 3);
- 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;
- recoverability of Italgen's activities in Egypt: as regards the value of these assets, please refer to the paragraph on assets classified as held for sale. Please note that at the time of the sale, the translation reserve relating to the Egyptian pound explained in the paragraph on the translation reserve will be recycled through the income statement.

Basis of consolidation

The consolidated financial statements are based on the financial statements for the year ended December 31, 2019 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 investment carrying amount. Losses are eliminated proportionately to the Group's interest, unless it will not subsequently be possible to recover such losses.

CONSOLIDATION SCOPE

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 an important 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.

COST OF BUSINESS COMBINATIONS

Under IFRS 3, acquisition cost is the sum of the acquisition-date fair value of the contingent consideration 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).

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 cost 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 AND 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 IAS/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.

Lease Agreements

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 brands 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 indications of impairment emerge. Property, plant and equipment, investment property and amortizable intangible assets, are tested for impairment if indications of impairment emerge, in accordance with IAS 36. Investments in 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 greater 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, 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 amortized 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 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 an equity instrument 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, 2019 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 or in the fair value of any plan asset 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.

Curtailement 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.

Contracts with clients generally include a single performance obligation. The performance obligation is considered satisfied upon delivery of the goods for Caffè Borbone and the Sirap group; 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 distribution 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").

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 measurement gains and gains realized on financial assets measured at FVTPL.

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.

All hedges were taken out or renegotiated in 2019.

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 foreign companies' financial statements

The exchange rates used to translate the financial statements of the foreign companies are those published by the Bank of Italy.

Exchange rates for 1 euro:

Currencies	Average rate		Closing rate	
	2019	2018	December 31, 2019	December 31, 2018
Czech koruna	25.67045	25.64700	25.40800	25.72400
Serbian dinar	117.81816	118.23647	117.83190	118.31090
Moroccan dirham	10.76576	11.08174	10.78100	10.93900
US dollar	1.11947	1.18095	1.12340	1.14500
Hungarian florin	325.29675	318.88969	330.53000	320.98000
Swiss franc	1.11245	1.15496	1.08540	1.12690
Ukrainian hryvnia	28.92195	32.10914	26.71950	31.73620
Croatian kuna	7.41796	7.41816	7.43950	7.41250
Moldavian leu	19.64567	19.83507	19.29880	19.54190
Bulgarian lev	1.95583	1.95583	1.95583	1.95583
Egyptian pound	18.83827	21.04142	18.01920	20.51080
Bosnian mark	1.95580	1.95580	1.95580	1.95580
New Turkish lira	6.35777	5.70767	6.68430	6.05880
New Romanian leu	4.74535	4.65401	4.78300	4.66350
Pound sterling	0.87777	0.88471	0.85080	0.89453
Polish zloty	4.29762	4.26149	4.25680	4.30140

Significant events and changes in the consolidation area

CHANGES IN THE CONSOLIDATION AREA

The main changes with respect to December 31, 2018 were as follows:

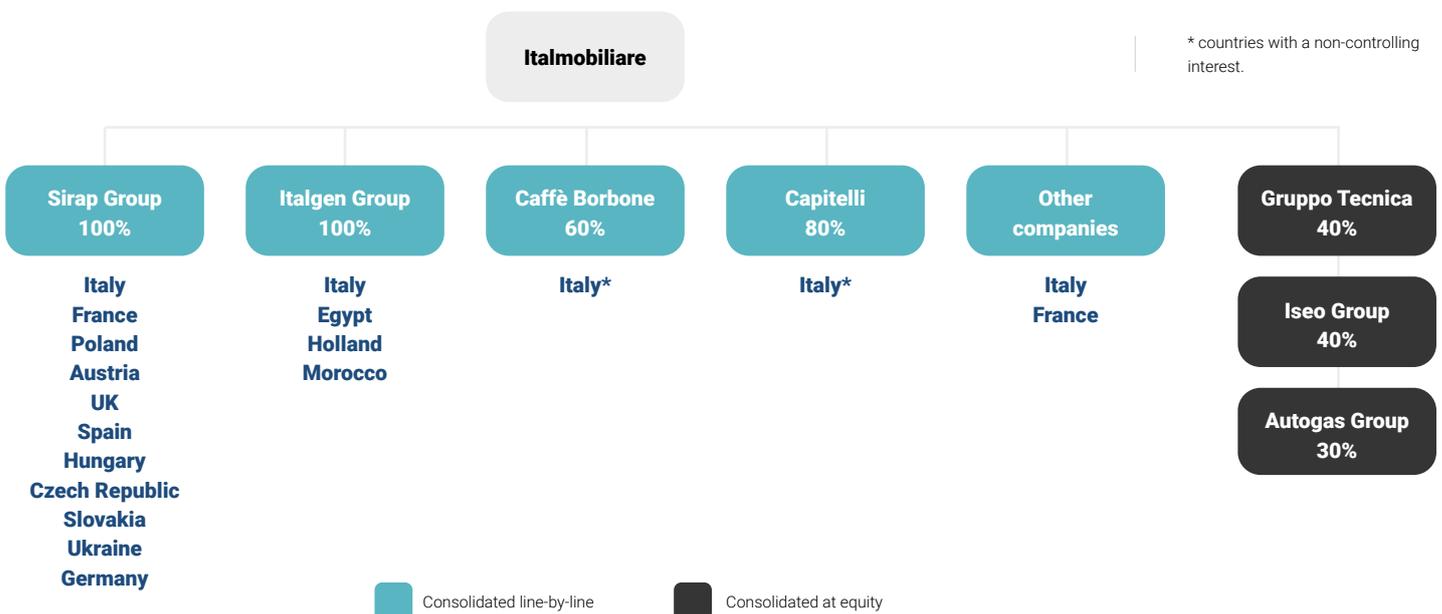
- line-by-line consolidation of FT2S.r.l. (Italy) in which Italmobiliare holds the 100%;
- line-by-line consolidation of FT1 S.r.l. (Italy) in which Italmobiliare holds the 80% of its shares;
- line-by-line consolidation of Capitelli F.lli S.r.l. (Italy) in which FT1 holds the 100%;
- line-by-line consolidation of Clessidra CRF G.P. società semplice in which Clessidra Sgr holds the 49% of its shares with management powers;
- the incorporation and consolidation with the equity method of Iseo Peru S.A.C., in which Iseo Serrature S.p.A. holds the 90% of its shares;
- the consolidation at equity of the Autogas Nord S.p.A. group (Italy), in which Italmobiliare holds a quota of 30%;
- the exclusion for liquidation of Finimage 15 Sagl (Switzerland).

It should also be noted that with effect from January 1, 2019:

- Rosa Plast S.r.l. was merged by incorporation into Sirap Gema S.p.A. (Italy);
- Sirap Tarascon s.a.s. and Sirap Remoulins s.a.s. were merged by incorporation into Sirap France S.A. (France);
- Iseo PVC S.r.l. was merged by incorporation into Iseo Serrature S.p.A. (Italy).

Subsidiaries with non-controlling interests

The chart below illustrates the structure of the Italmobiliare group:



As at December 31, 2019, the majority of non-controlling interests referred to the 40% of Caffè Borbone whose financial data are included below:

	Caffè Borbone	
(in thousands of euro)	2018	2019
Revenue	92,020	172,624
Profit/(loss) for the year	10,131	34,218
Profit attributable to non-controlling interests of the Italmobiliare group	4,052	13,687
Total comprehensive income for the year	9,588	34,136
Total comprehensive income attributable to non-controlling interests of the Italmobiliare group	3,835	13,654
Non-current assets	359,231	348,849
Current assets	36,768	63,072
Non-current liabilities	(120,510)	(109,121)
Current liabilities	(26,321)	(27,497)
Net assets	249,168	275,303
Net assets attributable to non-controlling interests of the Italmobiliare group	99,667	110,121
Dividends paid	8,000	8,000
Dividends paid to non-controlling interests of the Italmobiliare group	3,200	3,200

There are no restrictions on access to or use of the company's assets.

It should also be noted that on December 15, 2019, the 80% of Capitelli F.lli S.p.A. was acquired through the newco FT1 S.r.l. therefore the subsidiary was consolidated from December 31, 2019,

The financial position at December 31, 2019 of the aforementioned company with a non significant minority interests, was shown below (the purchase price allocation is still in progress):

	Consolidato	Capitelli
(in thousands of euro)	FT1 + Capitelli	2019
Non-current assets	15,882	1,157
Current assets	13,021	12,922
Non-current liabilities	(576)	(576)
Current liabilities	(2,142)	(2,097)
Net assets	26,185	11,406
Net assets attributable to non-controlling interests of the Italmobiliare group	5,237	2,281
Dividends paid		
Dividends paid to non-controlling interests of the Italmobiliare group		
(in thousands of euro)		
Securities purchase price		26,129
Cash and cash equivalents acquired		(9,950)
Net outlay on acquisition		16,179

Operating segment disclosure

The Group's operating sectors for segment reporting purposes as required by IFRS 8 correspond to its main subsidiaries and associates (Sirap, Italgem, Caffè Borbone, Tecnica Group, Iseo, Autogas and "Other companies", including Clessidra SGR, Crédit Mobilier de Monaco and Italmobiliare Servizi, which compose the 98% of that segment's revenue). The comparative figures for 2018 have been restated for consistency with those of the current year.

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 their decisions regarding the allocation of resources and evaluation of results.

The table below sets out the revenue and income and the results by segment at December 31, 2019:

(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	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		(9,104)	(8,738)	(5,384)			99,575	(22,537)
Total	565,875		565,875	125,911	97,085	(5,384)	(2,601)	10,475	99,575	(22,537)

The table below sets out the revenue and income and the results by segment at December 31, 2018:

(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	54,960	(10,086)	44,874	1,442	853					
Caffè Borbone	92,020		92,020	22,534	16,924					
Sirap	275,083		275,083	16,264	9,212					
Italgem	36,018		36,018	8,390	1,757			(4)		
Capitelli consolidation										
Tecnica Group								1,989		
Iseo										
Autogas Nord										
Other companies	17,764	(2,690)	15,074	1,301	892			(10)		
Unallocated items and adjustments	(12,776)	12,776		(8,708)	(8,349)	(4,809)			18,455	13,217
Total	463,069		463,069	41,223	21,289	(4,809)		1,975	18,455	13,217

The table below sets out the other segment figures at December 31, 2019:

December 31, 2019						
(in thousands of euro)	Total assets	Total liabilities	Capital expenditure	Non-current financial investments	Amortisation 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	61,883					
Other companies	74,240	24,047	5,548		(1,150)	
Intersegment eliminations	(463,035)	(30,281)	(485)		362	
Total	1,903,870	435,820	34,098	122,107	(27,704)	(1,119)
From assets classified as held for sale	6,713	567				
Total	1,910,583	436,387	34,098	122,107	(27,704)	(1,119)

The table below sets out other segment figures at December 31, 2018:

The investments of this table include also those related to IFRS 16

December 31, 2018						
(in thousands of euro)	Total assets	Total liabilities	Capital expenditure	Non-current financial investments	Amortisation and depreciation	Impairment losses of non-current assets
Italmobiliare	1,295,671	65,582	344	67,796	(275)	
Caffè Borbone	395,999	146,831	4,629	336,114	(5,610)	
Sirap	244,984	213,950	6,541	16,826	(11,241)	4,183
Italgen	59,610	45,156	3,391		(3,668)	(2,965)
Capitelli consolidation						
Tecnica Group	46,041					
Iseo	42,601					
Autogas Nord						
Other companies	69,442	17,634	86	45	(358)	
Intersegment eliminations	(393,510)	(24,958)				
Total	1,760,838	464,195	14,991	420,781	(21,152)	1,218
From assets classified as held for sale	6,171	578				
Total	1,767,009	464,773	14,991	420,781	(21,152)	1,218

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	94,145	278,785	33,295	406,225
Accumulated depreciation	(33,740)	(198,506)	(25,445)	(257,691)
Carrying amount at December 31, 2018	60,405	80,279	7,850	148,534
Capital expenditure	408	10,801	5,085	16,294
Rights of use (IFRS 16)	10,590	473	5,884	16,947
Change in consolidation area, reclassifications, other	418	4,534	(4,872)	80
Decreases	(486)	(357)	(15)	(858)
Depreciation	(4,149)	(13,349)	(2,546)	(20,044)
Impairment losses	(54)	(1,045)	(15)	(1,114)
Translation differences	206	326	662	1,194
Carrying amount at December 31, 2019	67,338	81,662	12,033	161,033
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

The net carrying amount of the right-of-use assets amounted to 20,451 thousand euro (including finance leases already present in Caffè Borbone) at December 31, 2019 (8,559 thousand euro at December 31, 2018) and referred to buildings for 16,137 thousand euro, plant for 753 thousand euro and vehicles for 3,561 thousand euro.

"Other property, plant and equipment" included assets under construction for 5,012 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 reflect the presence for the same asset category of different useful lives.

2) INVESTMENT PROPERTY

(in thousands of euro)	
Gross amount	9,668
Accumulated depreciation	(804)
Carrying amount at December 31, 2018	8,864
Decreases	(472)
Depreciation and amortisation	(473)
Carrying amount at December 31, 2019	7,919
Gross amount	9,030
Accumulated depreciation	(1,111)
Carrying amount at December 31, 2019	7,919

Investment property, with an estimated useful life of 33 years, were measured at cost.

Fair value of investment property at December 31, 2019 was 23,276 thousand euro, in line with the fair value at December 31, 2018. 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, 2018	167,141
Increases	14,723
Carrying amount at December 31, 2019	181,864

The change in goodwill arose from the acquisition of the equity investment in Capitelli in December 2019. Such amount is to be considered as temporary until the end of the purchase price allocation process.

Goodwill impairment testing

Goodwill, coming from the acquisition method of accounting for a business combination, is allocated to cash-generating units (CGUs). The Group tests the goodwill recoverability at least once a year or more frequently if there is evidence of impairment. The method used to determine the recoverable amount of goodwill is described in the section "Basis of consolidation" of the paragraph "Impairment".

The following table shows the goodwill amounts after the impairment test:

(in thousands of euro)	Carrying amount of goodwill	
	December 31, 2019	December 31, 2018
Cash-generating units		
Sirap	10,308	10,308
Capitelli	14,723	
Caffè Borbone	153,839	153,839
Other companies	2,994	2,994
Total	181,864	167,141

Capitelli F.Ili SpA was acquired on December 15, 2019 (and consolidated from December 31, 2019). For this reason, in the absence of any impairment indicators, the price paid was considered equal to the recoverable amount of the cash-generating unit 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. Specifically, 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 are based on the 2020 budget approved by the subsidiary's Board and on the plan's financial and business projections for the period 2021-2022 prepared by its management. The 2019-2022 CAGR of revenues foreseen in the budget/plan is equal to 20%, compared with an actual growth rate of 27.7% in 2019. The cash flows were discounted using a post-tax discount rate (WACC) of 9.5%, including an additional premium with respect to the Capital Asset Pricing Model (CAPM) for the specific risk (so-called "execution risk"). For the purpose of estimating the terminal value, a trend of linear convergence of the annual growth rate of revenue to the long-term sustainable value (g rate) assumed to be 2% from 2025 onwards was used. The test did not find any evidence of impairment loss 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, considering the health emergency related to the spread of the Covid-19 virus, further sensitivity analysis considering worse input scenarios have been performed, for example also reducing the CAGR 2019-2022 of revenue to 5% (reduction of 15 percentage points compared with the 20% 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 comparing the recoverable amount of the goodwill allocated to the cash generating unit (CGU), that coincides with Sirap Gema S.p.A., with its carrying amount. To this end, given that the whole of Sirap Gema is 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 is 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). Impairment testing the overall goodwill of the Sirap Gema CGU therefore requires comparing the recoverable amount of the operating net invested capital of the entire CGU (the so-called "Core Enterprise Value") with the respective carrying amount in the consolidated financial statements of Italmobiliare S.p.A., including goodwill.

Goodwill at 31 December 2019 amounts to 10,308 thousand euro, the same as at December 31, 2018.

The recoverable amount of the operating net invested capital of the Sirap Gema CGU – to be compared with the carrying amount of the operating net invested capital of the Sirap Group in the consolidated financial statements of Italmobiliare S.p.A. - was estimated by an independent expert using the value in use configuration, based on the asset-side DCF criterion which considers 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 operating net invested capital of the Sirap Gema CGU by aggregating the recoverable amounts of the CGUs that make up the Sirap Group. 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 2020 budget approved by the subsidiary's Board and on the plan's financial and economic projections for the period 2021-2024 prepared by its management, suitably adjusted on a pro-forma basis according to the scope of the various key CGUs. 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 2020 budget and the strategic measures envisaged by the plan. The CAGR 2020-2024 envisaged by the plan for the various CGUs of the Sirap Group ranges from -1.6% to +3.5%

(including the Sirap Poland CGU and the Sirap UK CGU expressed in local currency).

The value in use of the net operating assets of the Inline Poland CGU and Sirap UK CGU was estimated using cash flow projections, the discount rate and the nominal growth rate in the terminal value (rate g) expressed in local currency (zloty and pounds); the resulting value in use was then translated into euro at the closing rate.

Since the Petruzalek Group CGU, as part of the Sirap Group, is a group made up of a number of subsidiaries operating mainly in Eastern European countries and headed up by a parent company in Austria, reference was made to cash flow projections taken from the budget/plan expressed in euro. The discount rate (post-tax WACC) applied to estimate the CGU's recoverable amount (value in use) was therefore a weighted average (assuming as weightings the relative share of the revenue in euro of each subsidiary with respect to total Group revenue in euro) of the WACC of each subsidiary, denominated 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 employed to determine value in use of each CGU (data relating to the Inline Poland CGU and Sirap UK CGU refers to cash flows in local currency):

in %	Weighted average cost of capital (WACC)	Growth rate (g)
Rigid Division Italy CGU	8.69	1.50
Foamed Container Division Italy CGU	9.20	
Rigid Division Poland CGU (local currency)	8.85	2.85
Rigid Sirap France CGU	6.80	1.69
Foamed Sirap France CGU	7.30	
Petruzalek group CGU	10.30	2.18
Sirap UK CGU (local currency)	7.48	2.00
Sirap Iberica CGU	7.70	1.77
Sirap GmbH CGU (Germany)	6.53	2.13

The different reduction in the cost of capital compared with 2018 reflects both the change in the parameters used in the model used for estimating the cost of capital (capital asset pricing model, or CAPM) and, in particular, the reduction in interest rates that has taken place over the last year, and the increase the specific risk component differentiated for the various CGUs, also according to the different exposure to environmental risks and those related to climate change. The increase in the g rate of certain CGUs – which is in any case aligned with long-term inflation – is 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 found no evidence of any goodwill impairment loss for the Sirap Gema CGU.

The sensitivity analyses showed that an increase of 100 basis points (+1%) in the discount rate (WACC) for all CGUs, at the same growth rate (g) in the terminal value, would generate a potential impairment loss for entire Sirap Gema CGU of -18.4 million euro. At the same g rate, a simultaneous increase in the discount rate (WACC) of all first level CGUs of 30 basis points (+0.3%) would result in a break-even situation with the recoverable amount of the overall Sirap Gema CGU equal to its carrying amount.

Lastly, considering the health emergency related to the spread of the Covid-19 virus, further sensitivity analysis considering worse input scenarios have been performed for example by simulating the reduction of unlevered cash flows of all the CGUs of the Sirap Group (but keeping corporate costs constant) in the first three years of the plan (2020-2022) to the extent of -20% (2020), -10% (2021) and -5% (2022) respectively, there would not be any impairment loss on the goodwill allocated to the Sirap Gema CGU.

Other companies

With reference to the other companies, goodwill was attributable only to the CGU coinciding with the subsidiary Clessidra SGR S.p.A.; an impairment test was carried out in accordance with IAS 36. 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.

In particular, the recoverable amount was estimated with the help of an independent expert on the basis of existing liquidity and the present value of future cash flows available for the shareholders taken from the 2020 budget and the economic-financial projections for the period 2020-2024 prepared by the company and approved by its Board. 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 according to three scenarios that define appropriately weighted "prudential" sensitivities. The cash flows were discounted using a rate of 11.0%, including an additional premium with respect to the Capital Asset Pricing Model (CAPM) for the specific risk. The test did not generate 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 impairment loss on goodwill.

Market capitalization

During the year, Italmobiliare S.p.A. market capitalization recorded an increase with respect to December 31, 2018 (from 762.9 million euro to 1,014.0 million euro), mainly as a result of the rise in the stock market (FTSE All-Share +27.20%), and in the main listed stocks held (HeidelbergCement), as well as for the positive results of the main portfolio companies.

NAV reported an increase, as explained in the directors' report, higher than the increase in the market capitalization; generating a decrease in the discount.

Management believes, nevertheless, that the difference between the two measurement is characteristic of the current situation and that the amounts resulting from 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	108,170	95,277	203,447
Accumulated amortisation	(13,981)	(4,574)	(18,555)
Carrying amount at December 31, 2018	94,189	90,703	184,892
Capital expenditure	601	256	857
Acquisitions after business combinations and other	433	(391)	42
Depreciation, amortisation and impairment losses	(804)	(6,407)	(7,211)
Translation differences	12		12
Carrying amount at December 31, 2019	94,431	84,161	178,592
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

Since an indefinite useful life was attributed to the Caffè Borbone brand 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, 2019, carried out with the help of an independent expert, the estimated recoverable amount of the brand was based on the so-called "Relief-from-royalty-rate method", which considers the present value of the net royalty flows that the company theoretically saves in relation to the future trend in turnover envisaged by the plan (CAGR 2019-2022 of revenue was 20% with a fading period in 2023-2025) and long-term sustainable growth assumptions. For the discounting of royalty flows, a discount rate higher than WACC equal to 10.5% was applied, including an additional premium compared with the Capital Asset Pricing Model (CAPM) for the specific risk (called "execution risk"). Terminal value was estimated with reference to a long-term sustainable growth rate (g rate) of 2%. The test confirmed the full recoverability of the brand carrying amount.

The sensitivity analysis showed that an increase of 100 basis points (+1%) 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 350 basis points (+3.5%) would lead to a recoverable amount in line with the carrying amount of the brand.

As regards the value at December 31, 2019 of the intangible asset that refers to the so-called "Customer relationships" of Caffè Borbone S.r.l., since it has a finite useful life and is subject to amortisation, we first considered whether or not there were any presumptions of impairment, as foreseen in 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 (the asset has a net carrying amount at December 31, 2019 of 83,771 thousand euro).

5) INVESTMENTS IN ASSOCIATES

The caption includes the equity interests in the 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, 2019	December 31, 2018	2019	2018
Associates				
Tecnica Group	45,432	46,042	4,747	1,989
Iseo	45,219	42,601	3,030	
Autogas Nord	61,883		1,952	
S.E.S.	7,000	9,600		
Other	4,613	4,141	746	(14)
Total associates	164,147	102,384	10,475	1,975

Information on the main investments in associates is set out below.

Tecnica Group

(in thousands of euro)	Tecnica Group	
	2019	2018
Revenue	423,998	398,474
Profit (loss) for the year attributable to owners of the parent	11,478	4,972
Profit (loss) for the year attributable to non-controlling interests	5,433	5,812
Profit (loss) for the year	16,911	10,784
Other comprehensive income (expense)	2,749	1,177
Total comprehensive income for the year	19,660	11,961
Non-current assets	153,017	70,109
Current assets	259,111	233,374
Non-current liabilities	(193,569)	(57,268)
Current liabilities	(163,320)	(182,340)
Non-controlling interests	(18,636)	(25,748)
Net assets	36,603	38,127
Equity interest	40.0%	40.0%
Value of equity interest at the beginning of the year	46,042	43,315
Adjustment for compliance with Group policies	(610)	2,727
Value of equity interest at the end of the year	45,432	46,042
Dividends received in the year		

Iseo group

(in thousands of euro)	Iseo group	
	2019	2018*
Revenue	142,666	
Profit (loss) for the year attributable to owners of the parent	5,587	
Profit (loss) for the year attributable to non-controlling interests	491	
Profit (loss) for the year	6,078	
Other comprehensive income (expense)	(95)	
Total comprehensive income for the year	5,983	
Non-current assets	67,761	58,934
Current assets	97,347	108,517
Non-current liabilities	(41,966)	(40,142)
Current liabilities	(60,267)	(67,999)
Non-controlling interests	(2,272)	(7,163)
Net assets	60,603	52,147
Equity interest	40.0%	40.0%
Value of equity interest at the beginning of the year	42,601	42,601
Adjustment for compliance with Group policies	2,617	
Impairment		
Value of equity interest at the end of the year	45,218	42,601
Dividends received in the year	480	

* figures at September 30, 2018 unaudited (last figures available for the 2018 Annual Report)

On October 15, 2018 the Group bought 40% of the Iseo Serrature group. The table below sets out the assets acquired, the liabilities assumed and the final allocation of the price paid at the acquisition date:

(in thousands of euro)	Carrying amount of companies acquired	40% share of carrying amount of companies acquired	Fair value adjustment	Fair value attributed to acquisition
Net property, plant & equipment and other non-current assets	46,572	18,629		18,629
Intangible assets	13,229	5,292	21,724	27,016
Trade receivables and other current assets	70,280	28,112		28,112
Cash and cash equivalents	35,077	14,031		14,031
Trade payables and other current liabilities	(22,914)	(9,166)		(9,166)
Provision for risks and charges and deferred tax liabilities	(1,779)	(712)	(6,061)	(6,773)
Employee benefits	(6,418)	(2,567)		(2,567)
Financial payables and other financial liabilities (current and non-current)	(77,964)	(31,186)		(31,186)
Non-controlling interests	(2,023)	(809)		(809)
Fair value of net assets acquired	54,060	21,624	15,663	37,287
Goodwill		20,977	(15,663)	5,314
Total cost of acquisition		42,601		42,601

The measurement method used to determine the fair value of the main assets acquired was the "Relief from Royalty Method" for the brand and the "Multi-period excess earnings method" for the business relations.

The first method was based on the present value of the estimated royalty payments expected to be saved because of the owning of the brands. The second method was based on the present value of the net cash flows expected from the customer relations.

The following allocations derived from the purchase price allocation process (the figures shown

refer to the 100% of the group, while the table shows the pro-rata amounts held by Italmobiliare): a value of 31,616 thousand euro was allocated to the brand (considered with an indefinite useful life), whereas a value of 22,694 thousand euro was allocated to the customer relationships (considered with a useful life of 26 years).

Goodwill arising from the acquisition was recognized as illustrated in the previous table, using the "Full goodwill method".

The net disbursement for the acquisition was as follows:

(in thousands of euro)	
Securities purchase price	42,601
Net outlay on acquisition	42,601

Autogas - AGN Energia

* figures at September 30, 2019
(last figures available for the 2019
Annual Report) ITA GAAP adjusted
to Group accounting standards

(in thousands of euro)	Autogas Nord Group
	2019*
Revenue	355,007
Profit (loss) for the year attributable to owners of the parent	6,506
Profit (loss) for the year attributable to non-controlling interests	413
Profit (loss) for the year	6,919
Other comprehensive income (expense)	
Total comprehensive income for the year	6,919
Non-current assets	249,291
Current assets	138,129
Non-current liabilities	(11,324)
Current liabilities	(212,827)
Non-controlling interests	(1,134)
Net assets	162,135
Equity interest	30.0%
Value of equity interest at the beginning of the year	60,313
Adjustment for compliance with Group policies	1,570
Impairment	
Value of equity interest at the end of the year	61,883
Dividends received in the year	1,075

On January 15, 2019 the group bought 26.88% of the Autogas Group. Following the adjustments made according to the agreements signed during the acquisition phase, Italmobiliare S.p.A.'s stake in Autogas Nord S.p.A. increased during the third quarter of 2019 passing from 26.88% to 32.82% considering that:

- a portion of this investment, equal to 2.82% of Autogas, is deposited in escrow at a notary site, as well as any dividends relating to this 2.82% that may be distributed would be deposited in a trustee current account opened with the same notary;
- the Quiris shareholders of Francesco Quirico, Umberto Risso & 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 will be higher than 318.7 million euro (whereas if the Equity Value 2021 of Autogas Nord S.p.A. is equal to or less than this amount, the 2.82% will remain definitively acquired by Italmobiliare);

- all or part of the dividends deposited temporarily in the escrow account (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.

For the above reasons, the Autogas Group valuation under the equity method was made using the percentage of 30% (and not 32.82%).

The following table shows the assets acquired, the liabilities assumed and the goodwill arising from the acquisition after adjusting the percentage held”:

(in thousands of euro)	Carrying amount of companies acquired	30% share of carrying amount of companies acquired
Net property, plant & equipment and other non-current assets	113,259	33,977
Intangible assets	144,490	43,347
Trade receivables and other current assets	148,789	44,636
Cash and cash equivalents	59,036	17,711
Trade payables and other current liabilities	(96,096)	(28,827)
Provision for risks and charges and deferred tax liabilities	(3,845)	(1,154)
Employee benefits	(8,272)	(2,481)
Financial payables and other financial liabilities (current and non-current)	(198,969)	(59,692)
Non-controlling interests	(2,213)	(664)
Fair value of net assets acquired	156,179	46,853
Provisional differential at December 31, 2019		13,242
Total cost of acquisition		60,095

Goodwill arising from the acquisition has been recognized as illustrated in the previous table, using the "Full goodwill method". The purchase price allocation process is still provisional.

The net disbursement for the acquisition was as follows:

(in thousands of euro)	
Securities purchase price	60,095
Net outlay on acquisition	60,095

S.E.S. Group

** figures at December 31, 2018
ITA GAAP

* figures at June 30, 2018 ITA
GAAP

	S.E.S. Group	
(in thousands of euro)	2019**	2018*
Revenue	27,332	13,037
Profit (loss) for the year	(7,015)	(1,482)
Other comprehensive income (expense)		
Total comprehensive income for the year	(7,015)	(1,482)
Non-current assets	52,475	50,467
Current assets	35,289	47,039
Non-current liabilities	(14,972)	(19,030)
Current liabilities	(16,586)	(16,912)
Non-controlling interests	(9,479)	(8,066)
Net assets	46,727	53,498
Equity interest net of treasury shares	33.7%	33.7%
Value of equity interest at the beginning of the year	9,600	9,600
Impairment	(2,600)	
Value of equity interest at the end of the year	7,000	9,600
Dividends received in the year		

Goodwill impairment testing

For the purpose of impairment test on the carrying amount of investments in associates, the recoverable amount has been estimated using a fair value configuration on the basis of appropriate multiples derived from a sample of comparable listed companies, as explained in greater detail below. The sensitivity analysis of the fair value of the more significant equity-accounted investments was based on the average and minimum (negative) percentage change in the market cap between December 31, 2019 and March 2, 2020 for the sample of comparable listed companies taken as a point of reference for the definition or test of the multiple applied to each associate.

With reference to the associate Tecnica Group SpA, the recoverable amount was determined using a fair value configuration on the basis of the multiple EV/EBITDA 2020. 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 and the relevant pro-rata EBITDA of the 2020 budget is significantly higher than the carrying amount of the investment, there is no evidence of an impairment loss on the investment.

For sensitivity analysis purposes, considering the health emergency related to the spread of the Covid-19 virus, further sensitivity analysis considering worse input scenarios have been performed for example the average (-4.0%) and minimum (-24.9%) percentage change in the market cap of a sample of comparable listed companies between December 31, 2019 and March 2, 2020 was considered. Even if the recoverable amount of the equity investment was reduced by the average or minimum percentage change in the market cap recognized for the comparable listed companies indicated above, there would be no evidence of impairment.

An impairment test was also carried out for the two associates ISEO Serrature SpA and Autogas Nord SpA based on an estimate of the fair value of the investments. The latter was determined by applying the market multiples method in the leading configuration (specifically, the EV/EBITDA 2020 multiple was used), the expected result (EBITDA) in 2020 of each company is that defined by the budget according to Italian accounting standards as approved by the respective Board of Directors, further adjusted to reflect the best available estimate of the effects of applying International Financial Reporting Standards. 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 associate 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 Iseo equity investment, considering the health emergency related to the spread of the Covid-19 virus, further sensitivity analysis considering worse input scenarios have been performed for example the sensitivity analysis carried out indicates that reducing the recoverable amount of the average (-5.7%) or minimum (-12.1%) percentage change in the market cap recorded for the comparable listed companies in the period indicated above would result in impairment losses of -3.6 million euro and -6.3 million euro respectively.

With regard to Autogas, considering the health emergency related to the spread of the Covid-19 virus, further sensitivity analysis considering worse input scenarios have been performed for example, even if the recoverable amount of the investment is reduced by the average (-3.4%) or minimum (-8.4%) percentage change in the market cap recorded for the comparable listed companies in the period indicated above, there would be no evidence of impairment.

With regard to the investment in the associate Società Editrice Sud S.p.A. (S.E.S.), an impairment loss of 2,600 thousand euro was recognized to align the carrying amount with its estimated fair value. Since the company reported a negative consolidated EBITDA at December 31, 2018 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 2,600 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, 2018	404,382
Increases	71
Sales and repayments	(236,545)
Fair value changes	42,884
Impairment	(172)
Other	(89)
At December 31, 2019	210,531

The increases mainly related to further investments in 035 investmenti S.p.A. for 63 thousand euro.

"Sales and repayments" related essentially to the shares owned in HeidelbergCement for 60,346 thousand euro, in Fin Priv S.p.A. for 4,905 thousand euro, in Unicredit for 651 thousand euro, in Vontobel for 2,188 thousand euro, in Coima Res for 744 thousand euro, in Mediobanca for -4,696 thousand euro and in SciQuest for -21,410 thousand euro. The above amounts include both the changes 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 in 2019 amounted overall to 42,884 thousand euro.

The impairment losses related to the investment in Tri alpha energy measured at FVTPL.

Other equity investments at December 31, 2019 were as follows:

(in thousands of euro)	Number of shares	December 31, 2019
Investments in listed companies		
HeidelbergCement	2,542,000	165,128
Vontobel	115,238	7,342
Coima Res	412,332	3,637
Ideami	300,000	3,000
Unicredit	204,331	2,660
Cairo Communication	189,198	514
Piaggio	169,699	466
UBI	117,142	341
Can Fite	204	1
	Total	183,089
Investments in non-listed companies		
Fin Priv		20,473
New Flour		3,610
Sesaab		1,240
Other		2,119
	Total	27,442
At December 31, 2018		210,531

The fair value of the listed companies was determined on the basis of the official share price of the last accounting day of the year; while for the unlisted companies, in accordance with IFRS16 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, 2019	December 31, 2018	Change
Non-current receivables	19,313	21,771	(2,458)
Financial assets measured at amortised cost	9,000	13,439	(4,439)
Financial assets at FVTPL NFP	3,916	3,163	753
Financial assets at FVTPL non-NFP	145,768	115,562	30,206
Guarantee deposits	447	534	(87)
Other	2,465	2,588	(123)
Total	180,909	157,057	23,852

The main movements occurred on the caption were as follows:

- the purchase of mutual funds, bonds and private equity funds for +35,545 thousand euro;
- the partial reimbursement of private equity funds for -16,204 thousand euro;
- the disposal of mutual funds and bonds for -24,504 thousand euro;
- impairment losses on financial assets measured at FVTPL for -517 thousand euro recognised in the caption "Other operating expense";
- gains on financial assets measured at FVTPL for 31,312 thousand euro, recognised in the caption "Other revenue and income".

Current assets

8) INVENTORIES

"Inventories" were as follows:

(in thousands of euro)	December 31, 2019	December 31, 2018	Change
Raw materials, consumables and supplies	22,234	19,791	2,443
Work in progress and semifinished goods	8,383	11,195	(2,812)
Finished goods	26,174	26,023	151
Advances	411	1,161	(750)
Total	57,202	58,170	(968)

Inventories mainly referred to the Sirap Group and Caffè Borbone and were shown net of allowances totalling 3,109 thousand euro (3,427 thousand euro at December 31, 2018) mainly to cover the risk of slow-moving supplies, spare parts and other consumables.

Spare parts at December 31, 2019 totalled 623 thousand euro (850 thousand euro at December 31, 2018).

9) TRADE RECEIVABLES

This caption was as follows:

(in thousands of euro)	December 31, 2019	December 31, 2018	Change
Gross amount	100,617	95,253	5,364
Bad debt reserve	(3,971)	(3,210)	(761)
Total	96,646	92,043	4,603

The change referred to the consolidation of Capitelli for 2,643 thousand euro, to higher receivables of Caffè Borbone for 7,608 thousand euro mainly due to the higher turnover and to the decrease of the Sirap group amount for 4,257 thousand euro for a better credit collection and the drop in turnover.

10) OTHER CURRENT ASSETS INCLUDING DERIVATIVE FINANCIAL INSTRUMENTS

(in thousands of euro)	December 31, 2019	December 31, 2018	Change
Receivables from employees and social security bodies	4,289	846	3,443
Indirect tax credits	1,782	2,893	(1,111)
Prepaid expenses	1,426	2,192	(766)
Accrued income	991	319	672
Short-term derivatives	431	2,391	(1,960)
Other bank receivables and financial instruments	10,157	8,606	1,551
Other receivables	3,877	10,583	(6,706)
Total	22,953	27,830	(4,877)

Other bank receivables and financial instruments included the Crédit Mobilier de Monaco loans to customers and Clessidra SGR receivables from the 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, 2019		December 31, 2018	
	Assets	Liabilities	Assets	Liabilities
Interest-rate derivatives hedging cash flows		(26)		
Derivatives on shares and securities	431	(370)	2,391	(1,954)
Total current instruments	431	(396)	2,391	(1,954)
Interest-rate derivatives hedging cash flows	32	(759)		(559)
Total long-term instruments	32	(759)		(559)
Total	463	(1,155)	2,391	(2,513)

Interest-rate derivatives (hedging cash flows) referred to a variable-rate to fixed-rate IRS stipulated by Caffè Borbone, as well as one stipulated by Italgas as specified in the section on IFRS 7.

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 amounted to 8,089 thousand euro (6,204 thousand euro at December 31, 2018) and consisted largely of tax credits resulting from the tax consolidation.

12) EQUITY INVESTMENTS, BONDS AND CURRENT FINANCIAL RECEIVABLES

The caption was broken-down as follows:

(in thousands of euro)	December 31, 2019	December 31, 2018	Change
Equity investments measured at FVTPL	24,124	34,601	(10,477)
Financial assets at amortised cost		364	(364)
Funds and other financial instruments	328,845	211,849	116,996
Other receivables	19,181	1,690	17,491
Net amount	372,150	248,504	123,646

The item "Funds and other financial instruments", measured at FVTPL, included the Vontobel Fund for 277,078 thousand euro (177,960 thousand euro at December 31, 2018) which increased due to a further investment of 95,000 thousand euro made during the year and the positive fair value change of 9,698 thousand euro.

Other receivables increased due to the reclassification of financial receivables linked to the sale of equity investments for 12,804 thousand euro (mainly Sciquest, BravoSolution and Banca Leonardo) and the short-term reclassification of receivables from the associate Gardawind for 3,659 thousand euro.

13) CASH AND CASH EQUIVALENTS

(in thousands of euro)	December 31, 2019	December 31, 2018	Change
Cash and checks in hand	4,462	1,518	2,944
Bank and postal accounts	243,650	120,412	123,238
Net amount	248,112	121,930	126,182

Cash and cash equivalents were 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 HELD FOR SALE

The Morocco and Egypt assets of the Italgem group have been classified under this caption for 6,713 thousand euro (6,171 thousand euro at December 31, 2018). As of December 31, 2018, the item included a plot of land and a building, which were sold in January 2019.

The Morocco and Egypt liabilities of the Italgem Group have been classified under "Liabilities directly linked to assets held for sale" for 567 thousand euro (578 thousand euro at December 31, 2018).

EQUITY AND LIABILITIES

Share capital, reserves and retained earnings

15) SHARE CAPITAL

At December 31, 2019, the parent's fully paid-up share capital amounted to 100,166,937 euro represented by 47,633,800 no-par ordinary shares.

On May 14, 2019, as decided by the Extraordinary Shareholders' Meeting held on April 17, 2019, the Company resolved to cancel 5,133,800 treasury shares with no par value without reducing the share capital. Please refer to notes 16) and 17).

Number of shares	December 31, 2019	December 31, 2018	Change
Ordinary shares	47,633,800	47,633,800	
Cancelled shares	(5,133,800)		(5,133,800)
Total	42,500,000	47,633,800	(5,133,800)

16) RESERVES

Share premium

At December 31, 2019, the share premium reserve amounted to 55,607 thousand euro, down by 121,584 thousand euro.

The cancellation of 5,133,800 treasury shares without reducing the share capital led to the reduction of both the Share premium and the Reserve for treasury shares for the same amount.

Other reserves

The main change in reserves refers to the change in fair value for the period of 37,203 thousand euro and to the change in the fair value reserve for the disposal of equity investments for 4,918 thousand euro.

17) TREASURY SHARES

At December 31, 2019 the amount of treasury shares in portfolio stood at 12,154 thousand euro, showing a decrease from December 31, 2018 following the cancellation mentioned above and the change due to some managers exercising their stock options.

Treasury shares were as follows:

	No. ordinary shares	Carrying amount (in thousands of euro)
At December 31, 2018	5,690,870	134,659
Cancellation of treasury shares	(5,133,800)	(121,584)
Decreases	(40,000)	(921)
At December 31, 2019	517,070	12,154

Ordinary treasury shares in portfolio at December 31, 2019 were held as stock option plans for directors and managers.

The change was due to stock options being exercised by employees and treasury shares being cancelled as authorised by the shareholders' resolution of April 17, 2019.

Stock options

The Group 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 Italmobiliare S.p.A. stock option plans at December 31, 2019, are set out below:

Grant date	No. of options granted	Exercise period	Options exercised	Cancelled options	Options not exercised	Unit subscription price
24 marzo 2010	248,770	24/3/2013 - 23/3/2020	102,270		146,500	€ 14.4170
30 marzo 2011	225,800	30/3/2014 - 29/3/2021	59,500		166,300	€ 13.7350
Total	474,570		161,770	-	312,800	

The grant date is the date of the Board of Directors' meeting that approved the stock option plan. The vesting period of these plans was already ended at the beginning of 2018, so no costs relating to stock options in 2018 and 2019 were accounted for in the caption "Personnel expense".

The table below sets out the number and average exercise price of stock options in the years in question:

number of shares	2019		2018	
	Number of options	Average subscription price	Number of options	Average subscription price
Options not exercised at the beginning of the year	360,700	€ 15.2875	614,100	€ 21.0642
Exercised during the year	(40,000)		(5,000)	
Expired during the year	(7,900)		(248,400)	
Options not exercised at the end of the year	312,800	€ 14.0541	360,700	€ 15.2875
Options vested at the end of the year	312,800		360,700	

The average ordinary share price in financial year 2019 was 21.113 euro (23.787 euro in 2018). The weighted average residual life of unexercised options is 4 months.

The option exercise price at December 31, 2019 was between 13.735 euro and 14.417 euro.

Dividends paid

The parent Italmobiliare S.p.A. paid the following ordinary dividends in 2019 and 2018:

	2019	2018	2019	2018
	(euro per share)	(euro per share)	(in thousands of euro)	(in thousands of euro)
Ordinary shares	0.550	0.550	23,071	23,071
Total dividends			23,071	23,071

Translation reserve

This reserve includes differences on the translation of the financial statements of consolidated foreign companies. At December 31, 2019, the balance on the reserve was negative, at 4,426 thousand euro, referring to the currencies of the following countries:

(in thousands of euro)	December 31, 2019	December 31, 2018	Change
Egypt (Pound)	(4,181)	(4,446)	265
Ukraine (Hryvnia)	(1,828)	(2,171)	343
UK (Pound Sterling)	627	(35)	662
Poland (Zloty)	(570)	(786)	216
Other countries	1,526	1,100	426
Net amount	(4,426)	(6,338)	1,912

18) NON-CONTROLLING INTERESTS

Equity attributable to non-controlling interests at December 31, 2019 amounted to 115,467 thousand euro, up by 15,692 thousand euro from December 31, 2018, largely for the 40% non-controlling interest in Caffè Borbone and the 20% interest in Capitelli that was included in the group consolidation area at the end of the year.

Non-current and current liabilities

19) EMPLOYEE BENEFITS EXPENSE

Employee benefits at December 31, 2019 amounted to 12,525 thousand euro (12,321 thousand euro at December 31, 2018).

(in thousands of euro)	Opening amount	Increases	Decreases	Translation differences	Delta in scope of consolidation	Other changes	Closing amount
Defined benefit/contribution plans	8,724	1,465	(1,293)		(18)	182	9,060
Defined benefit pension plans	1,754	186	(111)		332		2,161
Provisions for medical expenses							
Provisions for long-term benefits	352	36		3			391
Provisions for retirement benefits	1,491		(578)				913
Total	12,321	1,687	(1,982)	3	314	182	12,525

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, was as follows:

(in thousands of euro)	Pension plans and other long-term benefits	
	31-dic-19	31-dic-18
Defined benefit obligations at the end of the previous year	10,189	9,587
Service cost:		
current service cost	730	617
past service cost		(4)
Finance costs	174	181
Cash flows:		
amounts paid by employer	(1,006)	(1,143)
Other significant events:		
(increase)/decrease due to business combinations, investments and disposals	332	931
Changes arising from remeasurement:		
effects due to change in demographic assumptions	(90)	(5)
effects due to change in financial assumptions	548	75
experience adjustments (change since previous measurement not in line with assumptions)	92	(50)
Defined benefit obligations at the end of the year	10,969	10,189

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:

(in %)	Europe	
	2019	2018
Inflation rate	1.00 - 1.75	1.50 - 1.75
Future wage and salary increases	1.50 - 2.36	2.00 - 2.50

Discount rates:

Discount rate in %	2019	2018
Europe		
Italy	1.14	1.79
Austria	1.25	1.90
France	0.80	1.50
Germany	1.01	1.73

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, 2019.

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)	31-dic-19	
Expected plan contributions for next year		428
Benefit payment maturities:		
2019		470
2020		261
2021		280
2022		433
2023		356
2024-2029		2,548
Total		4,776

Sensitivity analysis

The table below sets out the sensitivity analysis for the key assumptions at December 31, 2019:

	Pension plans and other long-term benefits	
Change	-0.25%	+0.25%
Discount rate	11,339	10,615
Average duration of defined benefit obligation (in years)	13.28	13.10
Inflation rate	9,898	10,143
Wage and salary increases	10,843	11,098

Employment termination plans

At December 31, 2019, provisions for termination plans totalled 913 thousand euro (1,491 thousand euro at December 31, 2018).

20) NON-CURRENT AND CURRENT FINANCIAL LIABILITIES AND BANK 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, 2019	December 31, 2018	Change
Bank loans and borrowings	104,704	109,959	(5,255)
Other loans and borrowings	1,601	1,658	(57)
Lease payables	12,512	1,716	10,796
Non-current loans and borrowings	118,817	113,333	5,484
Fair value of hedging derivatives	759	559	200
Total non-current financial liabilities	119,576	113,892	5,684
Bank overdrafts	21,658	25,065	(3,407)
Current portion of borrowings	27,541	38,298	(10,757)
Other loans and borrowings	13,989	17,115	(3,126)
Lease payables	3,373	364	3,009
Accrued interest expense	373	464	(91)
Bank loans and borrowings and current financial liabilities	66,934	81,306	(14,372)
Fair value of derivatives	396	1,954	(1,558)
Total current financial liabilities	67,330	83,260	(15,930)
Total financial liabilities	186,906	197,152	(10,246)

Non-current loans and borrowings by currency were as follows:

(in thousands of euro)	December 31, 2019	December 31, 2018	Change
Euro	114,138	109,212	4,926
Polish Zloty	4,138	4,121	17
Other	541		541
Total	118,817	113,333	5,484

Non-current loans and borrowings by maturity were as follows:

(in thousands of euro)	December 31, 2019	December 31, 2018	Change
2020	514	20,218	(19,704)
2021	25,896	25,845	51
2022	39,265	31,286	7,979
2023	40,661	33,390	7,271
2024	4,006	643	3,363
2025	3,758	643	3,115
Beyond	4,717	1,308	3,409
Total	118,817	113,333	5,484

Main bank loans, drawings on lines of credit, available lines of credit:

- Italmobiliare has undrawn uncommitted lines of credit with a number of banks, totalling 208 million euro;
- In June 2016 Italgas S.p.A. arranged a floating-rate loan maturing on June 26, 2021, with UBI Banca; net of the amortisation effective at December 31, 2019, the loan stood at a residual amount of 5.0 million euro;

- c. In June 2016, Italgen S.p.A. arranged a floating-rate loan maturing on June 30, 2021 with Banco Popolare; net of repayments made up to December 31, 2019, the loan had a residual amount of 6.0 million euro;
- d. In May 2019, Italgen S.p.A. arranged a new floating-rate loan maturing on June 30, 2026 with Intesa Sanpaolo; net of repayments made up to December 31, 2019, the loan had a residual amount of 15.8 million euro;
- e. on March 17, 2016, Sirap Gema S.p.A. arranged a loan with Banco BPM for 5 million euro, maturing on March 31, 2021;
- f. on June 9, 2016, Sirap Gema S.p.A. arranged a loan with UBI Banca for 5 million euro, maturing on June 9, 2021;
- g. on October 19, 2016, Sirap Gema S.p.A. arranged a loan with Unicredit for 5 million euro, maturing on October 31, 2021;
- h. on February 22, 2017, Sirap Gema S.p.A. arranged a loan with Banco BPM for 5 million euro, maturing on March 31, 2021;
- i. on July 27, 2017, Sirap Gema S.p.A. arranged a loan with Mediocredito Italiano (now Banca Intesa Sanpaolo) for 6 million euro, maturing on June 30, 2022.
- j. on June 21, 2018, Sirap Gema S.p.A. arranged a loan with UBI Banca for 5 million euro, maturing on June 27, 2021;
- k. on December 20, 2019, Sirap Gema S.p.A. arranged a loan with Unicredit for 25.0 million euro, maturing on December 31, 2023;
- l. Caffè Borbone S.r.l. has a loan agreement arranged on April 27, 2018 with a syndicate of banks comprising Unicredit S.p.A. and Intesa Sanpaolo for a total of 102.5 million euro, made up of the BtC Line for 22.5 million euro and the A Line for 80 million euro, maturing on December 31, 2018 and March 31, 2023 respectively, the balance of which at December 31, 2019 is equal to a total of 54 million euro.

Information on available lines of credit and covenants is provided in the section on IFRS 7.

21) PROVISIONS

Non-current and current provisions totalled 64,895 thousand euro at December 31, 2019, showing a decrease of 13,243 thousand euro from December 31, 2018.

(in thousands of euro)	Opening amount	Increases	Decreases	Unused amounts released to income statement	Other changes	Total changes	Closing amount
Environmental restoration	396		(48)			(48)	348
Disputes	51,541	487	(191)		(14,050)	(13,754)	37,787
Other provisions	26,201	2,320	(566)	(415)	(780)	559	26,760
Total	78,138	2,807	(805)	(415)	(14,830)	(13,243)	64,895
Non-current portion	77,186						64,107
Current portion	952						788
Total	78,138						64,895

"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 amounts provided in connection with contractual and commercial liabilities.

Provisions for tax risks deemed probable as a result of tax audits and adjustments to tax returns have been reclassified to "Non-current tax liabilities" following the adoption of IFRIC 23 (for an amount of 14,050 thousand euro).

The main disputes pending at December 31, 2019 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., whose majority shares were 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.

In May, with sentences nos. 2316 and 2317, the Provincial Tax Commission of Milan rejected the appeals concerning dividends and CFC matters for the years 2010 and 2011, as already discussed in previous reports. The Company intends to appeal against these sentences.

With sentence no. 2187 of May 17, 2019, the Commission accepted the Company's appeal against the assessment notice relating to the property in Rome.

In November, the Lombardy Regional Directorate for Large Taxpayers Office notified the Company of a CFC tax assessment notice for 2014.

With regard to the current dispute with the European Commission, details of which can be found in previous directors' reports, with the sentence issued on July 11, 2019 (Case T-523/15) the Court of the European Union rejected the appeal of Italmobiliare and the Sirap Group companies involved in the proceedings, confirming the amount of the fine imposed. The sentence was appealed within the time limits and the proceedings are currently pending before the EU Court of Justice (Case C-694/19).

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.

The item "non-current tax liabilities", equal to 8,300 thousand euro, included the amounts relating to the Group's uncertain tax positions.

22) DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

Total deferred tax liabilities net of deferred tax assets amounted to 40,768 thousand euro at December 31, 2019, as follows:

(in thousands of euro)	December 31, 2018	Impact on the income statement	Other changes	December 31, 2019
Benefit on tax loss carry-forwards	22,389	(18,558)	302	4,133
Property, plant & equipment	(2,794)	786	(17)	(2,025)
Other equity investments	(614)	(6)	160	(460)
Decrease/(increase) in inventories	753	(215)	22	560
Financial liabilities	(208)	9	(1)	(200)
Non-current provisions and Employee benefits	6,323	117	260	6,700
Other	(51,046)	(400)	1,970	(49,476)
Total	(25,197)	(18,267)	2,696	(40,768)
of which:				
Deferred tax assets	32,349			13,075
Deferred tax liabilities	(57,546)			(53,843)
Total	(25,197)			(40,768)

Deferred tax assets consisted of amounts computed on tax losses mainly of the parent company. The recognition was made taking into account the 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 line "Other" in the table, arose for 50,916 thousand euro (52,738 thousand euro at December 31, 2018) from the deferred tax relating to the tangible and intangible assets recognized during allocation of the price paid to acquire Caffè Borbone.

At December 31, 2019, the amount of net deferred tax liabilities recorded in equity reserves was 197 thousand euro (509 thousand euro at December 31, 2018).

Unrecognized deferred tax assets relating to losses for the year and previous years amounted to 1,841 thousand euro (2,084 thousand euro at December 31, 2018); the amount referred to losses reported by Group companies not included in the Italian tax consolidation, which were considered as unlikely to be recovered.

23) TRADE PAYABLES

"Trade payables" consisted entirely of amounts due to suppliers, and totalled 68,857 thousand euro (78,200 thousand euro at December 31, 2018).

24) TAX LIABILITIES

Tax liabilities amounted to 2,252 thousand euro (9,533 thousand euro at December 31, 2018) and reflected amounts due to tax authorities for income taxes accrued in the year.

25) OTHER LIABILITIES

The balance on this caption was as follows:

(in thousands of euro)	December 31, 2019	December 31, 2018	Change
Due to employees	18,509	8,974	9,535
Due to social security bodies	6,100	5,827	273
Due to tax authorities	5,467	4,477	990
Accrued expenses and deferred income	2,756	3,301	(545)
Derivatives	396	1,954	(1,558)
Due to financial and private equity companies	8,860	9,068	(208)
Advances from customers	629	438	191
Due to suppliers for non-current assets	2,344	1,137	1,207
Other liabilities	2,277	2,088	189
Total	47,338	37,264	10,074

The item "Due to employees" increased due to the reclassification of payables for Long Term Incentives (LTI) which becoming a short-term liability, as it is expected to be paid in the next year.

Amounts due to financial and private equity companies included payables to customers of Crédit Mobilier de Monaco and payables to Clessidra SGR funds.

Commitments

(in thousands of euro)	December 31, 2019	December 31, 2018
Collateral given	77,246	108,404
Deposits, guarantees, sureties, commitments and other	164,083	224,823
Total	241,329	333,227

Tecnica Group S.p.A. shares, acquired in 2018, were pledged as collateral for bank loans granted to Tecnica Group S.p.A.

The second item 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.

Usual guarantees are provided on the sale of equity investments.

Commitments include a residual amount of 55,410 thousand euro (65,781 thousand euro at December 31, 2018) for subscription of private equity funds. There are no irrevocable commitments for raw material purchases.

Income statement

26) REVENUE AND INCOME

Revenue from sales and services and income totalled 565,875 thousand euro, as follows:

(in thousands of euro)	2019	2018	Change	Change %
Industrial revenue				
Product sales	441,752	366,923	74,829	20.4%
Services provided	34,666	37,104	(2,438)	-6.6%
Other revenue	178	188	(10)	-5.3%
Total	476,596	404,215	72,381	17.9%
Financial revenue and income				
Interest	1,453	2,447	(994)	-40.6%
Dividends paid	9,971	14,869	(4,898)	-32.9%
Gains realised and other revenue	62,564	27,871	34,693	n.s.
Commissions	13,468	12,025	1,443	12.0%
Total	87,456	57,212	30,244	52.9%
Revenue from other activities				
Interest	1,527	1,533	(6)	-0.4%
Other revenue	296	109	187	n.s.
Total	1,823	1,642	181	11.0%
Grand total	565,875	463,069	102,806	22.2%

The item "Product sales" was mainly attributable to the Sirap group and to Caffè Borbone and the change was mainly attributable to the higher revenue of Caffè Borbone for 80,676 thousand euro (in 2018 the company was consolidated for only 8 months).

The item "Services provided" was mainly related to the Italgem group.

The item "Gains realised and other revenue" mainly referred to the Parent Company and includes revaluations of FVTPL securities for 42,976 thousand euro (11,268 thousand euro in 2018).

The item "Commissions" referred to Clessidra SGR and Crédit Mobilier de Monaco.

27) RAW MATERIALS AND SUPPLIES

Raw materials and supplies amounted to 246,091 thousand euro, as follows:

(in thousands of euro)	2019	2018	Change	Change %
Raw materials and semifinished goods	120,221	117,029	3,192	2.7%
Fuel	1,347	880	467	53.1%
Materials and machinery	47,988	30,347	17,641	58.1%
Finished goods	56,907	51,792	5,115	9.9%
Electricity and water	19,892	22,939	(3,047)	-13.3%
Change in inventories of raw materials, consumables and other	(264)	4,363	(4,627)	n.s.
Total	246,091	227,350	18,741	8.2%

The increase in "Raw materials and supplies" was linked to the increase in revenue.

28) SERVICES

Expense for services amounted to 87,472 thousand euro, as follows:

(in thousands of euro)	2019	2018	Change	Change %
External services and maintenance	16,643	11,560	5,083	44.0%
Maintenance	5,289	5,090	199	3.9%
Transport	23,157	20,657	2,500	12.1%
Legal fees and consultancy	10,591	9,421	1,170	12.4%
Rents	5,018	8,693	(3,675)	-42.3%
Insurance	1,942	2,125	(183)	-8.6%
Membership fees	417	362	55	15.2%
Other expense	24,415	19,418	4,997	25.7%
Total	87,472	77,326	10,146	13.1%

"Other expense" consisted largely of commission expenses on trading activities, communication and marketing expense, and entertainment expense, mainly relating to the Group industrial companies.

29) PERSONNEL EXPENSES

Personnel expenses amounted to 103,458 thousand euro, as follows:

(in thousands of euro)	2019	2018	Change	Change %
Wages and salaries	75,086	70,231	4,855	6.9%
Social security contributions	22,864	21,465	1,399	6.5%
Other expense	5,508	6,980	(1,472)	-21.1%
Total	103,458	98,676	4,782	4.8%

"Other expense" related mainly to costs of temporary personnel, canteen costs, employee insurance costs, travel costs and personnel training and recruitment costs.

The increase in "Wages and salaries" was mainly attributable to Caffè Borbone due to the increase in the number of employees and the fact that in 2018 the company was consolidated for only 8 months.

The number of employees is shown below:

(headcount)	2019	2018	Change
Number of employees at year end	1,776	1,799	(23)
Average number of employees	1,776	1,818	(42)

30) OTHER OPERATING (INCOME) EXPENSES

Other operating expense net of other operating income amounted to 19,488 thousand euro, as follows:

(in thousands of euro)	2019	2018	Change	Change %
Other taxes	6,479	6,286	193	3.1%
Accrual to the provision for bad and doubtful accounts	1,573	107	1,466	n.s.
Interest expense and other expense financial companies	15,956	31,505	(15,549)	-49.4%
Amounts set aside to provisions and other expense	5,908	3,801	2,107	55.4%
Other income	(7,042)	(3,682)	(3,360)	91.3%
Net gains from the sale of non-current assets	(4,807)	(981)	(3,826)	n.s.
Personnel expense for re-organizations	652	115	537	n.s.
Other (income) expense	769	2,346	(1,577)	-67.2%
Total	19,488	39,497	(20,009)	-50.7%

"Interest and other financial expenses" include impairment losses on financial assets measured at FVTPL for 1,606 thousand euro (23,915 thousand euro at December 31, 2018), of which 13,758 thousand euro relating to listed securities.

The item "Other income" mainly includes insurance indemnities, reimbursements and compensation.

31) AMORTISATION AND DEPRECIATION

The total amount of 27,704 thousand euro (21,152 thousand euro in 2018) reflects depreciation of property, plant and equipment for 20,044 thousand euro (15,870 thousand euro in 2018), depreciation of investment property for 473 thousand euro (375 thousand euro in 2018) and amortisation of intangible assets for 7,187 thousand euro (4,907 thousand euro in 2018).

Depreciation of property, plant and equipment includes 4,353 thousand euro (323 thousand euro at December 31, 2018) relating to the depreciation of the right of use on leased assets, following the application of IFRS 16.

32) IMPAIRMENT LOSSES OF NON-CURRENT ASSETS

In 2019, plant for 1,094 thousand euro was written down in the Sirap group (2,964 thousand euro in the Italgem group at December 31, 2018), as well as intangible assets for 25 thousand euro (no write down were made at December 31, 2018).

33) FINANCE INCOME AND COSTS, EXCHANGE-RATE DIFFERENCES AND NET GAINS (LOSSES) ON DERIVATIVES

Net finance costs amounted to 4,809 thousand euro. The amount was composed as follows:

(in thousands of euro)	2019		2018	
	Income	Costs	Income	Costs
Interest income	30		57	
Interest expense		(3,548)		(2,850)
Dividends and income (costs) from equity investments	193	(172)	513	
Gains/losses on sale of equity investments				
Other finance income	103		65	
Capitalised interest expense				
Other finance costs		(2,306)		(2,298)
Total finance income (costs)	326	(6,026)	635	(5,148)
Net exchange rate differences	316			(296)
Net gain/(loss) on exchange-rate differences and derivatives		316		(296)
Total finance income (costs), exchange-rate differences and net gains (losses) on derivatives		(5,384)		(4,809)

The item mainly consisted of interest on loans for 2,008 thousand euro (2,840 thousand euro in 2018), interest expense for leases for 748 thousand euro following the application of IFRS 16 (10 thousand euro in 2018) and bank charges and commissions of 1,470 thousand euro (1,341 thousand euro in 2018).

34) IMPAIRMENT OF FINANCIAL ASSETS

In 2019, the investment in S.E.S. was written down by 2,600 thousand euro as a result of an impairment test (zero balance at December 31, 2018).

35) SHARE OF PROFIT/(LOSS) OF EQUITY-ACCOUNTED ASSOCIATES

(in thousands of euro)	2019	2018	Change	Change %
Tecnica Group	4,747	1,989	2,758	n.s.
Iseo	3,030		3,030	n.s.
Autogas	1,952		1,952	n.s.
Dokimè	281	(10)	291	n.s.
I.Fotoguiglia		(99)	99	n.s.
Gardawind	195	95	100	105.3%
MFS Web	270		270	n.s.
Total	10,475	1,975	8,500	n.s.

36) INCOME TAX

There was a negative income tax posting of 22,537 thousand euro for the period, analysed as follows:

(in thousands of euro)	2019	2018	Change	Change %
Current tax	22,512	5,587	16,925	n.s.
Prior-year tax and other prior-year tax items	(509)	60	(569)	n.s.
Deferred tax	534	(18,864)	19,398	n.s.
Total	22,537	(13,217)	35,754	n.s.

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 different from the profit before tax.

The change in deferred tax arose from the activation in 2018 of tax benefits on prior-years tax losses and on deductible temporary differences as a result of the projection of future taxable income at the companies included in the domestic tax consolidation.

The reconciliation between the theoretical tax charge and the tax charge reflected in the income statement is set out below:

(in thousands of euro)	2019
Consolidated profit (loss) before tax relating to continuing operations	99,575
Current IRES tax rate	24.0%
Theoretical tax charge	(23,898)
Tax effect on permanent differences	
- foreign dividends and other exempt income	6,989
- non-deductible costs	(2,193)
Net effect for the year of deferred tax assets and liabilities not recognized on temporary differences (*)	375
Recovery in year of deferred tax assets not recognised in previous years on deductible temporary differences and/or tax losses	(1,078)
Effect of change in tax rates	(9)
Withholdings on foreign dividends	(1,751)
Effect of estimate adjustments and/or recognition of previously unrecognised deferred tax	
Effect of difference between Italian and foreign tax rate	154
Other changes	3,882
Effective income tax charge	17.6% (17,529)
Effective IRAP tax charge	(2,350)
Other components not related to income for the year	(2,658)
Total income tax relating to continuing operations	22.6% (22,537)

(*) Refers mainly to unrecognised deferred tax assets on losses for the year in Italy.

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) OTHER COMPREHENSIVE INCOME

(in thousands of euro)	Valore lordo	Imposte	Valore netto
Fair value gains (losses) on:			
Financial assets measured at FVTOCI	114,651	158	114,809
Derivatives	324	182	506
Translation differences	1,994		1,994
Actuarial gains (losses) on defined benefit plans	(340)	30	(310)
Other comprehensive income (expense)	116,629	370	116,999

38) EARNINGS PER SHARE

Earnings per share at December 31, 2019 and 2018, 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:

	2019	2018
(no. shares in thousands)	Ordinary shares	Ordinary shares
No. shares at January 1	47,634	47,634
Treasury shares at January 1	(5,686)	(5,691)
Weighted average number of treasury shares sold in the year		4
Total	41,948	41,947
Attributable profit in thousands of euro	63,520	27,701
Basic earnings per share in euro	1.514	0.660

Profit attributable by share category was determined as follows:

	2019	2018
(in thousands of euro)	Ordinary shares	Ordinary shares
Residual profit apportioned to all shares	63,520	27,701
Total	63,520	27,701

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:

	2019	2018
(thousands of shares)	Ordinary shares	Ordinary shares
Weighted average number of shares at December 31	41,948	41,947
Dilutive effect of stock options	105	124
Total	42,053	42,071
Attributable profit for diluted earnings per share in thousands of euro	63,250	27,701
Diluted earnings per share in euro	1.510	0.658

Profit attributable by share category was determined as follows:

	2019	2018
(in thousands of euro)	Ordinary shares	Ordinary shares
Residual profit apportioned to all shares	63,250	27,701
Total	63,250	27,701

IFRS 7

Net financial position

The net financial position at December 31, 2019 is set out below:

(in thousands of euro)	Caption	Non NFP	NFP	Current assets	Current liabilities	Non-current assets	Non-current liabilities	NFP held for sale
Trade receivables and other non-current assets	180,909	149,850	31,059			31,059		
Other current assets including derivative financial instruments	22,953	12,279	10,674	10,674				
Equity investments, bonds and current financial receivables	372,150		372,150	372,150				
Cash and cash equivalents	248,112		248,112	248,112				
Non-current financial liabilities	(118,817)		(118,817)				(118,817)	
Other non-current liabilities	(9,219)	(8,460)	(759)				(759)	
Loans and borrowings	(21,658)		(21,658)		(21,658)			
Current financial liabilities	(36,416)		(36,416)		(36,416)			
Other liabilities	(47,338)	(38,082)	(9,256)		(9,256)			
Total	590,676	115,587	475,089	630,936	(67,330)	31,059	(119,576)	
Assets classified as held for sale	6,713	6,566	147					147
Liabilities directly linked to assets held for sale								
Total	597,389	122,153	475,236	630,936	(67,330)	31,059	(119,576)	147

The net financial position at December 31, 2019 amounted to 475,236 thousand euro, as follows:

(in thousands of euro)	December 31, 2019	December 31, 2018	Change
Current financial assets	630,936	380,551	250,385
Cash and cash equivalents	248,112	121,930	126,182
Derivatives - assets	431	2,391	(1,960)
Other current financial assets	382,393	256,230	126,163
Current financial liabilities	(67,330)	(83,260)	15,930
Loans and borrowings	(21,658)	(25,065)	3,407
Current loans and borrowings	(45,276)	(56,241)	10,965
Derivatives - liabilities	(396)	(1,954)	1,558
Non-current financial assets	31,059	38,527	(7,468)
Non-current financial assets	31,027	38,527	(7,500)
Non-current derivatives	32		32
Non-current financial liabilities	(119,576)	(113,892)	(5,684)
Non-current financial liabilities	(118,817)	(113,333)	(5,484)
Non-current derivatives	(759)	(559)	(200)
Net financial position relating to continuing operations	475,089	221,926	253,163
Assets classified as held for sale	147	334	(187)
Liabilities directly associated with assets classified as held for sale			
Net financial position relating to discontinued operations	147	334	(187)
Total net financial position	475,236	222,260	252,976

The net financial position at December 31, 2019, computed in compliance with 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 444,030 thousand euro (positive at 183,399 thousand euro at December 31, 2018).

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, 2019, divided on the basis of the new IFRS 9 categories and the related hierarchy:

(in thousands of euro)	Carrying amount					Total	Fair value			
	FVTPL	FVTOCI	Amortised cost	FV hedges	Other financial liabilities		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 receivables			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
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
Financial liabilities										
Non-current financial liabilities						118,817		118,817		118,817
Bank loans and borrowings						104,704		104,704		104,704
Finance lease payables						12,512		12,512		12,512
Other loans and borrowings						1,601		1,601		1,601
Other non-current liabilities			8,460	759		9,219		759		759
Derivatives				759		759		759		759
Other non-current payables			8,460			8,460				
Loans and borrowings						21,658		21,658		21,658
Current financial liabilities						36,416		36,416		36,416
Bank loans and borrowings						27,541		27,541		27,541
Finance lease payables						3,373		3,373		3,373
Other loans and borrowings						266		266		266
Other financial payables						5,236		5,236		5,236
Decrease/(increase) in trade liabilities			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		124,259	759	176,891	302,305		178,046		178,046

The table below compares the carrying amount and the fair value of financial assets and liabilities at December 31, 2018, subdivided on the basis of the new IFRS 9 categories and the related hierarchy:

(in thousands of euro)	Carrying amount					Fair value				
	FVTPL	FVTOCI	Amortised cost	FV hedges	Other financial liabilities	Total	level 1	level 2	level 3	Total
Financial assets										
Other equity investments		404,382				404,382	324,872	15,568	63,942	404,382
Trade receivables and other non-current assets	118,725		38,332			157,057		3,163	115,562	118,725
Financial assets at amortised cost			13,439			13,439				
Financial assets at FVTPL in NFP	3,163					3,163		3,163		3,163
Financial assets at FVTPL not in NFP	115,562					115,562			115,562	115,562
Non-current receivables			21,771			21,771				
Trade receivables			2,588			2,588				
Guarantee deposits			534			534				
Decrease/(increase) in trade receivables			92,043			92,043				
Current assets including derivative financial instruments	2,391		25,439			27,830		2,391		2,391
Derivatives	2,391					2,391		2,391		2,391
Trade receivables			8,606			8,606				
Other receivables			16,833			16,833				
Equity investments, bonds and current financial receivables	246,450		2,054			248,504	70,002	173,078	3,370	246,450
NFP Equity investments FVTPL	34,601					34,601	33,713		888	34,601
Financial assets at amortised cost			364			364				
Financial assets at FVTPL in NFP	211,849					211,849	36,289	173,078	2,482	211,849
Financial receivables and accruals			1,690			1,690				
Cash and cash equivalents			121,930			121,930				
Total	367,566	404,382	279,798			1,051,746	394,874	194,200	182,874	771,948
Financial liabilities										
Non-current financial liabilities						113,333		113,333		113,333
Bank loans and borrowings						109,959		109,959		109,959
Finance lease payables						1,716		1,716		1,716
Other loans and borrowings						1,658		1,658		1,658
Other non-current liabilities			5,063	559		5,622		559		559
Derivatives				559		559		559		559
Other non-current payables			5,063			5,063				
Loans and borrowings						25,065		25,065		25,065
Current financial liabilities						47,173		47,173		47,173
Bank loans and borrowings						38,298		38,298		38,298
Finance lease payables						364		364		364
Other loans and borrowings						618		618		618
Other financial payables						7,893		7,893		7,893
Trade payables			78,200			78,200				
Other liabilities	1,954		35,310			37,264		1,954		1,954
Derivatives	1,954					1,954		1,954		1,954
Trade receivables			9,068			9,068				
Other payables, accruals and deferrals			26,242			26,242				
Total	1,954		118,573	559		185,571		188,084		188,084

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 are 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, 2019 were as follows:

(in thousands of euro)	Level 3 31/12/2018	Increases					Decreases					Level 3 31/12/19		
		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
Non-current equity investments	63,942	835			80		(35,134)			(173)	(22,491)	(90)		6,969
Receivables and other non-current assets	115,562	35,545		30,807		888		(36,268)		(518)				146,016
Equity investments, bonds and current financial receivables	3,370	227		1,554		27	(4,374)	(113)		(565)				126

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 Caffè Borbone for a nominal amount of 54 million euro and by Italgas for a nominal amount of 15.8 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, 2019, is set out below, subdivided by operating segment and maturity:

Notional amounts					
(in millions of euro)	Italmobiliare	Sirap	Italgen	Caffè Borbone	Total
Derivatives on interest rates			15.8	54.0	69.8
Derivatives on shares	108.5				108.5
Derivatives on indices	7.1				7.1
Derivatives on commodities					
Total	115.6		15.8	54.0	185.4

Notional amounts					
(in millions of euro)	< 1 year	1-2 years	2-5 years	> 5 years	Total
Derivatives on interest rates	2.4	4.4	59.3	3.7	69.8
Derivatives on shares	108.5				108.5
Derivatives on indices	7.1				7.1
Derivatives on commodities					
Total	118.0	4.4	59.3	3.7	185.4

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, 2019:

(in millions of euro)	Maturity				Total
	< 1 year	1-2 years	2-5 years	> 5 years	
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.

At December 31, 2018:

(in millions of euro)	Maturity				Total
	< 1 year	1-2 years	2-5 years	> 5 years	
Total financial liabilities	(81.3)	(20.2)	(90.5)	(2.6)	(194.6)
Undrawn committed lines of credit	10.0				10.0
Cash and cash equivalents	121.9				121.9

The group also has uncommitted lines of credit for 249.3 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, 2019:

(in millions of euro)	
Balance at December 31, 2019	
Fixed-rate financial liabilities	(22.2)
Fixed-rate financial assets	22.8
Fixed-rate NFP at inception	0.6
Fixed-rate/Floating-rate hedging	
Floating-rate/Fixed-rate hedging	(69.8)
Fixed-rate NFP after hedging	(69.2)
Floating-rate financial liabilities	(163.5)
Floating-rate financial assets	32.9
Floating-rate NFP at inception	(130.6)
Fixed-rate/Floating-rate hedging	
Floating-rate/Fixed-rate hedging	69.8
Floating-rate NFP after hedging	(60.8)
Other instruments not subject to interest-rate risk	605.2
Total NFP	475.2

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 (**)		8.9	
Financial liabilities (**)	(6.0)		
Net exposure by currency	(6.0)	8.9	

(*) 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, 2019	December 31, 2018	Change
Equity investments FVTOCI	183,089	324,874	(141,785)
Equity investments FVTPL	24,088	33,713	(9,625)
Overall exposure	207,177	358,587	(151,410)

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 FVTPL	33.2	Baa1	5.61
Bonds at amortised cost	9.0	n/a	3.00
Deposits	190.2	n/a	n/a
Other financial assets	0.7	n/a	n/a
Derivatives on shares	0.1	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 -1.7 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, 2019 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	(2.7)	(0.1)	(0.1)		(2.9)
Total financial assets	238.9		24.0	309.6	572.5
Total NFP	236.2	(0.1)	23.9	309.6	569.6
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, 2019, 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, 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	(2.2)
Floating-rate financial assets	18.7
Floating-rate NFP at inception	16.5
Fixed-rate/Floating-rate hedging	
Floating-rate/Fixed-rate hedging	
Floating-rate NFP after hedging	16.5
Assets not exposed to interest-rate risk	540.9
Liabilities not exposed to interest-rate risk	(0.4)
Total NFP	569.6

Floating-rate assets include cash and cash equivalents, amounts due from Group companies and floating-rate bonds; fixed-rate liabilities include amounts due to third parties and Group companies.

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 -5.7 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 RISK

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, 2019, listed financial assets exposed to price risk amounted to 207.2 million euro, of which 183.1 million euro measured at FVTOCI and 24.1 million euro measured at FVTPL.

A hypothetical reduction of 5% in share prices would have a negative impact of 10.4 million euro on the assets' fair value, of which 9.2 million euro on equity and 1.2 million euro on the income statement.

(in millions of euro)	Fair value	Share price delta	Impact on income statement	Impact on equity
Shares FVTPL	24.1	-5%	(1.2)	
Shares FVTOCI	183.1	-5%		(9.2)

ITALGEN

The segment is exposed to the following risks arising from 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, Italgen 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 became operational on January 1, 2019 and 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

Italgen is exposed to an interest-rate risk since its total gross debt is at a floating rate, indexed to 3- and 6-month Euribor.

This risk was partially mitigated in the first half of 2019 through the subscription of a hedging derivative (Interest Rate Swap, from floating rate to fixed rate). At present, around 50% of gross debt is hedged against the risk of rising interest rates.

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, 2019.

At December 31, a positive change of 1% in the reference rates would have led to another 100 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 currency risk as there are no financial assets or liabilities denominated in currencies other than the Euro. Within the Italgem Group, only Italgem Misr for Energy SAE has exposure to currency risk, which derives from the 3.6 million euro intercompany loan granted by Italgem S.p.A. This loan generates exposure to currency risk only for Italgem Misr for Energy, devaluations of the EGP/EUR cross rate would generate exchange losses. This risk is not hedged.

Liquidity risk

Italgem has unconfirmed credit lines for a total of around 24 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	0.8	0.1			0.9
Sirap Gema France	1.2	0.1		0.1	1.4
Inline Poland	0.6				0.6
Sirap GmbH	0.2				0.2
Sirap UK	0.7		0.1		0.8
Sirap Packaging Iberica	0.5	0.1			0.6
Gruppo Petruzalek	1.3	0.5		3.0	4.8
Total	5.3	0.8	0.1	3.1	9.3

Total non-overdue trade receivables stood at 50.7 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 2019 were as follows:

(in millions of euro)	Opening balance	Changes in scope of consolidation	Increases	Applications	Closing balance
Sirap Gema	0.8			(0.4)	0.4
Sirap Gema France	0.1				0.1
Sirap UK	0.1				0.1
Inline Poland			0.3	(0.2)	0.1
Petruzalek Group	1.4		0.6	(0.1)	1.9
Total	2.4		0.9	(0.7)	2.6

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 (of which 15,000 thousand euro disbursed at December 31, 2019), with a repayment date of December 31, 2023; the agreement envisages covenants on:
 - NFP / EBITDA
 - EBITDA / Finance costs
- Sirap France SAS has arranged three loans for a total of 3,000 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 1,772 thousand euro maturing on January 31, 2027;
 - a residual loan of 1,689 thousand euro maturing on August 31, 2027;
 - a residual loan of 808 thousand euro maturing 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, 2019, 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 2019 there was no material worsening in these currencies' exchange rates with the euro, with the exception of the Turkish lira, whose impact on the group accounts was immaterial.

The policy sets out criteria and procedures to mitigate/neutralize the effects, and instruments and limits on use of hedging derivatives.

OTHER PRICE RISK

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, with the prices of the former, notably PET, rising during 2019.

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 2019 the Company increased the provision for bad and doubtful accounts by 550 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)	(28.1)	(28.3)		(57.1)
Total financial assets	25.5				25.5
Total NFP	24.8	(28.1)	(28.3)		(31.6)

* including financial assets with no maturity

In addition, it should be noted that at December 31, 2019 the Company has a loan of 54,000 thousand euro which requires compliance with covenants represented by the ratio between EBITDA and NFP. The company complied with the covenants at December 31, 2019.

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.

The company is exposed to interest-rate risk to the extent that part of its borrowings are not hedged by swaps.

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 RISK

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 2019 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	2,221	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%			

The comparatives for 2018 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)
Associates not consolidated line-by-line	2,293	152	14,234	16	
Other related parties		15			
	(1,060)	(18)			
Total	2,293	167	14,234	16	
	(1,060)	(18)			
% impact on financial statement items	0.5%	0.2%	3.4%	2.5%	
	0.2%	0.0%			

During 2019, the Italmobiliare Group disbursed funds totalling 500 thousand euro to the Fondazione Cav. Lav. Carlo Pesenti (500 thousand euro in 2018).

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 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)	2019	2018
Short-term benefits: fees and remuneration	8,191	7,566
Other long-term benefits: length-of-service bonuses and incentives	2,391	2,391
Share-based payments (stock options)	394	65
Total	10,976	10,022

Audit fees

The following table provides details of the 2019 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	518		
Other attestation services	33		
Other legal, tax and corporate services	24		
Expenses	57		
Total	632		

Grants from the Public Administration

Following approval of the annual Competition Law no. 124/2018 aimed at improving the transparency of public grants received, it should be noted that:

- during the year, Sirap Gema S.p.A. received grants for personnel training for 36 thousand euro from Fondimpresa and Gestore dei Servizi Energetici S.p.A. with Tax Code 05754381001, 27 thousand euro gross of withholding taxes, incentives for electricity through photovoltaic systems, as per convention No. I02I30037507; in the 2018 financial statements, 563 thousand euro was allocated for the energy-related grant for 2017, which was received in 2019;
- during the year, Italmobiliare S.p.A. collected personnel training grants of 15 thousand euro from Fondirigenti;
- Italgem 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 8,498 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 998 thousand euro, and FER-E incentivised electric energy sales for 447 thousand euro, also from Gestore dei Servizi Energetici S.p.A.

Statement of cash flows

B) CASH FLOWS FROM INVESTING ACTIVITIES

The table below shows the main equity investments acquired by the Group in 2019:

(in millions of euro)	2019	2018
Autogas	60.3	
Private equity funds	35.5	20.6
Capitelli	16.1	
New Flour	0.8	2.8
035 Capital expenditure	0.1	
Tecnica Group	0.1	
Caffè Borbone		305.4
Iseo group		42.6
Sirap UK		10.5
Sirap Iberica		3.4
Unicredit		1.6
Sirap Tarascon		0.3
Piaggio		0.2
Petruzalek Ukraine		0.1
Misr for Energy		0.1
Sirap GmbH		(0.3)
Total	112.9	387.3

Equity investments were 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 2019:

(in millions of euro)	2019	2018
Sale of property, plant & equipment	6.6	1.0
Sales of investments:		
HeidelbergCement	142.2	18.8
Mediobanca	80.7	6.3
Partial reimbursement of Clessidra 3 Fund	13.0	9.2
Piaggio	0.4	
Aksia Fund (partial reimbursement)	20.0	2.0
Sciqwest	91.2	
BDT Fund (partial reimbursement)	3.1	0.8
Banca Leonardo (reimbursement, net of receivable to be collected)		3.0
Dokimè (partial reimbursement)		0.3
Other	0.5	0.6
Total	357.7	42.0

C) CASH FLOW FROM FINANCING ACTIVITIES

The change in the line item Change in equity investments and current securities (163,587 thousand euro) was mainly due to the increase of the Vontobel fund for 104,697 thousand euro.

Events after the reporting date

In December, Italmobiliare S.p.A. reached an agreement, which was then closed in January 2020, for the purchase of a 20% stake in "Officina Profumo Farmaceutica di Santa Maria Novella" based in Florence, which is a top-of-the-range cosmetics company and historic brand with international allure. Italmobiliare S.p.A. invested 40 million euro in the operation, becoming a non-controlling shareholder of a group with a turnover of approximately 31 million euro, with a chance to increase its shares over time.

As is well-known, having shown signs of stabilisation and the possibility of a recovery in the new year starting from the last quarter of 2019, the trend in the global economic cycle has now been hit by the Coronavirus crisis. The impact, through multipliers and channels both direct (demand) and indirect (business value chain), is difficult to quantify with respect to similar events (such as SARS), given China's greater weight on growth and world trade, and greater interconnection between the various geographical areas. In the last week of February, the Covid-19 virus began to spread throughout Europe and other parts of the world and the restrictive measures introduced by public authorities to contain the virus - extraordinary circumstances in their nature and extent - will have further repercussions on the economy, creating a situation of general uncertainty whose evolution and effects are impossible to predict at the moment.

The potential effects of this phenomenon on the activities of Italmobiliare and the portfolio companies cannot be foreseen at present and will be subject to constant monitoring throughout the year (see the notes on "Goodwill" and "Investments in associates" for information on the sensitivities of the impairment tests, also in situations of stress).

In addition to the uncertainty about how the Coronavirus is likely to evolve, the macro and financial normalisation scenario of 2020 remains exposed to other exogenous events, such as geopolitical risks, including the negotiations on Brexit and commercial tariffs, and the US presidential election, as well as endogenous ones (sustainability of private sector debt and inflationary dynamics beyond expectations).

In this situation of high uncertainty, the Company's commitment will remain concentrated on its operational activity, with particular attention to careful monitoring and management of the risks that this new scenario may have in store, being able to count on a decidedly positive cash position to allow ample room for manoeuvre and avoid any strain on liquidity.

From an accounting point of view, Group Management is of the opinion that the health emergency induced by Covid-19, which emerged as such in China for the first time in January and only recently in our country as well, constitutes a "not-adjusting event", according to IAS 10; it has not therefore been taken into account in the measurement processes applied to the items in the Group's consolidated financial statements at December 31, 2019.

As regards the main listed financial instruments held by Italmobiliare in portfolio (mainly the investment in HeidelbergCement), as of today, the fair value has shown a decrease of over 33 million euro compared with the corresponding amount at December 31, 2019. Furthermore, any extension of the effects of Coronavirus could lead to further volatility and a reduction in stock market values. On the other hand, given the situation of extreme uncertainty, the impact of the health emergency on the value of financial assets measured with a fair value levels 2 and 3 does not appear to be quantifiable.

Italmobiliare is also committed to providing maximum strategic and operational support to the portfolio companies to meet the challenges posed by the changed context made critical by the spread of this contagion. The highest safety and control measures will be deployed to guarantee the operation capacity of production sites in geographical areas exposed to greater risks. At all portfolio companies, maximum attention will be given to prudent management of the cash position with the timing of some development initiatives possibly being revised. It is important to remember that the predominant part of the portfolio in terms of net asset value is represented by companies in sectors related to the food chain and the energy sector: it is not unreasonable to assume that the impact on these businesses will be less than on others. For the other businesses, especially those exposed to "retail" dynamics and/or that supply 'non-essential' goods and services, potentially more subject to the safety measures implemented at international level, specific measures will be assessed with top management to monitor and organize production and ensure flexibility in commercial developments and investment plans.

Milan, March 4, 2020

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

ITALMOBILIARE
INVESTMENT HOLDING

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	Registered 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	10,000,000.00	10.53	-	10.53	Italmobiliare S.p.A.	Fair Value
Alpigas S.r.l.	Aosta	I	EUR	100,000.00	-	100.00	100.00	Autogas Nord S.p.A.	Equity
Atesina Gas S.r.l.	Lavis (TN)	I	EUR	260,000.00	-	100.00	100.00	Autogas Nord S.p.A.	Equity
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
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
Bocci Gas S.r.l.	Foligno (PG)	I	EUR	70,000.00	-	100.00	100.00	Autogas Nord S.p.A.	Equity
Burgo Group S.p.A.	Altavilla Vicentina	I	EUR	20,000,000.00	11.68	-	11.68	Italmobiliare S.p.A.	Fair value
Caffè Borbone S.r.l.	Caivano (NA)	I	EUR	1,000,000.00	60.00	-	60.00	Italmobiliare S.p.A.	Line-by-line
Capitelli F.lli S.r.l.	Borgonovo Val Tidone (PC)	I	EUR	51,480.00	-	100.00	100.00	FT1 S.r.l.	Line-by-line
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	-	51.00	51.00	Autogas Nord S.p.A.	Equity
Clessidra Società di Gestione del Risparmio S.p.A.	Milan	I	EUR	3,000,000.00	100.00	-	100.00	Italmobiliare 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
Clodiagas S.r.l.	Piove di Sacco (PD)	I	EUR	98,800.00	-	50.00	50.00	Autogas Nord S.p.A.	Equity
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
Dokimè S.r.l.	Milan	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
Feroneria Prod. S.A.	Arad	RO	RON	20,628,636.40	-	100.00	99.9999	Iseo Serrature S.p.A. Microhard S.r.l.	Equity
Fin Priv. S.r.l.	Milan	I	EUR	20,000.00	14.28	-	14.28	Italmobiliare S.p.A.	Fair value
Franco Tosi Ventures S.r.l.	Milan	I	EUR	100,000.00	100.00	-	100.00	Italmobiliare S.p.A.	Line-by-line
FT1 S.r.l.	Milan	I	EUR	100,000.00	80.00	-	80.00	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
Gardawind S.r.l.	Vipiteno (BZ)	I	EUR	100,000.00	-	49.00	49.00	Italgen S.p.A.	Equity
Gruppo Energia Italy 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	Rome	I	EUR	255,000.00	18.04	-	18.04	Italmobiliare S.p.A.	Cost
Inline Poland Sp. z o.o.	Murawana Goslina	PL	PLN	3,846,000.00	-	100.00	100.00	Sirap Gema S.p.A.	Line-by-line
Italgen Maroc Ener S.A.	Casablanca	MAR	MAD	39,100,000.00	-	100.00	99.99	Italgen S.p.A.	Line-by-line
							0.01	Italmobiliare Servizi S.r.l.	
Italgen Maroc S.A.	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.	Bergamo	I	EUR	20,000,000.00	100.00	-	100.00	Italmobiliare S.p.A.	Line-by-line
Italmobiliare Servizi S.r.l.	Milan	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
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	Microhard S.r.l.	
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	23,969,040.00	40.00	-	40.00	Italmobiliare S.p.A.	Equity
Iseo South Africa Proprietary Limited	Cape Town	ZA	ZAR	1,136.00	-	100.00	100.00	Iseo Serrature S.p.A.	Equity

Company	Registered office			Share capital		Interest held by Group companies			Method	Non-controlling interests %
				Direct	Indirect	%				
Liras S.A.S.	Courbevoie	F	EUR	16,151,640.00	-	60.62	60.62	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	104,740.00	-	99.24	99.24	Liras S.A.S.	Equity	
Locken UK Limited	London	GB	GBP	1,000.00	-	99.24	99.24	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 Schuhe AG	Wengelacher	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	
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 Scarf	Fontevivo (PR)	I	EUR	10,200.00	-	100.00	100.00	Autogas Nord S.p.A.	Equity	
Petruzalek Ltd in liquidation (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)	Belgrade	RS	EUR	1,066,060.09	-	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 Kft (Hungary)	Budapest	HU	HUF	300,000,000.00	-	100.00	75.00	Petruzalek Gesellschaft mbH (Austria)	Line-by-line	
							25.00	Petruzalek spol. S.r.o. (Czech Republic)		
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	Riko Sport S.r.l.	Equity	
Riko Sport S.r.l.	Altivole (TV)	I	EUR	780,000.00	-	100.00	100.00	Lowa Sportschuhe GmbH	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	
Sinergias S.r.l.	Porto Mantovano (MN)	I	EUR	98,000.00	-	100.00	100.00	Autogas Nord S.p.A.	Equity	
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	Puig-Reig	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 Scarf	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.	Anney-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 Hungary Kft	Nagykallo	H	EUR	3,454,422.00	-	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	
Tianjin Tecnica International Co. Ltd	Tianjin Port	RC	CNY	2,417,770.00	-	50.00	50.00	Tecnica Group Spa	Equity	
Tirolgas S.r.l.	Ora (BZ)	I	EUR	114,024.40	-	100.00	100.00	Autogas Nord S.p.A.	Equity	
Universal Imballaggi S.r.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	

* The shareholding in Autogas Nord SpA owned by Italmobiliare 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 one euro, if after the approval of the 2021 financial statements of Autogas Nord S.p.A. the Equity Value in 2021 is higher than 318.7 million euro (whereas if the Equity Value 2021 of Autogas Nord S.p.A. is equal to or less than 318.7 million euro, the 2.82% will remain definitively acquired by Italmobiliare), and (iii) the dividends deposited medio tempore in escrow (and the related shares) will be released in whole or in part in favour of the subjects who will be the final owners of the aforementioned shareholding representing 2.82% of the share capital of Autogas Nord S.p.A.

ITALMOBILIARE

INVESTMENT HOLDING

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 applicationof the administrative and accounting procedures adopted for the preparation of the **consolidated financial statements** during the period from January 1, 2019 to December 31, 2019.
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, 2019 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, 2019:
 - 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, 2020

Chief Executive Officer

Manager in charge of
financial reporting

Carlo Pesenti

Mauro Torri

Report of the Independent Auditors

Deloitte.

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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 637/2014

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, 2019, 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 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, 2019, 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. 38/06.

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.

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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 include financial assets measured at fair value categorized into a level 2 and 3 hierarchy amounting to Euro 475 million, equal to 47% of total financial assets and 25% 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.

The Directors measured the fair value without considering the growing impacts of the health emergency related to the spread of the Covid-19 virus, as such event is a subsequent non-adjusting event. With regards to the disclosures related to the pandemic the Directors assessed the impacts on the financial assets with fair value level 2 and 3 as currently not determinable due to the high levels of uncertainty.

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, 2019 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" and the "Events after the reporting date" paragraph of the notes 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 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 of the valuation technique, the significant inputs and their actual application 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.

Measurement of goodwill and intangible asset with indefinite useful life**Description of the key audit matter**

The consolidated financial statements include goodwill amounting to Euro 181,8 million, and intangible asset with indefinite useful life related to the "Caffè Borbone" trademark amounting Euro 92 million.

The above reported assets, as required by IAS 36, are not systematically amortized but are subject to impairment test at least annually.



Following the strategic and organizational choices made by the Group, goodwill has been allocated to four cash generating units ("CGU"): "Caffè Borbone" for Euro 158,6 million, "Capitelli" for Euro 14,7 million, "Strap Group" for Euro 10,3 million and "Clessidra" for Euro 3 million. The Directors carried out an impairment test, supported also by an external advisor, comparing the CGU's recoverable amount, on the basis of their value in use (or equity value), and its carrying amount, inclusive of goodwill and other assets allocated to the tested CGUs (except for the "Capitelli" CGU for which the test was not performed, as the subsidiary was acquired in December 2019). The Directors determined the value in use based on assumptions that include, among others, (i) the cash flows included in the 2020 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.

Criteria and results of the impairment tests were approved by the Board of Directors of Immobiliare S.p.A. on January 29, 2020 and February 14, 2020 respectively, without identifying any impairment loss.

The recoverable amount of the "Caffè Borbone" trademark with indefinite useful life was estimated by the Directors, also with the support of an external advisor, as its fair value, determined using an income approach method, based on assumptions made by the Directors relating to the expected turnover set out in the 2020 "Caffè Borbone" budget and the plan for the following years, the explicit royalty rates and the discount rate ("Relief from royalty method").

Considering the growing of the health emergency related to the spread of the Covid-19 virus, the Directors assessed the pandemic impacts performing further sensitivity analysis considering stress situations with worse inputs scenarios compared to the ones used in carrying out the impairment test, as described in the notes.

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 asset with indefinite useful life a key audit matter of the consolidated financial statements.

Notes 3) "Goodwill" and 4) "Intangible assets" of the notes of the consolidated financial statements include the disclosures on the valuation of goodwill and intangible asset with indefinite useful life including the above mentioned sensitivity analysis performed by the Directors.

Audit procedures performed

In order to assess the recoverability of the 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;
- analyzing the differences between budgeted targets and actual results in order to understand the nature of the deviations 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 trademark with indefinite useful life;
- analyzing the appropriate determination of the carrying amount of the CGUs and the trademark with indefinite useful life, 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 to Euro 164,1 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, 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 expected yields included in the 2020 budget (together with the estimate of each market multiples), while the value in use is based on assumptions (including, among others, (i) the expected cash flows coming from the 2020 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.

Criteria and results of the impairment test were approved by the Board of Directors of Italmobiliare S.p.A. on January 28, 2020 and February 14, 2020 respectively, without identifying any impairment loss.

Considering the growing of the health emergency related to the spread of the Covid-19 virus, the Directors assessed the pandemic impacts on the investments in associates performing further sensitivity analysis considering stress situations with worse inputs compared to the ones used in carrying out the impairment test, as described in the notes.



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Given the judgement in the estimates of the expected cash flows and ebitda, together with of the key assumptions of the impairment test model used 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 notes of the consolidated financial statements include the disclosures on the measurement of the investments in associates including the above mentioned sensitivity analysis performed by the Directors.

Audit procedures performed

We have preliminarily 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;
- analyzing the differences between budgeted targets and actual results in order to understand the nature of the deviations 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.

Other Matter

The consolidated financial statements of the Italmobiliare Group for the year ended at December 31, 2018 have been audited by other auditors that on March 25, 2019 expressed an unqualified opinion on these consolidated financial statements.

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. 38/06, 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 each choice.

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.

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- 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, 2019, 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, 2019 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, 2019 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.

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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 Sangriali
Partner

Milan, Italy
March 30, 2020

This report has been translated into the English language solely for the convenience of international readers.

ITALMOBILIARE
INVESTMENT HOLDING

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S.P.A.

2019 SEPARATE
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STATEMENTS

FINANCIAL STATEMENTS

Statement of financial position

(euro)	Notes	12.31.2019	12.31.2018	Change	
Non-current assets					
Property, plant and equipment	1	5,518,287	4,113,679	1,404,608	
Investment property	2	9,502,229	14,649,672	(5,147,443)	
Intangible assets	3	231,351	154,365	76,986	
Equity investments in subsidiaries and associates	4	429,709,019	360,821,621	68,887,398	
Other equity investments	5	210,398,883	403,860,561	(193,461,678)	
Deferred tax assets	6	7,433,566	25,936,507	(18,502,941)	
Other non-current assets	7	187,075,722	145,985,736	41,089,986	
		Total non-current assets	849,869,057	955,522,141	(105,653,084)
Current assets					
Trade receivables	8	498,327	580,505	(82,178)	
Other current assets including derivative financial instruments	9	1,137,745	8,737,865	(7,600,120)	
Tax assets	10	5,837,594	3,573,100	2,264,494	
Equity investments, bonds and current financial receivables	11	354,368,645	237,100,332	117,268,313	
Cash and cash equivalents	12	190,080,907	90,157,283	99,923,624	
		Total current assets	551,923,218	340,149,085	211,774,133
		Total assets	1,401,792,275	1,295,671,226	106,121,049
Equity					
Share capital	13	100,166,937	100,166,937	-	
Share premium	14	55,606,873	177,191,252	(121,584,379)	
Reserves	14	1,464,087	(24,729,420)	26,193,507	
Treasury shares	15	(12,153,618)	(134,659,116)	122,505,498	
Retained earnings	16	1,201,936,002	1,112,119,269	89,816,733	
		Total equity	1,347,020,281	1,230,088,922	116,931,359
Non-current liabilities					
Financial liabilities	18	218,122	-	218,122	
Employee benefits	17	689,314	636,374	52,940	
Provisions	19	20,500,000	33,942,435	(13,442,435)	
Tax liabilities	19	8,300,000	-	8,300,000	
Other non-current liabilities	20	116,878	7,614,210	(7,497,332)	
Deferred tax liabilities	21	460,369	620,018	(159,649)	
		Total non-current liabilities	30,284,683	42,813,037	(12,528,354)
Current liabilities					
Loans and borrowings	18	1,018	8,871	(7,853)	
Financial liabilities	18	2,340,561	9,837,475	(7,496,914)	
Trade payables	22	2,043,048	1,315,168	727,880	
Provisions		-	-	-	
Tax liabilities		72,683	5,107,535	(5,034,852)	
Other current liabilities	23	20,030,001	6,500,218	13,529,783	
		Total current liabilities	24,487,311	22,769,267	1,718,044
		Total liabilities	54,771,994	65,582,304	(10,810,310)
		Total equity and liabilities	1,401,792,275	1,295,671,226	106,121,049

Pursuant to Consob Resolution no. 15519 of July 27, 2006, the effects of transactions with related parties on the statement of financial position, the income statement and the statement of cash flows are included in the relevant annexes.

Income statement

(euro)	Notes	2019	%	2018	%	Change	%
Revenue							
Revenue and income		86,117,938		54,960,147		31,157,791	
Total revenue and income	24	86,117,938	100.0	54,960,147	100.0	31,157,791	56.7
Other revenue and income	25	815,118		2,027,233		(1,212,115)	
Raw materials and supplies	26	(263,487)		(189,148)		(74,339)	
Services	27	(7,695,973)		(7,353,032)		(342,941)	
Personnel expenses	28	(14,162,043)		(14,876,855)		714,812	
Other operating income (expense)	29	(19,134,688)		(33,126,782)		13,992,094	
Gross operating profit (EBITDA)		45,676,865	53.0	1,441,563	2.6	44,235,302	n.s.
Amortisation and depreciation	30	(699,490)		(588,581)		(110,909)	
Operating profit (EBIT)		44,977,375	52.2	852,982	1.6	44,124,393	n.s.
Finance income and costs	31	(69,809)		(142,688)		72,879	
Impairment of financial assets	32	(14,280,652)				(14,280,652)	
Profit/(loss) before tax		30,626,914	35.6	710,294	1.3	29,916,620	n.s.
Income tax	33	(10,896,888)		19,085,051		(29,981,939)	
Profit (loss) for the year		19,730,026	22.9	19,795,345	36.0	(65,319)	(0.3)

n.s. = not significant

Statement of comprehensive income

(euro)	Notes	2019	2018	Change	%
Profit (loss) for the year		19,730,026	19,795,345	(65,319)	(0.3)
Items that will not be reclassified subsequently to profit or loss					
Financial assets measured at FVTOCI	5	115,277,216	(177,397,444)	292,674,660	
Tax on other comprehensive income		159,650	1,345,640	(1,185,990)	
Remeasurement of net defined benefit liability		23,474	7,149	16,325	
Total items that will never be reclassified to profit or loss		115,460,340	(176,044,655)	291,504,995	
Total items that may be reclassified subsequently to profit or loss					
Foreign currency translation reserve		(9,070)	95,345	(104,415)	
Fair value gains (losses) on:					
Total items that may be reclassified subsequently to profit or loss		(9,070)	95,345	(104,415)	
Total other comprehensive income for the year		115,451,270	(175,949,310)	291,400,580	
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		135,181,296	(156,153,965)	291,335,261	n.s.

n.s. = not significant

Statement of changes in equity

(euro)	Reserves							Total equity
	Share capital	Share premium	FVTOCI Invest.	OCI reserve	Other reserves	Treasury shares	Retained earnings	
Balances at December 31, 2017	100,166,937	177,191,252	168,409,157	-	12,053,896	(134,607,934)	928,871,270	1,252,084,578
Reclassification/adjustment following first-time adoption of IFRS 9			(168,409,157)	137,664,926			30,236,402	(507,829)
Change of OCI reserve for disposals and reclassifications				1,603,562			1,626,264	3,229,826
Change of Tosi merger reserve							154,558,855	154,558,855
Profit for the year							19,795,345	19,795,345
Total other comprehensive income for the year				(176,051,804)			102,494	(175,949,310)
Stock options						(51,182)		(51,182)
Distribution of earnings:								
Dividends							(23,071,361)	(23,071,361)
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
Other comprehensive income				115,436,866			14,404	115,451,270
Change of OCI reserve for disposals and reclassifications FVTOCI investments				(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 for extinction and/or exercise					(10,455,728)		10,455,728	
Exercise of stock options						947,510		947,510
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 cash flows

(in thousands of euro)	Notes	2019	2018
A) Cash flows from (used in) operating activities:			
Profit/(loss) before tax		30,627	710
Amortisation & depreciation and impairment losses		697	589
Net (gains)/losses from the sale of securities, equity investments and property, plant & equipment and investment property		-	-
Change in employee benefits and other provisions		(13,389)	(976)
Reversal of impairment losses on financial assets		14,281	-
Reversal of net finance income		(71,952)	(36,332)
Cash flow of operating activities before tax, finance income/costs and change in working capital		(39,736)	(36,009)
Change in trade receivables		82	11,655
Change in trade payables		728	(2,051)
Change in other receivables/payables, prepayments and accrued income, accrued expense and deferred income		(4,496)	4,223
Total change in working capital		(3,686)	13,827
Net finance costs paid		49,486	12,493
Dividends received		22,466	23,839
Net tax paid/refunds		12,985	(6,919)
Total A)		41,515	7,231
B) Cash flows from (used in) investing activities:			
Capital expenditure:			
Property, plant and equipment		(1,604)	(131)
Intangible assets		(197)	(173)
Financial assets (equity investments and private equity funds)	34	(119,555)	(224,918)
Change in payables for equity investment acquisitions		-	-
Total capital expenditure		(121,356)	(225,222)
Change in receivables from sale of non-current financial assets		-	-
Gains on sales of non-current assets	34	324,144	62,478
Total sales		324,144	62,478
Total B)		202,788	(162,744)
C) Cash flows from (used in) financing activities:			
Change in financial liabilities		(7,287)	(1,055)
Change in financial receivables		2,299	(14,880)
Change in equity investments and current securities	34	(117,268)	81,515
Change in treasury shares		947	(51)
Effect of Franco Tosi merger			11,199
Dividends paid		(23,071)	(23,071)
Total C)		(144,380)	53,657
D) Change in cash flows (A+B+C)		99,923	(101,856)
E) Cash and cash equivalents at the beginning of the year		90,157	192,013
D+E) Cash and cash equivalents at the end of the year	12	190,080	90,157

NOTES

The draft of the financial statements of Italmobiliare S.p.A. for the year ended December 31, 2019 were approved by the Board of Directors on March 4, 2020. During the meeting, the Directors authorized also the publication of a press release dated March 4, 2020, containing the abovementioned financial statements' key information.

The financial statements have been prepared on a going-concern basis. Despite the difficult economic and financial situation, Italmobiliare does not show any evidence of material uncertainties, which could affect its going-concern, thanks also to its creditworthiness and solid financial structure.

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, 2019 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 (former IFRIC) previously denominated SIC.

The Italian laws that enact EU Directive 2013/34 also apply, where compatible, to companies that draw their financial statements in accordance with the IFRS. Consequently, the financial statements are compliant with the Italian Civil Code and the corresponding indications rules of the Consolidated Finance Act (TUF, Testo Unico della Finanza) 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 (formerly IFRIC), previously called SIC, at December 31, 2019 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, 2019:

- On January 13, 2016, the IASB published IFRS 16 - Leases which is intended to replace IAS 17 - Leases, as well as interpretation IFRIC 4 Determining whether an Ar-

agement contains a Lease, SIC-15 Operating Leases – Incentives and SIC- 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The Standard provides a new definition of lease and introduces a criterion based on the notion of control (or "right of use") of an asset to distinguish lease contracts from service contracts, identifying as lease discriminators: the identification of the asset, the right to replace it, the right to obtain substantially all the economic benefits deriving from use of the asset and, lastly, the right to direct the use of the asset underlying the contract. This Standard introduced a single recognition and valuation model for lease contracts for the lessee according to which the lessee records a leased asset, also under an operating lease, on the assets side of the balance sheet with a financial liability as the contraentry. On the other hand, the standard does not include significant changes for lessors.

The company has chosen to apply the standard retrospectively with the simplified method, however, recording the cumulative effect deriving from application of the standard under equity at January 1, 2019 (without changing the comparative figures for 2018), in accordance with paragraphs C7-C13 of IFRS 16. In particular, for the leases previously classified as operating, Italmobiliare S.p.A. has recognized:

- a financial liability, equal to the current value of future lease payments outstanding at the transition date, discounted at the incremental borrowing rate applicable at the transition date for each contract;
- a right of use equal to the value of the financial liability at the transition date, net of any accruals and deferrals related to the lease and recognized in the balance sheet at the reporting date of the previous financial statements;
- the effects on equity are therefore nil..

The following table shows the impacts deriving from adoption of IFRS 16 at the transition date:

(in thousands of euro)	1.1.2019
Non-current assets	
Right of use of properties	268
Right of use of motor vehicles	123
Total assets	391
Non-current liabilities	
Financial liabilities	286
Current liabilities	
Financial liabilities	105
Total liabilities	391

The weighted average incremental borrowing rate applied to financial liabilities recorded at January 1, 2019 was 1.97%.

The value of non-current assets relating to operating lease contracts was increased for the balance of prepaid expenses recorded at December 31, 2018 for an amount of Euro 2,139.

In adopting IFRS 16, the Group made use of the exemption granted by paragraph IFRS 16:5(a) in relation to short-term leases for the following asset classes:

- Properties;
- Computers, telephones and tablets
- Printers;
- Other electronic devices;
- Furniture and fittings.

Likewise, the Group took advantage of the exemption granted by IFRS 16:5 (b) concerning lease contracts for which the underlying asset is considered a low-value asset (i.e. the assets underlying the lease contract do not exceed 5,000 euro when new). The contracts for which the exemption has been applied fall mainly into the following categories:

- Computers, telephones and tablets;
- Printers;
- Other electronic devices;
- Furniture and fittings.

For these contracts, the introduction of IFRS 16 did not entail recognition of the financial liability of the lease and the related right of use; instead, the lease payments are recorded in the income statement on a linear basis for the duration of the respective contracts.

Italmobiliare S.p.A. took advantage of the following practical expedients envisaged by IFRS 16 also during the transition:

- Separation of non-lease components: the Company took advantage of the exemption granted by IFRS 16:15 only for cars, where the accounting documentation allowed separation. The non-lease components of these assets have not been separated and accounted for separately from the lease components, but have been considered together with the latter in determining the financial liability of the lease and the related right of use.
- Use of the assignment made at December 31, 2018 according to the rules of IAS 37 Provisions, Contingent Liabilities and Contingent Assets in relation to the accounting for onerous contracts as an alternative to the application of the impairment test on the value of the right of use as of January 1, 2019;
- Classification of contracts that expire within 12 months of the transition date as a short term lease. For these contracts the lease instalments are recorded in the income statement on a linear basis;
- Use of information available at the transition date for determining the lease term, with particular reference to the exercise of extension options and early closure.

In order to help understand the impacts of first-time adoption of the Standard, the difference between the value recognized as future commitments under lease contracts described in paragraph "Commitments" on page 244 in the 2018 financial statements (375 thousand euro) and the impact of adopting IFRS 16 at January 1, 2019 is essentially due to discounting of the cash flows.

- On October 12, 2017 the IASB published an amendment to IFRS 9 "Prepayment Features with Negative Compensation". This document specifies that instruments that provide for an early repayment could comply with the Solely Payments of Principal and Interest ("SPPI") test even if the "reasonable additional compensation" to be paid in the event of early repayment constitutes "negative compensation" for the lender. The adoption of this amendment did not have any effects on the Company's financial statements.

- On June 7, 2017 the IASB published the interpretation "Uncertainty over Income Tax Treatments (IFRIC Interpretation 23)". The interpretation deals with the issue of uncertainties regarding the tax treatment to be applied to income taxes. In particular, the Interpretation requires an entity to analyse the uncertain tax treatments (individually or as a whole, depending on their characteristics), always assuming that the tax authority examines the tax position in question, having full knowledge of all the relevant information. In the event that the entity considers it unlikely that the tax authority will accept the tax treatment followed, the entity has to reflect the impact of the uncertainty in the measurement of its current and deferred income taxes. Furthermore, the document does not contain any new disclosure requirements, but underlines that the entity will have to establish whether it will have to provide information on the considerations made by management about the uncertainty inherent in accounting for taxes, in accordance with the provisions of IAS 1. The directors also applied this new interpretation to indirect taxes. The new interpretation was applied from January 1, 2019. The introduction of the new amendment led to the reclassification from Provisions to Non-current tax liabilities for 13,789 thousand euro, Current tax liabilities for 215 thousand euro and Other tax liabilities for 287 thousand euro.
- On December 12, 2017 the IASB published the document "Annual Improvements to IFRSs 2015-2017 Cycle" which incorporates the changes to certain standards as part of their annual improvement process. The main changes concern:
 - IFRS 3 Business Combinations and IFRS 11 Joint Arrangements: the amendment clarifies that when an entity gains control of a business that represents a joint operation, it must re-measure the interest previously held in that business. However, this process is not envisaged in the event of joint control being obtained.
 - IAS 12 Income Taxes: the amendment clarifies that all tax effects related to dividends (including payments on financial instruments classified in equity) should be accounted for in a manner consistent with the transaction that generated the profits (income statement, OCI or equity).
 - IAS 23 Borrowing costs: the amendment clarifies that in the case of loans outstanding even after the qualifying asset in question is ready for use or for sale, they become part of the set of loans used to calculate borrowing costs..

The adoption of this amendment did not have any effects on the financial statements of Italmobiliare S.p.A.

- On February 7, 2018 the IASB published the document "Plant Amendment, Curtailment or Settlement (Amendments to IAS 19)". The document clarifies how an entity should recognize a change (i.e. a curtailment or settlement) of a defined benefit plan. The changes require the entity to update its assumptions and re-measure the net asset or liability deriving from the plan. The amendments clarify that after such an event has taken place, the entity uses updated assumptions to measure the current service cost and interest for the rest of the period of reference following the event. The adoption of this amendment had no effect on the Company's financial statements.
- On October 12, 2017 the IASB published the document "Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)". This document clarifies the need to apply IFRS 9, including the requirements related to impairment, to other long-term interests in associates and joint ventures for which the equity method does not apply. The adoption of this amendment did not have any effects on the financial statements of Italmobiliare S.p.A.

Standards and interpretations that have been issued and endorsed but are not yet in effect

The new policies or amendments to policies applicable in annual reporting periods beginning after January 1, 2020, early application of which may be elected, are indicated below. The Company has decided not to elect early application in the preparation of these financial statements:

- 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. The amendments introduced were approved on November 29, 2019 and apply to all transactions subsequent to January 1, 2020.
- 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.

Standards and interpretations published by the IASB and the IFRIC at December 31, 2019, 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 September 26, 2019, the IASB published the amendment called "Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform" approved by the European Union on January 15, 2020. It changes the new and old principles relating to financial instruments, IFRS 9 - Financial Instruments and IAS 39 - Financial Instruments: Recognition and Measurement as well as IFRS 7 - Financial Instruments: Disclosures. The amendment modifies some of the hedge accounting requirements in order to mitigate the impact deriving from the uncertainty of the IBOR reform. The amendment also requires companies to provide additional information to investors regarding their hedging relationships which are directly affected by these uncertainties. The Board developed a response to the reform of the benchmarks on interest rates by step. Step 1 focuses on the accounting effects of uncertainty in the period preceding the reform, step 2, on which the Board has started to work, considers the potential impacts on the financial statements deriving from the replacement of an existing benchmark with an alternative one. The changes come into force on January 1, 2020, the directors do not expect any effects on the Company's financial statements from the adoption of this amendment.
- 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 a test (called a "concentration test"), which is optional for the entity, to determine whether or not a set of purchased activities or processes and assets is a business. If the test provides a positive result, the set of purchased activities or processes and assets do not constitute a business and the standard does not require further verification. If the test provides a negative result, the entity will have to carry out further analyses on the purchased activities or processes and assets to identify the presence of a business. To this end, the amendment added numerous illustrative examples to IFRS 3 to help understand the practical application of the new definition of a business in specific cases. The amendments apply to all business combinations and acquisitions of activities subsequent to January 1, 2020, but early application is allowed. The directors do not expect any effects on the financial statements of Italmobiliare S.p.A.

- On May 18, 2017, the IASB published IFRS 17 - Insurance Contracts which is intended to replace IFRS 4 - Insurance Contracts. The directors do not expect a significant effect on the Company's financial statements from the adoption of this standard.

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 highlights the traditional income statement components with the result for the period, while the second, starting from this result, details the other components: 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 reclassified to profit or loss for the year from those that will not be reclassified;
- on the statement of cash flows, the indirect method is used.

Use of estimates

In preparing the separate financial statements, no significant judgements 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 (for further details, see note 19);
- impairment of equity 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.

Cost of business combinations

Under IFRS 3, acquisition cost is the sum of the acquisition-date fair value of the contingent consi-

deration 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 and 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.

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 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 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 amortizable intangible assets, 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 greater 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 FTVOCI 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 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 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, 2019 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

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 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.

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.

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 cost and revenue matching principle, whereby they are matched with revenue.

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.

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.

SIGNIFICANT EVENTS DURING THE PERIOD

In January 2019, Italmobiliare reached an agreement for entering into Autogas Group (AGN Energia), at the same time agreeing the terms for the acquisition of Lampogas S.r.l. Italmobiliare, which has invested 60 million euro in the deal, became a shareholder, with an interest of around 30%, in a group with a total turnover of approximately 500 million euro. With the purchase of Lampogas S.r.l., Gruppo Autogas has significantly strengthened its presence in the national market for the distribution of LPG, at the same time rapidly expanding its overall offer in the energy sector.

The Ordinary and Extraordinary Shareholders' Meeting of April 17, 2019 approved the proposal to cancel 5,133,800 out of a total of 5,685,870 treasury shares, without reducing the share capital and using available reserves. After the cancellation, the number of issued shares fall from 47,633,800 to 42,500,000. The shareholders also renewed the authorization for the purchase and disposal of treasury shares for the following 18 months.

Lastly, the Shareholders' Meeting also confirmed Paolo Sfameni as a director, he was previously co-opted by the Board on July 31, 2018 and appointed Deloitte & Touche S.p.A. as independent auditors for the years 2019-2027, as KPMG SpA's engagement for the period 2010-2018 had expired.

The Board of Directors of Italmobiliare SpA updated the Company's By-laws on June 18, 2019 in accordance with the updates on the regulatory requirements.

On August 16, 2019, Italmobiliare S.p.A. sold its stake (9.5%) in Jaggaer (software platforms for eProcurement and spend management) to Cinven, for a total of 91.2 million euro. At the end of 2017, Italmobiliare S.p.A. had sold the investment in BravoSolution to Jaggaer and, as part of the agreement, had invested about 35 million euro in the US company, becoming a shareholder with a stake of approximately 9.5% of the share capital. In the same period, it was also completed the sale on the secondary market of its stake in the Aksia IV fund was also completed for 21.6 million euro.

Italmobiliare S.p.A. applied for and obtained admission to the STAR segment of Borsa Italiana S.p.A.; trading started on September 24, 2019.

The acquisition of Capitelli F.lli Srl (Capitelli), an example of Italian excellence in the food sector, was completed on December 11, 2019. Capitelli, which was founded in 1976 in Borgonovo Val Tidone (Piacenza), produces premium-range cooked ham. 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. Italmobiliare S.p.A. invested 22 million euro (of which 8.6 as a capital increase reserve) in the operation, becoming a shareholder through the newco FT1 S.r.l. with an 80% stake in a company with a turnover of approximately 13 million euro.

In December, Italmobiliare S.p.A. reached an agreement, which was then closed in January 2020, for the purchase of a 20% stake in "Officina Profumo Farmaceutica di Santa Maria Novella" based in Florence, a top-of-the-range cosmetics company and historic brand with international allure. Italmobiliare S.p.A. invested 40 million euro in the operation, becoming a non-controlling shareholder of a group with a turnover of approximately 31 million euro, with a chance to increase the shareholding over time.

Assets

NON-CURRENT ASSETS

1) Property, plant and equipment

As at December 31, 2019 and at December 31, 2018, property, plant and equipment totaled respectively 5,518 thousand euro and 4,114 thousand euro; the caption movements occurred during the year are set out below:

(in thousands of euro)	Land and	Plant and machinery	Office furniture and equipment	Motor vehicles	Total
Gross amount	4,713	335	537	77	5,662
Accumulated depreciation	(967)	(278)	(230)	(73)	(1,548)
Carrying amount at December 31, 2018	3,746	57	307	4	4,114
Capital expenditure	1095	7	57		1,159
Right of use	270			174	444
Decreases			(30)		(30)
Depreciation		(25)	(46)	(4)	(75)
Depreciation of rights of use	(68)			(56)	(124)
Use of accumulated depreciation			30		30
Carrying amount at December 31, 2019	5,043	39	318	118	5,518
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

The useful lives adopted by the company for the main property, plant and equipment categories are as follows:

- Plant and machinery 5 - 10 years
- Other property, plant and equipment 4 - 8 years

The company applied the new accounting principle IFRS 16 - Leasing, recognizing the right of use of the underlying assets.

2) Investment property

Investment property amounted to 9,502 thousand euro (14,650 thousand euro at December 31, 2018) and were measured at cost.

The fair value of these investment properties was equal to 12.7 million 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.

(in thousands of euro)	Investment property
Gross amount	15,888
Accumulated depreciation	(1,238)
Carrying amount at December 31, 2018	14,650
Increases	
Decreases	(5,216)
Depreciation	(378)
Use of accumulated depreciation	446
Carrying amount at December 31, 2019	9,056
Gross amount	10,672
Accumulated depreciation	(1,170)
Carrying amount at December 31, 2019	9,502

Investment properties were depreciated at an annual rate of 3%, which reflects its residual useful life. The decrease of the year was due to the sale of some properties in Rome. The profit realized on the transaction was 504 thousand euro recorded in other operating income (expenses) caption.

3) Intangible assets

Intangible assets consisted of investments in software applications for administrative purposes.

(in thousands of euro)	Licenses and various rights	Total
Gross amount	437	437
Accumulated amortisation	(283)	(283)
Carrying amount at December 31, 2018	154	154
Capital expenditure	197	197
Decreases		
Amortisation	(120)	(120)
Carrying amount at December 31, 2019	231	231
Gross amount	634	634
Accumulated amortisation	(403)	(403)
Carrying amount at December 31, 2019	231	231

4) Investments in subsidiaries and associates

The movements occurred in the caption compared to December 31, 2018, are illustrated below:

(in thousands of euro)	
At December 31, 2018	360,821
Increase for purchase of equity investments or payments on capital account	83,186
Decrease	(18)
Impairment loss	(14,280)
At December 31, 2019	429,709

The increase mainly referred to the acquisition of the investment in Autogas Nord S.p.A. (60,313 thousand euro), the contribution for the incorporation of FT1 S.r.l. (14,112 thousand euro) and the capital increase made to FT1 S.r.l. (8,600 thousand euro). FT1 S.r.l. is the newco created for the completion of the acquisition of Capitelli F.lli S.r.l.

The decrease of 14,280 thousand euro was related to the result of the impairment test which showed a loss on the carrying amount of the subsidiary Sirap Gema S.p.A. for 11,678 thousand euro and in the associate Società Editrice Sud S.p.A. for 2,600 thousand euro. On December 10, 2019 was completed the Finimage 15 SAGL in liquidation cancellation from the commercial register of the Canton Ticino (decrease of 18 thousand euro).

Equity investments in subsidiaries and associates at December 31, 2019, are listed below:

Subsidiaries	Registered office	% held
Caffè Borbone S.r.l.	Caivano	60%
Clessidra SGR S.p.A.	Milano	100%
Credit Mobilier de Monaco	Montecarlo	99.91%
FT1 S.r.l.	Milano	100%
FT2 S.r.l.	Milano	100%
Franco Tosi Ventures S.r.l.	Milano	100%
Italgen S.p.A.	Bergamo	100%
Italmobiliare Servizi S.r.l.	Milano	100%
Punta Ala Promozione e Sviluppo Immobiliare S.r.l.	Milano	100%
Société d'Etudes de Participations et de Courtages S.A.	Montecarlo	99.98%
Sirap Gema S.p.A.	Verolanuova	100%

Associates	Registered office	% held
Autogas Nord S.p.A.	Volpiano	30%
Cartiere Burgo S.p.A.	Altavilla Vicentina	11.68%
Dokimè S.r.l.	Milano	20.63%
Iseo Serrature S.p.A.	Pisogne	40.00%
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 equity investments in subsidiaries and associates.

With reference to the subsidiary Sirap Gema S.p.A., an impairment test was carried out by an independent expert in accordance with IAS 36, to determine recoverable value (equity value) on the basis of the estimated present value of future cash flows.

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 net balance on other non-operating assets and liabilities (net surplus assets).

The estimate of the recoverable amount of the assets (core EV) of Sirap Gema S.p.A. is constructed according to a sum-of-the-parts (SoP) approach, which considers the sum of recoverable amounts of the assets of the various CGUs into which the overall business of Sirap Gema S.p.A. is split. In fact, this approach makes it possible to adjust the valuation assessment to the peculiarities - also in terms of different levels of "environmental" risk - of the various CGUs and is consistent with the methods of estimating the recoverable amount used by the subsidiary for the purpose of its impairment test.

Specifically, the recoverable amount of all the CGUs was estimated using the value in use configuration based on analytical projections of unlevered free cash flows (UFCF) for a period of five years (2020-2024) and the subsequent estimated terminal value.

The cash flow projections for the first year correspond to 2020 budget figures approved by the subsidiary's Board of Directors; the projections for 2021/2024 are Sirap Gema S.p.A. management's best estimate compatibly with current strategy and trends, from a stand-alone point of view and with the assumptions underlying the 2020 budget. The CAGR 2020-2024 envisaged by the plan for the various CGUs of the Sirap Group ranges from -1.6% to +3.5% (including the Sirap Poland CGU and the Sirap UK CGU expressed in local currency). Unallocated corporate costs (net of tax) are considered constant in perpetuity even though the plan foresees a significant reduction in the activity of the Foam Italy CGU (CAGR 2019-2024 of Foam Italy revenue equal to -2.3%).

The table below sets out the discount rates (after 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 of the Sirap group (data relating to the Inline Poland CGU and UK refers to cash flows in local currency):

	Weighted average cost of capital (WACC)	Growth rate (g)
Rigid Division Italy CGU	8.69%	1.50%
Foamed Container Division Italy CGU	9.20%	
Rigid Division Poland CGU (local currency)	8.85%	2.85%
Rigid Sirap France CGU	6.80%	1.69%
Foamed Sirap France CGU	7.30%	
Petruzalek group CGU	10.30%	2.18%
Sirap UK CGU (local currency)	7.48%	2.00%
Sirap Iberica CGU	7.70%	1.77%
Sirap GmbH CGU (Germany)	6.53%	2.13%

The estimate of the cost of capital is based on the generally accepted CAPM model but also considers additional components that reflect the different specific risk of the various CGUs, influenced by the different exposure to environmental risks and related to climate change. The increase in the g rate for certain CGUs – which is in any case aligned with long-term inflation or with the GDP growth rate of the reference markets – is 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. For the CGUs active in the Foam business, growth rates beyond the plan horizon of zero were used.

Since the recoverable amount of the equity of Sirap Gema S.p.A. estimated on the basis of the asset-side DCF approach was 49,200 thousand euro, lower than the book value of the equity investment, equal to 60,8787 thousand euro, the corresponding loss was recognized for impairment of the equity investment. Clearly, any increase in discounting rates or decrease in the growth rates used to estimate the core EV of the various operating CGUs would result in a further loss due to a reduction in the value of the investment.

The sensitivity analyses showed that a simultaneous increase of 100 basis points (+1%) in the discount rate (WACC) for all CGUs of the Sirap Group, at the same growth rate (g) in the terminal value, would generate an incremental potential impairment loss in the investment in Sirap Gema S.p.A. equal to -27.2 million euro.

Furthermore, considering the health emergency related to the spread of the Covid-19 virus, further sensitivity analysis considering worse input scenarios have been performed for example by simulating the reduction of unlevered cash flows of all the CGUs of the Sirap Group (but maintaining constant corporate costs) in the first three years of the plan (2020-2022) to the extent of -20% (2020), -10% (2021) and -5% (2022) respectively, an incremental impairment loss of the investment in Sirap Gema S.p.A. of -4.1 million euro would emerge.

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. Being a financial entity that performs management services and investment activities and subject to the regulatory framework provided by the specific Supervisory Authorities, the recoverable amount of the equity investment has been estimated using an equity side approach based on the present value of the expected future net cash flows from the shareholders (net income substantially corresponding to a Free Cash Flow to Equity in this specific case). Given the particular nature of the company's business, a prudent approach has been adopted which considers the recoverable amount equal to the sum of the net liquidity existing at December 31, 2019 and the present value only of the expected cash flows in the next five years (2020-2024) covered by the budget/plan approved by the subsidiary's Board. This present value represents the weighted average of the estimated values in three alternative scenarios (sensitivity analyses with downside risk) which are considered conservative with respect to the reference case represented by the subsidiary's plan. The discount rate (opportunity cost of equity) used to calculate the present value of the cash flows expected over the plan is 11.0%.

The recoverable amount of the investment was higher than the respective carrying amount of 19,000 thousand euro, so no adjustments were made. Other things being equal, an increase in the discount rate of 100 basis points (1%) would not result in an impairment loss.

The recoverable amount for Caffè Borbone S.r.l. was estimated by an independent expert using the value in use configuration, based on the 2020 budget approved by the subsidiary's Board of Directors and on the plan projections for the two-year period 2021-2022, which contain the best forecasts by the management of Caffè Borbone S.r.l.

The investee, a single cash generating unit (CGU), was tested for impairment in accordance with IAS 36. Specifically, the recoverable amount of the CGU was estimated using the value in use configuration, based on the present value of expected future cash flows. The analytical projections of future cash flows (unlevered) were based on 2020 budget data and plan financial and business projections for the period 2021-2022. The cash flows were discounted using a post-tax discount rate (WACC) of 9.5%, including an additional premium with respect to the CAPM for the specific risk (so-called "execution risk"). For the purpose of estimating the terminal value, a dynamic of linear convergence of the annual growth rate of revenue to the long-term sustainable value (g rate) was taken into account, assumed to be 2% from 2025 onwards (also in consideration of the fact that the investee has turnover growth rates over the period of the budget/plan that are much higher than this value, with a CAGR 2019-2022 of 20%, and that the turnover growth rate in 2019 was 27.7%). The test did not reveal any evidence of losses due to impairment of the investment, the recoverable amount of which 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. At the same growth rate (g) in terminal value, an increase in the discount rate of 820 basis points (+8.2%) would lead to a recoverable amount in line with the carrying amount. Furthermore, considering the health emergency related to the spread of the Covid-19 virus, further sensitivity analysis considering worse input scenarios have been performed for example also reducing the CAGR 2019-2022 of revenue to 5% (reduction of 15 percentage points compared with the 20% foreseen in the budget/plan), with the same discount rate (WAAC) and growth rate (g) in the terminal value, no impairment loss would emerge.

With regard to Italgel, given that there were no facts or circumstances suggesting that there might be 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 recorded in the last five years compared with longer-term averages, the present value of the expected future operating cash flows is much higher than the book value of the investment.

With reference to the associate Tecnica Group SpA, the recoverable amount was determined in the fair value configuration on the basis of the multiple EV/EBITDA 2020. 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 and the relevant pro-rata EBITDA of the 2020 budget is significantly higher than the carrying amount of the investment, there is no evidence of a loss due to impairment of the investment.

For sensitivity analysis purposes, considering the health emergency related to the spread of the Covid-19 virus, further sensitivity analysis considering worse input scenarios have been performed for example the average (-4.0%) and minimum (-24.9%) percentage change in the market cap of a sample of comparable listed companies between December 31, 2019 and March 2, 2020 was considered. Even if the recoverable amount of the equity investment was reduced by the average or minimum percentage change in the market cap recognized for the comparable listed companies indicated above, 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 in the leading configuration (specifically, the EV/EBITDA 2020 multiple was used), the expected result (EBITDA) in 2020 of each company is that defined according to Italian accounting standards by the budget approved by the Board of Directors, further adjusted to reflect the best available estimate of the effects of applying International Financial Reporting Standards. 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. In no case did an impairment loss emerge, even if it should be noted that the fair value of the investment in Iseo Serrature S.p.A. is in line with its carrying amount.

For the sensitivity analysis, considering the health emergency related to the spread of the Covid-19 virus, further sensitivity analysis considering worse input scenarios have been performed for example the average and minimum percentage change in the market cap of the sample of comparable listed companies used to calculate the EV/EBITDA 2020 multiple applicable to each associate was considered and took place between December 31, 2019 and March 2, 2020.

With regard to Iseo, whose fair value is aligned with the carrying amount, reducing the recoverable value by the average (-5.7%) or minimum (-12.1%) percentage change in the market cap recorded for comparable listed companies in the period indicated above, there would be impairment losses of -2.3 million euro and -5.1 million euro respectively.

With regard to Autogas, even if the recoverable amount of the investment is reduced by the average (-3.4%) or minimum (-8.4%) percentage change in the market cap recorded for the comparable listed companies in the period indicated above, there would be no evidence of impairment.

As regards the investment in Società Editrice Sud S.p.A. (S.E.S.), as reported above, an impairment loss of 2,600 thousand euro was recognized. Since the company reported a negative consolidated EBITDA at 12.31.2018 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 2,600 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 in accordance with IFRS 9.

(in thousands of euro)	
At December 31, 2018	403,861
Disposals	(231,491)
Capital increase in capital of New Flour	763
Purchase of shares of 035 Investimenti S.p.A.	63
Changes in fair value	37,203
At December 31, 2019	210,399

The increase of the caption referred to the capital increase in favour of the New Flour S.p.A. equity investments and the purchase of additional shares in 035 Investimenti S.p.A.

The decreases were mainly related to the sale of the shares in Mediobanca S.p.A. (64,425 thousand euro), Heidelberg Cement AG (110,292 thousand euro), Sciqwest Inc. (56,410 thousand euro) and Piaggio S.p.A. (365 thousand euro).

Please refer to Annex "A" for other movements occurred during the period.

For the other investments, the fair value of the listed companies was determined on the basis of the official share price of the last accounting day of the year; while for the unlisted companies, in accordance with IFRS16 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.

In particular, the fair value of the SESAAB investment, for which were available only the financial information as at December 31, 2018, was determined based on the EV/Ebitda multiple method using the information on listed company comparables operating in the publishing sector. In order to reflect the different profiles of the investment compared to the listed comparables used for determining its valuation, it was considered an appropriate liquidity rate with respect to the implicit value based on the multiple average of the sample of listed companies selected.

Other equity investments measured at FVTOCI at December 31, 2019 were as follows:

(in thousands of euro)	Number of shares	December 31, 2019
Listed equity investments		
Cairo Communication S.p.A.	189,198	514
Coima Res S.p.A.	2,542,000	3,637
HeidelbergCement AG	4,608,162	165,128
Piaggio S.p.A.	169,699	466
Unicredit S.p.A.	204,331	2,660
UBI	117,142	341
Vontobel Holding AG	115,238	7,342
Ideami S.p.A.	300,000	3,000
Total		183,088
Investments in unlisted companies		
Atmos Venture S.p.A.	222,909	73
Compagnia Fiduciaria Nazionale S.p.A.	20,001	1,206
Can Fite Biopharma	204	1
Fin Priv. S.r.l.	2,857	20,473
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	7,694	45
New Flour S.p.A.	27,667	3,610
Sesaab S.p.A.	700,000	1,240
035 Investimenti S.p.A.	1,052,631	632
Total		27,311
Total equity investments		210,399

The analysis of the movements occurred in the equity investments is shown in Annex A.

6) Deferred tax assets

Deferred tax assets amounted to 7,434 thousand euro (25,937 thousand euro at 31 December 2018). The decrease is mainly due to the use of tax credits on carry-forward tax losses made by Italmo-biliare SpA and through the pre-tax profits made by its subsidiaries included in the National Tax Consolidation. The Company expects to recover the full amount in the next year through the pre-tax profits deriving from the National Tax Consolidation.

7) Other non-current assets

The Other non-current assets composition was as follows:

(in thousands of euro)	December 31, 2019	December 31, 2018	Change
Receivables due from subsidiaries	15,000	15,000	
Bonds and mutual funds	158,436	128,142	30,294
Other assets	3,603	2,416	1,187
Guarantee deposits	4	4	
Tax consolidation receivables	10,032	424	9,608
Total	187,075	145,986	41,089

The increase of the line item "Tax consolidation receivables" is mainly due to the IRES tax payables transferred by Caffè Borbone Srl (for 7,674 thousand euro) and by Italgem SpA (for 2,358 thousand euro) to the National Tax Consolidation.

The Detail of the caption "Bonds and mutual funds" is provided in annex "D".

CURRENT ASSETS

8) Trade receivables

(in thousands of euro)	December 31, 2019	December 31, 2018	Change
From customers	131	278	(147)
From associates	152	-	152
From subsidiaries	215	303	(88)
Total	498	581	(83)

All Receivables were towards Italian entities.

9) Other current assets including derivative financial instruments

The caption composition was as follows:

(in thousands of euro)	December 31, 2019	December 31, 2018	Change
Receivables from employees		1	(1)
Receivables from social security bodies	79	77	2
Receivables for dividends to be collected	18	9	9
VAT tax receivables		85	(85)
Derivatives on initial margin requirements		316	(316)
Other current receivables	500	1,767	(1,267)
Options on securities	430	2,391	(1,961)
Receivables from SciQuest Inc. for Bravosolution S.p.A. sale		4,034	(4,034)
Prepaid expenses due from others	110	57	53
Total	1,137	8,737	(7,600)

The caption decrease was mainly due to reclassification of the receivables from SciQuest Inc. and Indosuez to the caption "Equity investments, bonds and current financial assets".

10) Tax assets

Tax assets totalled 5,837 thousand euro (3,573 thousand euro at December 31, 2018). The change was due to receivables towards the tax authorities relating to Italmobiliare SpA and the National Tax Consolidation.

11) Equity investments, bonds and current financial receivables

The caption break down is shown in the table below:

(in thousands of euro)	December 31, 2019	December 31, 2018	Change
Trading bonds and funds (FVTPL)	314,855	198,404	116,451
Trading listed shares (FVTPL)	24,089	33,712	(9,623)
Other financial assets	13,120	-	13,120
Current financial receivables due from subsidiaries	27	3,743	(3,716)
Financial prepayments	2,278	1,241	1,037
Total	354,369	237,100	117,269

The increase of the Other financial assets for 13,120 thousand euro was mainly due to the receivable from Accel Kkr for the deferred payment related to the sale of SciQuest Inc. (2,538 thousand euro), the capital increase in CCC Holdings Europe S.p.A. (5,000 thousand euro), the reclassification from the "Other current assets including derivatives" of the receivable from SciQuest Inc. for the sale of BravoSolution S.p.A. (3,912 thousand euro) and the receivable from Indosuez (1,353 thousand euro).

Details of "Trading bonds and funds" are illustrated in annex "D".

12) Cash and cash equivalents

(in thousands of euro)	December 31, 2019	December 31, 2018	Change
Cash and checks in hand	15	14	1
Bank and postal accounts	190,066	90,143	99,923
Net amount	190,081	90,157	99,924

Short-term deposits were on demand deposits; interest matured at the respective short-term rates.

The fair value of cash and cash equivalents corresponded to their carrying amount.

The Company does not have any constraint account.

For more information on the changes, please refer to the cash flow statement.

Equity and liabilities

SHARE CAPITAL, RESERVES AND RETAINED EARNINGS

13) Share capital

At December 31, 2019, the parent company's fully paid-up share capital amounted to 100,166,937 euro represented by 42,500,000 no-par ordinary shares. On May 14, 2019, as decided by the Extraordinary Shareholders' Meeting held on April 17, 2019, the Company resolved to cancel 5,133,800 treasury shares with no par value without reducing the share capital. Please refer to note 14) and 15).

Number of shares	December 31, 2019	December 31, 2018	Change
Ordinary shares	42,500,000	47,633,800	(5,133,800)
Total	42,500,000	47,633,800	(5,133,800)

14) Share premium and other reserves

At December 31, 2019, the share premium decreased by 121,584 thousand euro due to the cancellation of 5,133,800 treasury shares as decided by the Extraordinary Shareholders' Meeting held on 17 April 2019, while the other reserves which amounted to 1 thousand euro, showed a decreased of 26,193 thousand euro compared to December 31, 2018, due to the change in the OCI reserve for -36,649 thousand euro and the change in other reserves for 10,456 thousand euro related to the reclassification of the treasury shares expired/not exercised to the Retained earnings.

15) Treasury shares

At December 31, 2019, the cost of treasury shares purchased totaled 12,154 thousand euro (134,659 thousand euro at December 31, 2018), recorded as a decrease in equity. Treasury shares were as follows:

	No. ordinary shares	Carrying amount in euro (in thousands of euro)
December 31, 2018	5,685,870	134,659
Cancellation	(5,133,800)	(121,584)
Increases		26
Exercise of stock options	(40,000)	(947)
December 31, 2019	512,070	12,154

The change was due to stock options exercised by employees and treasury shares cancelled as authorised by the shareholders' resolution of April 17, 2019.

A total of 312,800 ordinary treasury shares were held in portfolio at December 31, 2019 as stock option plans for directors and managers.

Dividends paid

Ordinary dividends declared and paid in 2019 and 2018 are detailed in the table below:

	2019 (euro per share)	2018 (euro per share)	December, 31 2019 (in thousands of euro)	December, 31 2018 (in thousands of euro)
Ordinary shares	0.550	0.550	23,071	23,071
Total dividends			23,071	23,071

16) Retained earnings

The overall change, which amounts to 89,817 thousand euro, mainly relates to the 2019 result for 19,730 thousand euro, to the dividends paid for -23,071 thousand euro, and to the disposal of investments valued at FVTOCI and reclassified from the OCI reserve for 82,992 thousand euro.

Stock options

The company arranged stock option plans for directors and managers who hold particular positions in the Group.

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, 2019, are set out below

Grant date	No. of options granted*	Exercise period	Options exercised	Options cancelled	Options not exercised	Unit subscription price*
24 marzo 2010	248,770	03/24/2013-03/23/2020	102,270		146,500	€ 14.4170
30 marzo 2011	225,800	03/30/2014-03/30/2021	59,500		166,300	€ 13.7345
Total	474,570		161,770	-	312,800	

* 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 was already ended at the beginning of 2018, so were not accounted for costs relating to stock options in 2018 and 2019 in the caption "Personnel expense".

The table below sets out the number and average exercise price of stock options in the years in question:

	12.31.2019		12.31.2018	
(in thousands of euro)	Number of options	Average subscription price	Number of options	Average subscription price
Options not exercised at the beginning of the year	360,700	€ 15.2875	614,100	€ 21.0642
Granted during year				
Cancelled during year				
Exercised during year	(40,000)		(5,000)	
Expired during the year	(7,900)		(248,400)	
Options not exercised at the end of the year	312,800	€ 14.0541	360,700	€ 15.2875
Options vested at the end of the year	312,800		360,700	

The average share price in 2019 was 21.11 euro (21.12 euro in 2018).

The average residual life of the stock options not exercised is 4 months.

The strike price of the options at December 31, 2019 was between 13.7345 euro and 14.4170 euro.

NON-CURRENT LIABILITIES

17) Employee benefits

This caption included 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 occurred in the caption are detailed below:

(in thousands of euro)	Post-employment benefits	Long-service bonus	Total
At December 31, 2018	486	150	636
Utilization of year	(18)	-	(18)
Provision for year	53	18	71
At December 31, 2019	521	168	689

Costs for the year included:

(in thousands of euro)	December 31, 2019	December 31, 2018	Change
Current service costs	(83)	(64)	(19)
Finance costs	(11)	(13)	2
Total	(94)	(77)	(17)

The assumptions used to determine liabilities arising from long-term benefits are set out below:

	Provision for post-employment benefits	Other employee benefits
Discount rate	1.20%	1.20%
Future wage and salary increases	2.70%	2.70%
Inflation	1.00%	1.00%

The discount rate used was determined taking into account the market performance of primary companies using the market performances of public shares based on the Eurozone Mercer Yield curve at December 31, 2019.

Inflation describes the implied inflation of the Eurozone related to the group duration as at December 31, 2019.

18) Financial liabilities

Financial liabilities are shown below by category, broken down by current and non-current liabilities:

(in thousands of euro)	December 31, 2019	December 31, 2018	Change
Current bank loans and borrowings	1	7,121	(7,120)
Current financial liabilities	2,222	2,704	(482)
Lease liabilities	118		118
Options on securities	370	1,954	(1,584)
Accrued financial liabilities	21	21	
Total financial liabilities	2,732	11,800	(9,068)

Main bank loans and borrowings and lines of credit

The main loans and borrowings were as follows:

(in thousands of euro)	December 31, 2019	December 31, 2018	Change
With collateral:			
- Mediobanca S.p.A. Maturity: 12/24/2019	-	7,112	(7,112)
Total	-	7,112	(7,112)
Total bank loans and borrowings	-	7,112	(7,112)

A reconciliation of the changes in financial liabilities arising from financing activities with the financial statements line item is set out below.

(in thousands of euro)	December 31, 2019	December 31, 2018	Change
Non-current financial liabilities	218	-	218
Bank loans and borrowings	1	9	(8)
Current financial liabilities	2,341	9,837	(7,496)
Total financial liabilities	2,560	9,846	(7,286)

The change in current financial liabilities of 7,496 thousand euro mainly referred to the repayment of the Mediobanca S.p.A. loan for 7,112 thousand euro.

19) Tax Provisions and Payables

Provisions amounted to 20,500 thousand euro at December 31, 2019. The change compared with December 31, 2018 of 13,442 thousand euro, for 850 thousand euro referred to the increased risks for disputes for which a future outlay is considered probable, for 14,292 thousand euro to the reclassification of the risk provisions for tax disputes to the "Tax payables" caption in accordance with the IFRIC 23.

(in thousands of euro)	Opening amount	Increases	Decreases	Closing amount
Provisions	33,942	850	14,292	20,500

Tax payables amount to 8,300 thousand euro and are the result of the initial reclassification from the risk provisions for 14,292 thousand euro, used for 8,570 thousand euro and increased for 2,578 thousand euro due to new accruals of the period.

The main disputes pending at December 31, 2019 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., whose majority shares were 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.

The item "non-current tax liabilities", equal to 8,300 thousand euro, included the amounts relating to the Company's uncertain tax positions; in particular, in May, with sentences no. 2316 and 2317, the Provincial Tax Commission of Milan rejected the appeals regarding dividends and CFCs for 2010 and 2011, respectively, as mentioned in previous reports. The Company intends to appeal against these sentences.

In May, with sentences nos. 2316 and 2317, the Provincial Tax Commission of Milan rejected the appeals concerning dividends and CFC matters for the years 2010 and 2011, as already discussed in previous reports. The Company intends to appeal against these sentences.

With sentence no. 2187 of May 17, 2019, the Commission accepted the Company's appeal against the assessment notice relating to the property in Rome.

In November, the Lombardy Regional Directorate for Large Taxpayers Office notified to the Company a CFC tax assessment notice for 2014.

20) Other non-current liabilities

The decrease of 7,497 thousand euro was mainly due to the reclassification of the three-years employee bonus plan to the caption "Other current liabilities".

21) Deferred tax liabilities

Total deferred tax liabilities amounted to 460 thousand euro (620 thousand euro at December 31, 2018), the composition was as follows:

(in thousands of euro)	December 31, 2019	December 31, 2018	Change
Deferred taxes on FVTOCI shares	125	345	(220)
Taxes and deferred taxes on taxable temporary changes	335	275	60
Total	460	620	(160)

CURRENT LIABILITIES

22) Trade payables

The caption included the following amounts:

(in thousands of euro)	December 31, 2019	December 31, 2018	Change
Suppliers	1,999	1,287	712
Group companies	44	28	16
Total	2,043	1,315	728

23) Other current liabilities

(in thousands of euro)	December 31, 2019	December 31, 2018	Change
Due to employees	10,407	2,335	8,072
Due to social security bodies	993	859	134
Due to tax authorities	546	266	280
Accrued expenses and deferred income	170	202	(32)
Other liabilities	529	735	(206)
Due to subsidiaries for tax consolidation IRES advance payments	7,014	149	6,865
Options on securities	371	1,954	(1,583)
Total	20,030	6,500	13,530

The change in Payables due to employees (7,497 thousand euro) is mainly due to the reclassification of the three-year employee bonus plan which becoming a short-term liability, as it is expected to be paid in the next year.

This item has also increased by 6,865 thousand euro due to the transfer of the subsidiaries tax credits for the Tax Consolidation.

Commitments

(in thousands of euro)	December 31, 2019	December 31, 2018
Collaterals	75,733	104,833
Deposits, guarantees, sureties, commitments and other	138,219	182,592
Total	213,952	287,425

The decrease in collaterals with respect to December 31, 2018 was due to the reduction of the pledge on the Caffè Borbone S.p.A. shares assigned as a guarantee of a loan.

On the sale of equity investments are provided the usual guarantees.

The caption also included 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" included sureties given at fair value at the reporting date and commitments on subscription of private equity fund (55,410 thousand euro).

INCOME STATEMENT

24) Revenue and income

Revenue from sales and services and income totalled 86,118 thousand euro, divided as follows:

(in thousands of euro)	December 31, 2019	December 31, 2018	Change	Change %
Dividends	22,466	23,839	(1,373)	-5.8%
Gains on disposals and fair value increases on equity investments and securities	1,309	556	753	n.s
Other finance income	61,766	29,948	31,818	n.s
Services provided	577	617	(40)	-6.5%
Total	86,118	54,960	31,158	56.7%

n.s. = not significant

The breakdown of the various items is included in the table below:

Revenue from dividends:

(in thousands of euro)	December 31, 2019	December 31, 2018	Change	Change %
Subsidiaries				
Caffè Borbone S.r.l.	4,800	-	4,800	100%
Clessidra SGR S.p.A.	-	1,725	(1,725)	-100%
Credit Mobilier de Monaco	140	245	(105)	-43%
Italgen S.p.A.	6,000	6,000	-	-
Sirap Gema S.p.A.		1,000	(1,000)	-100%
Total	10,940	8,970	1,970	22.0%
Associates				
Autogas Nord S.p.A.	1,075	-	1,075	100%
Iseo Serrature S.p.A.	480	-	480	100%
Total	1,555	-	1,555	100%
Other companies				
Cairo Communication S.p.A.	27	19	8	42.1%
Coima S.p.A.	124	115	9	7.8%
Compagnia Fiduciaria Nazionale S.p.A.	108	117	(9)	100%
ENI S.p.A.	269	82	187	100%
Fin Priv. S.r.l.	957	957	-	100%
HeidelbergCement AG	7,418	9,180	(1,762)	-19.2%
Maar S.p.A.	4	-	4	100.0%
Mediobanca S.p.A.	657	4,107	(3,450)	-84.0%
Piaggio S.p.A.	25	15	10	66.7%
Recordati S.p.A.	9	9	-	
Royal Dutch	63	-	63	100.0%
Total SA	26	-	26	100.0%
UBI Banca	14	13	1	7.7%
Unicredit S.p.A.	55	52	3	5.8%
Vontobel S.A.	215	203	12	5.9%
Total	9,971	14,869	(4,898)	-32.9%
Grand total	22,466	23,839	(1,373)	-5.8%

Gains on disposals and fair value increases on equity investments and securities:

(in thousands of euro)	December 31, 2019	December 31, 2018	Change	Change %
Bravosolution S.p.A.	-	54	(54)	-100.0%
Finimage	23	-	23	100.0%
ENI S.p.A.	136	502	(366)	-72.9%
Mediaset S.p.A.	817	-	817	100.0%
OVS S.p.A.	244	-	244	100.0%
Recordati S.p.A.	89	-	89	100.0%
Total	1309	556	753	n.s.
Grand total	1,309	556	753	n.s.

n.s. = not significant

Other finance income:

(in thousands of euro)	December 31, 2019	December 31, 2018	Change	Change %
Interest and finance income from subsidiaries	679	569	110	19.3%
Interest and finance income from associates	720	720		100.0%
Interest and finance income from others	273	1,136	(863)	-76.0%
Interest income on securities and bonds	508	1,098	(590)	-53.7%
Bank interest income	43	31	12	38.7%
Options on securities	11,580	10,901	679	6.2%
Income from interest-rate hedging	1,510	1,350	160	11.9%
Income from currency trading	485	523	(38)	-7.3%
Income from currency measurement	628	1,129	(501)	-44.4%
"IFRS 9 amortised cost" income		743	(743)	-100.0%
Income from futures	370	327	43	13.1%
Increase in fair value of funds	44,970	11,421	33,549	n.s.
Total	61,766	29,948	31,818	106.2%

n.s. = not significant

The positive change in the fair value of the funds for 44.970 thousand euro was mainly due to Clesidra (25.0 million euro), Vontobel (9.7 million euro) and BDT (5.4 million euro).

Revenue from services provided amounted to 577 thousand euro (616 thousand euro in 2018).

25) Other revenue and income

Other revenue and income amounted to 815 thousand euro (2027 thousand euro at December 31, 2018) and included rents and condominium expenses for 639 thousand euro and other income for 176 thousand euro.

26) Raw materials and supplies

Expenses for raw materials and supplies amounted to 263 thousand euro, as follows:

(in thousands of euro)	December 31, 2019	December 31, 2018	Change	Change %
Materials and machinery	8	9	(1)	-11.1%
Other materials	191	122	69	56.6%
Electricity and gas	64	58	6	10.3%
Total	263	189	74	39.2%

27) Services

Services amounted to 7,696 thousand euro, as follows:

(in thousands of euro)	December 31, 2019	December 31, 2018	Change	Change %
Legal fees, consultancy and statutory auditor fees	6,206	5,812	394	6.8%
Rents and fees for use of third-party assets	36	234	(198)	-84.6%
Insurance	480	418	62	14.8%
Lease payments and expense of civil buildings	6	8	(2)	-25.0%
Maintenance and repairs	208	150	58	38.7%
Subscriptions	249	249	0	0.0%
Communication and entertainment	42	32	10	31.3%
Post and telephone	106	80	26	32.5%
Cleaning	60	58	2	3.4%
Other expense and residual services	303	312	(9)	-2.9%
Total	7,696	7,353	343	4.7%

Expenses for the Board of Statutory Auditors totaled 183 thousand euro.

28) Personnel expenses

Personnel expenses totaled 14,162 thousand euro, as follows:

(in thousands of euro)	December 31, 2019	December 31, 2018	Change	Change %
Wages and salaries	10,579	10,745	(166)	-1.5%
Social security contributions	2,490	2,243	247	11.0%
Provisions and contributions to pension funds	77	106	(29)	-27.4%
Directors' remuneration	957	1,716	(759)	-44.2%
Other miscellaneous expense	59	67	(8)	-11.9%
Total	14,162	14,877	(715)	-4.8%

The change in employee benefits expense was largely due to a reduction in bonuses paid to employees in 2019.

The number of employees is shown below:

(headcount)	December 31, 2019	December 31, 2018
Number of employees at year end	37	37
Average number of employees	38	38

29) Other operating income (expenses)

Other operating income (expenses) amounted to 19,135 thousand euro, divided as follows:

(in thousands of euro)	December 31, 2019	December 31, 2018	Change	Change %
Finance income and costs				
Current account and financial interest expense due to subsidiaries	2	5	(3)	-60.0%
Commissions	73	86	(13)	-15.1%
Securities and bonds	243	515	(272)	-52.8%
Currency trading	465	79	386	n.s.
Measurement currencies	422	404	18	4.5%
Options on indices		40	(40)	-100.0%
Options on securities	12,088	4,784	7,304	n.s.
Other expense	296	121	175	n.s.
Total	13,589	6,034	7,555	n.s.
Losses on disposals and fair value decreases				
Disposal of securities	29	39	(10)	-25.6%
Disposal of cashes	-	58	(58)	-100.0%
Disposal of mutual funds	-	942	(942)	-100.0%
Disposal of foreign bonds	-	71	(71)	-100.0%
Loss Mittel TF 6%	17	-	17	
Losses P&G	13	64	(51)	-79.7%
Loss on trading equity investments	665	12,560	(11,895)	-94.7%
Loss on funds	840	9,431	(8,591)	-91.1%
Loss on loss bonds	78	1,182	(1,104)	-93.4%
Loss on put options with pledge	528		528	100.0%
Total	2,170	24,347	(22,177)	-91.1%
Other expense and income				
Condominium expenses on own buildings	146	194	(48)	-24.7%
Other operating expense	531	503	28	5.6%
Non-deductible VAT	1,990	2,075	(85)	-4.1%
IMU tax	237	273	(36)	-13.2%
Registration tax	8	6	2	33.3%
Other taxes	130	239	(109)	-45.6%
Prior year expense	29	298	(269)	-90.3%
Prior year income	(870)	(335)	(535)	n.s.
Gain on the disposal of the property in Chiasso	-	(114)	114	-100.0%
Capital gain on investment property	(504)	-	(504)	100.0%
Capital gain on motor vehicles	(17)	-	(17)	100.0%
Loss on disposal of furniture and fittings		2	(2)	
Other expenses and income	(154)	(777)	623	-80.2%
Fondazione Cav. Lav. Carlo Pesenti	500	500		
Fondazione Politecnico Milano	500	-	500	100.0%
Total	2,526	2,864	(338)	-11.8%
Changes in provisions for risks				
Accruals on provisions for risks	850	(118)	968	n.s.
Total	850	(118)	968	n.s.
Total other operating income/expenses	19,135	33,127	(13,992)	-42.2%

n.s. = not significant

30) Amortisation and depreciation

The overall amount of 699 thousand euro (589 thousand euro at December 31, 2018) reflects depreciation of property, plant and equipment and investment property for 579 thousand euro (559 thousand euro at December 31, 2018) and amortisation of intangible assets for 120 thousand euro (29 thousand euro at December 31, 2018).

31) Finance income and costs

Net finance income and costs amounted to 70 thousand euro, as follows:

(in thousands of euro)	December 31, 2019	December 31, 2018	Change	Change %
Financial services	66	57	9	15.8%
Miscellaneous finance costs	4	86	(82)	-95.3%
Total	70	143	(73)	-51.0%

32) Impairment of financial assets

During the year, adjustments to financial assets were made for 14,280 thousand euro; please refer to Note 4 for further details (zero balance at December 31, 2018).

33) Income tax

This caption reflected a positive effect in the year for 10,897 thousand euro, as follows:

(in thousands of euro)	December 31, 2019	December 31, 2018	Change	Change %
Current tax	(7,064)	4,999	(12,063)	n.s.
Deferred tax liabilities/assets on temporary differences	151	4,599	(4,448)	-96.7%
Deferred tax assets on prior-year tax losses	-	10,039	(10,039)	-100.0%
Non-recoverable withholdings on HeidelbergCement AG	(1,088)	(1,339)	251	-18.7%
Reimbursement prior-year taxes	-	786	(786)	-100.0%
Prior-year taxes	(2,577)	1	(2,578)	n.s.
Other	(318)	-	(318)	100.0%
Total	(10,896)	19,085	(29,981)	n.s.

n.s. = not significant

The 30.0 million euro change was mainly due to the shift from a 2018 loss tax consolidation to a 2019 tax consolidation with a profit result (-12.1 million euro). Furthermore, in 2018 tax benefits of 14.6 million euro were taken on carry-forward tax losses and deductible temporary differences based on forecasted future taxable income deriving from the tax consolidation. The 2019 was also affected by previous years tax accounted for in the current year for 2.6 million euro

34) Statement of cash flows

The change on the line item investment in Financial assets (119,555 thousand euro) was due to acquisitions of equity investments in subsidiaries and associates for 83,186 thousand euro, in other companies for 826 thousand euro and mutual funds for 35,543 thousand euro.

The change on the line item proceeds from Gains on disposal of non-current assets (338,425 thousand euro) was due to sales of properties for 4,770 thousand euro, investments in associates for 17 thousand euro, investments in other companies for 271,654 thousand euro and bonds and mutual funds for 36,680 thousand euro, including the overall change in fair value of 25,304 thousand euro.

The change in the line item Change in equity investments and current securities (117.268 thousand di euro) was mainly due to the increase of the Vontobel fund for 104.697 thousand euro.

IFRS 7

Risk management policies

OBJECTIVES

For Italmobiliare S.p.A., exposure to financial risk is an opportunity to generate profits within the constraints established for the purposes of a 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) (*)
Trading bonds	18.2	n.a.	3.95
Bonds	12.6	Baa1	10.94
Deposits	90.1	n.a.	n.a.
Other financial assets	0.7	n.a.	n.a.
Derivatives on shares	0.4	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 -1.7 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, 2019 reflected a strong positive position: a regular report is prepared for 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	(2.7)	(0.1)	(0.1)		(2.9)
Total financial assets	238.9		24.0	309.6	572.5
Net financial position	236.2	(0.1)	23.9	309.6	569.6
Undrawn committed lines of credit					

* including financial assets with no maturity

Short-term drawings on 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 drawn 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, 2019 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, 2018	
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	(2.2)
Floating-rate financial assets	18.7
Floating-rate NFP at inception	16.5
Fixed-rate/Floating-rate hedging	-
Floating-rate/Fixed-rate hedging	-
Floating-rate NFP after hedging	16.5
Assets not exposed to interest-rate risk	540.9
Liabilities not exposed to interest-rate risk	(0.4)
Total NFP	569.6

Floating-rate assets include cash and cash equivalents, amounts due from Group companies and floating-rate bonds; fixed-rate liabilities include amounts due to third parties and Group companies.

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 -5.7 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 RISK

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, 2019, listed financial assets exposed to price risk amounted to 207.2 million euro, of which 183.1 million euro measured at FVTOCI and 24.1 million euro measured at FVTPL.

A hypothetical reduction of 5% in share prices would have a negative impact of 10.4 million euro on the assets' fair value, of which 9.2 million euro on equity and 1.2 million euro on the income statement.

(in millions of euro)	Fair value	Share price delta	Impact on income statement	Impact on equity
Shares FVTPL		-5%		
Shares FVTOCI		-5%		

NET FINANCIAL POSITION

At December 31, 2019, the company had a positive net financial position of 569,618 thousand euro, an increase of 224,525 thousand euro from December 31, 2018.

The breakdown of the net financial position is set out below:

(in thousands of euro)	December 31, 2019	December 31, 2018	Change
Cash and cash equivalents	190,081	90,149	99,932
Financial receivables due from Group companies	15,027	18,743	(3,716)
Government securities and bonds - current	-	364	(364)
Government securities and bonds - non-current	3,668	3,163	505
Mutual funds	285,351	173,941	111,410
Fixed-rate currency bonds (USD)	8,892	-	8,892
P&G bonds	20,612	17,874	2,738
Compagnia Fiduciaria Nazionale bond loan	-	417	(417)
Escrow receivable Holdings Europe S.p.A.Prime Holding bond loan 2017/2018	5,000	-	5,000
Receivables for extended payment terms of companies sold	7,803	-	7,803
Tecnica Group 2017/2022 convertible bond loan	9,000	9,000	-
Held for trading equity investments	24,089	33,712	(9,623)
Index-linked ETFs	-	5,345	(5,345)
Puts/calls on equities	431	2,391	(1,960)
Derivatives on initial margin requirements	316	316	-
Prepayments and accrued income	2,278	1,240	1,038
Total financial assets	572,548	356,655	215,893
Bank loans and borrowings	(1)	-	(1)
Securities-backed loans and borrowings	-	(7,112)	7,112.00
Financial payables vs subsidiaries	(2,341)	(483)	(1,858)
IFRS 16 long-term portion	(218)	-	(218)
Puts/calls on equities	(370)	(3,967)	3,597
Total financial liabilities	(2,930)	(11,562)	8,632
Net financial position	569,618	345,093	224,525

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 12/31/2019 and 12/31/2018.

(in thousands of euro)	Carrying amount					Total	Fair value			
	FVTPL	FVTOCI	Amortized cost	Loans and receivables	Other financial liabilities		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		3,669	145,768	149,437
Financial assets held to maturity			9,000			9,000				
Financial assets FVTPL NFP		3,668				3,668		3,669		3,669
Financial assets FVTPL non NFP		145,768				145,768			145,768	145,768
Non-current receivables			28,635			28,635				
Trade receivables										
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
Financial assets held for trading non NFP										
Trade receivables										
Other receivables				13,800		13,800				
Equity investments, bonds and current financial receivables	338,944			2,305		341,249	41,264	297,680		338,944
Trading equity investments										
NFP Equity investments FVTPL	24,089					24,089	24,089			24,089
Financial assets at FVTPL in NFP	314,855					314,855	17,175	297,680		314,855
Investments at FVTOCI										
Financial receivables and accruals				2,305		2,305				
Cash and cash equivalents			190,081			190,081				
Total	339,375	359,835	227,716	16,607		943,533	224,353	322,253	152,605	699,211
Financial liabilities										
Non-current financial liabilities					218	218		218		218
Bank loans and borrowings										
Finance lease payables					218	218		218		218
Other loans and borrowings										
Other non-current liabilities			8,417			8,417				
Derivatives										
Other non-current payables			8,417			8,417				
Loans and borrowings					1	1		1		1
Current financial liabilities					2,340	2,340		2,340		2,340
Bank loans and borrowings										
Finance lease payables					118	118		118		118
Other loans and borrowings					2,222	2,222		2,222		2,222
Other financial payables										
Trade payables			2,043			2,043				
Other liabilities	370			19,660		20,030		370		370
Derivatives	370					370		370		370
Trade receivables										
Other payables, accruals and deferrals				19,660		19,660				
Total	370		10,460	19,660	2,559	33,049		2,929		2,929

(in thousands of euro)	Carrying amount					Total	Fair value			
	FVTPL	FVTOCI	Amortized cost	Loans and receivables	Other financial liabilities		level 1	level 2	level 3	Total
Financial assets										
Other equity investments		403,861				403,861	324,873	15,568	63,420	403,861
Trade receivables and other non-current assets	118,725		27,261			145,986		3,163	115,562	118,725
Financial assets at amortised cost			9,417			9,417				
Financial assets at FVTPL in NFP	3,163					3,163		3,163		3,163
Financial assets at FVTPL not in NFP	115,562					115,562			115,562	115,562
Non-current receivables			17,840			17,840				
Trade receivables										
Guarantee deposits			4			4				
Decrease/(increase) in trade receivables			581			581				
Current assets including derivative financial instruments	2,391		6,347			8,738		2,391		2,391
Derivatives	2,391					2,391		2,391		2,391
Trade receivables										
Other receivables			6,347			6,347				
Equity investments, bonds and current financial receivables	231,752		5,348			237,100	57,892	172,980	880	231,752
NFP Equity investments FVTPL	34,592					34,592	33,712		880	34,592
Financial assets at amortised cost			364			364				
Financial assets at FVTPL in NFP	197,160					197,160	24,180	172,980		197,160
Investments at FVTOCI										
Financial receivables and accruals			4,984			4,984				
Cash and cash equivalents			90,157			90,157				
Total	352,868	403,861	129,694			886,423	382,765	194,102	179,862	756,729
Financial liabilities										
Non-current financial liabilities										
Loans and borrowings										
Finance lease payables										
Other loans and borrowings										
Other non-current payables and liabilities			7,614			7,614				
Derivatives										
Other non-current payables			7,614			7,614				
Current bank loans and borrowings						9		9		9
Current financial liabilities			21			9,837		9,816		9,816
Loans and borrowings						7,112		7,112		7,112
Finance lease payables										
Other loans and borrowings						2,704		2,704		2,704
Other financial payables			21			21				
Trade payables			1,315			1,315				
Other liabilities	1,954		4,546			6,500		1,954		1,954
Derivatives	1,954					1,954		1,954		1,954
Trade receivables										
Other payables, accruals and deferrals			4,546			4,546				
Totale	1,954		13,496			9,825		11,779		11,779

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	Current equity investments	Total
Balance at December 31, 2018				
Changes arising from acquisitions	35,545	827		36,372
Gains and losses in profit or loss	30,289	-	(323)	29,966
Gains and losses in equity	-	(22,410)	-	-22,410
Sales/reductions in capital	(36,268)	(35,000)	(557)	(71,825)
Other changes	640	-		640
Total changes	30,206	(56,583)	(880)	(27,257)
Balance at December 31, 2019	145,768	6,837	0	152,605

AUDIT FEES

The table below sets out details of the fees paid in 2019 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	105	-	105
Review of non-financial disclosure	33	-	33
Non-audit services	21	-	21
Total	159	-	159

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 15 thousand euro from Fondirigenti for staff training.

TRANSACTIONS WITH RELATED PARTIES

The figures at December 31, 2019 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	Clessidra SGR	129,655			
	Caffè Borbone S.r.l.	25,039			
	Capitelli S.r.l.	1,205			
	Italgen S.p.A.	977			
	Italmobiliare Servizi S.r.l.	26,102			
	Punta Ala Promoz. e Sviluppo Imm.re S.r.l.	12,571			
	Sirap Gema S.p.A.	20,000			
Trade receivables					
associates	Autogas Nord S.p.A.	30,000			
	Iseo Serrature S.p.A.	54,356			
	Lampogas S.r.l.	30,000			
	Tecnica Group S.p.A.	27,479			
Total trade receivables		357,384	71.72%	498,327	Note 8
Other amounts due					
subsidiaries	Credit Mobilier Monaco	1,800,000			
	Sirap Gema S.p.A.	15,000,000			
Other receivables					
associates	Tecnica Group S.p.A.	9,000,000			
Total other non-current assets		25,800,000	13.79%	187,075,722	Note 7
Receivables for tax consolidation					
subsidiaries	Caffè Borbone S.r.l.	7,673,585			
	Italgen S.p.A.	2,358,180			
	Punta Ala Promoz. e Sviluppo Imm.re S.r.l.	346			
	Other related parties	7,400			
Total other current assets including derivatives		10,039,511	882.40%	1,137,745	Note 9
Current account receivables					
subsidiaries	Credit Mobilier Monaco	459			
	Franco Tosi Ventures S.r.l.	7,782			
	FT1 S.r.l.	13,026			
	Italgen S.p.A.	5,940			
Prepayments and accrued income					
subsidiaries	Clessidra	9,900			
	Italgen S.p.A.	28,040			
Associates	Tecnica Group S.p.A.	1,516,932			
Total current financial receivables		1,582,079	0.45%	354,368,645	Note 11
Current account payables					
subsidiaries					
	Italmobiliare Servizi S.r.l.	(1,967,106)			
	Punta Ala Promoz. e Sviluppo Imm.re S.r.l.	(255,320)			
Total current financial liabilities		(2,222,426)	1,018.89%	(218,122)	Note 18

(euro)					
Description	Company	Amount	% impact on carrying amounts	Carrying amounts	Reference
Trade payables					
subsidiaries	Caffè Borbone S.r.l.	(3,408)			
	Italgen S.p.A.	(5)			
	Sirap Gema S.p.A.	(15,600)			
	Italmobiliare Servizi S.r.l.	(28,500)			
	Other related parties	(12,200)			
Total trade payables		(59,713)	2.92%	(2,043,048)	Note 22
Other payables tax consolidation					
subsidiaries	Clessidra SGR	(132,988)			
	Italmobiliare Servizi S.r.l.	(208,621)			
	Punta Ala Promoz. e Sviluppo Imm.re S.r.l.	(52,031)			
	Sirap Gema S.p.A.	(1,977,640)			
Other liabilities					
subsidiaries	Caffè Borbone S.r.l.	(4,485,081)			
	Italmobiliare Servizi S.r.l.	(29,458)			
	Sirap Gema S.p.A.	(159,782)			
Total other non-current liabilities		(6,885,819)	5891.46%	(116,878)	Note 20
Accrued expenses and deferred income					
subsidiaries	Caffè Borbone S.r.l.	(5,039)			
	Clessidra SGR	(680)			
	Italgen S.p.A.	(4,384)			
	Italmobiliare Servizi S.r.l.	(7,255)			
	Punta Ala Promoz. e Sviluppo Imm.re S.r.l.	(23)			
Total other current liabilities		(17,381)	0.27%	(6,500,218)	Note 23

Commitments with related parties

(euro)		
Description	Company	Amount
Letters of patronage to		
subsidiaries	Italgen S.p.A.	8,354,166
	Sirap Gema S.p.A.	26,999,350
Total commitments		35,353,516

Revenue and expenses with related parties

(euro)					
Description	Company	Amount	% impact on carrying amounts	Carrying amounts	Reference
Dividends					
subsidiaries	Caffè Borbone S.r.l.	4,800,000			
	Credit Mobilier de Monaco	139,880			
	Italgen S.p.A.	6,000,000			
associates	Autogas Nord S.p.A.	1,075,455			
	Iseo Serrature S.p.A.	480,000			
Total dividends		12,495,335	55.62%	22,466,109	Note 24
Current account and financial interest income and other income					
subsidiaries	Credit Mobilier de Monaco	18,868			
	Italgen S.p.A.	30,616			
	Sirap Gema S.p.A.	648,847			
associates	Tecnica Group S.p.A.	720,000			
Total interest income		1,418,331	8.44%	16,795,725	Note 24
Recovery of cost of services					
subsidiaries	Autogas Nord S.p.A.	30,000			
	Caffè Borbone S.r.l.	70,000			
	Capitelli Sr.l.	1,205			
	Credit Mobilier de Monaco	6,000			
	Italgen S.p.A.	59,170			
	Italmobiliare Servizi S.r.l.	56,528			
	Lampogas	30,000			
	Punta Ala Promoz. e Sviluppo Imm.re S.r.l.	28,305			
	Sirap Gema S.p.A.	30,000			
associates	Iseo Serrature S.p.A.	54,356			
	Tecnica Group S.p.A.	37,479			
	Other related parties	7,400			
Total services		410,443	71.13%	576,993	Note 24
Total revenue		14,324,109	35.96%	39,838,827	Note 24
Other revenue and income					
subsidiaries	Caffè Borbone S.r.l.	4,129			
	Italgen S.p.A.	31,031			
	Italmobiliare Servizi S.r.l.	281,569			
	Punta Ala Promoz. e Sviluppo Imm.re S.r.l.	72			
	Sirap Gema S.p.A.	37,795			
Total other operating revenue and income		354,596	17.49%	2,027,233	Note 25
Services					
subsidiaries	Caffè Borbone S.r.l.	(3,820)			
	Clessidra SGR	(11,129)			
	Italmobiliare Servizi S.r.l.	(2,638,403)			
	Sirap Gema S.p.A.	(94,704)			
	Other related parties	(545,290)			
Total services		(3,293,346)	42.79%	(7,695,973)	Note 27
Employee benefits expenses	Other related parties	(9,468)			
Employee benefits expenses		(9,468)	0.07%	(14,162,043)	Note 28
Current account and financial interest expense					
Other related parties	Punta Ala Promoz. e Sviluppo Imm.re S.r.l. (Endowment to Fondazione Italcementi)	(500,000)			
Total other operating income/expenses		(500,352)	2.61%	(19,134,688)	Note 29
Interest expense on trade payables					
subsidiaries	Italmobiliare Servizi S.r.l.	(230)			
	Other related parties	(30,400)			
Total finance income/costs		(30,630)	0.21%	(14,350,461)	Note 31

Impact of transactions with related parties on cash flows

(in thousands of euro)	Cash flows	
	Amount	%
Cash flow from operating activities with related parties	4,494	62.1%
Total A) - from statement of cash flows	7,231	-
Cash flow from investing activities with related parties	158,891	-97.6%
Total B) - from statement of cash flows	(162,744)	-
Cash flow from financing activities with related parties	15,574	29.0%
Total C) - from statement of cash flows	53,657	-
Change in cash and cash equivalents with related parties	178,959	-
Change in cash and cash equivalents from statement of cash flows (A+B+C)	(101,856)	-

Fees paid to directors and the chief operating officer

The table below sets out amounts accrued during the financial year by the directors, the chief operating officer and the Financial Reporting Officer (key management personnel) for positions held:

(euro)	2019	2018
Short-term benefits: fees and remuneration	8,191,129	7,565,462
Post-employment benefits	-	-
Other long-term benefits	2,391,200	2,391,200
Share-based payments (stock options)	393,676	65,160
Total	10,976,005	10,021,822

(*) these are shares involved in plans with a service period already completed on January 1, 2018, of which the related costs were recognized in previous years

Events after the reporting date

In December, Italmobiliare S.p.A. reached an agreement, which was then closed in January 2020, for the purchase of a 20% stake in "Officina Profumo Farmaceutica di Santa Maria Novella" based in Florence, a top-of-the-range cosmetics company and historic brand with international allure. Italmobiliare S.p.A. invested 40 million euro in the operation, becoming a non-controlling shareholder of a group with a turnover of approximately 31 million euro, with a chance to increase the shareholding over time.

As is well-known, having shown signs of stabilisation and the possibility of a recovery in the new year starting from the last quarter of 2019, the trend in the global economic cycle has now been hit by the Coronavirus crisis. The impact, through multipliers and channels both direct (demand) and indirect (business value chain), is difficult to quantify also with respect to similar events (such as SARS), given China's greater weight on growth and world trade, and greater interconnection between the various geographical areas. In the last week of February, the Covid-19 virus began to spread throughout Europe and other parts of the world and the restrictive measures introduced by public authorities to contain the virus - extraordinary circumstances in their nature and extent - will have further repercussions on the economy, creating a situation of general uncertainty whose evolution and effects are impossible to predict at the moment.

The potential effects of this phenomenon on the activities of Italmobiliare cannot be foreseen at present and will be subject to constant monitoring throughout the year (see the note "Equity investments in subsidiaries and associates" for information on the sensitivities of the impairment tests, also in situations of stress).

In addition to the uncertainty about how the Coronavirus is likely to evolve, the macro and financial normalisation scenario of 2020 remains exposed to other exogenous events, geopolitical risks, including the negotiations on Brexit and commercial tariffs, and the US presidential election, as well as endogenous ones (sustainability of private sector debt and inflationary dynamics beyond expectations).

In this situation of high uncertainty, the Company's commitment will remain concentrated on its operational activity, with particular attention to careful monitoring and management of the risks that this new scenario may have in store, being able to count on a decidedly positive cash position to allow ample room for manoeuvre and avoid any strain on liquidity.

From an accounting point of view, Group Management is of the opinion that the health emergency induced by Covid-19, which emerged as such in China for the first time in January and only recently in our country as well, constitutes a "not-adjusting event", according to IAS 10; it has not therefore been taken into account in the measurement processes applied to the items in the Group's consolidated financial statements at December 31, 2019.

As regards the main listed financial instruments held by Italmobiliare in portfolio (mainly the investment in HeidelbergCement), as of today, the fair value has shown a decrease of over 33 million euro compared with the corresponding amount at December 31, 2019. Furthermore, any extension of the effects of Coronavirus could lead to further volatility and a reduction in stock market values. On the other hand, given the situation of extreme uncertainty, the impact of the health emergency on the value of financial assets measured with a fair value levels 2 and 3 does not appear to be quantifiable.

Italmobiliare is also committed to providing maximum strategic and operational support to the portfolio companies to meet the challenges posed by the changed context made critical by the spread of this contagion. The highest safety and control measures will be deployed to guarantee the operation capacity of production sites in geographical areas exposed to greater risks. At all portfolio companies, maximum attention will be given to prudent management of the cash position with the timing of some development initiatives possibly being revised. It is important to remember that the predominant part of the portfolio in terms of net asset value is represented by companies in sectors related to the food chain and the energy sector: it is not unreasonable to assume that the impact on these businesses will be less than on others. For the other businesses, especially those exposed to "retail" dynamics and/or that supply 'non-essential' goods and services, potentially more subject to the safety measures implemented at international level, specific measures will be assessed with top management to monitor and organize production and ensure flexibility in commercial developments and investment plans.

Proposal for approval of the financial statements and allocation of the profit for the year

Dear Shareholders,

We submit for your approval the financial statements for the year ended December 31, 2019, which closed with a profit of Euro 19,730,026. Reference is made to the Annual Report and the draft financial statements contained herein for all information in this regard, specifying that the same shall be published within the deadlines set by law.

The profit for the year and the financial situation of the Company enable us to propose the distribution, for each share entitled, of a dividend of Euro 0.60, gross of the withholdings required by law, and of an extraordinary dividend of Euro 1.20, gross of the withholdings required by law.

Therefore, subject to the Shareholders' Meeting approval, a per share gross amount of Euro 1.80 will be distributed.

We would like to propose that the dividend and the extraordinary dividend should be paid in one tranche on May 6, 2020 (going ex-coupon on May 4, 2020 and with a record date of May 5, 2020). Taking into account the 310,070 treasury shares in the portfolio 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 take place out of the entire profit of Euro 19,730,026 and out of retained earnings for the balance of Euro 56,211,848. 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.

We therefore 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 as at December 31, 2019, considering that the legal reserve has reached one fifth of the share capital and consequently no further provision to such reserves need be made pursuant to article 2430 of the Italian Civil Code and article 30 of the Company By-laws,

resolved

- 1) to approve the report of the Board of Directors on operations and the 2019 financial statements, consisting of the statement on the financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and explanatory notes, which reflect a profit of Euro 19,730,026 as presented by the Board of Directors in its entirety, in the individual postings and with the proposed allocations;
- 2) to distribute a per-share gross dividend of Euro 0.60 and a per share gross extraordinary dividend of Euro 1.20 to each of the shares with rights, therefore excluding the treasury shares in the Company's portfolio on the record date, using the entire profit equal to Euro 19,730,026 and the retained earnings for the amount of Euro 56,211,848;
- 3) to establish that the dividend and the extraordinary dividend shall be paid on May 6, 2020 with a coupon date of May 4, 2020 and record date of May 5, 2020;
- 4) to authorise the current 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, 2020

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

ANNEX

Annex A - Statement of changes in the accounts of investments in subsidiaries, associates and other companies at December 31, 2019

(euro) Shares and quotas	Balance on 1/1/2019		Increases		Decreases	
	Quantity	Amounts	Quantity	Amounts	Quantity	Amounts
Subsidiaries						
Caffè Borbone S.r.l.	600,000	143,568,361				
Clessidra SGR S.p.A.	300,000	19,000,000				
Credit Mobilier de Monaco	34,970	5,285,223				
Finimage 15 SAGL	20	18,531			20	16,802
Franco Tosi Ventures S.r.l.			1	100,000		
FT1 S.R.L.			1	22,712,278 ^{(1) (2)}		
FT2 S.R.L.			1	10,000		
Italgen 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	60,878,428				
Total subsidiaries		261,852,084		22,822,278		16,802
Associates						
Autogas Nord S.p.A.			3,685,315	60,313,471		
Dokimè S.r.l.	20,627	3,434,396				
Iseo Serrature S.p.A.	1,917,523	42,601,397				6,098 ⁽³⁾
Società Editrice Sud S.p.A.	29,275	9,600,494				
Tecnica Group S.p.A.	15,413,534	43,333,250				43,004 ⁽³⁾
Total associates		98,969,537		60,362,573		--
Other companies						
Atmos Venture S.p.A.	222,909	74,510				
Cairo Communication S.p.A.	189,198	646,963				
Can-Fite Biopharma	3,074	1				
Can-Fite Biopharma 2019			204	1		
Cartiere Burgo S.p.A.	46,153,846	1				
Coima Res S.p.A.	412,332	2,892,757				
Compagnia Fiduciaria Nazionale S.p.A.	20,001	1,214,343				
Fin.Priv. S.r.l.	2,857	15,568,065				
HeidelbergCement AG	4,608,162	245,983,688				
Ideami S.p.A.	300,000	2,790,000				
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	30,091				
Italgen MISR for Energy	7,694	45,113				
Mediobanca S.p.A.	8,737,720	64,424,957				
New Flour S.p.A.	27,667	2,766,657				763,813 ⁽¹⁾
Piaggio S.p.A.	369,699	675,255				
Sciquest Inc.	92,703,301	56,410,000				
Sesaab S.p.A.	700,000	1,982,000				
Unicredit S.p.A. - ordinary shares	204,331	2,008,696				
Unione di Banche Italiane S.p.A.	117,412	296,568				
Vontobel Holding AG	115,238	5,153,958				
035 Investimenti S.p.A.	1,000,000	896,370	52,631	63,157		
Total other companies		403,860,562		826,971		--
Total equity investments		764,682,183		84,011,822		16,802

(1) Payment on capital account

(2) Payment to FT1 for Capitelli increase in capital

(3) Capitalized commission

(4) Impairment

Quantity and sale value		Adjustment	Profit (loss) FVTOCI	% held	Balance at 12/31/2019		Subsidiaries
Quantity	Amounts	Importi	Amounts	%	Quantity	Amounts	
				60.000	600,000	143,568,361	Caffè Borbone S.r.l.
				100.000	300,000	19,000,000	Clessidra SGR S.p.A.
				99.910	34,970	5,285,223	Credit Mobilier de Monaco
		(1,729) ⁽⁴⁾			--	--	Finimage 15 SAGL
				100.000	1	100,000	Franco Tosi Ventures S.r.l.
				100.000	1	22,712,278	FT1 S.R.L.
				100.000	1	10,000	FT2 S.R.L.
				100.000	20,000,000	20,131,526	Italgen 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.
		(11,678,428) ⁽⁴⁾		100.000	15,000,000	49,200,000	Sirap Gema S.p.A.
	--	(11,680,157)	--			272,977,403	Total subsidiaries
							Associates
				10.132	3,685,315	60,313,471	Autogas Nord S.p.A.
				20.627	20,627	3,434,396	Dokimè S.r.l.
				40.000	1,917,523	42,607,495	Iseo Serrature S.p.A.
		(2,600,490) ⁽⁴⁾		31.099	29,275	7,000,000	Società Editrice Sud S.p.A.
				40.000	15,413,534	43,376,254	Tecnica Group S.p.A.
	--	(2,600,490)	--			156,731,616	Total associates
							Other companies
		(1,757)		10.132	222,909	72,753	Atmos Venture S.p.A.
		(133,290)	--	0.141	189,198	513,673	Cairo Communication S.p.A.
3,074	1				--	--	Can-Fite Biopharma
		599			204	600	Can-Fite Biopharma 2019
				11.680	46,153,846	1	Cartiere Burgo S.p.A.
		744,011	--	1.145	412,332	3,636,768	Coima Res S.p.A.
		(8,001)		16.668	20,001	1,206,342	Compagnia Fiduciaria Nazionale S.p.A.
		4,905,040		14.285	2,857	20,473,105	Fin.Priv. S.r.l.
2,066,162	142,218,810	29,436,360	31,927,082	2.322	2,542,000	165,128,320	HeidelbergCement AG
		210,000		1.200	300,000	3,000,000	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.
		140		1.784	12,012	30,231	Immobiliare Astra S.p.A.
				1.000	7,694	45,113	Italgen MISR for Energy
8,737,720	80,644,946		16,219,989	0.985	--	--	Mediobanca S.p.A.
		79,684		17.290	27,667	3,610,154	New Flour S.p.A.
200,000	400,180	156,377	34,880	0.103	169,699	466,332	Piaggio S.p.A.
92,703,301	91,219,582		34,809,582	9.500	--	--	Sciquest Inc.
		(742,000)		7.000	(92,003,301)	1,240,000	Sesaab S.p.A.
		651,694		0.009	204,331	2,660,390	Unicredit S.p.A. - ordinary shares
		44,549		0.010	117,412	341,117	Unione di Banche Italiane S.p.A.
		2,187,766		0.203	115,238	7,341,724	Vontobel Holding AG
		(327,836)		10.000	1,052,631	631,691	035 Investimenti S.p.A.
	314,483,519	37,203,336	82,991,533			210,398,883	Total other companies
	314,483,519	22,922,689	82,991,533			640,107,902	Total equity investments

Annex B - List of investments in subsidiaries and associates at December 31, 2019 (art. 2427 no.5 of the Italian Civil Code)

	Registered office		Share capital (in euro)	Total equity (in euro)	Profit/(loss) for the year (in euro)	% held	Carrying amount (in euro)
Subsidiaries							
Caffè Borbone S.r.l.	Caivano	€	1,000,000	275,303,181	34,218,511	60.000	143,568,361
Clessidra SGR S.p.A.	Milano	€	3,000,000	21,484,350	1,166,824	100.000	19,000,000
Credit Mobilier de Monaco	Montecarlo	€	5,355,000	6,070,045	201,436	99.910	5,285,223
FT1 S.r.l.	Milano	€	100,000	26,185,366	(15,621)	100.000	22,712,278
FT2 S.r.l.	Milano	€	10,000	10,000		100.000	10,000
Franco Tosi Ventures S.r.l.	Milano	€	100,000	62,380	(37,620)	100.000	100,000
Italgen S.p.A.	Bergamo	€	20,000,000	31,207,739	7,218,599	100.000	20,131,526
Italmobiliare Servizi S.r.l.	Milano	€	3,520,000	10,330,662	(44,418)	100.000	11,411,491
Punta Ala Promozione e Sviluppo Immobiliare S.r.l.	Milano	€	1,300,000	1,089,534	66,513	100.000	1,558,523
Société d'Etudes de Participations et de Courtages S.A.	Montecarlo	€	1,290,000	438,731	(170,119)	99.980	1
Sirap Gema S.p.A.	Verolanuova	€	15,000,000	12,905,141	(4,630,801)	100.000	49,200,000
Total subsidiaries							272,977,403
Associates							
Autogas Nord S.p.A.	Volpiano	€	11,287,783	163,268,752	6,819,952 (1)	30.000	60,313,471
Dokimè S.r.l.	Milano	€	100,000	17,963,797	1,362,123 (2)	20.627	3,434,396
Iseo Serrature S.p.A.	Pisogne	€	23,969,040	62,875,006	8,039,494	40.000	42,607,496
Società Editrice Sud S.p.A.	Messina	€	10,695,505	50,967,235	(2,417,385) (2)	31.099	7,000,000
Tecnica Group S.p.A.	Giavena del Montello	€	38,534,000	55,239,000	17,300,000	40.000	43,376,254
Total associates							156,731,617

Annex C - Statement of changes in the accounts of trading investments that took place on December 31, 2019

(euro) Shares and quotas	Balance on 1/01/2019		Increases		Decreases		Adjustment	% held	Balance at 12/31/2019		Profits (losses) on sales
	Quantity	Amounts	Quantity	Amounts	Quantity	Amounts	Amounts	%	Quantity	Amounts	Amounts
Other companies											
Banco BPM S.p.A. - ordinary shares	150,000	294,915	--	--	--	--	9,285	0.010	150,000	304,200	--
ENI S.p.A. - ordinary shares	100,000	1,372,710	470,000	6,869,353	150,000	2,169,286	(257,457)	0.120	420,000	5,815,320	136,294
MARR S.p.A. - ordinary shares	--	--	17,341	364,139	--	--	(11,249)	0.026	17,341	352,890	--
Mediaset S.p.A. - ordinary shares	10,910,000	29,722,113	--	--	5,575,758	15,190,038	(342,922)	0.452	5,334,242	14,189,153	788,600
OVS S.p.A. - ordinary shares	1,611,093	1,709,370	--	--	800,000	848,800	766,483	0.357	811,093	1,627,053	243,590
Recordati S.p.A. - ordinary shares	20,000	613,432	--	--	20,000	613,432	--	0.000	--	--	88,371
Royal Dutch Shell - ordinary shares	--	--	50,000	1,357,455	--	--	(49,205)	0.001	50,000	1,308,250	--
Total SA - ordinary shares	--	--	10,000	496,076	--	--	(4,076)	0.000	10,000	492,000	--
Total other companies	--	33,712,540	--	9,087,023	--	18,821,556	110,859	--	--	24,088,866	1,256,855

(1) increase due to the Franco Tosi S.r.l. merger

Annex D - Statement of changes in bonds and fund units that took place during 2019

(euro)	Balance on 1/01/2019	Increases	Decreases	Adjustment	Balance at 12/31/2019
Bonds and investment funds (non-current)					
Other variable-income securities	3,162,540	--	--	505,620	3,668,160
Other fixed-income securities	9,417,000	--	417,000	--	9,000,000
Investment funds	115,562,493	35,545,111	36,269,394	30,929,838	145,768,048
Total	128,142,033	35,545,111	36,686,394	31,435,458	158,436,208

The item "Investment Funds" of 145,768,048 euro is made up principally of:

- Clessidra (quota "A" and "B") for 68,595,817 euro
- BDT Capital Partners Fund II for 53,197,656 euro

(euro)	Balance on 1/01/2019	Increases	Decreases	Adjustment	Balance at 12/31/2019
Bonds and funds for trading (current assets)					
Other variable-income securities	6,013,741	1,692,800	1,478,681	909,841	7,137,701
Other fixed-income securities	363,619	9,049,110	363,619	(157,308)	8,891,802
Investment funds	192,026,081	120,274,487	23,091,642	9,616,626	298,825,552
Total	198,403,441	131,016,397	24,933,942	10,369,159	314,855,055

The item "Investment Funds" of 298,825,552 euro mainly consists of the Vontobel Fund for 277,068,024 euro.

The balance at December 31, 2019 is equal to the market value at December 31, 2019.

Annex E - Comparison between carrying amounts and market prices at December 31, 2019 of investments in companies with listed shares

(euro) Shares	Number of shares	Total carrying amount	Unit carrying amount	Unit market value at December 31, 2019	Total amount at market value at December 31, 2019
Other companies					
Cairo Communication S.p.A.	189,198	513,673	2.7150	2.7150	513,673
Coima Res S.p.A.	412,332	3,636,768	8.8200	8.8200	3,636,768
HeidelbergCement AG	2,542,000	165,128,320	64.960	64.9600	165,128,320
Ideami S.p.A.	300,000	3,000,000	10.000	10.0000	3,000,000
Piaggio S.p.A.	169,699	466,333	2.7480	2.7480	466,333
Unione di Banche Italiane S.p.A.	117,142	341,117	2.9120	2.9120	341,117
Unicredit S.p.A.	204,331	2,660,390	13.0200	13.0200	2,660,390
Vontobel Holding AG	115,238	7,341,724	63.7092	63.7092	7,341,724
		183,088,325			183,088,325
Treasury shares (deducted from equity)					
ITALMOBILIARE Società per Azioni - ordinary shares (*)	512,070	12,153,618	23.7341	24.1500	12,366,491
		12,153,618			12,366,491

(*) of which 312,800 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 at 12/31/2019		30,627
B)	Current rate of corporation tax (IRES)	24.0%	
C)	Theoretical IRES (AxB)		(7,350)
D)	- non-deductible		
	- non-taxable/exempt		1,210
		total D)	1,210
E)	Withholdings on foreign dividends		(1,087)
		total E)	
E)	Recovery in year of deferred tax assets		
	not recognized in previous years on deductible		
	temporary differences and/or tax losses		
F)	Effect of changes in estimates and/or		
	recognition of previously unrecognised deferred tax		
		total F)	(1,076)
G)	Other changes (1)		
		total G)	(16)
	Total	(C+D+E+F+G)	(8,319)
H)	Other taxes (withholdings deemed irrecoverable and prior-year taxes)		(2,578)
I)	Actual tax charge in the income statement at 12/31/2019		(10,897)

(1) This change refers to taxation of the fair value reserve on the Private Equity funds formerly AFS now FVTPL as of 12/31/2017

Annex G - Analysis of equity items at December 31, 2019

(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	1,598	-			
Non-distributable OCI reserve	(134)	-			
Total reserves	57,071	-	55,607		
Treasury shares at cost	(12,154)	-			(2,270)
Retained earnings:					
Revaluation reserves	-	A, B, C	-	-	
Reserve for capital grants	-	A, B, C	-	-	
Merger surplus	162,780	A, B, C	162,780		(794)
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	901,815	A, B, C	901,815		(212,135)
Non-distributable retained earnings	36,351		-		
Reserve from net exchange gains	-	A, B, C	-		
Reserve as per art. 7 of Legislative Decree 38/2005	974	A, B, C	974		(15,566)
Profit for the year	19,730		19,730		
Total retained earnings	1,201,936		1,145,551	-	(230,765)
Total			1,201,158		
Non-distributable portion - art. 2426 no. 5 Civil Code					
Residual distributable portion			1,201,158		

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, 2019 to December 31, 2019.

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, 2019 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, 2019:

- 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, 2020

Chief Executive Officer

Carlo Pesenti

Manager in charge of
financial reporting

Mauro Torri

Report of the Board of Statutory Auditors to the Shareholders' Meeting pursuant to art. 153 Legislative Decree 58/1998 and article 2429, subsection 2, of the Italian Civil Code. 2019

Milan, March 30, 2020

Dear Shareholders,

The Board of Statutory Auditors, pursuant to art. 153 of Legislative Decree 58/1998 ("CLF") and art. 2429, subsection 2, of the Italian Civil Code, is required to report to the Shareholders' Meeting called to approve the financial statements on the activities carried out during the year and on any important omissions or censurable facts. The Board of Statutory Auditors is also entitled to make proposals regarding the financial statements and its approval, and on the matters within its remit.

During the year, the Board of Statutory Auditors performed its supervisory tasks within the terms set by current legislation and taking into account the guidelines of the principles of conduct recommended by the National Councils of Chartered Accountants and Auditors as well as Consob and the Corporate Governance Code of listed companies.

* * *

APPOINTMENT AND MEETINGS OF THE BOARD OF STATUTORY AUDITORS

The Board of Statutory Auditors in office was appointed by the Shareholders' Meeting of April 19, 2017 and is made up of Francesco Di Carlo (Chairman), Angelo Caso and Luciana Ravicini. The alternate auditors are Paolo Ludovici, Alberto Giussani and Giovanna Rita.

The Board of Statutory Auditors has met 17 times since the date of the last report (March 25, 2019) and 14 times in 2019.

During 2019, the entire Board of Statutory Auditors, or in any case some of its members, also attended all the meetings of the Board of Directors (which met 9 times), the Risks and Sustainability Committee (which met 7 times), the Committee for Transactions with Related Parties (which met 1 time) and the Remuneration and Nomination Committee (which met 4 times) as well as the induction meetings organised by the Company. From the beginning of 2020 and up to the date of this report, the entire Board of Statutory Auditors or at least some of its members took part in all the meetings of the above mentioned Corporate Bodies.

SIGNIFICANT EVENTS THAT OCCURRED DURING THE FINANCIAL YEAR

The investment and consolidation activity of the shareholding structure continued in 2019.

The most significant events that occurred during 2019 are listed below:

- the acquisition by the Company - at a price of 60 million euro - of a 30% stake in the Autogas Group - AGN Energia, which at the same time involved the acquisition of Lampogas;
- The Ordinary and Extraordinary Shareholders' Meeting of April 17, 2019 approved the proposal to cancel 5,133,800 out of a total of 5,685,870 treasury shares, without reducing the share capital and using available reserves. After the cancellation, the number of shares in issue fell from 47,633,800 to 42,500,000;
- The sale of a stake (9.5%) in Jaggaer, a company operating in software platforms for eProcurement and spend management, to Cinven, for a total of 91.2 million euro;
- admission to the STAR segment of Borsa Italiana S.p.A., with trading that began on September 24, 2019;
- the acquisition of Capitelli F.lli S.r.l. (Capitelli), a company founded in 1976 that produces premium-quality cooked ham, with an investment of 22 million euro (of which 8.6 in the form of a reserve for a future increase in capital) and an indirect holding through the newco FT1 S.r.l. of 80% of the share capital;
- agreement was reached at the end of the year - then finalized in January 2020 - for the acquisition of a 20% stake in "Officina Profumo Farmaceutica di Santa Maria Novella" in Florence, a high-end cosmetics and historical brand, investing 40 million euro in the transaction, acquiring a non-controlling interest.

For full details of the significant events that occurred in the financial year that ended on December 31, 2019, refer to the Report of the Board of Directors on Group Operations which, as far as the Board of Statutory Auditors is aware, provides a complete summary of the most important events that concerned the Italmobiliare Group in FY 2019 and up until the approval of the Financial Statements.

ATYPICAL OR UNUSUAL TRANSACTIONS

Atypical or unusual transactions, according to the indications in Communication no. DEM/6064293 of July 28, 2006, "shall mean those transactions which due to their significance/importance, the nature of the counterparties, the subject of the transaction, the method of determining the transfer price and the timing of the event (proximity to the close of the financial year) may give rise to doubts on: the correctness/completion of the information in the financial statements, conflicts of interest, the safeguarding of company assets, the protection of minority shareholders".

During the control activity carried out by the Board of Statutory Auditors, no atypical or unusual transactions emerged in the reference period.

INTER-GROUP OR RELATED-PARTY TRANSACTIONS

Pursuant to art. 2391-bis of the Italian Civil Code and the Regulations on transactions with related parties approved with Consob resolution 17221 of March 12, 2010, the Company has prepared and adopted a "Related Parties Transactions Procedure" ("RPT Procedure") and established a "Committee for Transactions with Related Parties" ("RPT Committee").

As indicated in the report of the Board of Statutory Auditors for 2018, the RPT Procedure was updated that same year by making certain changes to it (also referred to in the Report on Corporate Governance and Ownership Structure - 2019) designed to take into account the new operational situation of Italmobiliare S.p.A. and its subsidiaries.

The updated RPT Procedure (in its current version) is available on the Company's website www.italmobiliare.it.

During 2019, the RPT Committee met only once.

The Board of Statutory Auditors attended the meeting of the RPT Committee and ascertained that its work was performed correctly.

Also in FY 2019, as far as the Board of Statutory Auditors is aware, the only inter-group transactions carried out in addition to those referred to above essentially consisted of the mutual performance of administrative services, and legal, organisational, leasing and financial consultancy. No anomalies emerged from the analysis of the information made available to the Board of Statutory Auditors.

Detailed information on the transactions with related parties is contained in the Report of the Board of Directors on Group Operations, in the Explanatory Note to the consolidated financial statements for the year ended December 31, 2019, in the Report of the Board of Directors on Operations and in the Explanatory Note to the financial statements for the year ended December 31, 2019.

SUPERVISORY ACTIVITIES PURSUANT TO LEGISLATIVE DECREE 39/2010

The Board of Statutory Auditors, identified under Legislative Decree 39/2010 as the "Internal Control and Auditing Committee", is required under the decree - as revised by Legislative Decree 135/2016 - to:

- a) inform the administrative body of the audited entity at the end of the external audit and send this body the additional report referred to in article 11 of the European Regulation ⁽¹⁾, accompanied by any comments;
- b) monitor the financial disclosure process and submit recommendations or proposals intended to ensure its integrity;
- c) check the efficiency of the internal quality control and business risk management systems and, if applicable, of the internal audit, as regards the financial reporting of the audited entity, without infringing its independence;
- d) monitor the statutory audit of the financial statements and the consolidated financial statements, also taking into account any results and conclusions of the quality checks carried out by Consob according to Article 26 (6) of the European Regulation, where available;
- e) check and monitor the independence of the external auditors or independent auditors in accordance with articles 10, 10-bis, 10-ter, 10-quater and 17 of this decree and article 6 of the European Regulation, in particular as regards the adequacy of the provision of services other than the audit to the audited entity, in compliance with article 5 of this regulation;
- f) be responsible for the procedure to select the external auditors or independent auditors and recommend the external auditors or independent auditors to be appointed pursuant to article 16 of the European Regulation.

(1) Regulation (EU) no. 537/2014 ("European Regulation").

The activities performed by the Board of Statutory Auditors with regard to the 2019 financial year, and the results thereof, are described below.

(A) REPORT TO THE BOARD OF DIRECTORS AND ADDITIONAL REPORT

The Board of Statutory Auditors is required to inform the Board of Directors of the Company of the outcome of the statutory audit and to supply it with the additional report referred to in Article 11 of the European Regulation, accompanied by any comments.

In order to fulfil this obligation, the Board of Statutory Auditors has conducted a regular and periodic exchange of information with the Independent Auditors - in particular with KPMG S.p.A., until the expiry of their assignment, and then with Deloitte & Touche S.p.A. ("Deloitte"), starting from its takeover - acquiring information on the progress and outcome of the audit.

The Board of Statutory Auditors will supply the Board of Directors with the Additional Report pursuant to Article 11 of the European Regulation received from Deloitte, together with any comments that may be useful or necessary to allow the Board of Directors to improve financial reporting.

(B) MONITOR THE FINANCIAL DISCLOSURE PROCESS AND PRESENT RECOMMENDATIONS OR SUGGESTIONS INTENDED TO ENSURE ITS INTEGRITY

The Board of Statutory Auditors verified the existence of appropriate regulations and processes supporting the process of "preparation" and "publication" of financial disclosures during meetings with the Manager in charge of preparing the company's financial reports, and with the Head of the Internal Audit Department (who, in turn, monitors the financial disclosure process), each in their own area of concern, obtaining from them an adequate description of the process used to prepare financial disclosures, about the company's administrative and accounting procedures and about the reporting process adopted by the subsidiary companies, also in accordance with art. 114 of the CLF and with Consob guidelines. From the Head of Internal Audit, the Board of Statutory Auditors also learned of the control activities carried out by the same in coordination with the Manager in charge, focused on the obligations pursuant to art. 154-bis, CLF.

During the year, the Company continued the physiological maintenance of its corporate procedures. The work also focused on procedures relating to the process of preparing and publishing financial information. From this activity, no need emerged for a substantial intervention to redefine the processes of formation and dissemination of financial information, which therefore remained unchanged.

The activity carried out by the Board of Statutory Auditors did not reveal any shortcomings or matters to be submitted to the Shareholders' Meeting, nor does the Board of Statutory Auditors have proposals or recommendations to make in order to guarantee the integrity of the financial reporting process.

(C) SUPERVISION OF THE EFFICIENCY OF THE INTERNAL CONTROL, INTERNAL AUDIT AND RISK MANAGEMENT SYSTEMS

The Board of Statutory Auditors participated in all 7 meetings of the Risks and Sustainability Committee (8 of them were attended by all the Statutory Auditors), in some cases held jointly by the two bodies. During these meetings, the Board of Statutory Auditors ensured a continuous exchange of information with the Committee on the work of the two bodies.

The Board of Statutory Auditors periodically met with the Head of Internal Audit, on occasion during meetings of the Risks & Sustainability Committee, and obtained updates on the implementation of the audit plan, and therefore on the audits conducted and their outcome. Moreover, the Board of Statutory Auditors received from the Head of the Internal Audit Department the reports prepared at the end of the specific controls carried out by the same Department.

Again at meetings with the Head of the Internal Audit Function and through their reports, the Board of Statutory Auditors was brought up-to-date about the results of the control activities on the companies controlled by Italmobiliare.

At the meetings with the Head of the Internal Audit Department and by examining the documentation produced by it, the Board of Statutory Auditors assessed the operation of the Company's internal control system and its adequacy, compliance with the law and with company procedures and processes, as well as the implementation of the related improvement plans recommended by the same Department.

The Board of Statutory Auditors received and examined the Audit Plan for FY 2020 and deemed it adequate. It should be noted that, as was the case last year, the time period taken into considera-

tion by the audit plan is just one financial year; the decision not to prepare a long-term plan, shared by the Board of Statutory Auditors, was determined by the need to take into account the continuous evolution that has affected the Company and the Group in recent years.

With regard to the subsidiaries that are excluded from the Company's audit plan, as they have their own Internal Audit Departments, the Head of Internal Audit Department and the Risks & Sustainability Committee proceeded to examine and assess reports received from the audit departments of these companies. The reports prepared by the relevant departments of the Sirap Group, Clessidra SGR and Crédit Mobilier de Monaco ⁽²⁾ showed that these companies' internal audit and risk management systems are adequate ⁽³⁾.

Also during 2019 and until the date of preparation of the Report, the Board of Statutory Auditors continued to oversee the adequacy of the Company's Internal Audit Function (especially as regards available resources) in consideration of the evolution of the Italmobiliare Group, characterised by the inclusion in its scope of consolidation of other investee companies. Based on the information learned from the Risks and Sustainability Committee and, in particular, from the Internal Audit Manager, it has emerged that the powers, resources and means made available to the latter by the Company's Board of Directors have been substantially adequate and suitable in the reference period of this Report - even if not all the controls in the plan have been completed - and they are also in relation to the Audit Plan for 2020, also thanks to the support guaranteed on an ongoing basis by external providers.

The Board of Statutory Auditors acknowledges that in the latter part of 2019, on assignment from the Company, the Quality Assurance Review activity was carried out by KPMG in relation to the Internal Audit activity. As a result of this activity, KPMG deemed that the Company's Internal Audit Function operated in a manner substantially in compliance with the International Standards for Professional Practice and the Code of Ethics and that, therefore, the Internal Audit Function operated in compliance with the requirements of the IPPF (understood as the Framework adopted internationally by the Practice of the Profession composed of the Code of Ethics, the Professional Standards and the related application guides), albeit with the possibility of continuing to pursue certain areas of improvement.

In light of the results of the activities carried out, of the information received from the Risks and Sustainability Committee (during the related meetings, joint meetings and from the Committee's annual Report) and gathered from meetings with the Internal Audit Department, and provided by the latter in the related Annual Reports, the Board of Statutory Auditors is of the opinion that the internal control system and the Internal Audit Department and their effectiveness are substantially adequate.

At the same time, also in the current financial year, the Board of Statutory Auditors continued and will continue to ensure ongoing verification of: (i) the adequacy of the Company's Internal Audit Department, as well as (ii) the adequacy of the internal control and risk management systems (ICR-MS) of the Group companies which have their own independent Internal Audit Department, also considering the ongoing consolidation of the Company's investment and organisational structure.

The Company has set up a risk management department, appointing the Administrative Director as its head. In August 2019, the Administrative Manager of the Company took over the responsibility of this function from the Head of Internal Audit, and - with specific regard to the role of Head of the Risk Management Function - was assigned the following tasks and competences:

- i. proposes a system of governance of enterprise risk management to the Board of Directors;
- ii. coordinates the risk assessment activities carried out by the other corporate functions involved (the "risk expert") for specific insights, to the extent of their sphere of competence;
- iii. 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 subsidiaries;

(2) As in previous years, with regard to Clessidra and Crédit Mobilier, at the date of preparation of the annual report, the Internal Audit Function had examined the reports relating to 2019, as those relating to 2020 were not still available and will be completed and made available by the end of March - with regard to Clessidra - and in April - with regard to Crédit Mobilier.

(3) It is acknowledged that, as of January 16, 2020, the subsidiary Caffè Borbone has also set up its own independent Internal Audit function

- iv. (iv) 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.
- v. prepares a system of periodical risk reporting for top management, the Risks and Sustainability Committee and the Board of Directors;
- vi. at least once every six months, monitors implementation of the strategies adopted to mitigate the main risks that have emerged.

The Board of Statutory Auditors, which had already expressed itself positively in the 2018 report with regard to setting up a risk management function and the approach given to the ERM management system - shares the decision as to who has responsibility of this function, taking into account - and considering the size and operational characteristics of the Company - the efficiency and effectiveness of concentrating the responsibilities of Risk Management and Internal Audit in a single subject, without affecting the need mentioned above for continuous monitoring of the adequacy - in quantitative and qualitative terms - of the resources available to this "single function".

In conclusion, the Board of Statutory Auditors expresses an opinion on the adequacy of monitoring operational risks at Group level.

(D) MONITORING OF THE STATUTORY AUDIT OF THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

The Board of Statutory Auditors met periodically with the Independent Auditors (KPMG first, then Deloitte after their appointment), with whom there was usual exchange of information. During the meetings with Deloitte, the Board of Statutory Auditors was informed of the fundamental issues that emerged during the audit, which - in relation to both the separate and the consolidated financial statements - concerned valuation issues, particularly the question of impairment, as well as the main implications on the scope of consolidation as a result of the various acquisitions that were a key feature of 2019. In this regard, reference is made in particular to the purchase by Italmobiliare S.p.A., on December 10, 2019, of 80% of Fratelli Capitelli S.r.l. (balance sheet consolidated as of December 31, 2019) through the new-co FT1. Again with regard to the consolidation area, compared with December 31, 2018, the following changes should be noted:

- i. the company FT2, wholly owned by Italmobiliare S.p.A. and fully consolidated, was established;
- ii. Rosa Plast S.r.l. was absorbed by Sirap Gema S.p.A. (Italy);
- iii. Sirap Tarascon s.a.s. and Sirap Remoulins s.a.s. were absorbed by Sirap France S.A. (France);
- iv. line-by-line consolidation of Clessidra CRF G.P. società semplice in which Clessidra SGR holds 49% but with management powers;
- v. the incorporation and consolidation at equity of Iseo Peru S.A.C., in which Iseo Serrature S.p.A. holds 90%;
- vi. the consolidation at equity of the Autogas Nord S.p.A. group (Italy), in which Italmobiliare holds 30%;
- vii. the exclusion for liquidation of Finimage 15 Sagl (Switzerland).
- viii. Iseo PVC S.r.l. was absorbed by Iseo Serrature S.p.A. (Italy).

The Board of Statutory Auditors also shared with the Independent Auditors the main accounting issues indicated by Deloitte, including the valuation of investments and financial assets held by the Company and the accounting standards applicable in this area, as well as what was said above with regard to the consolidation area. As in each financial year, the Board of Statutory Auditors also

discussed with the Independent Auditor the examination of the dispute involving the Company and the Group.

This Board of Statutory Auditors is not aware of any checks carried out by Consob under article 26 (6) of the European Regulation.

(E) AUDITING AND MONITORING OF THE INDEPENDENCE OF THE INDEPENDENT AUDITORS, IN PARTICULAR AS REGARDS THE PROVISION OF NON-AUDITING SERVICES

The Board of Statutory Auditors monitored the independence of the Independent Auditors, taking note of the internal authorization procedure adopted by Deloitte as part of the monitoring system for the engagement of non-audit services provided by companies belonging to the Deloitte&Touche network in respect of Italmobiliare Group companies. The procedure allows preventive monitoring of the acceptance of assignments that might prejudice the independence of Deloitte and was found to be in line with the market standards known to the members of the Board of Statutory Auditors.

The Board of Statutory Auditors examined the requests for authorization to provide non-audit services (NAS) by Deloitte and authorized the same services, pursuant to art. 5 (4) of the European Regulation. In particular, in FY 2019, the Board of Statutory Auditors, at the request of Deloitte, since its appointment, issued 3 authorizations relating to the potential acceptance of assignments for non-audit services pursuant to article 19, paragraph 1, letter e) of Legislative Decree 39/2010 and of the Article 5 (4) of the European Regulation, as they are deemed compatible with the independence requirements of the Independent Auditors.

The Board of Statutory Auditors has also received from the Independent Auditors the annual confirmation of independence pursuant to Article 6 (2) (a) of the European Regulation and pursuant to paragraph 17 of the international auditing standard (ISA Italia 260). In particular, in exchanges of information and communications to the Board of Statutory Auditors, Deloitte has confirmed to the Company that, on the basis of the information obtained and the checks carried out, taking into account the regulatory and professional principles governing the auditing activity, in the period from April 17, 2019 (date of the assignment to Deloitte of the audit activity) to the date of the aforementioned communication, the ethical principles set forth in articles 9 and 9-bis of Legislative Decree 39/2010 were respected and no situations have been found that have compromised the independence of the independent auditors pursuant to Articles 10 and 17 of Legislative Decree 39/2010 and of Articles 4 and 5 of the European Regulation. Deloitte also confirmed that no reports or other issues with the Company were found that are reasonably likely to have an effect on independence.

During the year ended December 31, 2019, Deloitte and the companies belonging to its network received a total of 802 thousand euro from the Italmobiliare Group as follows: 647 thousand euro for auditing and 155 thousand euro for various other services. These fees do not coincide with what is shown in the notes to the Group's consolidated financial statements as the figures provided there include the fees recorded on an accrual basis up to the closing date of the 2019 financial year.

Note that the fees received by the Independent Auditors for non-audit services (NAS) in favour of the Italmobiliare Group in 2019 represent approximately 13% of the total remuneration received in the same period for auditing services to Italmobiliare Group companies.

It is worth noting that 2019 was Deloitte's first year of its audit engagement (i.e. three years have not elapsed since its appointment, nor have three years passed since the entry into force of the European Regulation and the amendments to Legislative Decree 39/2010). So for information purposes only, during the reference period, the proportion of NAS is lower than the maximum threshold established by art. 4 of the European Regulation; pursuant to the European Regulation, the maximum limit which fees for non-audit services cannot exceed over a three-year period in order not to compromise the auditors' independence, is 70% of the average fees paid to the company for auditing services in the last three financial years.

Furthermore, between January 1, 2020 and the date of preparation of this report, Deloitte submitted a request for authorisation to provide non-audit services, for fees of approximately 7 thousand euro, to the Board of Statutory Auditors, which authorised the request as it was deemed compatible with the independence requirement.

In light of the above, in the opinion of the Board of Statutory Auditors, the non-auditing services provided to the Italmobiliare Group by the Deloitte&Touche network do not affect their independence.

(F) SELECTION OF THE INDEPENDENT AUDITORS

Deloitte took over from KPMG S.p.A., the company previously appointed as Independent Auditors, upon approval by the Shareholders' Meeting of the (separate) financial statements for 2018 and was appointed to audit Italmobiliare S.p.A. pursuant to Legislative Decree 39 of January 27, 2010, for the nine financial years ending from December 31, 2019 to December 31, 2027.

It should be remembered that in relation to the appointment of the Independent Auditors, the Board of Statutory Auditors has performed the functions laid down in art. 16 of the European Regulation, collecting and examining the candidates' proposals to fill the position of independent auditors for the Company and the Group and formulating their own proposal to the Shareholders' Meeting, and - as provided for in art. 16 of the European Regulation - this proposal indicated two alternative candidates and expressed a preference in favour of one of the two, namely Deloitte.

(Separate) financial statements and consolidated financial statements

As regards the separate and the consolidated financial statements for the year ended December 31, 2019, while the duties of the legal audit and, therefore, the opinion on the separate and the consolidated financial statements are the exclusive domain of the independent auditors, Deloitte, it should be noted that:

- the Board of Statutory Auditors supervised the Board of Directors' compliance with the procedural regulations regarding the preparation of the separate and the consolidated financial statements, as well as their general layout and their overall compliance with the law in terms of form and structure, and has no observations to make in this regard;
- the separate and the consolidated financial statements for the year ended December 31, 2019 were prepared in accordance with the IAS/IFRS issued by the International Accounting Standards Board (IASB) and endorsed by the European Union, in force as of December 31, 2019, which are duly illustrated in the notes;
- the separate and the consolidated financial statements for the year ended December 31, 2019 are consistent with the facts and information the Board of Statutory Auditors learned while attending meetings of the Board of Directors and the Executive Committee and in carrying out its supervisory activities;
- the Board of Statutory Auditors monitored the impairment testing activities performed by the Company, with the support of external professionals, which were checked by the independent auditors;
- the provisions of article 154-ter, of Legislative Decree 58/98, and, in particular paragraphs 1-bis and 1-ter, were complied with.

It should be noted that in the notes to the separate and consolidated financial statements at December 31, 2019 with regard to events subsequent to the end of the year, the Company mentioned the health emergency brought about by Covid-19 and the consequent restrictive measures adopted worldwide, emphasising (i) the shock on the global economic cycle, the impacts of which are currently difficult to quantify; (ii) that the potential effects of this phenomenon on the activities of Italmobiliare and the portfolio companies cannot currently be determined, underlining the fact that they will be constantly monitored; (iii) that in the Company's opinion the health emergency induced by Covid-19, due to the moment in which it arose, constitutes a "not-adjusting event" under IAS 10,

with the consequence that the related effects have not been taken into account in the measurement of the items shown in the financial statements at December 31, 2019; (iv) the repercussions of Covid-19 on international financial markets and their impact on the main listed financial instruments held in portfolio by Italmobiliare and; (v) that, given the current situation of extreme uncertainty, the impact of the health emergency on the value of financial assets measured at fair value of levels 2 and 3 does not appear quantifiable. The Board of Statutory Auditors deems the information provided in relation to events subsequent to the end of the financial year adequate and, within the limits of its role, the assessments made can be shared.

As indicated above, the Board of Statutory Auditors held regular meetings with the auditing firm appointed to carry out the independent audit (first KPMG and then Deloitte), in order to exchange information on a continuous basis on the audit checks carried out by the firm, on the one hand, and the Board of Statutory Auditors, on the other. No critical issues worthy of mention emerged during these meetings.

The Board of Statutory Auditors has examined the reports prepared by the independent auditors on the separate financial statements and the consolidated financial statements for the year ended December 31, 2019, and noted:

- the opinions on the separate financial statements and the consolidated financial statements for the year ended December 31, 2019 contained therein, from which it emerges that they comply with the regulations governing their preparation and provide a truthful and accurate view of the financial position and the results of operations, both of the company and at the consolidated level;
- that the reports do not contain requests for information;
- the opinions regarding the consistency and conformity of the Directors' Report on company operations and the Directors' Report on Group Operations with, respectively, the financial statements and the consolidated financial statements, as well as with the information contained in the Report on Corporate Governance and Ownership Structure, insofar as they relate to the provisions of art. 123-bis, paragraph 1, clauses c), d), f), l) and n) and paragraph 2, clause b), of Legislative Decree 58/98.

The Board of Statutory Auditors also examined the certifying reports prepared by the Chief Executive Officer and the Manager in charge of preparing the company's financial reports pursuant to art. 154-bis, subsection 5, of Legislative Decree 58/98 with regard to the financial statements and the consolidated financial statements and acknowledged the completeness of the relative content.

Report on operations and on Group operations

The Board of Statutory Auditors checked the contents of the Report on operations prepared by the Board of Directors. The Report summarizes the main risks and uncertainties and describe the foreseeable development of the operations of the Company and of the Group.

At the end of the examination of the Report, the Board of Statutory Auditors, to the best of its knowledge, noted the completeness of the same with respect to current law and the clarity of the information contained therein.

Non-financial information

In drafting the Non-Financial Information (NFI) pursuant to Legislative Decree 254/2016, the Company was supported by Altis, alta scuola impresa e società dell'Università Cattolica del Sacro Cuore di Milano and based the reporting model on the GRI (Global Reporting Initiative) standard.

The Board of Statutory Auditors monitored the drafting of the NFI, verifying not only the fulfilment of the obligations imposed by the law, but also and above all the suitability of information flows, so that the systems and methods of collection, treatment and consolidation of data for the preparation of the NFI ensure completeness, accuracy, truthfulness and verifiability of the entire data flow. The Board of Statutory Auditors attended meetings of the Risks and Sustainability Committee,

during which the NFI was analysed in draft form and then in its final version. The Board of Directors has assigned specific duties regarding sustainability issues to this Committee. By taking part in these Committee meetings, the Board of Statutory Auditors was able to acknowledge the attention that the Committee had paid to correct preparation of the NFI and the Committee's opinion in favour of the NFI being approved by the Board of Directors, which took place on March 4, 2020.

The Board of Statutory Auditors has reviewed the Report prepared by the Independent Auditors on the consolidated non-financial statement, in respect of which Deloitte has been appointed to carry out a limited assurance engagement, as a result of which it acknowledged that no elements have been brought to its attention that would lead it to believe that the declaration itself has not been drafted, in all significant aspects, in compliance with the regulations and the Global Reporting Initiative Sustainability Reporting Standards defined in 2016 by the Global Reporting Initiative.

Additional activities of the Board of Statutory Auditors and information required by Consob

In exercising its duties, the Board of Statutory Auditors, as prescribed by article 2403 of the Italian Civil Code and article 149 of the CLF, supervised compliance with the law and the By-laws and compliance with the principles of correct administration, and in particular the appropriateness of the organisational, administrative and accounting structure adopted by the Company. In relation to the organizational structure, the Board of Statutory Auditors was able to verify that the Company has asked Directors to perform a periodic self-assessment on the composition, role and operation of the Board of Directors and of the Board Committees. The self-assessment promoted by the Company was also extended to the Board of Statutory Auditors (which also proceeded to make its own independent self-assessment). The questionnaire was returned anonymously by 16 of the 17 respondents (i.e. all members of the Board of Directors and the Board of Statutory Auditors). The outcome of the self-assessment, explained to the Directors and Statutory Auditors - always in an anonymous form - during the Board of Directors meeting on February 14, 2020, confirmed the widespread satisfaction with the procedural and operational aspects, the frequency and duration of the meetings, the role of the Chairman and her relations with the Directors as well as the contribution and effectiveness of the Committees.

Again with regard to the organisational structure, no elements emerged from the work of the Board of Statutory Auditors that cast doubt on the substantial correspondence between the decision-making structure of the company and the powers delegated, the substantial respect for the lines of hierarchical dependence and the corporate training process and implementation of the decisions as well as that of financial reporting, the successful definition and effective functioning of the internal control system.

Pursuant to art. 2405 of the Italian Civil Code, as indicated above, the Board of Statutory Auditors participated in all the meetings of the Board of Directors and obtained regular information on the general trend of the operations, their foreseeable development, as well as on transactions of greater economic, financial and equity importance made by the Company, ensuring that the resolutions passed were not manifestly imprudent, risky, in potential conflict of interest, in contrast to the resolutions of the shareholders' meetings or such that would compromise the integrity of the company assets. The Board of Statutory Auditors also participated in the Shareholders' Meeting (both ordinary and extraordinary parts).

The Board of Statutory Auditors received and examined the Report on Corporate Governance and Ownership Structure, which provides an adequate and complete illustration of the company's adherence to the Corporate Governance Code of listed companies.

With regard to the corporate bodies, note that:

- at the date of this report, the Board of Directors - appointed on April 19, 2017 - is made up of 14 Directors, 7 of whom possess the requirements of independence envisaged in the Code of Conduct. In 2019, the Board of Directors held 9 meetings;
- the Executive Committee is made up of 5 Directors, and in 2019 it did not meet. It should be noted that the Executive Committee of the Company has the same duties as the Board of

Directors - with the sole exception of those that cannot be delegated - albeit with a limit on the amount; therefore, it only meets, when urgent matters arise, when it is easier to organize a Committee meeting rather than a Board meeting;

- the Risks and Sustainability Committee is made up of 3 Directors, 2 of whom possess the requirements of independence envisaged in the Code of Conduct. In 2019, the Risks and Sustainability Committee held 7 meetings;
- the Remuneration and Nomination Committee (formerly the Remuneration Committee) is made up of 3 Directors, all of whom meet the independence requirements stated in the Code of Conduct. In 2019, the Remuneration and Nomination Committee met 4 times;
- the RPT Committee is made up of 3 independent Directors. In 2019, the RPT Committee met once, mainly to analyse the RPT Procedure and formulate its proposal to the Board of Directors to amend the same procedure.

In relation to the subjects discussed at the meetings of the various committees, refer to the Report on Corporate Governance and Ownership Structure for the year 2019, which correctly describes the activities carried out by the same committees.

By attending the meetings of the various governance bodies, as indicated by the Code of Conduct, the Board of Statutory Auditors was able to ascertain that the Board of Directors had carried out its various duties; the Board of Statutory Auditors was also able to ascertain the correct functioning of the Executive Committee, the Risks and Sustainability Committee, the Remuneration Committee and the Committee for Transactions with Related Parties, as regards the provisions of the Code of Conduct and the procedure for transactions with related parties.

As far as the Board of Statutory Auditors is aware, it is acknowledged that each body or function of the Company has fulfilled the disclosure requirements of applicable legislation, in particular regarding regulated information, insider information or information requested by the Supervisory Authorities (certificates, communications and their compliance with the layouts and contents foreseen in particular by Consob).

As part of its checks, for the purposes of a continuous exchange of information, the Board of Statutory Auditors regularly met:

- the Company appointed to conduct the external audit, engaging in a continuous exchange of information with the same on the audit activities performed;
- the Risks and Sustainability Committee, with which it also organised joint meetings on issues falling within the spheres of competence of the two bodies;
- the head of the Internal Audit Department, receiving from the same information on the outcome of the activities carried out;
- the head of the Risk Management Department, receiving from the same information on the outcome of the activities carried out;
- the members of the Supervisory Board, established pursuant to Legislative Decree no. 231 of June 8, 2001, receiving from the same information on the outcome of the supervisory activities carried out, which was then confirmed in the Reports of the Supervisory Board to the Board of Directors. The Reports reveal that no anomalies or censurable facts were detected and that the Supervisory Board did not receive reports from persons internal and/or external to the Company on presumed violations of the Organisational and Management Model or the related procedures;
- the Manager in charge of preparing the company's financial reports;
- the Company's Legal Department.

Over the course of the supervisory activities described above, no omissions, censurable facts or irregularities were detected that would have required reporting to the relevant external control and supervisory bodies or a mention in this report.

During the financial year, the Board of Statutory Auditors did not receive reports pursuant to art. 2408 of the Italian Civil Code, nor did it receive complaints, nor was the Board required to issue any opinions pursuant to the current regulations in addition to those provided for by art. 2389, subsection 3, of the Italian Civil Code in relation to the remuneration paid to directors who hold specific offices.

* * *

In consideration of the above and to the extent of its competence, the Board of Statutory Auditors, supported by the report prepared by the independent auditors and its opinion on the financial statements, has no grounds to oppose the approval of the financial statements as at and for the year ended December 31, 2019 prepared by the Board of Directors and has no objections to the proposals made to the Shareholders' Meeting by the Board of Directors.

You are reminded that the Board of Statutory Auditors' term of office comes to an end with the approval of the financial statements at December 31, 2019. The Shareholders' Meeting will therefore have to appoint new Standing and Alternate Statutory Auditors.

For the Board of Statutory Auditors

Francesco Di Carlo

Report of the Independent Auditors

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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 837/2014

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, 2019, 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, 2019, 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.

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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 include financial assets measured at fair value categorized into a level 2 and 3 hierarchy amounting to Euro 474,6 million, equal to 50% of total financial assets and 34% 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.

The Directors measured the fair value without considering the impacts of the health emergency related to the spread of the Covid-19 virus, as such event is a subsequent non-adjusting event. With regards to the disclosures related to the pandemic, the Directors assessed the impacts on the financial assets with fair value levels 2 and 3 as currently not determinable due to the high level of uncertainty.

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, 2019 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 (II) the significance of the amounts.

Notes 5) "Other equity investments", 7) "Other non-current assets" and 11) "Equity investments, bonds and current financial receivables" and the "Events after the reporting date" paragraph of the notes 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 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 of the valuation technique, the significant inputs and their actual application 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.

Measurement of equity investments in subsidiaries and associates

Description of the key audit matter

The separate financial statements at December 31, 2019 include equity investments in subsidiaries amounting to Euro 273 million and equity investments in associates amounting to Euro 156,7 million, both measured at cost.

At each reporting date, 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 recognized 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 Strip Game S.p.A., the Directors carried out the impairment test, determining the subsidiary's value in use, whose criteria and results were approved by the Board of Directors of the Company on January 26, 2020 and February 14, 2020 respectively, concluding that the carrying amount of the investment in the subsidiary (equal to Euro 60,9 million) was higher than its recoverable amount (Euro 49,2 million). Therefore an impairment loss of Euro 11,7 million was recognised in the separate financial statements.

The Directors concluded for the other equity investments in subsidiaries and associates, where an impairment test was carried out, that their carrying amount was lower than their recoverable amount (value in use or fair value based on the market multiples method) and therefore no impairment 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 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.

Considering the growing of the health emergency related to the spread of the Covid-19 virus, the Directors assessed the pandemic impacts on the equity investments in subsidiaries and associates performing further sensitivity analysis considering stress situations with worse input scenarios compared to the ones used in carrying out the impairment test, as described in the notes.

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 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 notes of the separate financial statements include the disclosure on the measurement of the equity investments in subsidiaries and associates including the above mentioned sensitivity analysis performed by the Directors.

Audit procedures performed

We have preliminarily 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;

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- analyzing the differences between budgeted targets and actual results in order to understand the nature of the deviations 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.

Other Matter

The separate financial statements of Italmobiliare S.p.A. for the year ended at December 31, 2018 have been audited by other auditors that on March 25, 2019 expressed an unqualified opinion on those financial statements.

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. 38/06 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.

Deloitte.

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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 587/2014

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 587/2014 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, 2019, 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, 2019 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, 2019 and are prepared in accordance with the law.

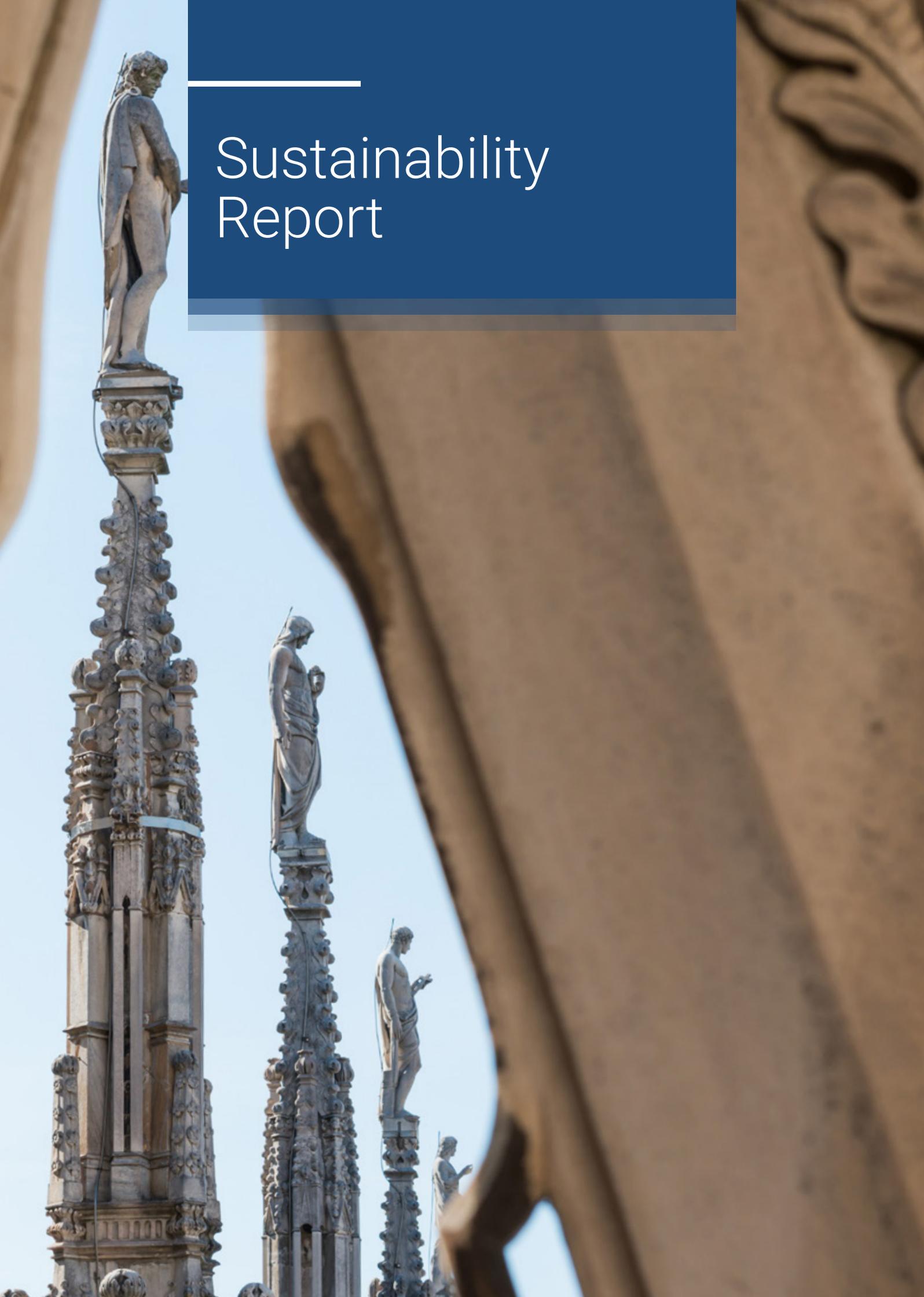
With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Massimiliano Sampirisi
Partner

Milan, Italy
March 30, 2020

This report has been translated into the English language solely for the convenience of international readers.

The image shows the cover of a Sustainability Report. The background is a photograph of a Gothic architectural spire, likely from a cathedral, featuring several statues of figures standing on ornate, tiered pedestals. The spire is made of light-colored stone and is set against a clear blue sky. A large, dark blue rectangular box is overlaid on the right side of the image, containing the text 'Sustainability Report' in white. A thin white horizontal line is positioned above the text.

Sustainability Report

METHODOLOGY

This consolidated non-financial report (or "Sustainability Report") has been prepared in accordance with Legislative Decree 254/2016 and, as required by Art. 5 of this Decree, is being published separately from the directors' report. The report provides information on topics that are considered material as envisaged by Arts. 3 and 4 of Legislative Decree 254/2016 with reference to financial year 2019 (from January 1 to December 31), to the extent necessary to ensure an understanding of the business, its performance, results and social and environmental impacts. The definition of material topics for the Italmobiliare Group (the "Group") and for its stakeholders is based on a structured process of materiality analysis, which is explained in the "Sustainability Management" section of this document.

Italmobiliare S.p.A. is an Investment Holding that holds and manages a diversified portfolio of investments and participations with a strategic vision, supported by a financial and industrial history of over one hundred and fifty years.

The scope of the economic and financial information in this Sustainability Report is the same as in the Consolidated Financial Statements of the Italmobiliare Group at December 31, 2019¹. The scope of the data and social and environmental information provided in this Report varies according to the materiality of these topics for the various Group companies.

The scope of the figures and social information includes the companies consolidated on a line-by-line basis in the Consolidated Financial Statements of the Italmobiliare Group if considered material for the reporting of these issues. In particular, SEPAC and Crédit Mobilier de Monaco are excluded from the scope of this Report due to the absence of significant social and environmental impacts and risks and their immateriality in understanding the Italmobiliare Group's business. For the same reason, Punta Ala Promozione e Sviluppo Immobiliare S.r.l. and Italmobiliare Servizi S.r.l., included in the report 2018, have been excluded. In addition, Rosa Plast Due S.r.l., which was absorbed by Sirap GEMA S.p.A. on December 5, 2019, has been excluded due to the progressive reduction in production that took place during 2019 in view of the definitive closure of its one plant in Bovezzo, which was completed on October 31. Finally, Capitelli Fratelli S.r.l., acquired in December 2019, will be included in the social and environmental information starting from the 2020 Sustainability Report.

The scope of the environmental information coincides with the production plants of the companies controlled by Italmobiliare, which operate in the industrial sector (Caffè Borbone, Italgen and Sirap). The administrative and sales offices are therefore excluded as they are considered immaterial to understanding the Group's business and the impact that they have. Furthermore, with respect to the business sector, the following topics were not considered material: "conscious consumption of raw materials" for Italgen and "water management" for Caffè Borbone, given that water consumption is limited to sanitary uses.

The data related to 2018 has been included for comparative purposes so to facilitate the assessment of the business's performance. It should be noted that the social and environmental data of Caffè Borbone S.r.l. were accounted for 2018 in order to ensure consistency with the comparison

¹ For the companies consolidated on a line-by-line basis, reference is made to the table in the "Annex" on the Annual report of Italmobiliare Group at December 31, 2019.

with future years, despite the consolidation in the Group occurred in May 2018. Furthermore, to give a correct representation of performance and to guarantee the reliability of the data, the use of estimates has been limited as much as possible. Where used, these are based on the best methodologies available and appropriately reported.

Changes in equity investments that took place during 2019 include the acquisition of 80% of Capitelli Fratelli S.r.l. (Capitelli), which took place on December 11, 2019, which is excluded from the social and environmental information of this Sustainability Report, whose data and information will be included starting from the fiscal year 2020..

As regards the Sirap Group, the following events are also worthy of note:

- liquidation of Petruzalek Ltd. Turkey, effective May 21, 2019
- merger by absorption of Sirap Remoulins SAS and Sirap Tarascon SAS by Sirap France SAS, effective September 1, 2019
- merger by absorption of Rosa Plast Due S.r.l. by Sirap Gema S.p.A., effective December 5, 2019
- sale by Inline Poland Sp. Z.o.o. - effective October 22, 2019 - of all the shares held in Inline-R (Russia), namely 23.98% of the share capital.

The 2019 Sustainability Report has been prepared in accordance with the "Core" option of the "GRI Sustainability Reporting Standards", published in 2016 by the Global Reporting Initiative (GRI). As regards the topic-specific Standards GRI 303 (Water and Effluents) and GRI 403 (Occupational Health and Safety), the most updated version published in 2018 has been used. The "Financial Services Sector Disclosures", were also taken into consideration for Italmobiliare S.p.A and Clessidra SGR S.p.A., whereas the "Electric Utilities Sector Disclosure" were considered for Italgem S.p.a., both defined by the Global Reporting Initiative in 2013.

The "Annex" is an integral part of this document as it contains detailed information and tables that demonstrate coverage of the GRI indicators associated with each material issue.

The Group has implemented a process of reporting non-financial information that involved subsidiaries both in the definition of material issues and through the adoption of the reporting model defined by the Parent Company. The criteria at the basis of Italmobiliare S.p.A.'s sustainable investment policy establish basic guidelines also in terms of responsibility and sustainability of its work as a guarantee not only for shareholders but for all stakeholders, allowing to maintain a flexible approach in terms of specific investment choices within a balanced portfolio composition.

Italmobiliare S.p.A. and its main subsidiaries have adopted a Code of Ethics which provides that all employees and those who establish relationships with the Group or work to pursue its objectives base their relations and behaviors on principles of honesty, fairness, integrity, transparency, confidentiality and mutual respect. Italmobiliare S.p.A. and its main subsidiaries also adopt an Organization, management and control Model pursuant to Legislative Decree 231/2001 (hereinafter also "Model 231" or "Model").

During 2019, Italmobiliare integrated its Investment and Development Guidelines in order to clarify the methods for integrating ESG (Environment, Social, Governance) principles into the investment process, providing for exclusion criteria of the sectors and activities that can directly or indirectly hinder sustainable development or violate human rights such as weapons trade or the production of goods harmful to health and the environment. For more details, see paragraph 1.3 of this document. In addition, Italmobiliare has approved, in 2019, a Sustainability Policy which outlines its

approach to ESG issues by involving the main subsidiaries and affiliates in achieving improvement objectives within the 5 Sustainability Pillars identified as priority axes of commitment. For further details on the Policy, see paragraph 1.4 of this document.

No significant residual risks were identified in the context of the risk management system of the Parent Company and its subsidiaries relatively to environmental, social and personnel issues, human rights and the fight against active and passive corruption. The Group has started the process of extending the analysis of the main risks generated and suffered, with an integration of risks in the ESG area. The Italmobiliare Group is committed for the next few years to integrate its analyses with respect to the impact generated and undergone in the "Climate Change" area and the related reporting, also on the basis of the evolution of the relevant legislation. For further information on the main risks to which the Group is exposed, please refer to the Risk Management paragraph (1.6) of this document.

As regards the data on the health and safety of customers, the Parent Company is excluded from the scope of this Report as it does not have any direct customers. For the same reason, the Parent Company is excluded from the obligation to report on material aspects of the correctness and transparency of product information.

The following is a summary of the main cognitive elements relating to the issues envisaged by Legislative Decree 254/2016, art. 1.

Fight against active and passive corruption

The fight against corruption is regulated by the Model 231 and the Code of Ethics, adopted by all the main Group subsidiaries, which provides that relations between the Group and third parties are to be managed without resorting to illegal means and bribery, illicit favours, collusive behaviour, solicitations of personal advantage for oneself or for others are explicitly banned. Within their own Model 231, a system of whistle-blowing has been defined through confidential channels. Caffè Borbone introduced a whistle-blowing system in 2019. For further details on these measures, please refer to paragraph 1.5 of this document.

Social aspects related to personnel and respect for human rights

Italmobiliare observes and supports universal human rights, also through the adoption of a human resource management model in which the person is the focal point. The Group companies operate as responsible and proactive employers, ensuring a working environment based on the values of fairness, loyalty, transparency and mutual respect. The Code of Ethics states that relations between employees must take place in mutual respect for the rights and freedoms of people and no discrimination or retaliation must be made for reasons of nationality, religious belief, political and union membership, language and sex.

Employees have the opportunity to best express their potential in a collaborative climate conducive to professional and human development, in full equality of opportunity and treatment and having respect for all forms of diversity, as enshrined in the Code of Ethics. For further details on the human resource management policies of Group companies, see chapter 4.

Italmobiliare S.p.A. and its subsidiaries have safety management systems that comply with national and international regulations, and adopted time ago explicit policies and advanced tools for the protection of health and safety in the workplace. These are detailed in chapter 5 of this document.

The issue of respect for human rights is potentially relevant only for the subsidiary Caffè Borbone, which operates in the roasting and packaging of coffee. Through its international supply chain, the

company is indirectly exposed to potential episodes of disrespect for human rights. However, the risks in this area are minimised by the decision to source raw coffee mainly from international intermediaries (Olam International, NKG), who ensure maximum compliance with international human rights regulations and treaties, and supervise their application through specific assessment and auditing tools in the supply chain, actively supporting the development of local communities in the producing countries through specific training and engagement programmes.

Environment

With regard to environmental protection, in carrying on its business activities, Italmobiliare Group promotes the correct use of resources and respect for the environment.

In addition to investing in companies that are active in the clean energy sector, Italmobiliare commits to spread the monitoring of environmental performance by the subsidiaries and to support a reduction in environmental impacts, also thanks to product and process innovation, according to a logic of circularity and continuous improvement. The subsidiaries Sirap and Italgen have environmental policies and integrated environmental management systems certified on the basis of the most prestigious international standards. For more details, see chapter 3 of this document.

Finally, it should be noted that Clessidra SGR, as a Private Equity funds manager, manages the issues listed above by committing to include ESG criteria in the evaluation and choice of its investments by formalizing the incorporation of the aforementioned themes within of its investment procedures and adhering to the United Nations Principles for Responsible Investments (UN-PRI).

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, 2020.

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/it/sostenibilita/rapporto-di-sostenibilita-dichiarazione-consolidata-non-finanziaria>. For information or clarifications, contact the Company at IR@Italmobiliare.it.

1. THE ITALMOBILIARE GROUP

1.1 Profile

ITALMOBILIARE S.P.A.

Italmobiliare S.p.A. is an investment holding 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. The Company was founded in 1946 and has been listed on the Milan Stock Exchange since 1980. It is controlled by EFIPARIND B.V., a company incorporated under Dutch law, and is one of the largest Italian holding companies, operating across Italy and Europe through the production activities of its main subsidiaries.

STORIA

1946 - the foundation

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.

1950s - 60s

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.

70s

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 purchased the majority of Italcementi ordinary shares.

80s

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.

90s

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.

From 2000 to 2015

During 2002, the main investment transaction was the sale of 100% of SAB Autoservizi to the UK group Arriva.

Following a reorganisation of the partnership, in 2004 Italmobiliare bought an additional stake in RCS MediaGroup, confirming itself as one of the publishing group's main shareholders.

Also in 2005, the major portfolio transactions involved the publishing sector with the disposal of the interest held in Poligrafici Editoriale.

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 Italgas 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 40% interest in ISEO Serrature. There has been an increase in Private Equity investments.

2019

Entry into the Autogas Nord Group - AGN ENERGIA with a 30% stake. The investment in Jaggaer was sold to Cinven in August.

From September, Italmobiliare has become part of the STAR segment of the Italian Stock Exchange. 80% of Salumificio Capitelli was acquired in December.

2020

A 20% interest in Officina Profumo Farmaceutica di Santa Maria Novella was bought in January.

The companies controlled by Italmobiliare S.p.A. subject to reporting of social and environmental information in this Sustainability Report are:

- **Caffè Borbone S.r.l.**, originally a coffee roasting and packaging company based in Caivano (Naples), quickly became one of the main nationwide operators and leaders in the sale of capsules and pods.
- **Italgen S.p.A.**, whose business is the production and distribution of electricity from renewable sources on national and international markets. In Italy, Italgen has 15 hydroelectric plants, in Lombardy, Piedmont and Veneto, and almost 300 kilometres of transmission lines.
- **Sirap Gema S.p.A.**, the parent company of Sirap, Italian market leader in the production and sale of containers for fresh food and one of the most qualified producers in Europe. In Europe, the Group operates four factories in Italy, three in France and one in Spain, UK, Poland and Hungary, as well as various sales offices across the European territory;
- **Clessidra SGR S.p.A.**, officially registered with the Bank of Italy as an asset management company, is the principal manager of private equity funds dedicated exclusively to the Italian market.

Main events in 2019:

- Italmobiliare acquired 30% of AGN Energia. The Group has been operating in Italy for over 60 years, mainly in LPG gas distribution for domestic use (small tanks, meters, ducted networks), as well as for commercial and industrial use.
- AGN Energia has acquired 100% of Lampogas Group, another leading Italian provider of LPG.
- Italmobiliare sold its stake in Jaggaer (software platforms for eProcurement and spend management) to Cinven.
- On September 16, 2019 the ordinary shares of Italmobiliare, already listed on the MTA organised and managed by Borsa Italiana S.p.A., obtained the STAR qualification as per the Company's application on 12 September 2019.
- Clessidra SGR launched the CRF - Clessidra Restructuring Fund, dedicated to bank loans to UTP (unlikely to pay) industrial companies.
- Italmobiliare acquired 80% of Capitelli, which produces premium quality cooked ham.
- Italmobiliare S.p.A. is subject to regulatory control by CONSOB, whereas Clessidra SGR S.p.A. is subject to regulatory control by CONSOB and the Bank of Italy.

1.2 Governance

Italmobiliare S.p.A. adopts a traditional governance model, characterised by the presence of a Board of Directors and a Board of Statutory Auditors, both appointed by the Shareholders' Meeting; this governance model is believed to be the most suitable for combining "management efficiency" with "effective controls", in fulfilling its mission and implementing the investment strategy.

The Company's governance system, which adheres to the Corporate Governance Code for listed companies promoted by the Corporate Governance Committee of Borsa Italiana, is defined by the following documents:

- The By-laws;
- The Organisation, Management and Control Model pursuant to Legislative Decree 231/2001 and the Code of Ethics;
- The procedures required by the Market Abuse Regulation (on the management of relevant insider information, on the subject of insider lists and market surveys);
- The procedure for transactions with related parties;
- The regulation of the Financial Reporting Officer.

The Board of Directors of Italmobiliare S.p.A., in office until the approval of the financial statements at December 31, 2019, is made up as follows.

Composition of the Board of Directors of Italmobiliare S.p.A. at December 31, 2019

* Independent Director pursuant to the Consolidated Law on Finance

** Independent Director pursuant to the CLF and the Corporate Governance Code for listed companies

Board members	Age range	Executive	Independent	In office	Office held
Laura ZANETTI*	30-50	No	Yes	04/19/2017 - 2019 Fin. Stats.	Chairman Chairman of the Executive Committee
Livio STRAZZERA*	>50	No	Yes	04/19/2017 - 2019 Fin. Stats.	Deputy Chairman Member of the Executive Committee
Carlo PESENTI	>50	Yes	No	04/19/2017 - 2019 Fin. Stats.	Chief Executive Officer Chief Operating Officer Director in charge of the internal control and risk management system Member of the Executive Committee
Vittorio BERTAZZONI**	30-50	No	Yes	04/19/2017 - 2019 Fin. Stats.	Member of the Remuneration and Nominations Committee
Giorgio BONOMI	>50	No	No	04/19/2017 - 2019 Fin. Stats.	Member of the Risks and Sustainability Committee
Mirja CARTIA D'ASERO**	>50	No	Yes	04/19/2017 - 2019 Fin. Stats.	Chairman of the Risks and Sustainability Committee Member of the Committee for Transactions with Related Parties
Valentina CASELLA**	30-50	No	Yes	04/19/2017 - 2019 Fin. Stats.	Member of the Risks and Sustainability Committee Chairman of the Committee for Transactions with Related Parties
Elsa Maria Olga FORNERO**	>50	No	Yes	07/27/2017 - 2019 Fin. Stats.	Member of the Committee for Transactions with Related Parties
Sebastiano MAZZOLENI	>50	No	No	04/19/2017 - 2019 Fin. Stats.	-
Luca MINOLI	>50	No	No	04/19/2017 - 2019 Fin. Stats.	Member of the Executive Committee
Chiara PALMIERI**	30-50	No	Yes	04/19/2017 - 2019 Fin. Stats.	Member of the Executive Committee Member of the Remuneration and Nominations Committee
Clemente REBECCHINI*	>50	No	Yes	04/19/2017 - 2019 Fin. Stats.	-
Antonio SALERNO**	30-50	No	Yes	04/19/2017 - 2019 Fin. Stats.	-
Paolo Domenico SFAMENI**	>50	No	Yes	07/31/2018 - 2019 Fin. Stats.	Chairman of the Remuneration and Nominations Committee Member of the Supervisory Body

36% of the Board is made up of the least represented gender, while in terms of age, 64% of the directors are over 50 years of age and 36% are between the ages of 30 and 50.

Italmobiliare's Board of Statutory Auditors is made up of Francesco Di Carlo (Chairman), Angelo Casò and Luciana Ravicini. Alberto Giussani, Paolo Ludovici and Giovanna Rita are Alternate Auditors.

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 is responsible for all decisions regarding sustainability.

The following Board Committees have been set up:

- the Executive Committee to which all the powers and attributions of the Board of Directors are conferred within pre-established limits, with the exception of those that the law and the By-laws do not allow to delegate;
- the Risks and Sustainability Committee, made up of three Non-Executive Directors, the majority of them independent, has a duty to provide the Board with advice and proposals on: i) the Internal Control and Risk Management System (ICRMS); ii) periodic financial reporting; iii) social sustainability matters linked to the exercise of the Company's business activities. Specifically regarding sustainability, it gives the Board its advance opinion on the non-financial report; it monitors that there is adequate supervision of any sustainability issues involved in the Company's business activities, also for non-financial reporting purposes, as well as the interaction with stakeholders, the latter being understood as the recipients of non-financial reports.
- The Remuneration and Nominations Committee, made up of three Independent Directors, makes proposals to the Board regarding the remuneration policy for Executive Directors, Directors vested with special powers and Key Management Personnel. The Committee 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 and conducts preliminary investigations in order to prepare and review any succession plans for Executive Directors which the Board of Directors has decided to adopt.
- The Committee for Transactions with Related Parties established in accordance with Consob's Regulation 17221 of March 12, 2010, made up of three Independent Directors, expresses its opinion on transactions with related parties of lesser importance and of greater importance, in accordance with the Procedure adopted by the Company.

For further functions and responsibilities of the Committees, see the Report on Corporate Governance of Italmobiliare.

GOVERNANCE OF THE PORTFOLIO COMPANIES

The main subsidiaries of **Italmobiliare S.p.A.**, with the sole exception of Clessidra SGR S.p.A., are subject to management control and coordination by Italmobiliare. Each portfolio company has an administrative body, on which Italmobiliare managers and independent directors also sit, and a control body (the Board of Statutory Auditors, in some cases a one-man body made up of a single Statutory Auditor). Sirap Gema S.p.A. has also set up a Control, Risks and Sustainability Committee, whereas Caffè Borbone has established its Risks and Sustainability Committee in early 2020. In addition to the subsidiaries, the portfolio companies also include qualified non-controlling interests. Italmobiliare S.p.A. has an Investment Management Department, whose Manager reports to the Chief Executive Officer and Chief Operating Officer, which also carries out:

- monitoring operational management of the main portfolio companies, providing them with support in drawing up budgets and development plans and taking part in periodic reviews of the results;

- monitoring operational risks and opportunities associated with the investment portfolio, taking part in the evaluation and approval of strategic investments and divestments and other M&A opportunities, in coordination with the Development and Investment Department.

The constant dialogue that underlies the relationships between Italmobiliare and the portfolio companies addresses the issues of economic, social and environmental sustainability. Accordingly, the Management Team of the Holding Company and the Investment Management Department provide operational support to the portfolio companies in implementing the Sustainability Policy and the Environmental, Social and Governance (ESG) Plan, which Italmobiliare adopted in 2019, as explained in paragraph 1.3 Sustainability Management.

As part of the process of strategic planning for sustainability, a training course was organised for top and middle management of the portfolio companies, with the purpose to spread and share best practices in the social and environmental field to facilitate the independent identification of policies and sustainability objectives by individual companies.

During 2019, Italmobiliare had specific ESG interactions with ten portfolio companies (equal to 96% of assets) in various ways:

- interactions in the field of governance, including implementation and application of 231 Models
- periodic meetings to monitor and evaluate performance
- collection of qualitative and quantitative data for the purpose of reporting and non-financial communication
- budgeting, including ESG areas
- due diligence (in the case of add-ons)
- stakeholder engagement activities
- integrated risk mapping at Group level
- sustainability training activities for management
- analysis of non-financial reports.

As is known, the dynamics of the global economic cycle, despite showing signs of stabilization and possible recovery in the new year starting from the last quarter of 2019, suffered the effects of the "Coronavirus" shock. The impact generated through direct (demand) and indirect (business value chain) multipliers and channels, is difficult to quantify even with respect to similar events (such as SARS), given China's greatest weight on world growth and trade, and the stronger interconnection between different geographical areas. The potential effects of this phenomenon on the activities of Italmobiliare and of the Portfolio companies cannot be determined to date and will be subject to constant monitoring throughout the year.

As a responsible investor, **Clessidra SGR** has also adopted an ESG Plan to support its dealings with the companies that make up the Funds portfolio. The Plan envisages, among other things, that companies define their own ESG action plans by 2020, with the support of the SGR, and report annually on their implementation, the ESG initiatives undertaken and the risks and opportunities that have been identified. The ESG performance of the portfolio is monitored annually by recording a common set of around 40 environmental, social and governance KPIs. Clessidra also establishes responsibilities and processes for timely monitoring and reporting if there are particular ESG events at the companies. Significant ESG incidents and related corrective actions taken are promptly reported to the funds' investors (known as "Limited Partners").

During 2019, the SGR interacted with all four companies in the portfolio in the implementation and monitoring of the ESG Plan and related reporting.

1.3 Sustainable investment principles

ITALMOBILIARE

The objective of Italmobiliare's investment activity is to increase the value of the portfolio in the

medium to long term, by raising the value of the investments and generating a constant flow of dividends. The Holding Company invests primarily in companies with a high growth potential in its business and reference market, a strong aptitude for innovation and sustainability and adequate managerial skills. From a geographical point of view, Italmobiliare focuses its investments on selected markets, Italy in particular, with European or global exposure.

Capital allocation decisions focus on:

- long-term core majority interests, with clear development and/or value enhancement objectives
- potential investments in minority shareholdings with a focus either on stable dividend generation or strong growth
- a limited use of leverage.

In pursuing its mission, Italmobiliare is strongly convinced that an active approach to social and environmental sustainability helps strengthen the effectiveness and reliability of its investment strategies over time. Careful screening and monitoring of social and environmental risk profiles, combined with the selection of industrial companies of excellence, capable of growing sustainably while satisfying the requirements of all stakeholders, are in fact fundamental drivers for the sustainable development of the portfolio.

The investment and development strategies of the portfolio and the related assessment and decision flows are detailed in the Investment and Development Guidelines, introduced in 2018 and updated in 2019. The document explains how to integrate ESG (Environmental, Social and Governance) principles into the investment process, that involve in particular the adoption of negative screening criteria and due diligence:

- the exclusion (negative screening) from investment of sectors and activities that can directly or indirectly hinder sustainable development or violate human rights, such as the arms trade or the production of goods harmful to health and the environment;
- an in-depth analysis, as part of the due diligence carried out on companies identified as potential investments, of their ESG performance and level of exposure to related legal risks.

The attention paid to the sustainability profiles of newly acquired companies continues during the phase of portfolio management, through active dialogue with the portfolio companies aimed at promoting the inclusion of social and environmental sustainability aspects in the business strategy, as outlined in Italmobiliare's Sustainability Policy (see Section 1.3).

During 2019, the investment in Capitelli (2% of assets under management) was approved after carrying out an ESG due diligence.

CLESSIDRA SGR

The investment strategy adopted by Clessidra in the Private Equity segment qualifies as growth/leveraged buyout, mainly focused on the acquisition of controlling stakes in unlisted Italian companies. Clessidra's objective is the construction of a diversified portfolio of equity investments with an indicative value of between 200 and 1,500 million euro, in market-leading Italian companies of medium-large size and with strong growth prospects. Through investments with control or joint control, the SGR seeks to create value in the medium-long term and proposes itself as an active partner, encouraging growth also through acquisitions.

For Clessidra, the integration of ESG criteria is a fundamental prerequisite for all investment decisions. Since 2010, the SGR has adhered to the United Nations Principles for Responsible Investment (UN PRI). In December 2018, Clessidra also adopted a responsible investment policy which defines the approach to managing environmental, social and governance aspects in the analysis and processes of investment and divestment, in company policies and practices and in supporting portfolio companies in implementing sustainability. In particular:

- in the pre-investment phase, Clessidra integrates the assessment of ESG issues through the use of a proprietary checklist which is aligned with the international guidelines to perform a

high-level screening of ESG risks. The results of the ESG due diligence are examined by the Investment Committee and then by the Board of Directors;

- in the investment management phase, the Investment Team collaborates with the portfolio companies to support the management of ESG risks and opportunities, promoting and supporting the adoption of action plans in the field of sustainability and monitoring their implementation and development;
- in the divestment phase, Clessidra highlights the portfolio companies' ESG performances to potential buyers.

During 2019, the investment made in the L&S Group on behalf of the Clessidra Partners 3 fund, equal to 12% of assets in portfolio by value at December 31, 2019, was approved after carrying out an ESG due diligence.

1.4 Sustainability Management

STAKEHOLDER ENGAGEMENT

The Italmobiliare Group recognises the importance of a transparent dialogue with its stakeholders and with all those who participate in the life of the companies, with particular attention to social and environmental issues, so as to create economic value and growth of the investment portfolio in the medium to long term. Italmobiliare adopts multiple channels of discussion with its shareholders, the financial community, portfolio companies, employees and public authorities. Companies of the Group adopt the most effective methods of dialogue with respect to the nature and specific requests of their respective stakeholders, promoting the active involvement of their collaborators.

In line with what was said in the previous Sustainability Report, in 2019 the Group embarked on an extension of its stakeholder engagement activities and initiatives, which led to an updating of the materiality matrix.

MATERIALITY ANALYSIS

Two years after the start of the sustainability reporting process and in the face of changes in the scope of the business and of reporting, the materiality matrix had to be updated to verify the current level of materiality of economic, social and environmental issues with respect to the strategies and main areas of impact.

The update started with a review of the stakeholder map, which was carried out thanks to the involvement of the management of Italmobiliare and the subsidiaries included in the scope of reporting, from which 6 categories of priority stakeholders emerged based on the level of interest and influence versus the Group.

Map of the Italmobiliare Group's stakeholders



Subsequently, it was identified a list of potentially relevant topics for the Group on the basis of an analysis of the activities of Italmobiliare S.p.A. and its subsidiaries, in terms of opportunities and the socio-economic and environmental impacts, supplemented by a comparison with comparable organisations.

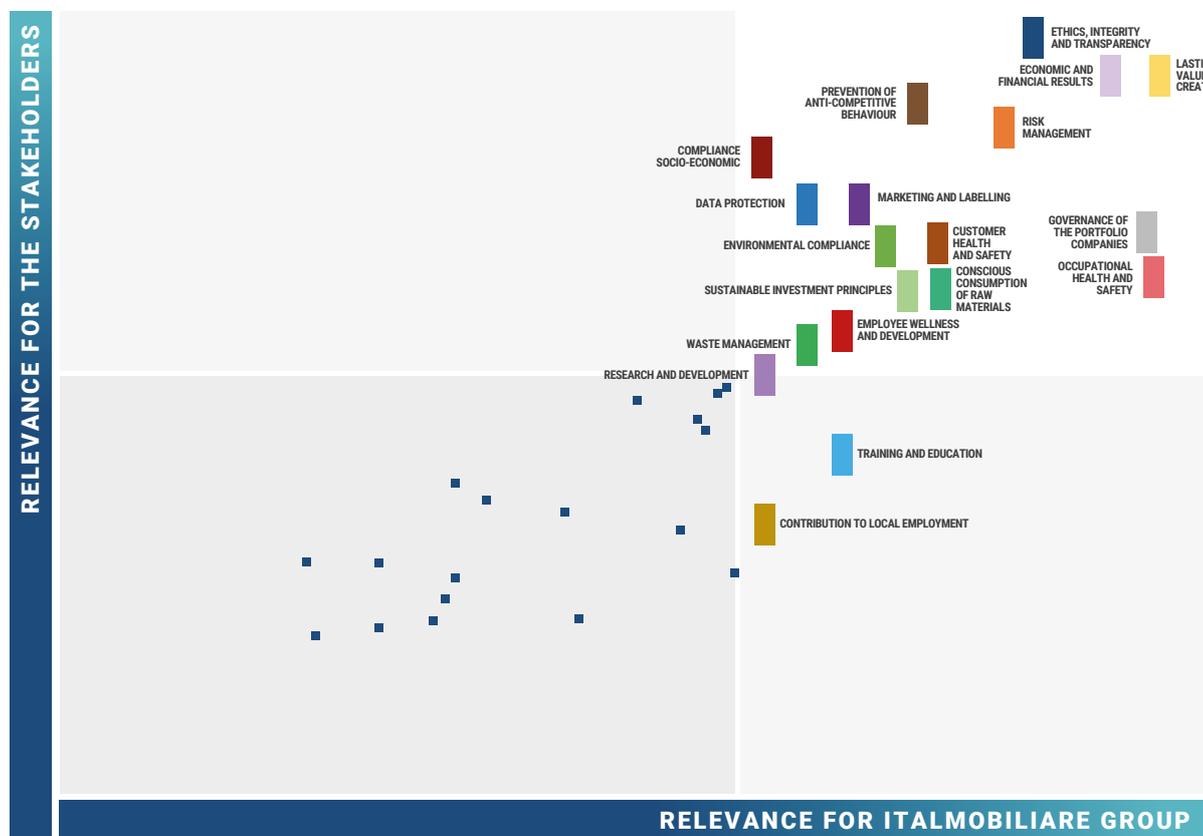
These were proposed to the management of Italmobiliare, the subsidiaries and external stakeholders (employees of Italmobiliare, shareholders, financial analysts) by asking them to fill in a questionnaire. In the case of regulatory bodies and the media, the involvement took place indirectly through an analysis of public information (i.e. the rules and regulations in force for listed companies and financial holding companies and press articles concerning listed companies and financial holding companies).

Considering the Group structure, in which the Holding Company controls firms operating in different sectors, the materiality analysis was carried out with the aim of presenting the key issues for the Group as a whole, those that are most representative of its main areas of business.

The process ended with the identification of 20 material topics, which are represented in the materiality matrix.

Compared to the previous materiality matrix approved in 2018, the themes "contribution to local employment", "waste management" and "correctness and transparency of product information" were integrated, while the themes "sustainable management of the supply chain", "energy management", "atmospheric emissions and climate change", "water resource management and discharge quality", "local communities", "human rights", "diversity, inclusion and non-discrimination" were not material. The topics "prevention of anti-competitive behaviour", "environmental compliance", "socio-economic compliance" and "training" were made explicit in the matrix, while "ethics and business integrity" and "transparency" were unified.

Materiality matrix of the Italmobiliare Group



THE SUSTAINABILITY POLICY

In line with its mission as an investor committed to "playing 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", Italmobiliare considers sustainability, in its broadest sense, economic, social and environmental, as an essential lever of competitiveness. In order to make this vision fully operational, in 2019 the Company introduced a process of strategic planning for sustainability, aimed at an explicit integration of the ESG factors in the Holding's business strategy and the implementation of increasingly effective supervision of subsidiaries and associates in matters of social and environmental responsibility.

To this end, Italmobiliare identified in the Sustainability Policy adopted in 2019 the appropriate tool to orient active dialogue with the portfolio companies on ESG issues and guide the consequent measurement and evaluation of their performance.

The Policy is split into **5 Pillars of Sustainability**, which constitute the guidelines for a direct application of the principles of sustainability by Italmobiliare in carrying out its activities and a homogeneous framework of commitments shared with the other Group companies, with the aim of guiding and harmonising the specific initiatives launched in each area of activity. The **ESG Plan** associates the Pillars with 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.

The Pillars were identified on the basis of an analysis of the strategic, competitive and regulatory context in which Italmobiliare and the portfolio companies operate, combined with the requirements of the main stakeholders engaged during the materiality analysis.

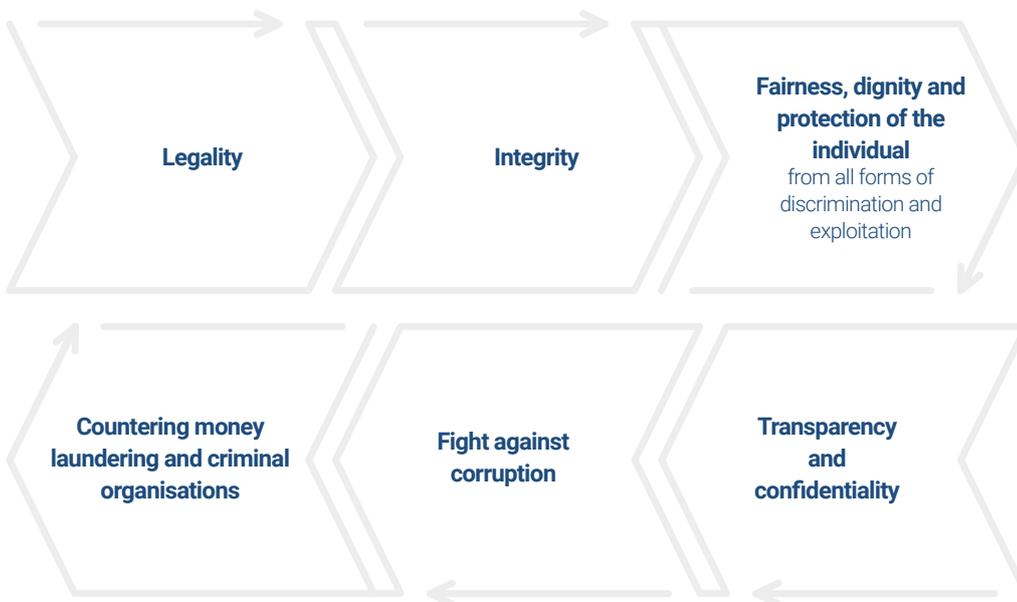
Pillars of Sustainability



1.5 Ethics, integrity and transparency

1.5.1 BUSINESS ETHICS AND INTEGRITY

Italmobiliare ensures that its business activities are carried out in full compliance with the principles of ethics and integrity and in total compliance with current economic, social and environmental legislation. The Company introduced its own Code of Ethics for the first time in 1993 and subsequently modified and updated it, most recently in 2018. The Code states a set of values and principles underlying Italmobiliare's business and establishes its rules of behaviour and conduct. This document therefore represents a solid set of values for the Company and its subsidiaries, a necessary condition for ensuring a constructive exchange of ideas with all stakeholders and interested parties. The principles laid down in the Code of Ethics are:



As regards the fight against corruption, the Code says that relations between the Group and third parties are to be managed without resorting to illegal means: bribery, illicit favours, collusive behaviour, solicitations of personal advantage for oneself or for others are explicitly banned. The rules of the Code apply, without exception, to all employees and to all those who, directly or indirectly, permanently or temporarily, establish relationships with the Group or work there to pursue its objectives. Violation of the rules laid down in the Code of Ethics harms the relationship of trust established with the Group and can lead to disciplinary, legal or criminal action or, in the most serious cases, it can lead to an interruption of the work relationship or termination of the employment contract.

The main Group subsidiaries (Sirap Gema S.p.A., Italgen S.p.A., Caffè Borbone S.r.l., Clessidra SGR S.p.A.) have in turn adopted their own Code of Ethics, undertaking to disseminate it, update it and make any tools available to encourage its full application.

Ever since 2004 Italmobiliare S.p.A. has also applied an Organisation and Management Model pursuant to Legislative Decree 231/2003 ("the Model"), setting up a Supervisory Body as required. The Model is based on a preliminary risk assessment that allows the Company to identify potential risk profiles in relation to the commission of the offences indicated in the Decree, with reference to its

activities and its organisation, and is subject to continuous updating in order to maintain constant compliance with the regulations; the latest revision of the Model was approved in 2018. In compliance with the Model, Italmobiliare S.p.A. supervises all those behaviours that, if implemented, would lead to situations that could be punished under the law. With regard to potential illegal conduct, Italmobiliare S.p.A. identifies the main activities that could involve the risk of committing the following types of offence:

- Offences against the Public Administration;
- Corporate offences;
- Market abuse;
- Murder and culpable injury in violation of accident prevention regulations;
- Receiving stolen goods, laundering, use of money of illegal origin, self-laundering;
- Organised crime and transnational crimes;
- Copyright infringement;
- Cybercrime.

The rules contained in the Model apply to all those who perform management, administration, management or control functions in Italmobiliare S.p.A., to employees, even if they are posted abroad on secondment for the business, and to those who, even if not employees of the Company, work on its behalf or are linked to it in some way. Italmobiliare S.p.A. undertakes to guarantee the dissemination and effective knowledge of the Model to all recipients: training, which also took place during 2019, is mandatory and differentiated in terms of content and delivery according to the level of the recipients, the level of risk in the area where they work, their degree of involvement in sensitive activities as indicated in the Model and whether they exercise any functions involving company representation. Italmobiliare S.p.A. communicates the Model 231 and any subsequent editions or updates to its subsidiaries directly. 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 of Italmobiliare S.p.A., and given adequate resources to ensure autonomy, professionalism and independence in the exercise of its duties. Italmobiliare S.p.A. adopts the measures deemed most appropriate to identify violations of Model 231 and encourage reporting them on a timely basis, also anonymously through reserved channels ("whistleblowing").

Sirap GEMA S.p.A., Clessidra SGR S.p.A., Caffè Borbone S.r.l. e Italgem S.p.A have also adopted their own Model, based on the principles and contents of the Parent Company's Model, without prejudice to the existence of specific situations (relating to the nature, size, type of activity or the structure of the internal delegations of power) that suggest the adoption of different measures in order to effectively pursue the objectives of responsibility for administrative offences. In September 2019, Caffè Borbone adopted its Model 231 and appointed a Supervisory Board, simultaneously implementing the whistleblowing system by activating an e-mailbox for anonymous reporting of suspicious behaviour. Training sessions for the recipients of Model 231 will be held in 2020; in September, the Company also organised an antitrust training course for all professional roles involved in this type of risk.

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 its Organisational Management and Control

Models, including ethical principles, codes of conduct, control tools, procedures and training activities aimed at preventing crimes (including the abuse of office and corruption) in compliance with Legislative Decree 231/2001 and other applicable regulations.

In 2019, there were no episodes of violation of the corruption regulations within the scope of the Group. As regards anti-competitive behaviour, only the Sirap Group is involved in an antitrust lawsuit initiated in 2015, the so-called Retail Food Packaging Procedure, which is still pending.

During the year, the Group companies did not receive financial penalties or sanctions for non-compliance with laws and/or regulations on social and economic matters.

1.5.2 TRANSPARENCY

Transparency in relations with all stakeholders constitutes one of the guiding principles laid down in the Code of Ethics. Italmobiliare undertakes to disseminate truthful, complete and comprehensible communications and information, so that all recipients can make informed decisions about the relations to be maintained with the Company. This commitment also involves effective reporting and communication of non-financial information, so as to provide stakeholders with a complete representation of the Group's performance. This takes place in various ways: this consolidated non-financial report, the section dedicated to CSR on the Italmobiliare website, the annual review addressed to the financial community and the voluntary sustainability reports published independently by the individual portfolio companies. In this regard, Sirap Group and Italgem S.p.A. will publish their first sustainability report in 2020 in conjunction with this consolidated non-financial report.

Clessidra also fully adopts the principle of transparency in its investment activities, with particular reference to the reporting of ESG results. The SGR replies annually to the UN PRI questionnaire, publishing its Transparency Reports on www.unpri.org. 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. The ESG performances of the portfolio companies are communicated to the Limited Partners through a specific annual report.

1.6 Risk Management

Italmobiliare has risk management bodies, systems and processes in line with international best practices, which allow constant monitoring and effective management of economic, financial, social and environmental risks at Group level and conscious decision-making on such matters.

Italmobiliare has adopted an Internal Control and Risk Management System (ICRMS) that consists of the rules, procedures and organisational structures to enable the identification, measurement, management and monitoring of the main risks to which the Company and its subsidiaries are exposed. After consulting the Risks and Sustainability Committee, the Board of Directors of Italmobiliare establishes the guidelines of the ICRMS and, at least once a year, assesses the adequacy and effectiveness of the system with respect to the characteristics and risk profile of the Company. These Guidelines are sent to the subsidiaries so that they can take account of them in the definition and maintenance of their own ICRMS, without prejudice to each company's autonomy and independence.

The SCIGR includes the Risk Management Model which is designed to identify, assess and manage the main corporate risks, based on the guidelines defined periodically by the Board of Directors. The risk assessment process is coordinated by Italmobiliare's Internal Audit Department and is divided into three phases:

- identification of the main risks at Group level
- assessment of the various types of potential impact (economic, operational and/or reputational) on the subsidiaries and the Group with the respective probability of occurrence
- appropriate preventive and mitigation strategies for risks identified as material.

In 2019, the risk assessment process was strengthened by foreseeing direct involvement by management of the subsidiaries in the assessment of the individual types of risk, in light of the specific aspects of their respective sector contexts and operating models and on the basis of uniform metrics. The assessments made by the subsidiaries regarding the risks included in the catalogue are subsequently consolidated at Group level, taking into account the weighting on overall NAV. The accuracy and reliability of the process is facilitated by the adoption of Enterprise Risk Management systems by the companies that have been subsidiaries the longest; implementation of this system for Caffè Borbone was started in 2019 and will be further strengthened in 2020.

Italgen, in coordination with Italmobiliare, its parent company, has put in place an integrated transversal ERM process that allows the identification, measurement, monitoring and management of the risks to which the company is exposed. The analysis, which can be defined as dynamic as it makes it possible to predict the onset of new risks or the modification of existing ones, is carried out in depth at least once a year and the results are shared at the highest corporate levels. The scope of analysis includes all external and strategic risks, governance and compliance risks, operational risks and financial risks. The "risk catalogue" has recently been integrated with all of the material sustainability issues.

In 2014, Sirap defined its own internal control and risk management model (Risk Model) in implementation of which all the risks relevant to the Group were mapped and catalogued on the basis of indicators that take into account magnitude and probability of occurrence (so-called "heat map"). The "top risks", i.e. the most significant risks in relation to which data sheets are defined, have been identified as part of all the mapped risks (risk reporting) with an indication of control protocols and mitigation plans defined by management, the person responsible for implementation and the timing of completion of the activities. On an annual basis, when the budget is drawn up, an assessment is carried out to update the risk catalogue and define the top risks for the following year (with related mitigation plans).

Group level risk analysis, evaluation and monitoring are extended to the areas of environmental and social sustainability. The types of risk relating to the topics envisaged by Legislative Decree 254/2016 and identified as material are shown in the following table, in association with the related management methods.

The main sustainability risks for the Italmobiliare Group.

TOPICS (LEG. DECREE 254/2016)	RISK	TYPE (GENERATED OR SUFFERED)	SCOPE OF IMPACTS	MANAGEMENT METHODS
ECONOMIC ISSUES	Risks associated with specific changes and regulatory innovations relating to the sector in which the companies operate which, if not promptly interpreted and implemented, could result in a loss of competitiveness	S	Italmobiliare, Caffè Borbone, Italgen, Sirap	Activation of internal functions or teams to constantly monitor economic, social and environmental legislation at sector level; membership of trade associations
	Risks related to failure to implement responsible investment management policies and internal procedures to disseminate, manage and monitor environmental and social sustainability; risk that the subsidiaries might not act in line with the Parent Company's ESG strategies	G	Italmobiliare	Integration of ESG principles and criteria into the Investment and Development Guidelines and investment procedures; adoption of the Group Sustainability Policy; measurement and reporting of socio-environmental performance indicators at Group level, including this consolidated non-financial report
FIGHT AGAINST ACTIVE AND PASSIVE CORRUPTION	Risks related to the inability to identify and prevent active and passive cases of corruption with impacts in terms of penalties and/or reputational damage	G	Italmobiliare, Caffè Borbone, Italgen, Sirap	Prevention and control tools provided by Model 231 of the Parent Company and subsidiaries
SOCIAL ISSUES	Risks related to non-compliance with national and/or international provisions on data privacy, with impacts in terms of penalties and/or reputational damage	G	Italmobiliare, Caffè Borbone, Italgen, Sirap	Adoption and implementation of personal data protection models compliant with European legislation (EU Regulation 2016/679 of 27 April 2016 - GDPR Regulation - and Legislative Decree 101/2018 - Privacy Code)
ASPECTS RELATED TO PERSONNEL MANAGEMENT	Risks related to the inability to attract and retain talented key resources that are hard to find on the market, also through welfare policies and/or initiatives, the unavailability or development of the necessary skills for the conduct of the business and the achievement of the set objectives, including the lack of development of inclusion and diversity policies.	G	Italmobiliare, Caffè Borbone, Italgen, Sirap	Implementation of merit-based remuneration policies; organisation of training and refresher courses; offering personnel additional benefits; adoption of corporate welfare plans; programs to adapt the structure the newly-acquired companies
ENVIRONMENTAL ISSUES	Risks deriving from failure to integrate Best Available Technologies into the Company's products and processes, resulting in a non-optimal positioning on the market with consequent risks linked to a lower capacity to reduce the environmental impacts of the products and services.	S/G	Caffè Borbone, Italgen, Sirap	Constant monitoring of technological innovations at sector level; introduction of process innovations for the reduction of environmental impacts; implementation of research and development projects in the circular economy; definition of specific R&D objectives and targets in the context of the Group Sustainability Policy

As regards the risk of non-compliance with human rights, direct impacts are not significant for the Group, in light of the geographical and sector context of operations and the safeguards implemented (Code of Ethics and Model 231). The risks generated indirectly through commercial relations are restricted to Caffè Borbone only and limited by the configuration of the supply chain, represented by international intermediaries who adopt the highest standards of respect for human rights (see Methodology).

Clessidra SGR, which is not involved in the Group risk assessment as it is not subject to management and control by Italmobiliare, plays a similar role to that of the holding company towards its subsidiaries.

The Risk Management function, which holds an independent position with respect to the operating structures, reporting directly to the Board of Directors, is responsible for measuring, managing and controlling all financial and operational risks inherent to the assets managed, as well as those borne by the SGR and attributable to strategic, operational and reputational risks.

The internal risk management procedures provide for the following main activities of the Risk Management function:

- To implement 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
- To monitor compliance with the risk limits set in the Regulation of each fund and ensure that the risk profile communicated to investors during the marketing phase is compliant
- To periodically update the Board of Directors at least every six months on the above issues, on the adequacy and effectiveness of the risk management process and on any actual or foreseeable violation of the risk limits set, so as to allow prompt adoption of appropriate remedial action
- To review the policies and procedures adopted and evaluate the assets in portfolio by providing support on the matter, ensuring that there is consistency between the results of the assessment process and measurement of the riskiness of the assets.

2. ECONOMIC RESPONSIBILITY

2.1 Economic performance of the Group



565.9
€ million

REVENUE AND INCOME
(463.9 IN 2018)



125.9
€ million

**GROSS OPERATING
PROFIT (EBITDA)**
(41.2 IN 2018)



77
€ million

**PROFIT FOR THE
YEAR**
(31.7 IN 2018)

1 NAV, excluding treasury shares in portfolio, was calculated taking into account:

- the market price of listed equity investments at 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 the IAS/IFRS financial reporting standards, otherwise with local accounting principles,
- the market value of real estate assets
- the deferred tax effect.

Thanks to the positive performances of the portfolio companies and the investments made during the year, Italmobiliare closed 2019 with a profit of 77 million euro, strong growth compared with the previous year. Confirming the effectiveness of the investment strategy implemented by the Company and the solidity of the value creation model, the Group's NAV (Net Asset Value)¹ increased by 18.3% in 2019, from 1.42 billion euro in 2018 to 1.74 billion euro.

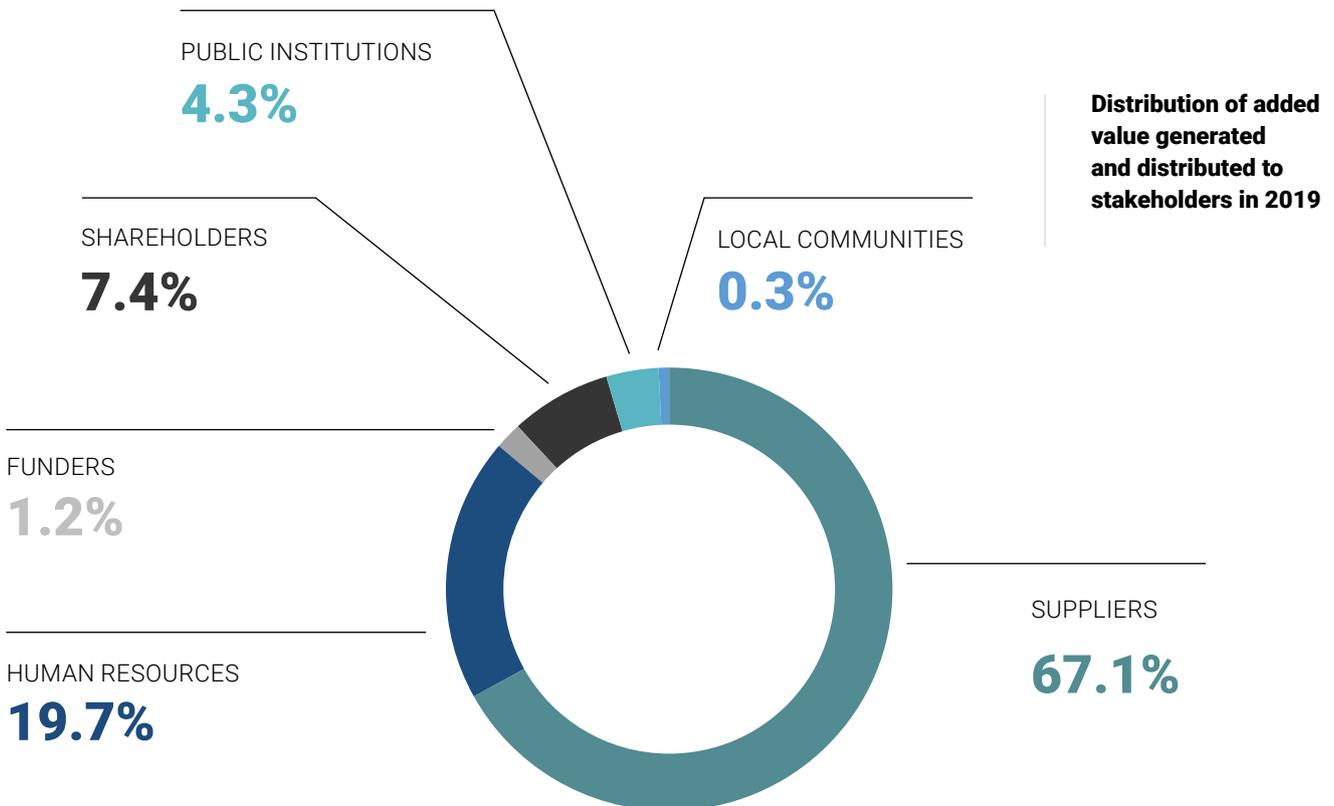
As is known, the dynamics of the global economic cycle, despite showing signs of stabilization and possible recovery in the new year starting from the last quarter of 2019, suffered the effects of the "Coronavirus" shock.

The impact generated through direct (demand) and indirect (business value chain) multipliers and channels, is difficult to quantify even with respect to similar events (such as SARS), given China's greatest weight on world growth and trade, and the stronger interconnection between different geographical areas. The potential effects of this phenomenon on the activities of Italmobiliare and of the Portfolio companies cannot be determined to date and will be subject to constant monitoring throughout the year.

2.2 Value generated and distributed

The economic value directly created by Italmobiliare also increased by 21%, reaching 598.8 million euro, due to the increase in operating profit in 2019. 11.2% of this value (65.9 million) was retained within the Group in the form of amortization and depreciation and provisions for new investments. The largest share of the added value distributed, a total of 523.9 million euro, was to pay Group companies' suppliers of goods and services (67.1%); 19.7% (103.5 million euro) distributed to personnel in the form of wages and salaries, social security contributions and employee termination benefits. The remuneration of shareholders and lenders corresponds respectively to the 7.4% (38.8 million euro)* and the 1.2% (6 million euro) of the value distributed, while 4.3% (22.5 million euro) went to local institutions in the form of taxes. The value contributed by Italmobiliare and its portfolio companies to local communities through support for organisations and initiatives of a cultural, educational, environmental and sporting nature at national and local level amounted to 1.34 million euro.

* The value indicated for the distribution of the profits to Shareholders includes the value of 23.5 million euro, which corresponds to what the Board of Directors of Italmobiliare S.p.A has decided to propose to the Shareholders' Meeting for approval.



In light of the Company's growth trend over the last three years (2017-2019), when recently acquired portfolio Companies reported a doubling in value alongside with significant proceeds from disposals of assets, the Board of Directors will propose to the next Shareholders' Meeting, other than the distribution of an ordinary dividend on the profit of the year included in the direct economic value generated and distributed, the distribution of an extraordinary dividend of 50.6 million euro.

3. RESPONSIBILITY TOWARDS THE ENVIRONMENT



487,757.3
GJ

TOTAL ENERGY
CONSUMPTION



306,286,457.7
kWh

= 1,102,631.2 GJ

ELECTRICITY PRODUCED FROM
RENEWABLE SOURCES



10,897.9
tons

INDIRECT (SCOPE 1)
EQUIVALENT
CO₂ EMISSIONS



33,923.3
tons

INDIRECT (SCOPE 2⁴)
LOCATION-BASED CO₂
EMISSIONS



43,097.0
tons

INDIRECT (SCOPE 2⁴)
MARKET BASED CO₂
EMISSIONS



109,955
tons

CO₂ EMISSIONS AVOIDED
THANKS TO THE PRODUCTION OF
RENEWABLE ENERGY
(location based)



95.73
megalitres

WATER
CONSUMPTION

⁴ The figure was calculated using the emission factor indicated in "Confronti internazionali; 2017", published by Terna, according to the location based method. Figures of Scope 2 emissions are expressed in tons of CO₂, nevertheless the percentage of methane and nitrous oxide has a negligible effect on total greenhouse emissions (CO₂ equivalent), as inferred from the relative technical literature.

The sustainability of the investments made by Italmobiliare depends to a significant extent on respecting the natural environment. In addition to investing in companies active in the clean energy sector, the Holding Company commits to spreading the monitoring of environmental performance by the portfolio companies and supports a reduction in environmental impacts thanks to product and process innovation, according to a logic of circularity and continuous improvement.

Within its Sustainability Policy (1.4 paragraph), Italmobiliare promotes full adherence of its portfolio companies to the principles of Circular Economy by promoting investment in research aimed at designing products in a life cycle perspective and in the recovery and recycling of materials. Goals that cannot be separated from an involvement of the entire value chain, upstream and downstream of production, and from an active collaboration with suppliers, business partners and research institutes.

This chapter indicates the environmental data of the Italmobiliare Group, including in the scope the companies operating in the industrial sector (Sirap, Italgen and Caffè Borbone) for which environmental issues are most significant.

In 2019, the Italmobiliare Group consumed as a whole 489,757.3 GJ of energy. The consumption of electricity was 102,097,991.2 kWh, equal to 367,552.8 GJ.

In the same year, the Italmobiliare Group produced 10,897.9 tons of direct (Scope 1*) CO₂ equivalent greenhouse gas emissions and 33,923.3 tons of indirect (Scope 2) CO₂ GHG emissions calculated according to the location-based approach, 43,097.0 tons according to the market based approach, due to the 87% generated by Sirap. Thanks to the production of renewable energy, Italgen avoided the emission of 109,957 tons of CO₂ of the production based on the average national energy mix.**

As regards water resources, during 2019 the Group companies withdrew a total of 538 MI of water and discharged 442 MI. Net consumption, equal to 95.73 MI, increased by 15.9% compared to 2018 and is 99% attributable to the production of the Sirap Group.

In 2019 Group companies did not receive any significant fine or non-monetary sanction for non-compliance with environmental laws and/or regulations.

* Figures of Scope 2 emissions are expressed in tons of CO₂, nevertheless the percentage of methane and nitrous oxide has a negligible effect on total greenhouse emissions (CO₂ equivalent), as inferred from the relative technical literature.

** The figure was calculated using the emission factor indicated in "Confronti internazionali; 2017", published by Terna, according to the location based method.

3.1 Caffè Borbone

3.1.1 ENVIRONMENTAL MANAGEMENT POLICIES

Caffè Borbone firmly believes in the need to combine economic development, social equity and environmental protection. The Company complies with current legislation in this area and carries on its activities on the basis of a correct and efficient use of natural resources.

In line with Italmobiliare's Sustainability Policy, Caffè Borbone adopts policies and practices aimed at minimising, mitigating and balancing the environmental impacts generated by its activities, implementing programmes for the continuous improvement of the technologies used and the methods used to manage and control industrial processes. Particular attention is paid to integrating the principles of the circular economy in the design, production and management of packaging, according to a "life cycle thinking" model.

3.1.2 CONSCIOUS CONSUMPTION OF RAW MATERIALS

The consumption of raw materials is an aspect of fundamental importance for Caffè Borbone, which mainly procures:

- Raw coffee
- Packaging materials, such as paper for pods, paper and cardboard for packaging, plastic and aluminium
- Other products, such as sugar, cups and plastic, merchandising.

Procurement is carried out based on production needs, with the aim of minimising waste. During 2019, the SAP management system was implemented, which allows the measurement and monitoring of specific indicators relating to the use of raw materials, making it possible to further improve food traceability and supply efficiency.

In 2017, the Caffè Borbone research and innovation team achieved the important goal of making their pods compostable, thanks to the use of organic materials that can be reused to create compost.

Caffè Borbone's consumption of raw materials

RAW MATERIALS (t)	t 2019	t 2018
Coffee	23,261	17,379
Additives, packaging, consumables	2,988	1,645
<i>of which paper for pods and capsules</i>	308	252
<i>of which plastic for capsules</i>	2,128	1,393
<i>of which CO₂ for product cooling</i>	559	n.a.
Packaging materials	6,625	5,165
<i>of which aluminium</i>	2,725	2,205
<i>of which cardboard</i>	3,642	2,896
<i>of which plastic for packaging</i>	258	65
Total	32,874	24,189

2019 saw a 36.0% increase in raw material consumption, due to the growth in production volumes.

In 2020, a circular economy project will be launched to manage the collection of secondary raw materials for the production of packaging on a territorial basis, in an integrated and sustainable way, implementing the principle of proximity recycling. In this way, the company intends to offer trading partners a chance to use their pulp to produce their packaging, according to a closed cycle that reduces the exploitation of natural resources, emissions and the generation of waste.

3.1.3 ENERGY CONSUMPTION AND EMISSIONS

Caffè Borbone promotes the adoption of international best practices in industrial processes to use natural resources responsibly and reduce energy consumption. At the factory, there is a system of energy production from photovoltaic panels, which is fed into the national electricity grid.

Caffè Borbone's energy consumption⁶

ELECTRICITY	2019		2018	
	Kwh	GJ	Kwh	GJ
Purchased electricity	5,393,174	19,415	3,987,180	14,354
Electricity self-produced from renewable sources	107,154	386	101,657	366
Electricity sold	107,154	386	101,657	366
<i>of which renewable</i>	<i>107,154</i>	<i>386</i>	<i>101,657</i>	<i>366</i>
Electricity consumed	5,393,174	19,415	3,987,180	14,354
NON-RENEWABLE FUELS	m³ 2019	GJ 2019	m³ 2018	GJ 2018
Natural gas consumed ⁴	1,948,053	69,815	1,340,308	48,633
TOTAL ENERGY CONSUMPTION	n.a.	89,231	n.a.	62,987⁵

In 2019, the consumption of natural gas and electricity increased by 45.3% and 41.7% respectively compared with the previous year, due to the increase in production volumes. Direct emissions (Scope 1) deriving from the combustion of natural gas amounted to 3,956 tons of CO₂ equivalent, while the indirect emissions (Scope 2) relating to energy supply from outside the company amounted to 1,936 tons of CO₂ according to the location-based approach⁸ and 2,607 according to the market-based approach⁹.

4 The cubic metres of natural gas consumed in November and December are the result of an estimate based on the preceding months.

5 For the purpose of comparison, following the update of methodology, data related to energy consumption of Caffè Borbone for 2018 has been restated. For historical data and information previously published, please refer to 2018 Sustainability Report, published in the Sustainability section of www.italmobiliare.it.

6 The company does not have a system for monitoring the mileage driven by company cars. The company did resort to guarantees of origin for the purchase of energy from renewable sources neither in 2019 nor in 2018.

8 Calculation performed on Terna International Comparisons for 2017.

9 Calculation performed on European Residual Mixes figures for 2018.

3.1.4 WASTE MANAGEMENT

The company generates a negligible quantity of hazardous waste.

The waste produced is kept in temporary storage in a special area, separated by type in dedicated containers and/or bins; each container contains a single type of waste and is marked with a label bearing the CER code of the waste stored there. The waste is collected periodically by companies authorised to collect and transport it and is then sent to suitable plants authorised to treat that type of waste. An external consultant who reports directly to the Technical Office manages relations with the transporters and with the plants, ensuring that all waste can be properly traced.

Table 5: Weight of Caffè Borbone's non-hazardous waste by disposal method

HAZARDOUS WASTE	t 2019	t 2018
Recovery, including energy recovery	4.38	0.06
Landfill	0.03	-
Total	4.41	0.06
NON-HAZARDOUS WASTE	t 2019	t 2018
Recovery, including energy recovery	1,653.5	1,192.2
Landfill	217.5	180.6
Total	1,871.05	1,372.8

3.2 Sirap

3.2.1 ENVIRONMENTAL MANAGEMENT POLICIES

Attention to sustainability prompted Sirap to adopt an Environmental Policy back in 2012: a system of guidelines that ensure the Group's compliance with the environmental regulations of the countries in which it operates and the adoption of the best ecological standards in production processes.

In 2019, Sirap renewed its commitment by adopting the new "Sustainability - Quality - Health, Safety and Environment" Policy, which promotes the reduction of consumption and the sustainable use of resources through the involvement of all members of staff. The implementation of the policy will become an assessment criterion for professional development within the Group.

Production activities are subject to strict regulations to protect the environment and the surrounding population, in accordance with European directives. Sirap carries out in-depth technical and administrative analyses, on a preventive basis, to identify the effects of Group's plants on the environment and the local community. Thanks to the installation of particular storage silos, the processes involved in producing food packaging in rigid and expanded plastic polymers, which use various technologies such as thermoforming and extrusion, are constantly monitored and do not release harmful emissions that exceed the legal limits of the individual countries, nor do they have an impact on the aquifers below the plants.

During the two-year period 2018-2019, as part of the integrated HSE management system certified according to the UNI ISO 14001 and OHSAS 18001 standards, each Group plant introduced a set of environmental indicators designed to keep the main inputs and outputs under control. Within the next two years, Sirap will align the recently acquired production sites (Tarascon, Sedgefield and Puig-Reig) to the standards mentioned above.

3.2.2 MATERIALS AND PACKAGING

Sirap, with the parent company Sirap Gema S.p.A. at the forefront, acted on three different levels to reduce its environmental impacts from the use of raw materials, while applying the principles of the circular economy.

- **Consumption:** when developing new products, SIRAP uses the Ecodesign method, an approach to product design that pays particular attention to environmental impacts during the entire life cycle. This method permits considerable savings in terms of the raw material used, thanks to resizing the shapes and thickness of the product.
- **Recycling:** SIRAP has embarked on a process of reducing the use of virgin raw material with the introduction of new products containing a high percentage of recycled plastic. To continue to reduce the environmental impact of raw materials, SIRAP has defined an annual growth target for the proportion of recycled products. The environmental performances of these products are confirmed and continuously improved, thanks to Life Cycle Assessment studies.
- **End of life:** to collect and recycle products at the end of their life cycle, SIRAP has raised its level of communication about packaging, also on social media. Besides, it has activated awareness initiatives through category groups and collaborations with stakeholders in the recycling industry, including COREPLA (Plastic Recovery Consortium), in identifying solutions to make finished products recyclable after use by the consumer, including composting.

Sirap's consumption of raw materials

12 The 2018 data relating to Sirap Iberica has been estimated, as the company was not present yet on SAP.

13 For comparative purposes, the 2018 data relating to the raw materials of the Sirap Group have been restated, following a process of improvement of the reporting system implemented during 2019. For previously published data, see the 2018 Sustainability Report, published in the Sustainability section of the website www.italmobiliare.it.

Type of material	t 2019	t 2018 ^{12 13}
Raw materials	50,583	51,744
<i>of which renewable</i>	228	7
Semifinished goods	9,535	7,296
<i>of which renewable</i>	2	0
Additives and consumables	2,380	2,398
Packaging materials	5,192	4,539
Total materials used	67,689	65,978
<i>of which renewable</i>	230	7
<i>percentage of renewables</i>	0.34%	0.01%
<i>of which reclaimed</i>	10,933	10,123
<i>percentage of reclaimed</i>	16.15%	15.34%

3.2.3 ENERGY CONSUMPTION AND EMISSIONS

The "Energy Saving" project has been activated in 2012 to make the company more energy efficient, reducing waste and its environmental impact. The effect of waste control and analysis is twofold: it encourages an evaluation of the most efficient technical solutions oriented towards the "Best Available Technologies" and allows greater staff involvement and awareness of environmental issues.

Energy Saving was launched with an Energy Audit at the Castiglione Fiorentino site and progressively extended to all of the Group's Italian plants, identifying an Energy Team.

The project aims to reduce energy waste by acting in various areas:

- Staff behaviour
- Process optimisation
- Plant maintenance
- Lighting management
- Capital investment
- Compressed air management.

The implementation of the environmental indicators of the integrated management system will make it possible to carry out in-depth analyses of each plant's energy performance, to provide support for consumption improvement activities. In the first half of 2020, a trigeneration plant will be installed at the Italian location in Castelbelforte (Mantua) which can produce electricity, heat and cooling energy from natural gas, ensuring greater efficiency in terms of consumption.

Since 2018 Sirap has also set up a Life Cycle Assessment department to carry out product life cycle analysis, and to evaluate the actual improvements on products as a result of its energy optimisation policies

In the group's Italian factories, the information is gathered and analysed through systems installed on the plants that monitor the equipment. The consumption data of the main machinery in the plant are sent to a server and can be controlled remotely in real time. The site's Energy Team periodically organises a meeting in which new proposals and ideas are analysed and feedback is given on the steps that have been taken. All staff can collaborate by reporting areas of inefficiency to be corrected, which are promptly considered and processed. Moreover, in relation to energy consumption, Sirap has defined and constantly monitors an energy performance indicator, the KEI (Key Energy Indicator), obtained from the ratio between the kWh used and the tons of raw material processed. In foreign plants, the KEI is measured using the energy consumption data from the bills of energy suppliers, as a monitoring system will be implemented in the next two years.

Sirap's energy consumption

ELECTRICITY	Total 2019	Total GJ 2019	Total 2018 ¹¹	Total GJ 2018
Electricity purchased ¹⁴	88,590,486 kWh	318,926	93,807,669 kWh	337,708
Self-produced renewable energy	-	-	81,944 kWh	295
Electricity sold	-	-	9,345 kWh	34
<i>of which renewable</i>	-	-	<i>9,345 kWh</i>	<i>34</i>
Electricity consumed	88,590,486 kWh	318,926	93,880,268 kWh	337,969
NON-RENEWABLE FUELS¹⁵				
Natural gas	1,325,028 m ³	47,487	2,044,286 m ³	74,177
Diesel	64,878 lt	2,334	74,226 lt	2,682
<i>of which used for production and heating processes</i>	<i>11,776 lt</i>	<i>428</i>	<i>9,805 lt</i>	<i>356</i>
<i>of which for automotive</i>	<i>53,102 lt</i>	<i>1,906</i>	<i>64,421 lt</i>	<i>2,326</i>
Gasoline for automotive	1,625 lt	53	1,389 lt	61
LPG	80,798 lt	1,918	n.a.	n.a.
<i>of which used for forklifts</i>	<i>79,764 lt</i>	<i>1,893</i>	<i>n.a.</i>	<i>n.a.</i>
<i>of which for automotive</i>	<i>1,034 lt</i>	<i>25</i>	<i>n.a.</i>	<i>n.a.</i>
Total energy consumption	n.a.	370,717	n.a.	414,928

¹⁶ For comparative purposes, the 2018 data relating to the natural gas, diesel and automotive gasoline of the Sirap Group have been restated following an improvement process of the reporting system implemented during 2019. For previously published data, see the Report of Sustainability 2018, published in the Sustainability section of the website www.italmobiliare.it.

¹² the company did not require to guarantees of origin for the purchase of energy from renewable sources neither in 2018 nor in 2019.

¹⁵ For the values referring to the fuel used for the car fleet and the relative emissions reported in this chapter, estimates were used. For cars for mixed use, 70% of total consumption was considered.

¹⁸ Source of the emission factors for 2019: "Confronti internazionali; 2017", published by Terna.

¹⁹ Source of the emission factors for 2019: European Residual Mixes, 2018.

²⁰ The figures for withdrawals from the aqueduct and discharges to the sewage system of the French plants in Noves and Remoulins are the result of an estimate, as actual data are not available.

In 2019, the direct (Scope 1) emissions of Sirap from fuel combustion for the production plants and company cars amounted to 6,900 tons of CO₂ equivalent. Indirect (Scope 2) emissions linked to the external energy supply amounted to 29,074 tons of CO₂ according to the location-based¹⁸ approach and 36,569 according to the market-based approach¹⁹.

3.2.4 MANAGEMENT OF WATER RESOURCES

Being attentive to the development of projects and initiatives that favour the optimization of water consumption also through water recovery initiatives in production processes, Sirap uses water that comes 96% from wells and 4% from the aqueduct. 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. The water withdrawn by the production sites where this system is present is the quantity needed to top up the circuit because of evaporation or leaks; the rest of the water circulates continuously to cool the machinery and, in turn, is cooled by evaporative towers or refrigeration systems with a closed heat exchanger.

In 2019, water consumption stood at 90,03 MI, increased of the 17.4% compared to the previous year²⁰.

Sirap's withdrawals, discharges and water consumption

WATER WITHDRAWAL	MI 2019	MI 2018²¹
Surface water	0.59	0.82
of which from areas with water stress	0	n.a.
Groundwater ²²	509.52	457.64
of which from areas with water stress	11.14	3.10
Third-party water	21.66	26.48
of which from areas with water stress	1.30	1.30
TOTAL	531.77	484.94
Total withdrawal of freshwater ($\leq 1,000$ mg/L Total Dissolved Solids)	531.77	n.a.
Total withdrawal of other water ($> 1,000$ mg/L Total Dissolved Solids)	0	n.a.
WATER DISCHARGE²³	MI 2019	MI 2018
Surface water	415.25	377.60
of which from areas with water stress	0	n.a.
Groundwater	0	0
of which from areas with water stress	0	n.a.
Sewage	26.49	30.67
of which from areas with water stress	1.30	n.a.
TOTAL	441.74	408.27
Total discharge of freshwater ($\leq 1,000$ mg/L Total Dissolved Solids)	434.34	n.a.
Total discharge of other water ($> 1,000$ mg/L Total Dissolved Solids)	7.39	n.a.
WATER CONSUMPTION	MI 2019	MI 2018
From all sources	90.03	76.67

3.2.5 WASTE MANAGEMENT

Waste management at Sirap is delegated to the individual production sites. The different types of waste are delivered in special containers labelled with the respective EWC code and stored temporarily in special areas inside the sites, before transferring them to external centres authorised for their recovery, storage or disposal.

HAZARDOUS WASTE	t 2019²⁴	t 2018
Reuse	0.0	0.0
Recycling	16.5	2.0
Recovery, including energy recovery	13.2	12.5
Composting	0.4	0.9
Incineration	0.9	1.5
Landfill	114.3	131.5
On-site storage	0.0	0.0
Total	145.1	148.4
NON-HAZARDOUS WASTE	t 2019²⁵	t 2018
Reuse	0.0	6.4
Recycling	2,428.4	1,301.4
Recovery, including energy recovery	1,742.9	1,684.3
Composting	235.1	273.0
Incineration	25.8	0.0
Landfill	1,039.3	1,053.5
On-site storage	0.0	0.0
Total	5,471.6	4,318.6

21 For comparative purposes, the 2018 data relating to the Sirap Group withdrawals, discharges and water consumption have been restated, following a process of improvement of the reporting system implemented during 2019. For previously published data, please refer to the Report of Sustainability 2018, published in the Sustainability section of the website www.italmobiliare.it.

22 According to the Aqeduct Water Risk Atlas, the production site in Castiglione Fiorentino (Arezzo) is located in an area characterized by an extremely high risk of water stress. The other plants are located in areas characterized by low to medium-high risks.

23 Total water consumption of the Castelforte and Verolanuova plant is based on meter readings. Only the water used is discharged into the sewers, while process water is reused in a closed circuit. Having no way of distinguishing the consumption for sanitary purposes, this has been estimated starting from the ISTAT data of the per capita water consumption for the province of Mantua (for the year 2011) equal to 59.6 m³.

Table 9: Sirap's weight of waste by disposal method

24 Almost all of the hazardous waste generated by Sirap France in 2019 consists of hydrocarbon water produced in cleaning the plants and not previously used.

25 The increase in waste generated by the Inline plant (Poland) is due to the new status attributed to mixed process by-products, which are now considered waste.

3.3 Italgén

3.3.1 ENVIRONMENTAL MANAGEMENT POLICIES

Sustainable development has always been one of the fundamental drivers of Italgén, which strongly believes in the close union between economic growth and social and environmental responsibility. Ever since its foundation, the company has been constantly committed to guaranteeing an ever greater production of energy from renewable sources, minimising its impact on the ecosystem.

Italgén's Environmental Policy, guaranteed by the Environmental Management System (EMS), is an essential element for strategic planning since it provides a general direction and a set of short and medium-long term objectives to improve production performance and energy efficiency. Application of the policy pervades the entire organisation, through training initiatives and the sharing of information and objectives with staff at all levels.

The EMS is an integrated system for Quality, Environment, Health and Safety, which guarantees the organisation's ability to provide a product and service that constantly meet the requirements established by customers and regulatory requirements, carrying out the activities with full respect for the environment. The Management System was adapted in 2017 to the new editions of the ISO 9001: 2015 and ISO 14001: 2015 standards, is documented in a Management Manual, and attached procedures/instructions. The latter governs the responsibilities of personnel and the operating procedures adopted to keep monitoring the environmental aspects of the business and improving its performance, while ensuring the organisation's compliance with regulatory obligations.

2019 saw the renewal of the EMAS Registration for the three-year period 2020-2022 as well as validation by the Certiquality Institute and the Ecolabel - Ecoaudit Committee of ISPRA of the EMAS 2019 Environmental Declaration, including the Environmental Analysis which identifies the significant impacts of Italgén's activities. The evaluation is carried out considering the following elements:

- Potential to do damage and size of the environmental impact (D);
- Environmental and territorial context, vulnerability of the receptors (C);
- Frequency, i.e. the probability that an environmental impact could occur (F);
- Complaints and stakeholders' views (P);
- Legal aspects (L).

Compliance with environmental legislation is monitored periodically through internal audits, planned and managed according to a specific procedure. Monitoring any new requirements from EU, national and local legislation is guaranteed by a central function which carries out a preliminary and general assessment of whether the new measures are applicable to the company. Following legislative changes or additions, Management evaluates the action to be taken, which may be of an educational/informative, procedural, managerial, analytical or technical/structural nature.

3.3.2 ENERGY MANAGEMENT

The company has a production structure in Italy that consists of 15 hydroelectric plants in Lombardy, Piedmont and Veneto for a total installed capacity of 58 MW and 300 kilometres of transmission lines. It also holds a financial minority stake (49%) in a company that manages two wind plants in Bulgaria with a total of 18 MW.

Italgén's hydroelectric plants are of two types: impoundment and "run-of-the-river". An impoundment facility, typically a large hydropower system, uses a dam to store river water in a reservoir. Run-of-the-river plants, on the other hand, use the natural flow of water and therefore only allow real-time management of the water that can be taken from the river bed. The water, either collected

in reservoirs or derived directly from the river, is sent to the hydroelectric power plant employing tunnels, penstocks and canals. The principal "machine" of the plant is the turbine which, driven by the power of water, converts hydraulic energy into mechanical energy. This, in turn, is converted into electricity by an electric generator and returned via a transformer to the high voltage lines that transport and distribute the energy throughout the territory.

ELECTRICITY	2019		2018	
	Total 2019	Total GJ 2019	Total 2018	Total GJ 2018
Purchased electricity ²⁶	99,774,675 kWh	359,189	52,447,000 kWh	188,809
Self-produced renewable energy	306,179,304 kWh	1,102,245	289,362,000 kWh	1,041,703
Electricity sold	397,839,647 kWh	1,432,223	333,859,000 kWh	1,201,892
of which renewable (hydroelectric)	306,179,304 kWh	1,102,245	289,362,000 kWh	1,041,703
Electricity consumed	8,114,332 kWh	29,212	7,950,000 kWh	28,620
NON-RENEWABLE FUELS²⁷	Total 2019	Total GJ 2019	Total 2018	Total GJ 2018
Diesel for automotive	12,971 lt	529	1,971 lt	465
Gasoline for automotive	4,108 lt	150	4,08 lt	133
TOTAL ENERGY CONSUMPTION	n.a.	29,742	n.a.	29,30328

In order to ensure constant monitoring of the production process, during 2019 the company completed the installation of a centralised supervision and remotecontrol system for in-process monitoring and remote management of 15 hydroelectric power plants and related intake works. The system, managed centrally from the operational headquarters in Villa di Serio (BG), ensures the collection of all the basic data for monitoring operating conditions, allowing to trace the quality of the production process, to check the status of components of the machines and of the system in general and to intervene remotely for a different balance of production, also in response to specific situations. Central availability of data makes it possible to extract precise figures for management reports and trend analyses, facilitating interaction with external entities. The system also raises the safety levels of the plants, thanks to measurement and alerting tools that enable to manage the situation and any alarms, with operator consoles to help detect any anomalous situations.

Thanks to these systems, in 2019, there were no accidents or plant malfunctions that could have caused physical injury to people.

3.3.3 EMISSIONS

A hydroelectric power plant does not generate atmospheric emissions in the process of generating electricity. Any emissions are attributable exclusively to the use, in emergency conditions, of diesel-powered generators and to the sporadic use of portable welding machines supplied to certain plants.

The consumption of electricity, fuel and auxiliary materials for maintenance purposes does not constitute a significant environmental issue for the organisation. In order to further limit the related impacts and increase production efficiency, in 2012, Italgas began a process of reducing self-consumption, which continued in 2019 with the installation of new lighting systems with LED lamps at the hydroelectric plants and related works (intakes, tunnels, dams, etc.).

A tangible and concrete sign of the company's commitment to environmental sustainability are the clean energy distributors, which make it possible to monitor, directly on the website, the levels of distribution of energy from renewable sources of the hydroelectric power plants owned, the number of barrels of oil equivalent saved and the simultaneous reduction of carbon dioxide emissions

Italgas energy consumption

²⁶ The company did not acquire Guarantee of Origin certificates for the purchase of energy from renewable sources neither in 2019 nor in 2018.

²⁷ For the values referring to the fuel used for the car fleet and the relative emissions reported in this chapter, estimates were used. For cars for mixed use, 70% of total consumption was considered.

²⁸ For comparative purposes, the 2018 data relating to Italgas energy consumption have been restated, following a process of improvement of the reporting system implemented during 2019. For previously published data, please refer to the Report of Sustainability 2018, published in the Sustainability section of the website www.italmobiliare.it.

29 Source of the emission factors for 2019: "Confronti internazionali; 2017", published by Terna.

30 Source of the emission factors for 2019: European Residual Mixes, 2018.

into the atmosphere.

The distributors, which are located in the operational headquarters at Villa di Serio (BG) and at certain plants, also contribute to Italgem's sustainable mobility policy, which promotes the use of vehicles with reduced environmental impact: in fact, each distributor supplies energy from its hydroelectric plants and helps to recharge the company's pool of vehicles (bicycles and cars).

In 2019, direct (Scope 1) CO₂ equivalent emissions released into the atmosphere by Italgem amounted to only 43 tons, due exclusively to the fuel consumption of the company's car pool. Indirect emissions, from electricity purchased for self-consumption and sale, amounted to 2,913 tons according to the location-based approach²⁵ (3,922 according to the market-based approach²⁶), Italgem thanks to the production of renewable energy, Italgem avoided the emission of 109,957 tons of CO₂ of the production based on the average national energy mix.

3.3.4 WATER MANAGEMENT

Italgem's main sources of water are the Adda, Oglio, Dezzo, Povo, Brembo, Cassiglio, Stabina, Serio, Gesso, Vermenagna and Meschio rivers: almost all of the water is used for production purposes. In particular, it is taken by means of intake works from surface waterways and used by the plants for the production of electricity, after which it is released downstream from the plant. During the production process, the water is not consumed, nor modified in its chemical and physical characteristics. Italgem's commitment to the protection of water basins and biodiversity takes place concretely through the release of the Minimum Vital Runoff, the installation of fish ladders and the repopulation of fish species in the waterways where the plants are located. The amount of water used in turbines for conversion into electricity in 2019 was 5,663 Ml.

Italgem is fully authorised to use water for production purposes, through concessions received in accordance with applicable legislation. The company guarantees constant control of the microclimatic data of the areas where it operates (quantity of rainfall, temperatures, volumes of reservoirs) and is available to provide such data to associations, municipal bodies or anyone who requests it.

Italgem's water withdrawals and discharges concern basins and freshwater streams and do not affect areas subject to water stress.

In the EMAS Environmental Declaration, water supply is assessed as a significant environmental aspect of medium importance, while the use of water for civil use is not significant. As for discharges, art. 114 of Legislative Decree 152/2006 entrusts the Regions with regulation of the returned water used for the production of electricity, effectively subtracting this activity from regulation of the discharges, which can be further divided into civil and atmospheric.

The former are occasional and of low volume, generated by the plants' toilets and conveyed to a pit and then drained by sub-irrigation in the surface layers of the subsoil, subject to authorisation. For the latter, the environmental relevance was assessed as extremely low as no external operating activities are carried out, with the exception of extraordinary maintenance performed during major overhauls of the machinery.

		MI 2019	MI 2018
Water withdrawal	Aqueduct	0.56	0.71
	Ground water	5.71	5.94
	Total	6.27	6.65
	<i>From areas with water stress</i>	0	n.d.
	<i>From freshwater</i>	6.27	n.d.
	<i>From other water (>1.000 Total Dissolved Solids)</i>	6.27	n.d.
		MI 2019	MI 2018
Water discharge	Sewage	0.56	0.71
	Total	0.56	0.71
	<i>To areas with water stress</i>	0	n.d.
	<i>To freshwater</i>	0.56	n.d.
	<i>From other water (>1.000 Total Dissolved Solids)</i>	0.56	n.d.
		MI 2019	MI 2018
Water consumption	Totale	5.71	5.94
	From areas with water stress	0	n.d.

3.3.5 WASTE MANAGEMENT

In its business, Italgas produces special waste, both hazardous and non-hazardous, deriving from plants, as well as urban-type waste produced in the offices.

In the EMAS Environmental Declaration, the production of waste was assessed as a significant environmental aspect, with the exception of the production of "sgrigliato" (detritus caught by a grid).

SPECIAL NON-HAZARDOUS WASTE

The main type of waste managed by Italgas is produced at the intake works where there are grids at the entrance to the plant which retain the so-called "sgrigliato" and which not only ensure proper operation of the plants, but also help clean the water. River water does, in fact, carry a huge amount of suspended material (wood, plants, leaves, plastic and other waste), the quantity of which depends on the flow of the river: the rise in the water level during floods, which affect the natural expansion areas where there are accumulations of deadwood, allows the current to drag everything downstream. The sgrigliato is collected in special bins prior to disposal according to specific procedures.

Other types of special non-hazardous waste are produced by the plants and intake works during normal operations and maintenance. All of the waste produced is stored in dedicated areas of the plants and then transferred to authorised collection centres. Over the last few years, the identification of certain categories of waste has changed, identifying the most appropriate EWC (European Waste Catalogue) codes so that the waste can be recovered.

SPECIAL HAZARDOUS WASTE

The management of hazardous substances is attributable to maintenance activities and the presence of oil in the plants. The process of cooling the oil in the turbines is monitored by specific instrumentation and supervised by the personnel. The adoption of preventive measures, combined with appropriate awareness and staff training, make it possible to control this aspect and to prevent soil and water contamination.

The high voltage electrical transformers present in most hydroelectric power plants are arranged above a specially built containment tank, so that, in the event of an emergency, any leakage of dielectric insulating oil is conveyed to the underground collection tank. Within the EMS, a periodic inspection plan was also provided for the tanks and underground tanks for collecting the transformer oil. The oil used at the shut-off devices is contained in small tanks built above ground, making it easy to detect and resolve any leaks. Italgén has identified lubricating oils for the shut-off devices with environmental guarantees of biodegradability. The commitment is to gradually extend the use of these oils to all plants subject to revamping or plant modifications, as a guarantee of lower environmental impact on water in the event of a leak. The records of the EMS make it possible to document even minor incidents and therefore improve prevention action. Over the last few years, there have been no accidental spillages at any of the plants.

URBAN WASTE

Office waste is picked up by the municipal collection service, in accordance with the current regulations.

WASTE MANAGEMENT AND DISPOSAL METHODS

Waste management activities comply with the regulations (Legislative Decree 152/2006 Part IV). Accordingly, different types of waste are separated at the time of collection and identified with the appropriate EWC code according to its nature and state. Storage and handling take place in conditions that ensure the control of any accidental leaks, using containment basins and absorbent material.

Italgén identifies target indicators for the annual quantities of production and disposal of hazardous and non-hazardous waste, to increase the delivery of waste to processors for recovery and recycling.

Italgén's weight of waste by disposal method

HAZARDOUS WASTE	t 2019	t 2018
Recovery, including energy recovery	8.0	21.2
Landfill	0.2	0
Total	8.2	21.2
NON-HAZARDOUS WASTE	t 2019	t 2018
Recovery, including energy recovery	1,669.9	337.1
Total	1,669.9	337.1

In 2019, the production of hazardous waste more than halved (-62%), due to the lower incidence of extraordinary maintenance and replacement of plants; on the other hand, the volume of special non-hazardous waste from "sgrigliato" increased, mainly as a result of cleaning the bed of the Gesso River at the Borgo San Dalmazzo power plant (Cuneo).

4. RESPONSIBILITY TOWARDS PEOPLE

**ITALMOBILIARE GROUP
EMPLOYEES
BY TYPE OF CONTRACT**
at 12/31/2019

1591

128

93% PERMANENT

7% TEMPORARY

**ITALMOBILIARE GROUP
EMPLOYEES
BY GENDER**
at 12/31/2019

1249

470

73% MEN

27% WOMEN

**GROUP EMPLOYEES
BY TYPE OF EMPLOYMENT**
at 12/31/2019

1652

67

96% FULL TIME

4% PART TIME

The ability to attract and retain people with different and complementary skills and the training of leaders capable of guiding the growth of companies, aligning the interests of management and shareholders and promoting value creation in a sustainable perspective, are fundamental drivers for the development of the Group.

Italmobiliare operates as a responsible and proactive employer, undertaking to guarantee a working environment based on the values of fairness, loyalty, transparency and mutual respect. Employees have the opportunity to best express their potential in a collaborative climate conducive to professional and human development, in full equality of opportunity and treatment and having respect for all forms of diversity. Fundamental in this sense are the definition of transparent and merit-based remuneration policies and training activities aimed at developing new skills, in order to keep pace with the markets as they evolve.

At December 31, 2019, the total workforce of the Italmobiliare Group consists of 1,719 people. As confirmation of the trust that the Group has in its employees, 92.6% are hired on permanent contracts; and by far the majority of them (96.1%) work full-time rather than part-time. Almost 2 out of 3 people (64.3%) are employed in production, while 31.4% are white-collar workers and 4.3% hold managerial positions. 62.2% of the Group's 74 managers were born in the same country (in the case of foreign companies) or in the same region as the operational headquarters in which they work (in the case of Italy), confirming their willingness to develop and enhance preferential skills and energies from local communities.

The types of contracts applied to employees differ according to the companies that employ them. In particular, the Cement and Industry Managers contracts (CCNL) are applied at Italmobiliare and Italgem, the Commerce and Services contract at Clessidra, the Rubber and Plastics Industry contract and the Industry Managers contract at Sirap Group companies based in Italy and the Food Industry contract at Caffè Borbone. Collective bargaining agreements cover 80.7% of the Group's employees. In addition to employees, the Group also uses the services of 176 collaborators, mostly temporary workers or project workers, interns and agents.

During 2019, Group companies had 239 new hires versus 263 resignations, which gave an incoming turnover of 13.9% and an outgoing turnover of 15.3%.

4.1 Enhancement and development of people

4.2 Italmobiliare

At 12/31/2019, Italmobiliare's workforce consists of 37 people, all permanently employed and divided equally between women (51.3%) and men (48.6%).

	2019			2018		
	Men	Women	Total	Men	Women	Total
Permanent employment contract	18	19	37	20	16	36
Fixed term employment contract	0	0	0	0	1	1
Total	18	19	37	20	17	37

4.2.1 HUMAN RESOURCES MANAGEMENT POLICY

In Italmobiliare, the selection and insertion of the human resources required to meet the business's needs (on schedule, with the most suitable contractual types, with the skills and aptitudes required) are regulated by specific internal procedures. The selection process does not in any way discriminate against potential candidates for reasons of nationality, gender, religious belief or age. New employees are given an induction programme by the Head of Human Resources to facilitate their entry into the organisation.

Human resource management, based on the values of correctness, loyalty, transparency and mutual respect, is regulated, from a contractual point of view, in accordance with current labour law. The values expressed by the Code of Ethics represent the rules of conduct which are the basis for professional and personal relationships within the Company.

Each individual's set of relational, intellectual, organisational and technical skills are considered a strategic resource, which Italmobiliare protects and enhances, in the light of Corporate Social Responsibility, so that individual aptitudes find realization and recognition, also through adequate refresher courses. Italmobiliare guarantees equal opportunities and treatment, from all points of view, respecting all types of diversity.

Italmobiliare applies a remuneration policy based on a merit matrix that combines performance and importance of the position on the external market in terms of remuneration.

The offer of additional benefits is an integral part of Italmobiliare's human resource management policy.

A non-occupational life/accident and permanent disability policy is stipulated for both managers and employees and a supplementary pension fund is available to both categories with the Company topping up monthly contributions by a percentage laid down in the national labour contract.

Managers have access to supplementary health insurance that also covers their families. They are assigned a company car for business and private use.

A welfare plan is available for white-collar workers, which allows them to purchase goods and services for themselves and their families (health, leisure, school fees and school books, etc.).

4.2.2 TRAINING

Every year the Human Resources Department plans training initiatives aimed at developing skills and promoting continuous training and updating in support of the development and employability of the staff.

Training activities are planned starting from a needs analysis, commensurate with the role and skills required. This analysis is followed by detailed planning; during the year and after the training has been provided, the activities carried out are monitored and assessed.

In particular, Italmobiliare has identified the need to develop training programmes for the following areas:

- Ethical values, corporate culture and corporate strategies (Legislative Decree 231/2001, the Organisation, Management and Control Model, the Code of Ethics, sustainability, etc.)
- Management training;
- Technical and operational skills;
- Safety and environment;
- Information Systems (Office, digitisation, etc.);
- Regulation/Regulatory aspects (changes in rules, laws, regulations and directives, e.g. GDPR - New Privacy Regulation, Market Abuse Regulation, etc.).

Different methods and times assess the effectiveness of the training according to the type of initiative:

- Learning verification questionnaire;
- Interview with the trainer;
- Certificate issued by the body that provided the training or by a certification body;
- Measurement of the degree of satisfaction of the employees taking part in the courses;
- Assessment by heads of department of the impact of training on the development of their staff's skills and on the application of such skills in performing their duties (on-the-job training).

Together with specific training initiatives, through internal mobility, the Company gives people a chance to broaden their knowledge and skills, at the same time enhancing the sense of belonging to the Company and developing more and more professional capabilities.



The performance assessment of human resources is carried out annually, through direct interviews between the Director of Human Resources and the heads of the department or function in question, as well as through interviews between the latter and their members of staff. Staff performance is assessed:

- from a quantitative point of view, in terms of achieving the expected results for the position held;
- from a qualitative point of view, with reference to soft skills (autonomy, punctuality, pro-activity, continuity, etc.).

4.3 Caffè Borbone

At December 31, 2019, Caffè Borbone had 199 employees, 81.9% of them on permanent contracts. Most of the workforce (83.4%) is involved in production with a distinct prevalence of males (96.0%).

	2019			2018		
	Men	Women	Total	Men	Women	Total
Permanent employment contract	155	8	163	109	6	115
Fixed term employment contract	36	0	36	38	1	39
Total	191	8	199	147	7	154

4.3.1 HUMAN RESOURCES MANAGEMENT POLICY

The personnel selection and insertion procedure involves an initial search for profiles corresponding to the needs in the curricula received by the Company through its website. If none is found, the search is entrusted to leading recruitment agencies. When selecting production and office workers, the Company favours those living locally in order to improve its employment and social impact on the area.

During 2019, as a result of its market success and increase in production volumes, Caffè Borbone increased staff by 45 workers, equal to 29.2% of the personnel at 12/31/2018. Over a third (36.7%) of the new hires are under the age of 30 and come mostly from the Campania region, a significant contribution to local employment.

Employees currently enjoy the following additional benefits:

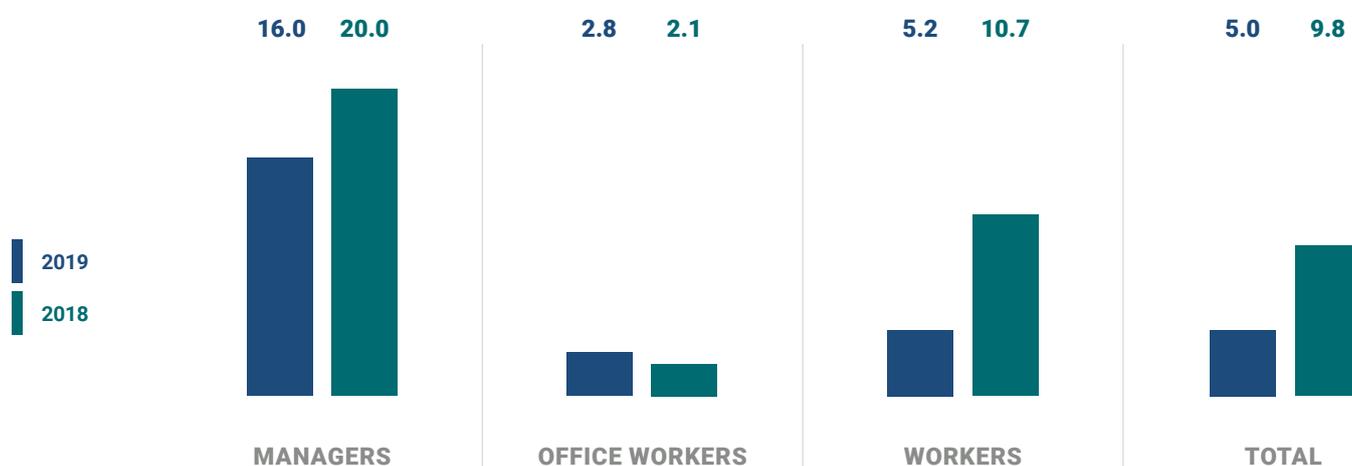
Caffè Borbone's personnel at December 31

- Healthcare for middle managers and managers
- Company car for sales managers, key accounts and visual merchandisers.

4.3.2 TRAINING

In addition to the safety training foreseen in Legislative Decree 81/2008, the company lays down an annual training plan on technical, linguistic and regulatory matters. In 2019, these activities focused on the following areas:

- Technical training for industrial machine workers
- English language courses
- Refresher course on anti-trust legislation.



Annual average hours of training provided by Caffè Borbone

In 2019, a performance evaluation system based on the definition of objectives (MBO) was introduced for all clerical and managerial levels.

4.4 Sirap

Among Italmobiliare's subsidiaries, the Sirap Group has the highest impact in terms of employment, with 1,384 people divided among the 18 European countries where the production sites and sales offices are located. 93.4% are employed under a permanent contract, with 31.0% of women employees.

	2019			2018		
	Men	Women	Total	Men	Women	Total
Permanent employment contract	904	389	1,293	930	338	1,318
Fixed term employment contract	51	40	91	79	50	129
Total	955	429	1,384	1,009	438	1,447

4.4.1 HUMAN RESOURCES MANAGEMENT POLICY

The recruiting, selection and orientation process is governed by the "personnel administration" procedure, which is applied for all staff needs in Italy. Although not explicit in the corporate procedure, it is the Group's practice to give preference to women, assuming they have the same profile, technical skills and characteristics, to balance the number of male employees.

For the first level of the Steering Committee and for the Key Roles, an Induction Program is envisaged to help the insertion of new resources, under the responsibility of the Central HR Recruitment Officer.

A key objective of the Parent Company's HR function is the attraction and recruitment of talented young people, which is pursued through unconventional processes. In 2018-2019 the European Packaging Project was set up to respond to the orientation needs generated by the acquisitions in 2018. This involved launching a communication campaign and employer branding in partnership with Monster and a road show in various Italian and European universities (Nice, Manchester, Lecce, Stuttgart, Hanover, Leeds, Barcelona and Poznan). At the end of the recruitment phase, 16 young Italian, European and non-European talents were selected and they received specific training on Sirap packaging through the corporate Academy, as well as technical training and team working and outdoor activities. The path continued with the assignment of individual projects to each of these new hires, supported by a tutor. Project evaluated positively by the Steering Committee and the CEO were rewarded and the people concerned were hired under an apprenticeship contract.

Sirap offers its employees a wide range of benefits to promote their well-being and help reconcile work and family life.

The company has had a corporate welfare plan since 2016, through which it is possible to take advantage of a wide range of social security, welfare, educational, cultural and recreational services. For production workers and middle managers, the plan is financed through the results-based bonus, for managers through the MBO system. The company encourages the use of these services, increasing the amount allocated by the worker by 10%.

Managers benefit from life insurance, as well as a programme to cover health expenses for themselves and their families, while middle managers have access to the Open Phases supplementary health care fund.

In order to encourage the birth rate, a "marriage and birth prize" is offered to each employee who gets married or has a child after they start working for Sirap; this is worth 250 euro, which the worker can freely spend on consumer goods or services. It also recognises loyalty to the company by rewarding employees after their first year of work in the company and after every 5 years of service. This takes place in convivial surroundings as part of the Christmas festivities.

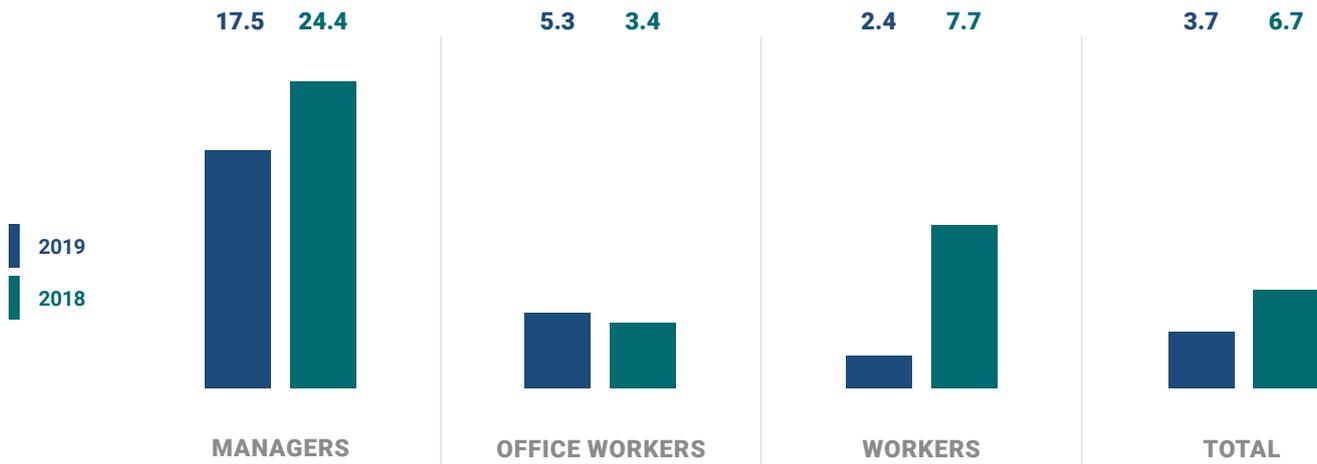
A Car Policy is provided for all Sirap companies which applies to the members of the Group Management Committee, to managers who are entitled to the assignment of company cars for work and private use.

4.4.2 TRAINING

Training in Sirap is a permanent factor for the development and updating of staff skills. It is split into two different areas:

- analysis of needs by function/country and related construction of ad hoc training courses in response to explicit and implicit needs
- construction of recurring training logics for the development of technical skills both hard (with activities carried out in the factories or offices according to a training model) and soft, in the linguistic and behavioural field (people management and communication management).

For each of the courses provided, ad hoc KPIs are set to measure the effective use of the skills learned during the course, subject to quantitative and qualitative monitoring. Particular importance is attached to the tools and opportunities of knowledge sharing as a stimulus to spread the methodological approaches learnt within the organisation.



Average annual hours of training provided by Sirap

For managers and middle managers in key positions, an assessment system and a performance management system (MBO) is envisaged, which provides for the annual review of their potential and skills held according to their activities and role. Specific objectives are assigned at the beginning of the year and then assessed at the end of the year; a bonus up to a certain maximum is then awarded, depending on the position, if these objectives are achieved.

4.5 Italgén

At 12/31/2019, Italgén employs 70 people, all on permanent contracts, most of them male (94.3%).

	2019			2018		
	Men	Women	Total	Men	Women	Total
Permanent employment contract	66	4	70	73	4	77
Fixed term employment contract	0	0	0	0	0	0
Total	66	4	70	73	4	77

Italgén's personnel at December 31

4.5.1 HUMAN RESOURCES MANAGEMENT POLICY

In Italgén, the selection and insertion of the human resources required to meet the business's needs (on schedule, with the most suitable contractual types, with the skills and aptitudes required) are regulated by specific internal procedures. The selection process does not in any way discriminate against potential candidates for reasons of nationality, gender, religious belief or age.

New employees are given an induction programme by the Head of Human Resources to facilitate their entry into the organisation.

Like Italmobiliare, Italgén applies a remuneration policy based on a merit matrix that combines performance and importance of the position on the external market in terms of remuneration.

Italgén provides a wide range of flexible fringe benefits for its employees and managers. A non-occupational life/accident and permanent disability policy is stipulated and a supplementary pension fund is available with the Company topping up monthly contributions by a percentage laid down in the national labour contract. Managers have access to supplementary health insurance that also covers their families. A company car is made available for business and private use. Each year Italgén pays scholarships (from the "school prize fund") to the children of the most deserving employees, to support and encourage excellence at school. Furthermore, during the mandatory period of maternity leave, the mother's pay is supplemented so that she continues to earn 100% of her normal salary.

Starting from 2019, Italgén's employees can also convert all or part of their performance bonus into welfare services, taking advantage of the relief that makes the bonus completely tax-free (health, school, reimbursements and leisure services). Starting from 2019, Italgén's employees also have the possibility of converting all or part of their production bonus into welfare services in the health, education and leisure sectors

4.5.2 TRAINING

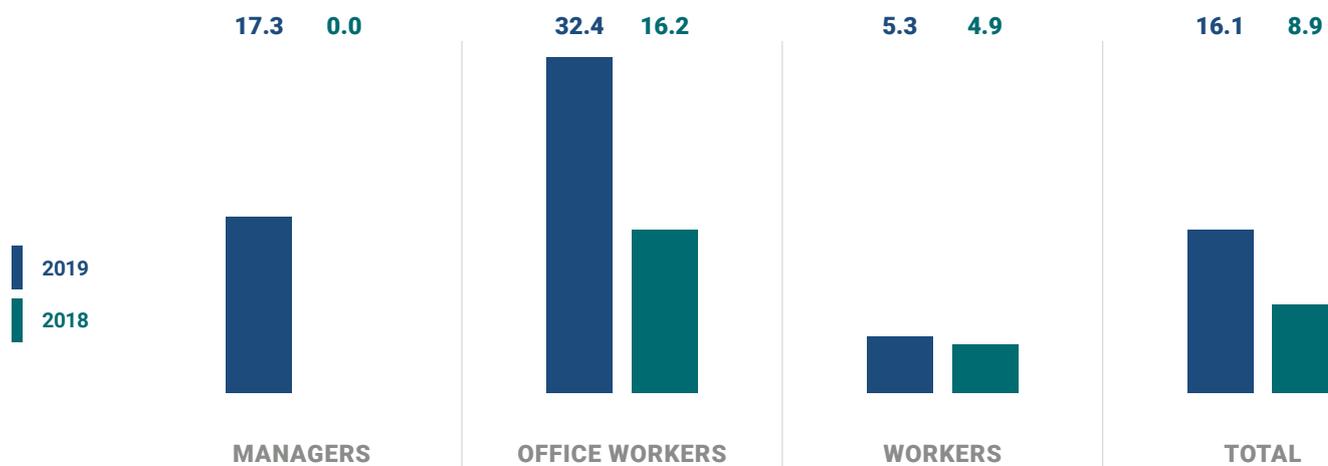
Italgén is attentive to the development and growth of its employees and uses training to obtain a continuous growth of skills and to encourage the diffusion of corporate values and principles.

In addition to compulsory safety training pursuant to Legislative Decree 81/2008, the Human Resources Department plans annual training initiatives aimed at developing skills and continuous updating in the following areas:

- Business ethics and integrity, business strategies and sustainability
- Management training
- Technical and operational skills
- Quality, safety and environment
- Information systems
- Regulation and market.

As regards management training, in 2019 a course was prepared to develop managerial and leadership skills for the 5 Production Area Managers that embraced organisational, planning and control topics, decision making and problem solving, leadership, personnel relations and time management. The 14 Heads of Function, even if formally not managers, also participated in courses on issues of project management and effective communication within the company.

Given the depth of the technical and organisational changes introduced by the project for the automation and remote control of all hydroelectric power plants and related hydraulic works (see p. 2), a specific training course was introduced in 2019 to develop the technical and managerial skills of the positions most affected by the changes.



Average annual hours of training provided by Italgas

The effectiveness of training is subject to constant evaluation, using various methods according to the type of training (on-the-job, during the internal audit, assessment questionnaires and practical tests, obtaining certificates from the provider or certifier).

The skills, behaviours and technical knowledge of the staff are also monitored as part of the performance assessment, which is carried out annually through direct interviews. Employees' performance is assessed from a quantitative point of view, in terms of achieving the expected results, and from a qualitative point of view, in terms of soft skills (ability to work in autonomy, ability to meet deadlines, pro-activity, continuity, etc.).

4.6 Clessidra SGR

The Clessidra team is made up of 29 people, almost all (96.6%) hired on permanent contracts and over a third (34.4%) of them women.

	2019			2018		
	Men	Women	Total	Men	Women	Total
Permanent employment contract	19	9	28	17	8	25
Fixed term employment contract	0	1	1	0	1	1
Total	19	10	29	17	9	26

Clessidra SGR's personnel at December 31

4.6.1 HUMAN RESOURCES MANAGEMENT POLICY

Clessidra has adopted a remuneration and incentive system in line with the long-term corporate strategy, with the objectives, values and interests of the Alternative Investment Funds under management and the related investors, including measures aimed at avoiding conflicts of interest through careful management of corporate risks. The remuneration and incentive policy supports the alignment of interests with investors, financial and socio-environmental performance, corporate values, the development and retention of professional skills. Thereby, the policy gives rise to a continuous interaction that allows constant improvement of the remuneration practices adopted, on the one hand, and, on the other, consolidation of the various elements considered above.

The main benefits envisaged for managers include a private life and accident insurance policy, a medical expenses reimbursement policy and cover in the event of permanent disability from illness, as well as a company car. There is a policy for middle managers and employees for cases of permanent disability due to illness, while a welfare plan is provided for all employees.

4.6.2 TRAINING

The Operations function, which is in charge of personnel management, prepares annually with the support of the Compliance function a training plan to be submitted for examination and approval by the Board of Directors.

Based on the approved plan, the Operations function proposes to recipients that they attend training courses or activities organised within the company or by external bodies. Acceptance by the recipients is in any case subject to authorisation by their direct supervisor, if they have one.

The staff can, on their own initiative, report specific needs and training opportunities that the Operations function evaluates in consultation with the direct supervisors of the employee or collaborator, where present, formulating, if necessary, any alternative proposals.

The Operations function is responsible for tracking the training activities by monitoring the courses carried out, the period that they took place and people who took part, keeping an archive of any certificates of participation.

As regards the recognition of individual performances, the SGR has equipped itself with an internal assessment system for all staff which is based on individual annual objectives (qualitative and quantitative) and on ex-post measurement of their achievement.

The process of evaluating "key personnel" provides for the definition by the Remuneration Committee of the individual objectives consistent with the Company's strategic plan, based on the performance and risk criteria and parameters laid down in this document. Then, with the support of the Chief Executive Officer, the Head of the Investment Team and the Operations function, the Remuneration Committee establishes the objectives to be assigned individually and the weighting in percentage terms of the various parameters, in order to determine the degree of achievement of the objectives on which the annual variable remuneration is based.

The objectives identified by the Committee are included in the individual forms and each employee is required to express their opinion on the degree of achievement of these objectives. The summary of these assessments, prepared by the Operations function, is made available to the Remuneration Committee at the time of the annual assessment. On the basis of the analyses of the achievement of the individual qualitative and quantitative objectives, the Committee determines the percentage of the annual bonus due to each resource.

**Average annual hours
of training provided
by Clessidra SGR**

All Clessidra employees received a periodic assessment of performance and professional development in 2019, in line with previous years.

5. HEALTH AND SAFETY AT WORK

32 The data relating to the accidents of external collaborators only include the categories of temporary workers, self-employed workers, project workers, interns and agents and not other types of non-employed workers who operate at the Group's sites and/or under the control of the Group, in consideration of their significance and the availability of such data over which the Group does not exercise direct control.

An essential condition for the enhancement of Italmobiliare's human capital is the creation of safe workplaces, where people can work serenely and express their skills to the full. With the active support of the holding company, the Group companies are at the forefront of risk prevention and the promotion of a culture of safety, through the implementation of the most suitable management systems to protect the psychological and physical integrity of employees and everyone else who works, has access or spends time in spaces and structures belonging to the Company.

During 2019, 15 recorded accidents took place within the Group, a 46.6% decrease compared with 22 in 2018; one of these, occurred in a production site of Sirap France due to the crushing of a phalanx, has resulted in an absence of more than 180 days. 82.3% of these accidents were at Sirap Group plants, which saw a 21.4% reduction compared with the previous year thanks to the extension of integrated systems for the management of health and safety at work adopted at group level to the companies acquired in 2018 (Sirap UK, Sirap France, Sirap Iberica and Sirap GmbH). During the year, Group companies collected data on accidents of external collaborators and suppliers who work at the production plants and administrative offices³²; there were 2 events involving these categories of workers, out of a total of 279,043 hours worked.

Number and rate of work-related injuries, Italmobiliare Group

33 For comparative purposes, the 2018 data relating to the personnel of the Sirap Group have been restated following a process of improvement of the reporting system implemented during 2019.

Employees of the Group	2019	2018
Number of fatalities as a result of work-related injury	0	0
Number of high-consequence work-related injuries (excluding fatalities)	1	0
Number of recordable work-related injuries	15	22
Number of hours worked	2,488,947	2,485,002 ³³
Multiplier	1,000,000	1,000,000
Rate of fatalities as a result of work-related injury	0	0
Rate of high-consequence work-related injuries (excluding fatalities)	0.40	0
Rate of recordable work-related injuries	6.03	9.15
External workers	2019	2018
Number of fatalities as a result of work-related injury	0	n.a.
Number of high-consequence work-related injuries (excluding fatalities)	0	n.a.
Number of recordable work-related injuries	2	n.a.
Number of hours worked	279,043	n.a.
Multiplier	1,000,000	n.a.
Rate of fatalities as a result of work-related injury	0	n.a.
Rate of high-consequence work-related injuries (excluding fatalities)	0	n.a.
Rate of recordable work-related injuries	7.17	n.a.

For Italmobiliare, safety is closely linked to the psychological and physical well-being of its people, which the Holding Company and Group companies also promote by offering employees a wide range of health and social security benefits.

5.1 Italmobiliare

Italmobiliare S.p.A. considers the creation of safe workplaces as an essential condition for the professional growth and development of its employees. As an employer, the Company operates in compliance with Legislative Decree 81/2008, constantly monitoring the accident trend and providing training and informing workers about general and specific risks related to health and safety in the workplace.

Pursuant to Legislative Decree 81/2008, the Company has appointed an external Head of the Prevention and Protection Service (HPPS). After having carried out an inspection with the employer and the company's Workers' Safety Representative (WSR), the HPPS prepared the Risk Assessment Document (RAD) in which all possible hazards related to the workplace and tasks are identified, suggesting appropriate prevention and protection measures. The document is updated whenever there are significant changes in the organisation of work for the purpose of protecting the health and safety of workers, following significant accidents or when the results of health surveillance highlight the need. It is shared with everyone responsible for the health and safety of workers: employer, WSR, HPPS and company doctor. The company doctor is responsible for carrying out preventive visits during the hiring phase, the annual inspection of all workplaces and an annual programme of surveillance visits.

In addition to the RAD, the Company has adopted an "improvement plan" which lays down the steps to be taken to adjust and monitor the prevention and protection measures. Pursuant to art. 35 of Legislative Decree 81/2008, a periodic meeting is held annually involving the employer, the company doctor, the HPPS and the WSR to update them on the activities carried out during the year and what needs to be done the following year. An internal Emergency Management Team (EMT) has also been appointed. Its members regularly attend refresher courses to update their knowledge of first aid and fire-fighting, which allows them to handle any emergency situations.

All employees and new hires are trained and informed through general and specific safety training courses. In particular, in 2019 the General Maintenance Manager took part in safety courses related to working at heights and elevating platforms in view of the renovation of the Company's headquarters, while all managers have completed the mandatory training courses.

For Italmobiliare, safety is closely linked to the psychological and physical well-being of its people, which it promotes by offering employees health and social security benefits.

For middle managers, office workers and intermediate staff, through the Altea/Unisalute Fund, the Company provides a health plan for medical examinations and specialist tests, which covers all or part of the expense. Once a year, Italmobiliare sends all employees a communication listing all reimbursable services and prevention packages (modular check-ups). Furthermore, through the Company's welfare system, employees can book medical examinations and specialist tests in private/affiliated structures using the credit that they have built up. As for management staff, a free annual check-up is provided at accredited facilities.

During 2019, the Company also launched a corporate health initiative to promote the well-being of its personnel. For this purpose, proposals for outdoor activities such as running and brisk walking were identified, for which the Company has suggested two running and pedestrian paths to discover the city parks closest to the headquarters, providing employees with a suitable environment for changing their clothes.

5.2 Caffè Borbone

Caffè Borbone fulfils its health and safety obligations in accordance with current legislation and has launched an Action Plan, approved by the Board of Directors, which provides for continuous improvement in this area. In order to reduce potential risks, Caffè Borbone uses a prevention system based on continuous training that involves all employees and follows a programme designed to make workers aware of the risks and behavioural methods and to improve levels of health and physical integrity.

The company has adopted a Occupational Health and Safety Management System compliant with the requirements of Legislative Decree 81/2008 which covers all employees, visitors and suppliers periodically present at the Caivano site, with reference to all company activities. The participation of workers in the implementation and evaluation of the health and safety management system takes place formally through the Workers' Safety Representative (WSR), who is appointed by the workers.

The assessment of work-related risks is carried out periodically by an independent entity, in accordance both with the provisions of Legislative Decree 81/2008 and with a methodology that takes into consideration the relationship between sources of danger and categories of operators, divided on the basis of their duties, as well as other factors such as gender, age, origin, etc. The most serious sources of danger identified in the Risk Assessment Document are:

- being hit by passing vehicles and forklifts
- fire due to flammable materials or substances
- being crushed by moving machine parts.

The results of the risk assessment are used to update the Action Plan, with reference to the technical prevention and protection measures and the programme for improving safety levels, as well as for updating the internal signposting and programming of annual training activities.

In order to reduce situations of serious and impending danger, the company adopts an effective system for reporting sources identified by workers or inefficient use of resources and devices, through an immediate communication procedure. Workers also have the possibility of making anonymous reports regarding the presence of risk and possible danger situations in digital form through e-mail and paper, on which an assessment is made to decide if remedial action is required. Internal signposting and communication procedures indicate promptly how to get away from sources of danger and escape routes.

There is the Prevention and Protection Service from internal health and safety risks (PPS), as required by articles 31 et seq. of Legislative Decree 81/2008 and subsequent amendments, coordinated by the HPPS with the managers in charge, the company doctor and the WSR. In the event of accidents, the PPS plans the corrective actions to be put in place together with the manager in charge of the area concerned. The doctor is present at the headquarters to perform the health surveillance tasks required by Legislative Decree 81/2008, which includes carrying out mandatory medical visits when anyone is hired, periodic health checks to prevent the onset of any occupational diseases and any in-depth visits also concerning pathologies not related to the workplace.

Compulsory health and safety training includes a general part aimed at all newly recruited employees regarding regulations, risks and behavioural procedures, and a specific part aimed at those in charge of particular obligations or functions relating to the management of company safety, such as the persons in charge of particular areas, fire-fighters and evacuation workers, first aid workers, WSR.

In order to promote the psychological, physical and relational well-being of employees, the company regularly organises in-house sports tournaments.

5.3 Sirap

Sirap stands out for its particular attention to issues of health and safety in the workplace and for its target of "zero accidents". 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. Sirap has developed a series of communication and operational tools to eliminate accidents.

The main ones include:

- the Safety Policy, an integral part of the "Sustainability - Quality, Health, Safety and Environment" policy;
- "Counting days without accidents";
- the "Blue Cards", paper forms for reporting dangerous conditions and near-accidents;
- safe working procedures (SWP) for the most risky activities;
- the 5ESSE project (separate, sweep, sort, standardise, support) designed to improve safety, productivity and quality and reduce waste;
- the Behaviour Observation System (BOS) which provides for local checks by the COO's office;
- HSE Dialogue Sirap (HSED), an observation system geared to consolidating positive attitudes, actions and behaviour and identifying areas of improvement.

For each location (headquarters, Verolanuova, Castelbelforte, San Vito, Castiglione F.no, Hatvan, Murowana, Noves and Remoulins), an Integrated HSE Management System has been progressively implemented, developed on a voluntary basis for the optimisation and continuous improvement of processes relating to workers' health, safety at work and environmental protection. The system certified according to the international standards ex-OHSAS 18001 and UNI EN ISO 14001, currently covers over two thirds (67.3%) 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 (warehouse and transport activities) of the Italian group companies.

Group companies use a risk identification and assessment system through an integrated process which includes as the main ones:

- Elimination of the source of risk
- Replacement of the source of risk with one of lesser impact
- Structural technical measures
- Organisational measures
- Training
- Health surveillance, carried out by external structures as required by local legislation.

The main hazards identified for the production plants are:

- Being invested by a forklift truck;
- Being crushed and dragged by moving parts
- Machinery or products catching fire;
- Manual handling of loads.

The process of reporting anomalies, risks and dangerous situations by workers through the "blue cards" takes place in complete transparency in order to encourage maximum participation of workers in the accident prevention process. These methods favour transparency and confidentiality, as reporting potentially dangerous situations is a benefit for one's own good and for the good of the community in terms of prevention, health and safety.

Workers actively participate in health and safety prevention initiatives through information sessions, classroom and on-the-job training and through specific channels, including periodic meetings, "5-minute HSE meetings", "HSE dialogues" and application of the 5ESSE programme.

HSE committees have also been set up at each plant, convened by location management, involving the local hierarchy, the PPS, the WSR and, if necessary, the company doctor. At each site, accidents involving employees are analysed to identify their causes and consider preventive measures and suitable protection. Information on accidents is disclosed at Group level, so as to anticipate events at other locations.

The steps taken to reduce risks include interventions that are technical (EC-marked machines equipped with safety systems and subjected to periodic checks, forklifts subjected to periodic checks and equipped with warning systems such as horns, flashing lights and BlueSpot safety lights), procedural (specific procedures, contingency plans) and behavioural through continuous information and staff training. The training courses are split between:

- external courses required by legislation (the basic course on safety and specialist courses for particular tasks or use of equipment);
- internal courses on the cultural approach to health, safety and environmental protection, to promote virtuous behaviour and involvement at all levels.

5.4 Italgas

For Italgas, the protection of health and safety in the workplace are fundamental values to be integrated into all of its activities. Attention to these issues is demonstrated concretely by the Health and Safety Policy, in compliance with Legislative Decree 81/2008, and by the Workplace Health and Safety Management System (WHSMS), implemented voluntarily according to the UNI-INAIL Guidelines, which applies to all employees and staff of external companies entrusted with works and contracts at all company offices.

Personnel are directly involved in the development and review of policies as well as in the identification, assessment and management of risks, through periodic coordination meetings and constant debate.

The company identifies the dangers, assesses the risks and defines the necessary prevention and protection measures in the RAD, prepared in accordance with Legislative Decree 81/2008 and subsequent amendments. The risk analysis takes into consideration legislative compliance, historical background (history of the location, accidents and occupational diseases that occurred previously), context (the company organisation, the health and safety aspects related to individual activities, the infrastructure, equipment and materials present in the workplace) and human resources (the behaviour of the staff and their skills), in order to define objectives and continuous improvement measures appropriate to the specific reality.

The main sources of risk identified in the RAD are:

- Electrical risk;
- Risk for working night shift, at heights and in isolated places;
- Mechanical risk;
- Risk due to use of vehicles for work transfers and commuting.

The staff is specifically informed and trained to respond effectively and safely to routine and non-routine situations, including emergencies or situations of potential risk, in accordance with the Emergency Plan and related procedures. The "Non-Conformity, Corrective Actions and Preventive Actions (NC, CA, PA), dangerous events" Procedure defines the operating procedures with which accidents, near-accidents and episodes of non-conformity with the WHSMS are treated and analysed, in order to take the consequent steps and, where necessary, implement corrective and preventive actions. Employees can report actual or potential violations of the WHSMS to the Supervisory Body anonymously via e-mail or ordinary mail, as foreseen in the whistleblowing system implemented under Model 231.

In the company there is a PPS, coordinated by the HPPS with the managers in charge, the company doctor and the WSR. The Service meets once a year and, informally, when the company doctor carries out his annual inspections. The latter is in charge of the medical surveillance envisaged in art. 41 of Legislative Decree 81/2008, including the medical visits required before issuing his opinion on a person's suitability to do a particular job, with any subsequent investigations and in-depth studies that may be necessary. He also advises the employer on all aspects related to safety and health and gives first-aid training.

In order to verify periodically compliance with the requirements of the WHSMS, including the organisation's legislative compliance and the adequacy of the risk assessment, an Internal Audit Group is also active, coordinated by an external Team Leader, for the performance of an annual Audit Plan.

Employee training takes place through periodic meetings in power plants to discuss safety management, with particular reference to the prevention and protection of risks identified for specific duties.

Italgen's commitment does not stop at the protection of safety in the workplace, but also includes active promotion of the health and well-being of its employees, by offering the same health benefits that Italmobiliare S.p.A. employees can access (see page 2).

5.5 Clessidra SGR

Clessidra has implemented a workplace health and safety management system, pursuant to Legislative Decree 81/2008, which covers all employees and the activities they carry on at the one office in Milan. The Workplace Safety Management System (WSMS) has the purpose of assessing risks, verifying the adequacy of preventive measures and verifying the improvement over time of the measures to guarantee that the health and safety levels already in place get better over time, and possibly integrate or modify it as appropriate. The most serious risks identified are external to the workplace and concern the use of company cars.

The company divulges the WSMS to its employees by distributing documentation and giving suitable training. The employees, on the other hand, are required to report immediately any shortcomings in vehicles and instruments, as well as any dangerous conditions that they become aware of, taking direct action in an emergency to the extent that they are able to.

Clessidra uses a consultancy that carries out preventive activities and is in charge of advising the employer, workers and their representatives in the organisation, on the requirements for establishing and maintaining a healthy and safe working environment, which facilitates optimal physical and mental health in relation to work and adaptation of the job and workers' abilities in light of their physical and mental health.

The PPS meets once a year and/or at the request of one of its members. Refresher courses are held periodically for the specific training of the WSR and compulsory training for employees, as well as a five-year update from the date of the first 6-hour training aimed at all workers. Emergency workers have received adequate specific training and receive periodic updates.

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.

6. RESPONSIBILITY TOWARDS CUSTOMERS AND INVESTORS

Although they operate in different industrial sectors and different markets, Italmobiliare and its subsidiaries 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.

The manufacturing companies (Caffè Borbone and Sirap) are committed to providing safe and high-quality products, while Italgas is committed to guaranteeing maximum reliability and continuity in its electricity production and distribution service. In its Private Equity business, Clessidra protects its investors by adopting the most stringent criteria of transparency and correctness in the information that it provides on investment products.

In 2019, Group companies did not receive any complaints about violations of customer privacy, nor did they suffer any data losses or leaks

6.1 Italmobiliare

6.1.1 RELATIONS WITH THE FINANCIAL COMMUNITY

As regards Italmobiliare, managing shareholder relations has taken on considerable importance with a view to transmitting effectively the value creation potential which is inherent in the Company's investment activity. Relations with Italmobiliare's shareholders are coordinated by the Investor Relator, following the instructions of the Chief Executive Officer and General Manager and in collaboration with the other Departments and Corporate Functions involved.

In order to improve and increase communication with the financial community, Investor Relations during 2019 focused on:

- ensuring stable coverage by leading equity research analysts, with Equita (coverage reactivated in January 2019) and Kepler Cheuvreux (coverage activated in September 2019) which today follow the Italmobiliare stock with constant updates on the Company's activities (e.g. periodic financial results, extraordinary transactions, etc.);
- taking part in the main investor conferences organised by investment banks and Borsa Italiana;
- preparing to join the STAR segment of Borsa Italiana (admission achieved in September 2019) which groups mid-cap companies that undertake to comply with requirements of excellence in terms of transparency, liquidity of the stock and corporate governance.

In support of Investor Relations, in 2019 Italmobiliare renewed its website to improve the usability of information of an economic-financial nature (Investor section) and on the portfolio companies (Activities section) and the related sustainability profiles (Sustainability section). Similarly, in 2019 the Company launched a newsletter for the financial community, with important information on economic and financial performance and significant events for the portfolio companies.

6.1.2 PROTECTION OF PERSONAL DATA

In order to comply with the provisions of EU Regulation 2016/679 of 27 April 2016 ("GDPR") and with Legislative Decree 196/2003 as amended by Legislative Decree 101/2018 ("Privacy Code"), the Italmobiliare Group has established its own Model for the Protection of Personal Data. Through it, the Group intends to guarantee compliance with the rights of data subjects from the processing, fulfil the Group's obligations as Data Controller or Data Processor, prevent possible violations through monitoring and control over the obligations as per the GDPR and the Privacy Code and the implementation of adequate security measures. The Model adopted consists of four distinct areas, each of which covers a specific area of personal data protection management:

- Organisational model, whose objective is to define, regulate and implement structures, committees and roles involved in managing the Model;
- Operating model, designed to regulate and implement the documentation, procedures and self-regulation rules laid down in the Model;
- Architectural model, which defines the set of personal data chosen for the Model and regulates the technologies and tools adopted for their processing;
- Control model, which defines and implements a control system regarding the existence, adequacy and effective application of the Model.

6.2 Caffè Borbone

6.2.1 CONSUMER HEALTH AND SAFETY AND TRANSPARENCY IN PRODUCT INFORMATION

For Caffè Borbone, product quality is an essential element, pursued by adopting international best practices regarding industrial processes and the highest standards of quality, safety and process and product innovation. With a view to continuous improvement of the company's organisation, Caffè Borbone has adopted an internal Quality Management System that is compliant with International Food Standards (IFS) and certified ISO 9001:2015.

The company plans its production by appropriately defining the microbiological, chemical-physical, nutritional and allergenic characteristics. This information is shared with customers, who analyse and approve the technical specifications of the finished product containing the related requirements, reviewed by the entire Hazard Analysis and Critical Control Points (HACCP) team based on the outcome of the analyses, customer requests, regulatory changes and/or updates, changes in raw materials, recipes, packaging and processes that have a direct impact on the finished product.

Quality control takes place from the raw material procurement stage: the process of buying batches of coffee from qualified brokers/intermediaries for shipment involves controlling samples of pre-shipment tests and pre-customs clearance checks of a commodity and organoleptic type, aimed at verifying the quality of the raw coffee received. The quality control function also periodically archives the daily production batches also in order to test them over time.

In order to ensure correct communication of the product's characteristics to the consumer, the information given on the packaging is subject to periodic review to ensure compliance with any regulatory updates.

6.2.2 PROTECTION OF CUSTOMER DATA

Although the company does not process particular sensitive data, it has adopted a data protection model that complies with the EU GDPR, applying the principle of continuous improvement of its systems and procedures with a view to increasingly refined application of the legislation.

6.3 Sirap

6.3.1 CONSUMER HEALTH AND SAFETY AND CORRECTNESS AND TRANSPARENCY IN PRODUCT INFORMATION

One of the focal points of the Group's policy is continuous improvement, which translates into actions to optimise and enhance the effectiveness of the health, safety, quality and environmental management systems. Sirap is constantly striving to ensure the highest quality of its products, subjecting each phase of the production process to more than 1,100 daily checks in all of its factories: overall, more than 200,000 quality controls per year are a guarantee for customers, while consolidating the company's high level of competitiveness. In addition, 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, together with constant process control and the use of suitable raw materials, the production of compliant and healthy products. Specifically, most Sirap plants, with the exception of the Petruzalek plant in Hungary, are ISO 9001 certified for their quality management system.

Each item is accompanied by an information card, which contains the information needed for use and subsequent disposal. For new ranges, a leaflet is prepared with further information on all the technical and commercial aspects of the new products.

In every phase of the product, from design to construction, the correctness of all the information reported in articles and supporting documentation is verified (article sheets; compliance documents; labelling). The verification of technological suitability is validated by specific laboratory tests for each application.

6.3.2 PROTECTION OF CUSTOMER DATA

In order to guarantee the protection of its customers' sensitive data, Sirap has adopted a Privacy Organisational Model pursuant to the EU GDPR similar to that adopted by the parent company, Italmobiliare S.p.A.

6.4 Italgem

6.4.1 CUSTOMER PROTECTION AND TRANSPARENCY IN SERVICE INFORMATION

One of the fundamental objectives of Italgem's mission, as set out in the Quality Policy, is the constant improvement of product and service quality, with a view to guaranteeing customer satisfaction and safety.

In order to ensure production efficiency, continuity of service and timely identification of any critical

issues, Italgas has developed an automated system to constantly monitor the entire production process and the operating parameters of the plants. At the same time, remote-controlled cameras have been installed at the plants, which make it possible for the Control Room to carry out an immediate visual check on all plant and hydraulic works and intervene in real time. Starting from the results of monitoring, conformity assessment and internal audits, opportunities for improvement and updating of the Integrated Management System of products and services are defined.

In 2019 there were four episodes of general interruption of the service for a total of 135 minutes, with an average duration of 34 minutes, whereas there were 12 interruptions, limited to individual distribution lines without affecting the service as a whole, which lasted a total of 33.5 hours. The main cause of these episodes was extreme weather conditions; in particular, 20 hours of interruption were linked to a single episode of trees that fell across power lines due to a heavy snowfall that affected the Val di Scalve on December 20, 2019³⁴. In this sense, Italgas is at the forefront in limiting the impact of increasingly frequent atmospheric events due to climate change, contributing to the maintenance of forest areas close to the plants and transmission networks.

The protection of transparency and correctness of customer information is also a guiding value for Italgas.

Given that an electricity bill is a document that is not particularly easy to understand, together with the tax invoice Italgas attaches a technical document that specifies all of the items that make up the total amount to be paid. The meaning of each item is then explained in another attachment called the Bill Guide. In addition to this, according to the provisions of the Ministerial Decree of 31 July 2009, Italgas shows on the bill and on its website the procurement mix used for supplying end-users.

6.4.2 PROTECTION OF CUSTOMER DATA

In order to ensure compliance with the requirements of the GDPR, Italgas has adopted the data protection model of its parent company, Italmobiliare. Particular attention is also paid to the continuity and protection of production data, as well as the entire production process, thanks to a back-up system that makes it possible to store all the signals. As regards the company's administration systems (ERP/SAP environment), a disaster recovery service has been activated, which backs up the entire database on a daily basis and stores it in a place other than the primary server.

6.5 Clessidra SGR

6.5.1 INVESTOR PROTECTION AND TRANSPARENCY IN PRODUCT INFORMATION

For Clessidra, the quality of the services offered to its investors is of fundamental importance to establish and maintain a good level of relationship. The general objective when communicating with subscribers is to guarantee an adequate and equal level of information for all investors and, at the same time, to safeguard the confidentiality of certain information that has been processed and the successful outcome of ongoing investment/divestment transactions.

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

³⁴ As a consequence of the aforementioned events, in 2019 the average outage duration index (calculated as the ratio between the total duration of outages and the number of plants affected by outages) went from 0.25 to 3.3, while the outage frequency index (calculated as the ratio between the number of interruptions that occurred and the number of plants affected by interruptions) decreased to 0.09 from 0.25 in 2018.

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.

6.5.2 PROTECTION OF CUSTOMER DATA

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 EU Regulation 2016/679 (GDPR). 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.

ANNEX - GRI INDICATORS TABLES

GRI 102-8 Information on employees and other workers

Total number of employees by employment contract (permanent and temporary), by gender, as of 31st December

GRUPPO ITALMOBILIARE

	2019			2018		
	Men	Women	Total	Men	Women	Total
Permanent employment contract	1,162	429	1,591	1,176	444	1,620
Fixed term employment contract	87	41	128	119	50	169
Total	1,249	470	1,719	1,295	494	1,789

ITALY

	2019			2018		
	Men	Women	Total	Men	Women	Total
Permanent employment contract	590	119	709	571	128	699
Fixed term employment contract	41	0	42	59	3	62
Total	631	120	751	630	131	761

FRANCE

	2019			2018		
	Men	Women	Total	Men	Women	Total
Permanent employment contract	196	57	253	200	56	256
Fixed term employment contract	4	0	4	6	4	10
Total	200	57	257	206	60	266

POLAND

	2019			2018		
	Men	Women	Total	Men	Women	Total
Permanent employment contract	132	125	257	111	121	232
Fixed term employment contract	42	36	78	50	43	93
Total	174	161	335	161	164	325

HUNGARY

	2019			2018		
	Men	Women	Total	Men	Women	Total
Permanent employment contract	131	67	198	144	75	219
Fixed term employment contract	0	3	3	4	0	4
Total	131	70	201	148	75	223

UK

	2019			2018		
	Men	Women	Total	Men	Women	Total
Permanent employment contract	63	21	84	100	25	125
Fixed term employment contract	0	0	0	0	0	0
Total	63	21	84	100	25	125

SPAIN

	2019			2018		
	Men	Women	Total	Men	Women	Total
Permanent employment contract	42	32	74	41	30	71
Fixed term employment contract	0	0	0	0	0	0
Total	42	32	74	41	30	71

GERMANY

	2019			2018		
	Men	Women	Total	Men	Women	Total
Permanent employment contract	8	8	16	9	9	18
Fixed term employment contract	0	1	1	0	0	0
Total	8	9	17	9	9	18

Employees with full-time and part-time contracts by gender, as of 31st December

ITALMOBILIARE GROUP

	2019			2018		
	Men	Women	Total	Men	Women	Total
Full-Time	1,229	423	1,652	1,276	439	1,715
Part-Time	20	47	67	19	55	74
Total	1,249	470	1,719	1,295	494	1,789

External workers by gender, as of 31st December

GRUPPO ITALMOBILIARE GROUP

	2019	2018
Temporary workers, self-employed workers, external collaborators	156	191
Interns	4	8
Agents	16	21
Total	176	220

GRI 102-9 Supply chain

List of main types of goods and services supplied to the Italmobiliare Group

ITALMOBILIARE SPA	ITALGEN
Management software	Supply, installation, implementation and maintenance of mechanical, electrical and instrumental equipment for power plants
Consulting services	Renovation and/or repair of buildings, intake and derivation works
CAFFÈ BORBONE	SIRAP
Raw coffee	GPPS, PET purchases
Packaging materials	Transport services
Transport services	Utilities
CLESSIDRA	
Management software	
Consulting services	

The total number of suppliers in the reporting period is 3,829.

Company	Number of suppliers 2019	Number of suppliers 2018
Total	3,829	5,500

102-13 - Membership of associations and external initiatives

ITALMOBILIARE S.p.A.	SIRAP GEMA S.p.A.
Assonime	Industrial Association of Brescia, Mantua, Arezzo and Pordenone
Assolombarda	Unionplast
AIDAF - Associazione Italiana delle Aziende Familiari	ITALGEN S.p.A.
American Chamber of Commerce in Italy	Confindustria Bergamo
Business Forum Italy - Thailand	Elettricità Futura
Italian-Egyptian Business Council	CLESSIDRA SGR
ISPI - Istituto per gli Studi di Politica Internazionale	AIFI
Italian Initiative Group of the Italian Embassy in Brussels	Invest Europe
EuropeanIssuers	AODV (Association of Members of Supervisory Bodies)
	UN-PRI
	CAFFÈ BORBONE
	CONFIDA - Associazione Italiana Distribuzione Automatica

GRI 102-41 Collective bargaining agreements

Company	Contract	Percentage of total employees covered in 2019	Percentage of total employees covered in 2018
ITALMOBILIARE	CCNL Cement and CCNL Industry Managers	100%	100%
ITALGEN	CCNL Cement and CCNL Industry Managers	100%	100%
CLESSIDRA	CCNL Commerce and Services	100%	100%
SIRAP	CCNL Rubber and Plastic Industry and CCNL Industry Managers	78.1%	74.7%
CAFFÈ BORBONE	CCNL Food Industry	100%	100%
GROUP TOTAL		82.3%	79.0%

Conversion factors used

Energy consumption conversion factors	U.M	2019	2018	Sources
Electricity	GJ/kWh	0.0036	0.0036	UK Government - GHG Conversion Factors for Company Reporting 2018/2019
Natural gas (methane)	GJ/t	48.38	44.798	UK Government - GHG Conversion Factors for Company Reporting 2018/2019
Natural gas (methane)	Kg/mc	0.75	0.8	UK Government - GHG Conversion Factors for Company Reporting 2018/2019
Natural gas (methane)	GJ/mc	0.036285	0.0358384	UK Government - GHG Conversion Factors for Company Reporting 2018/2019
Gas oil	GJ/t	42.569	42.569	UK Government - GHG Conversion Factors for Company Reporting 2018/2019
Gas oil	l/t	1171	1171	UK Government - GHG Conversion Factors for Company Reporting 2018/2019
Gas oil	GJ/l	0.03635269	0.03635269	UK Government - GHG Conversion Factors for Company Reporting 2018/2019
Diesel	GJ/t	42.79	42.72	UK Government - GHG Conversion Factors for Company Reporting 2018/2019
Diesel	l/t	1192	1190.45	UK Government - GHG Conversion Factors for Company Reporting 2018/2019
Petrol	GJ/t	43.92	43.86	UK Government - GHG Conversion Factors for Company Reporting 2018/2019
Petrol	l/t	1340	1357	UK Government - GHG Conversion Factors for Company Reporting 2018/2019
Petrol	GJ/l	0.032776119	0.032321297	UK Government - GHG Conversion Factors for Company Reporting 2018/2019
LPG	GJ/t	45.92	45.91	UK Government - GHG Conversion Factors for Company Reporting 2018/2019
LPG	l/t	1934	1929	UK Government - GHG Conversion Factors for Company Reporting 2018/2019
LPG	GJ/l	0.023743537	0.023799896	UK Government - GHG Conversion Factors for Company Reporting 2018/2019

GRI 302-1 Energy consumption within the organisation, split between renewable and non-renewable sources

Italmobiliare Group

ELECTRICITY	Total	Total GJ 2019	Total	Total GJ 2018
Electricity purchased ³⁵	193,758,335 kWh	697,530	150,241,848 kWh	540,871
Self-produced renewable energy	306,286,458 kWh	1,102,631	289,545,601 kWh	1,042,364
Electricity sold	397,839,577 kWh	1,432,608	333,970,002 kWh	1,202,292
<i>Of which renewable</i>	306,286,457 kWh	1,102,631	289,473,002 kWh	1,042,103
Electricity consumed	102,097,991 kWh	367,553	105,817,448 kWh	380,943
NON-RENEWABLE FUELS	Totale 2019	Totale GJ 2019	Totale 2018	Totale GJ 2018
Natural gas	3,273,081 m3	117,302	3,384,594 m3	122,810
Diesel	77,849 lt	2,799	89,217 lt	3,207
<i>Of which used for production and heating processes</i>	11,776 lt	418	9,805 lt	356
<i>of which for automotive</i>	66,073 lt	2,371	79,412 lt	2,851
Gasoline for automotive	5,733 lt	185	6,684 lt	219
LPG	80,798 lt	1,918	n.a.	n.a.
<i>of which used for forklifts</i>	79,764 lt	1,894	n.a.	n.a.
<i>of which for automotive</i>	1,034 lt	25	n.a.	n.a.
Total energy consumed	n.a.	491,703	n.a.	508,607³⁶
<i>of which renewable</i>	<i>n.a.</i>	<i>0</i>	<i>n.a.</i>	<i>261</i>

³⁵ The Group did not acquire Guarantee of Origin certificates for the purchase of energy from renewable sources neither in 2019 nor in 2018.

³⁶ For comparative purposes, the 2018 data relating to the energy consumed of the Italmobiliare Group have been restated following an improvement process of the reporting system implemented during 2019. For previously published data, see the Report of Sustainability 2018, published in the Sustainability section of the website www.italmobiliare.it

Emission factors used

Emission conversion factors	U.M	2019	2018	Fonti
Natural Gas (Methane)	tCO ₂ e/mc	0.00204652	0.00203053	UK Government - GHG Conversion Factors for Company Reporting 2018/2019
Butane Gas	tCO ₂ e/kg	0.003	0.003	UK Government - GHG Conversion Factors for Company Reporting 2018/2019
Gas Oil	tCO ₂ e/l	0.00297049	0.00275821	UK Government - GHG Conversion Factors for Company Reporting 2018/2019
Diesel	tCO₂e/l	0.00262694	0.00259411	UK Government - GHG Conversion Factors for Company Reporting 2018/2019
Petrol	tCO ₂ e/l	0.00220307	0.00220904	UK Government - GHG Conversion Factors for Company Reporting 2018/2019
LPG	tCO ₂ e/l	0.00151906	0.0015226	UK Government - GHG Conversion Factors for Company Reporting 2018/2019
R-407C	GWP	1774		European Regulation on fluorinated greenhouse gases 517/2014
HFC R134	GWP	1100		European Regulation on fluorinated greenhouse gases 517/2014
R-22	GWP	1810		European Regulation on fluorinated greenhouse gases 517/2014
R-404A	GWP	3922		European Regulation on fluorinated greenhouse gases 517/2014
Location-based electricity				
<i>Italy</i>	tCO ₂ /kWh	0.000359	0.000360	Terna, International Comparisons 2017, 2016
<i>France</i>	tCO ₂ /kWh	0.000072	0.000053	Terna, International Comparisons 2017, 2016
<i>U.K.</i>	tCO ₂ /kWh	0.000285	0.000310	Terna, International Comparisons 2017, 2016
<i>Spain</i>	tCO ₂ /kWh	0.000296	0.000254	Terna, International Comparisons 2017, 2016
<i>Poland</i>	tCO ₂ /kWh	0.000765	0.000783	Terna, International Comparisons 2017, 2016
<i>Hungary</i>	tCO ₂ /kWh	0.000277	0.000288	Terna, International Comparisons 2017, 2016
Electricity Market based				
<i>Italy</i>	tCO ₂ /kWh	0.00048329	0.00047653	European Residual Mixes 2018, 2017
<i>France</i>	tCO ₂ /kWh	0.00005123	0.00005734	European Residual Mixes 2018, 2017
<i>U.K.</i>	tCO ₂ /kWh	0.00038052	0.00036652	European Residual Mixes 2018, 2017
<i>Spain</i>	tCO ₂ /kWh	0.00044839	0.00044638	European Residual Mixes 2018, 2017
<i>Poland</i>	tCO ₂ /kWh	0.00089712	0.00083455	European Residual Mixes 2018, 2017
<i>Hungary</i>	tCO ₂ /kWh	0.00034537	0.0003414	European Residual Mixes 2018, 2017

GRI 305 -1 Direct (Scope 1) GHG emissions

Direct emissions of CO₂

GRUPPO ITALMOBILIARE

Source	t CO ₂ 2019	t CO ₂ 2018
Natural gas	6,638.5	6,926.6
Butane gas	3,552.3	3,575.2
Diesel	290.0	743.9
<i>for power supply plants and heating</i>	32	25.8
<i>for automotive</i>	260.2	718.1
Automotive petrol	12.7	100.0
LPG	122.7	n.a.
for forklifts	121.1	n.a.
for automotive	1.6	n.a.
Total	10,616.2	11,345.7

F-Gas	Kg 2019	t CO ₂ e 2019	Kg 2018	t CO ₂ e 2018
HFC R134	70	77	-	-
R-407C	160	283	94	166
R-22	-	-	4	7
R-404A	-	-	5	18

GRI 305-2 Energy indirect (Scope 2) GHG emissions. Location-based method broken down by country

Italmobiliare Group

Source	t CO ₂ 2019	t CO ₂ 2018
Electricity - Italy	18,688.6	19,023.1
Electricity - France	1,626.8	1,181.7
Electricity - U.K.	3,251.6	4,451.5
Electricity - Spain	777.5	649.9
Electricity - Poland	9,192.8	9,347.9
Electricity - Hungary	385.9	504.0
Total	33,923.2	35,158.1

GRI 305-2 Energy indirect (Scope 2) GHG emissions. Market-based method broken down by country

Italmobiliare Group

Source	t CO ₂ 2019	t CO ₂ 2018
Electricity - Italy	25,158.7	25,180.8
Electricity - France	1,157.5	1,278.4
Electricity - U.K.	4,341.5	5,263.2
Electricity - Spain	1,177.8	1,142.2
Electricity - Poland	10,780.4	9,963.3
Electricity - Hungary	481.2	597.4
Total	43,097.1	43,425.3

GRI 303-3/4/5 Water withdrawal, Water discharge and Water consumption

Water withdrawal of Group Italmobiliare		
Source	Megaliters (MI) 2019	Megaliters (MI) 2018
Surface water	0.59	0.82
<i>of which from areas with water stress</i>	0	<i>n.a.</i>
Groundwater	515.23	463.58
<i>of which from areas with water stress</i>	11.14	3.10
Third-party water	22.22	27.19
<i>of which from areas with water stress</i>	1.30	1.30
Total	538.03	491.59
of which from areas with water stress	12.44	<i>n.a.</i>
Total withdrawal of freshwater (≤1,000 mg/L Total Dissolved Solids)	538.03	<i>n.a.</i>
Total withdrawal of other water (>1,000 mg/L Total Dissolved Solids)	0	<i>n.a.</i>
Water discharge of Group Italmobiliare		
Destination	Megaliters (MI) 2019	Megaliters (MI) 2018
Surface water	415.25	377.60
<i>of which from areas with water stress</i>	0	<i>n.a.</i>
Groundwater	0	0
<i>of which from areas with water stress</i>	0	<i>n.a.</i>
Sewage	27.05	31.38
<i>of which from areas with water stress</i>	1.30	<i>n.a.</i>
Total	442.30	488.98
<i>of which from areas with water stress</i>	1.30	1.30
Total withdrawal of freshwater (≤1,000 mg/L Total Dissolved Solids)	434.35	<i>n.a.</i>
Total withdrawal of other water (>1,000 mg/L Total Dissolved Solids)	7.39	<i>n.a.</i>
Water consumption of Group Italmobiliare		
	Megaliters (MI) 2019	Megaliters (MI) 2018
Total	95.73	82.61
<i>of which from areas with water stress</i>	11.14	3.10

GRI 306 Waste by type and disposal method

GROUP ITALMOBILIARE	Non-hazardous wastes (t)		Hazardous wastes (t)	
	2019	2018	2019	2018
Reuse	-	6.4	0.0	0.0
Recycling	2,428.4	1,301.4	16.5	2.0
Recovery included energy recovery	5,066.4	3,213.6	25.6	33.8
Composting	235.1	273.0	0.4	0.9
Incineration	25.8	-	0.9	1.5
Landfill	1,256.8	1,234.1	114.5	131.5
On-site storage	-	-	0.0	0.0
Total	9,328.1	6,367.8	157.7	169.7

GRI 401-1 Total number and rate of new hires and turnover rate by age group, gender and region during the period 2018-2019

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.

Number of new hires in Italmobiliare Group

ITALMOBILIARE GROUP

	2019				2018			
	<30	30-50	>50	Total	<30	30-50	>50	Total
Man	52	94	19	165	107	117	15	239
Woman	18	39	17	74	22	40	20	82
Total	70	133	36	239	129	157	35	321

Number of resignations in Italmobiliare Group

ITALMOBILIARE GROUP

	2019				2018			
	<30	30-50	>50	Total	<30	30-50	>50	Total
Man	35	89	59	183	62	98	46	206
Woman	15	39	26	80	22	49	33	104
Total	50	128	85	263	84	147	79	310

Number of rates of new hires and resignations in Italmobiliare Group by country

ITALY

	2019					2018				
	<30	30-50	>50	Total	Rate %	<30	30-50	>50	Total	Rate %
NEW HIRES										
Women	2	9	2	13	16.5	2	4	3	9	6.9
Men	10	16	3	29	8.6	49	55	6	110	17.5
Total	12	25	5	42	10.1	51	59	9	119	15.6
Rate %	25.0	10.0	4.2	10.1		48.1	13.3	4.3	15.6	
RESIGNATIONS										
Women	1	3	2	6	76	3	7	5	15	11.5
Men	11	14	16	41	12.2	13	43	25	81	12.9
Total	12	17	18	47	11.3	16	50	30	96	12.6
Rate %	25.0	6.8	15.1	15.1		15.1	11.2	14.3	12.6	

FRANCE

	2019					2018				
	<30	30-50	>50	Total	Rate %	<30	30-50	>50	Total	Rate %
NEW HIRES										
Women	1	2	0	3	5.3	5	3	1	9	5.8
Men	4	5	1	10	5.0	9	3	0	12	15
Total	5	7	1	13	5.1	14	6	1	21	7.9
Rate %	41.7	4.4	1.2	5.1		127.3	3.4	1.3	7.9	
RESIGNATIONS										
Women	0	4	2	6	10.5	4	1	5	10	16.7
Men	2	7	7	16	8.0	8	7	3	18	8.7
Total	2	11	9	22	8.6	12	8	8	28	10.5
Rate %	16.7	6.9	10.5	8.6		109.1	4.5	10.3	10.5	

HUNGARY

	2019					2018				
	<30	30-50	>50	Total	Rate %	<30	30-50	>50	Total	Rate %
NEW HIRES										
Women	5	9	4	18	25.7	4	12	0	16	21.3
Men	4	16	5	25	19.1	6	14	1	21	14.2
Total	9	25	9	43	21.4	10	26	1	37	16.6
Rate %	52.9	18.0	20.0	21.4		52.6	15.8	2.5	16.6	
RESIGNATIONS										
Women	5	16	2	23	32.9	1	9	1	11	14.7
Men	6	26	10	42	32.1	2	12	5	19	12.8
Total	11	42	12	65	32.3	3	21	6	30	13.5
Rate %	64.7	30.2	26.7	32.3		15.8	12.8	15.0	13.5	

POLAND

	2019					2018				
	<30	30-50	>50	Total	Rate %	<30	30-50	>50	Total	Rate %
NEW HIRES										
Women	7	15	9	31	19.3	4	12	15	31	18.9
Men	13	19	5	37	21.3	10	24	4	38	23.6
Total	20	34	14	68	20.3	14	36	19	69	21.2
Rate %	48.8	20.0	11.3	20.3		29.2	23.7	15.2	21.2	
RESIGNATIONS										
Women	6	11	17	34	21.1	10	21	21	52	31.7
Men	6	15	3	24	13.8	10	16	9	35	21.7
Total	12	16	20	58	17.3	20	37	30	87	26.8
Rate %	29.3	15.3	16.1	17.3		41.7	24.3	24.0	26.8	

SPAIN

	2019					2018				
	<30	30-50	>50	Total	Rate %	<30	30-50	>50	Total	Rate %
NEW HIRES										
Women	0	1	1	2	6.3	4	3	0	7	22.6
Men	0	3	1	4	9.5	0	4	0	4	10.0
Total	0	4	2	6	8.1	4	7	0	11	15.5
Rate %	0.0	10.0	6.7	8.1		66.7	17.5	0.0	15.5	
RESIGNATIONS										
Women	0	0	1	1	3.1	0	3	0	3	9.7
Men	0	2	0	2	4.8	0	1	0	1	7.5
Total	0	2	1	3	4.1	0	4	0	4	5.6
Rate %	0.0	5.0	3.3	4.1		0.0	10	0.0	5.6	

UK

	2019					2018				
	<30	30-50	>50	Total	Rate %	<30	30-50	>50	Total	Rate %
NEW HIRES										
Women	0	0	0	0	0.0	2	6	0	8	32.0
Men	2	3	1	6	9.5	32	15	3	50	50.0
Total	2	3	1	6	7.1	34	21	3	58	46.4
Rate %	15.4	7.1	3.4	7.1		141.7	32.3	8.3	46.4	
RESIGNATIONS										
Women	2	2	1	5	23.8	2	6	0	8	32.0
Men	8	19	15	42	66.7	29	18	3	50	50.0
Total	10	21	16	47	56.0	31	24	3	58	46.4
Rate %	76.9	50.0	55.2	56.0		129.2	36.9	8.3	46.4	

GERMANY

	2019					2018				
	<30	30-50	>50	Total	Rate %	<30	30-50	>50	Total	Rate %
NEW HIRES										
Women	1	1	1	3	33.3	1	0	1	2	22.2
Men	0	0	1	1	12.5	1	2	1	4	44.4
Total	1	1	2	4	23.5	2	2	2	6	33.3
Rate %	33.3	11.1	40.0	23.5		50.0	22.2	40.0	33.3	
RESIGNATIONS										
Women	1	2	0	3	33.3	2	2	1	5	55.6
Men	1	0	1	2	25.0	0	1	1	2	33.3
Total	2	2	1	5	29.4	2	3	2	7	38.9
Rate %	66.7	22.2	20.0	29.4		50.0	33.3	40.0	38.9	

GRI 403-9 The number and rate of recordable work-related injuries with high-consequence work-related injuries and/or fatalities, divided by employees and external staff and by countries during the period 2018-2019

The recordable rate of work-related injuries is the ratio between the number of recordable work-related injuries and the number of hours worked, multiplied by 1,000,000.

The rate of high-consequence work-related injuries is the ratio between the number of high-consequence work-related injuries and the number of hours worked, multiplied by 1,000,000. 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.

The rate of deaths resulting from accidents at work is determined by the ratio between the number of deaths resulting from work-related accidents and the number of hours worked, multiplied by 1,000,000.

Data do not include injuries as a result of commuting incidents where the transport has not been organized by the organization.

ITALMOBILIARE GROUP	2019	2018
Number of fatalities as a result of work-related injury	0	0
Number of high-consequence work-related injuries (excluding fatalities)	1	0
Number of recordable work-related injuries	15	22
Number of hours worked	2,488,947	2,642,300
Rate of fatalities as a result of work-related injuries	0.0	0.0
Rate of high-consequence work-related injuries (excluding fatalities)	0.40	0.0
Rate of recordable work-related injuries	6.03	8.30

ITALY	2019	2018
Number of fatalities as a result of work-related injury	0	0
Number of high-consequence work-related injuries (excluding fatalities)	0	0
Number of recordable work-related injuries	6	8
Number of hours worked	1,194,622	1,124,120
Rate of fatalities as a result of work-related injuries	0.0	0.0
Rate of high-consequence work-related injuries (excluding fatalities)	0.0	0.0
Rate of recordable work-related injuries	5.02	7.1

FRANCE	2019	2018
Number of fatalities as a result of work-related injury	0	0
Number of high-consequence work-related injuries (excluding fatalities)	1	0
Number of recordable work-related injuries	2	5
Number of hours worked	386,417	397,051
Rate of fatalities as a result of work-related injuries	0.0	0.0
Rate of high-consequence work-related injuries (excluding fatalities)	2.59	0.0
Rate of recordable work-related injuries	5.18	12.6

HUNGARY	2019	2018
Number of fatalities as a result of work-related injury	0	0
Number of high-consequence work-related injuries (excluding fatalities)	0	0
Number of recordable work-related injuries	0	0
Number of hours worked	65,956	75,103
Rate of fatalities as a result of work-related injuries	0.0	0.0
Rate of high-consequence work-related injuries (excluding fatalities)	0.0	0.0
Rate of recordable work-related injuries	0.0	0.0

UK	2019	2018
Number of fatalities as a result of work-related injury	0	0
Number of high-consequence work-related injuries (excluding fatalities)	0	0
Number of recordable work-related injuries	1	3
Number of hours worked	207,910	256,540
Rate of fatalities as a result of work-related injuries	0,0	0.0
Rate of high-consequence work-related injuries (excluding fatalities)	0,0	0.0
Rate of recordable work-related injuries	4.81	11.7

POLAND	2019	2018
Number of fatalities as a result of work-related injury	0	0
Number of high-consequence work-related injuries (excluding fatalities)	0	0
Number of recordable work-related injuries	5	1
Number of hours worked	527,021	645,559
Rate of fatalities as a result of work-related injuries	0,0	0.0
Rate of high-consequence work-related injuries (excluding fatalities)	0,0	0.0
Rate of recordable work-related injuries	9.49	1.5

SPAIN	2019	2018
Number of fatalities as a result of work-related injury	0	0
Number of high-consequence work-related injuries (excluding fatalities)	0	0
Number of recordable work-related injuries	1	5
Number of hours worked	107,021	143,927
Rate of fatalities as a result of work-related injuries	0.0	0.0
Rate of high-consequence work-related injuries (excluding fatalities)	0.0	0.0
Rate of recordable work-related injuries	9.34	34.7

404-1 Average hours of training that the organisation's employees have undertaken during the period 2018-2019 by gender and employee category

Average hours of training per employee are the ratio between the total number of training hours provided to employees and the total number of employees.

Average hours training per female employee are the ratio between the total number of training hours provided to female employees and the total number of female employees. Average hours training per male employee are the ratio between the total number of training hours provided to male employees and the total number of male employees.

404-1 HOURS OF TRAINING

ITALMOBILIARE GROUP	Hours		Average	
	2019	2018	2019	2018
Managers	1,237	1,545	16.7	17.4
Men	784	1,272	13.1	17.4
Women	453	274	32.3	17.1
Office workers	4,161	2,479	7.7	4.5
Men	2,407	1,279	7.8	3.9
Women	1,754	1,200	7.6	5.3
Production workers	4,534	8,840	4.1	7.7
Men	3,219	8,024	3.7	8.9
Women	1,515	816	5.8	3.3
Total	9,931	12,864	5.8	7.2
Men	6,410	10,574	5.1	8.2
Women	3,522	2,290	7.5	4.6

404-1 HOURS OF TRAINING

ITALMOBILIARE S.P.A.	Hours		Average	
	2019	2018	2019	2018
Managers	321	515	21.4	34.3
Men	152	373	13.8	33.9
Women	169	142	42.1	35.5
Office workers	734	277	33.3	12.6
Men	271	98	38.7	16.2
Women	463	179	30.8	11.2
Production workers	-	-	-	-
Men	-	-	-	-
Women	-	-	-	-
Total	1,054	791	28.5	23.4
Men	423	470	23.5	25.0
Women	631	321	33.2	23.3

404-1 HOURS OF TRAINING

CLESSIDRA SGR	Hours		Average	
	2019	2018	2019	2018
Managers	172	73	10.8	6.1
Men	136	10	9.7	9.5
Women	36	63	18.0	5.7
Office workers	122	36	9.9	2.6
Men	122	16	24.4	2.0
Women	0	20	0.0	3.3
Production workers	-	-	-	-
Men	-	-	-	-
Women	-	-	-	-
Total	294	109	10.1	4.2
Men	258	26	13.6	5.7
Women	36	83	3.6	4.5

404-1 HOURS OF TRAINING

ITALGEN	Hours		Average	
	2019	2018	2019	2018
Managers	69	0	17.3	0.0
Men	69	0	17.3	0.0
Women	0	0	0.0	0.0
Office workers	843	471	32.4	16.2
Men	823	427	37.4	17.1
Women	20	44	5.0	11.0
Production workers	213	217	5.3	4.9
Men	213	217	5.3	4.9
Women	0	0	0.0	0.0
Total	1,125	688	16.1	8.9
Men	1,105	644	16.7	8.8
Women	20	44	5.0	11.0

404-1 HOURS OF TRAINING

CAFFÈ BORBONE	Hours		Average	
	2019	2018	2019	2018
Managers	64	80	16.0	20.0
Men	48	80	16.0	26.7
Women	16	0	16.0	0.0
Office workers	80	40	2.8	2.1
Men	72	24	3.3	1.7
Women	8	16	1.1	2.7
Production workers	856	1,396	5.2	10.7
Men	856	1,396	5.2	10.7
Women	0	0	0.0	0.0
Total	1,000	1,516	5.0	9.8
Men	976	1500	5.1	10.2
Women	24	16	3.0	2.3

404-1 HOURS OF TRAINING

SIRAP	Hours		Average	
	2019	2018	2019	2018
Managers	611	878	17.5	24.4
Men	379	756	13.5	24.4
Women	232	122	33.1	24.3
Office workers	2,382	1,629	5.3	3.4
Men	1,119	692	4.4	2.6
Women	1,264	937	6.4	4.5
Production workers	2,117	7,199	2.4	7.7
Men	1,469	6,384	2.2	9.3
Women	648	816	2.9	3.6
Total	5,110	9,707	3.7	6.7
Men	2,967	7,832	3.1	7.8
Women	2,144	1,875	5.0	4.3

GRI 404-3 Percentage of employees receiving regular performance and career development reviews

404-3 STAFF PERFORMANCE REVIEW

ITALMOBILIARE GROUP	2019				2018			
	Managers	Office workers	Production workers	Total	Managers	Office workers	Production workers	Total
Men	58	104	37	199	58	97	106	261
Men (%)	96.7%	33.9%	4.2%	16.0%	79.5%	29.9%	11.8%	20.2%
Women	11	43	29	83	12	76	14	102
Women (%)	78.5%	18.5%	12.9%	17.6%	75.0%	33.5%	5.6%	20.6%
Total	69	147	66	282	70	173	120	363
Total (%)	93.2%	27.3%	6.0%	16.4%	78.7%	31.4%	10.4%	20.3%

404-3 STAFF PERFORMANCE REVIEW

ITALMOBILIARE S.P.A.	2019				2018			
	Managers	Office workers	Production workers	Total	Managers	Office workers	Production workers	Total
Men	11	7	-	18	12	9	-	21
Men (%)	100.0%	100.0%	-	100.0%	100.0%	100.0%	-	100.0%
Women	4	15	-	19	5	18	-	23
Women (%)	100.0%	100.0%	-	100.0%	100.0%	100.0%	-	100.0%
Total	15	22	-	37	17	27	-	44
Total (%)	100.0%	100.0%	-	100.0%	100.0%	100.0%	-	100.0%

404-3 STAFF PERFORMANCE REVIEW

CLESSIDRA SGR	2019				2018			
	Managers	Office workers	Production workers	Total	Managers	Office workers	Production workers	Total
Men	14	5	-	19	11	6	-	17
Men (%)	100.0%	100.0%	-	100.0%	100.0%	100.0%	-	100.0%
Women	2	8	-	10	1	8	-	9
Women (%)	100.0%	100.0%	-	100.0%	100.0%	100.0%	-	100.0%
Total	16	13	-	29	12	14	-	26
Total (%)	100.0%	100.0%	-	100.0%	100.0%	100.0%	-	100.0%

404-3 STAFF PERFORMANCE REVIEW

ITALGEN	2019				2018			
	Managers	Office workers	Production workers	Total	Managers	Office workers	Production workers	Total
Men	4	22	0	26	4	25	0	29
Men (%)	100.0%	100.0%	0.0%	39.4%	100.0%	100.0%	0.0%	39.7%
Women	-	4	-	4	-	4	-	4
Women (%)	-	100%	-	100%	-	100%	-	100.0%
Total	4	26	0	30	4	29	0	33
Total (%)	100.0%	100.0%	0.0%	42.9%	100.0%	100.0%	0.0%	42.9%

404-3 STAFF PERFORMANCE REVIEW

CAFFÈ BORBONE	2019				2018			
	Managers	Office workers	Production workers	Total	Managers	Office workers	Production workers	Total
Men	3	16	0	19	0	0	0	0
Men (%)	100.0%	72.77%	0.0%	10.00%	0.0%	0.0%	0.0%	0.0%
Women	1	2	0	3	0	0	0	0
Women (%)	100.0%	28.66%	0.0%	37.55%	0.0%	0.0%	0.0%	0.0%
Total	4	18	0	22	0	0	0	0
Total (%)	100.0%	62.11%	0.0%	11.1%	0.0%	0.0%	0.0%	0.0%

404-3 STAFF PERFORMANCE REVIEW

SIRAP	2019				2018			
	Managers	Office workers	Production workers	Total	Managers	Office workers	Production workers	Total
Men	26	54	0	80	32	55	93	180
Men (%)	92.9%	21.4%	0.0%	8.4%	72.7%	20.5%	13.1%	17.9%
Women	4	14	0	18	7	43	14	64
Women (%)	57.1%	7.1%	0.0%	4.2%	70.0%	23.0%	5.6%	14.6%
Total	30	68	0	98	39	98	107	244
Total (%)	85.7%	15.1%	0.0%	7.1%	72.2%	21.5%	11.1%	16.6%

Table concerning the material aspect boundaries and the reconciliation with the relevant GRI topics

Boundaries				
Material topics	Where the impact occurs	Involvement of Italmobiliare Group	Stakeholders concerned	Reconciliation with GRI disclosures
Lasting value creation	Italmobiliare Group	Generated by Italmobiliare Group	Shareholders, subsidiaries, financial analysts, media	n.a.
Economic and financial results	Italmobiliare Group	Generated by Italmobiliare Group	Shareholders, subsidiaries, financial analysts, media	201: Economic performance
Ethics, integrity and transparency	Italmobiliare Group	Generated by Italmobiliare Group	All	205: Anti-corruption
Prevention of anti-competitive behaviour	Italmobiliare Group	Generated by Italmobiliare Group	All	206: Anti-competitive behaviour
Sustainable investment principles	Clessidra SGR S.p.A.	Generated by Clessidra SGR S.p.A.	Shareholders, subsidiaries, financial analysts, regulatory bodies, media	Active ownership – Financial Sector
Governance of the portfolio companies	Italmobiliare S.p.A.; Clessidra SGR S.p.A.	Generato da Italmobiliare S.p.A and Clessidra SGR S.p.A.	Shareholders, subsidiaries, financial analysts, regulatory bodies	
Risk management	Italmobiliare Group	Generated by Italmobiliare Group	Shareholders, subsidiaries, financial analysts, regulatory bodies	n.a.
Contribution to local employment	Italmobiliare Group	Generated by Italmobiliare Group	Employees	202: Market presence
Conscious consumption of raw materials	Caffè Borbone S.r.l., Sirap GEMA S.p.A.	Generated by Italmobiliare Group	Media	301: Materials
Waste management	Caffè Borbone S.r.l., Italgem S.p.A., Sirap GEMA S.p.A.	Generated by Italmobiliare Group	Media	306: Effluents and waste
Environmental compliance	Caffè Borbone S.r.l., Italgem S.p.A., Sirap GEMA S.p.A.	Generated by Italmobiliare Group	Media	307: Environmental compliance
Research and development	Caffè Borbone S.r.l., Italgem S.p.A., Sirap GEMA S.p.A.	Generated by Italmobiliare Group	Shareholders,	n.a.
Employee wellness and development	Italmobiliare Group	Generated by Italmobiliare Group	Employees	401: Employment
Training and education	Italmobiliare Group	Generated by Italmobiliare Group	Employees	404: Training and education
Occupational health and safety	Employees and external workers of Italmobiliare Group	Generated by Italmobiliare Group	Employees, regulatory bodies	403: Occupational health and safety
Customer health and safety	Caffè Borbone S.r.l., Clessidra SGR S.p.A, Italgem S.p.A., Sirap GEMA S.p.A.	Generated by Caffè Borbone S.r.l., Clessidra SGR S.p.A, Italgem S.p.A., Sirap GEMA S.p.A.	Customers, media, regulatory bodies	416: Customer health and safety
	Italgem S.p.A.	Generated by Italgem S.p.A.		Customer health and safety – Electric Utility Sector Access – Electric Utility Sector
Marketing and labelling	Caffè Borbone S.r.l., Clessidra SGR S.p.A, Italgem S.p.A., Sirap GEMA S.p.A.	Generated by Caffè Borbone S.r.l., Clessidra SGR S.p.A, Italgem S.p.A., Sirap GEMA S.p.A.	Customers, media, regulatory bodies	417: Marketing and labelling
Customer privacy	Italmobiliare Group	Generated by Italmobiliare Group	Customers, media, regulatory bodies	418: Customer Privacy
Socio-economic compliance	Italmobiliare Group	Generated by Italmobiliare Group	Regulatory bodies, financial analysts	419: Socio-economic Compliance

The data related to injuries occurred to the external workers include only the following categories: Temporary agency worker, autonomous worker, external collaborator, agents, interns and no other workers who are not employees but whose work and/or workplace is controlled by the organization considering the significance and availability of the data directly controlled by the Group.

GRI CONTENT INDEX

GRI standards	Paragraph	Information	Details
GRI 102: General Disclosures			
Organizational profile			
102-1	Methodology	Name of the organization	
102-2	1.1	Primary brands, products, and/or services	
102-3	Back cover	Headquarters	
102-4	1.1	Countries where the organisation operates	
102-5	1.1	Ownership and legal form	
102-6	1.1	Markets served (including geographic locations, sectors served and types of customers and recipients).	
102-7	1.1, 2.1, 4. At December 31 2019, the nominal capital of the parent company Italmobiliare S.p.A. it is equal to 1,013.04 million euros (Source: Capital IQ).	Scale of the organization.	
102-8	4	Number of employees by employment contract and gender.	
102-9	Annex	Description of the organization's supply chain	
102-10	Methodology, 1.1	Significant changes during the reporting period of the scale and structure of the organization and its supply chain	
102-11	1.6	Method of applying the precautionary principle or approach.	
102-12	Methodology, 1.3, 1.5.2, 3.2.1, 3.3.1, 5.3, 6.2.1	Adoption of externally-developed economic, environmental and social codes of conduct, charters and principles	
102-13	Annex	Membership of national or international associations or organizations promoting sustainability	
Strategy			
102-14	Letter to stakeholders	Statement by the top manager who leads the organization	
Ethics and integrity			
102-16	1.5	Values, principles, standards and rules of conduct adopted by the organization	
Governance			
102-18	1.2	Governance structure of the organization	
Stakeholder engagement			
102-40	1.4	List of stakeholders involved by the organization	
102-41	4, Annex	Percentage of employees covered by collective bargaining agreements	
102-42	1.4	Principles for the identification and involvement of stakeholders	
102-43	1.4	Approach to stakeholder engagement	
102-44	1.4	Important issues raised through stakeholder involvement	
Reporting practices			
102-45	Methodology	Entities included in the organization's consolidated financial statements	
102-46	Methodology	Process for defining the scope of reporting.	
102-47	Methodology, 1.4	Material aspects identified in the process of analysis to define the scope of reporting.	

102-48	1.3, 3.2.2, 3.2.3, 3.2.4, 3.3.2, 5, Annex	Amendments to information in previous reports and reasons for such amendments.
102-49	Methodology	Significant changes compared with the previous reporting period
102-50	Methodology	Reporting period
102-51	The 2018 Sustainability Report has been published in March, 2019	Date of the last report
102-52	Methodology	Reporting frequency.
102-53	Methodology	Useful contacts and addresses to request information on the Sustainability Report.
102-54	Methodology	Specify the option of compliance with GRI Standards chosen by the organization
102-55	Annex	GRI content index
102-56	Independent Auditors' report	External attestation
TOPIC-SPECIFIC STANDARDS		
Material topic: Lasting value creation		
GRI 103: GRI 103: Management approach (2016)		
103-1	2, Table concerning the boundaries of material topics and the reconciliation with GRI disclosures	Explanation of the material aspects and their boundaries
103-2	2	The management approach and its components
Own indicator	2.1	Total NAV at Group level
Material topic: Economic and financial results		
GRI 103: GRI 103: Management approach (2016)		
103-1	2, Table concerning the boundaries of material topics and the reconciliation with GRI disclosures	Explanation of the material aspects and their boundaries
103-2	2	The management approach and its components
103-3	2	Assessment of management approach
GRI 201: Economic performance		
201-1	2.2	Economic value directly generated and distributed
Material topic: Contribution to local employment		
GRI 103: Management approach (2016)		
103-1	4.1, Table concerning the boundaries of material topics and the reconciliation with GRI disclosures	Explanation of the material aspects and their boundaries
103-2	4. 4.3. 4.4	The management approach and its components
103-3	4. 4.3. 4.4	Assessment of management approach
GRI 202: Market presence		
202-2	4	Proportion of senior managers hired from the local community
Material topic: Ethics, integrity and transparency		
GRI 103: Management approach (2016)		
103-1	1.5, Table concerning the boundaries of material topics and the reconciliation with GRI disclosures	Explanation of the material aspects and their boundaries
103-2	1.5.1	The management approach and its components

103-3	1.5.1	Assessment of management approach
GRI 205: Anti-corruption		
205-3	1.5.1	Confirmed incidents of corruption and actions taken
Material topic: Prevention of anti-competitive behaviour		
GRI 103: Management approach (2016)		
103-1	1.5.1, Table concerning the boundaries of material topics and the reconciliation with GRI disclosures	Explanation of the material aspects and their boundaries
103-2	1.5.1	The management approach and its components
103-3	1.5.1	Assessment of management approach
GRI 206: Anti-competitive behaviour		
206-1	<p>With regard to the current dispute with the European Commission, details of which can be found in previous sustainability and directors' reports, with the sentence topicd on July 11, 2019 (Case T-523/15), the Court of the European Union rejected the appeal of Italmobiliare and the Sirap Group companies involved in the proceedings, confirming the amount of the fine imposed.</p> <p>The sentence was appealed within the time limits and the proceedings are currently pending before the EU Court of Justice (Case C-694/19).</p>	Legal actions for anti-competitive behaviour, anti-trust and monopoly practices
Material topic: Governance of the portfolio companies		
GRI 103: Management approach (2016)		
103-1	1.2, Table concerning the boundaries of material topics and the reconciliation with GRI disclosures	Explanation of the material aspects and their boundaries
103-2	1.2	The management approach and its components
103-3	1.2	Assessment of management approach
FS10	1.2	Number of portfolio companies involved in social and/or environmental issues, risks and opportunities
Material topic: Sustainable investment principles		
GRI 103: Management approach (2016)		
103-1	1.3 GRI content index	Explanation of the material aspects and their boundaries
103-2	1.3	The management approach and its components
103-3	1.3	Assessment of management approach
FS11	1.3	Number of companies acquired in 2019 and subjected to ESG screening
Material topic: Conscious consumption of raw materials		
GRI 103: Management approach (2016)		
103-1	3 3.1.2. 3.2.2. Table concerning the boundaries of material topics and the reconciliation with GRI disclosures	Explanation of the material aspects and their boundaries
103-2	3.1.2. 3.2.2.	The management approach and its components
103-3	3.1.2. 3.2.2.	Assessment of management approach
GRI 301: Materials		
301-1	3.1.2. 3.2.2.	Materials used by weight or volume
301-2	3.1.2. 3.2.2.	Materials used that come from recycling
Topic: Energy		
GRI 103: Management approach (2016)		
103-1	3	Explanation of the material aspects and their boundaries

103-2	3. 3.1.3. 3.2.3. 3.3.2	The management approach and its components
103-3	3. 3.1.3. 3.2.3. 3.3.2	Assessment of management approach
GRI 302: Energy		
302-1	Annex 3. 3.1.3. 3.2.3. 3.3.2	Energy consumed within the organization
Topic: Water		
GRI 103: Management approach (2016)		
103-1	3	Explanation of the material aspects and their boundaries
103-2	3. 3.2.4. 3.3.4	The management approach and its components
103-3	3. 3.2.4. 3.3.4	Assessment of management approach
Management approach (2018)		
303-1	3. 3.2.4. 3.3.4	Interaction with water as a shared resource
303-2	3. 3.2.4. 3.3.4	Management of water-discharge related impacts
GRI 303: Water and effluents (2018)		
303-3	Annex 3. 3.2.4. 3.3.4	Water withdrawal
303-4	Annex 3. 3.2.4. 3.3.4	Water discharge
303-5	Annex 3. 3.2.4. 3.3.4	Water consumption
GRI 103: Management approach (2016)		
103-1	3	Explanation of the material aspects and their boundaries
103-2	3. 3.1.3. 3.2.3. 3.3.4	The management approach and its components
103-3	3. 3.1.3. 3.2.3. 3.3.4	Assessment of management approach
GRI 305: Emissions		
305-1	3. 3.1.3. 3.2.3. 3.3.4	Direct (Scope 1) GHG emissions
305-2	3. 3.1.3. 3.2.3. 3.3.4	Indirect (Scope 2) GHG emissions
Own indicator	3	CO ₂ emissions avoided
Material Topic: Waste management		
GRI 103: Management approach (2016)		
103-1	3, Table concerning the boundaries of material topics and the reconciliation with GRI disclosures	Explanation of the material aspects and their boundaries
103-2	3. 3.1.4. 3.2.5. 3.3.5	The management approach and its components
103-3	3. 3.1.4. 3.2.5. 3.3.5	Assessment of management approach
GRI 306: Effluents and waste		
306-2	Annex. 3.1.4. 3.2.5. 3.3.5	Waste by type and disposal method
Material Topic: Environmental compliance		
GRI 103: Management approach (2016)		
103-1	3, Table concerning the boundaries of material topics and the reconciliation with GRI disclosures	Explanation of the material aspects and their boundaries
103-2	3. 3.1.1. 3.2.1. 3.3.1	The management approach and its components
103-3	3. 3.1.1. 3.2.1. 3.3.1	Assessment of management approach
GRI 307: Environmental compliance		
307-1	3	Cases of non-compliance with environmental laws and regulations
Material Topic: Research and development		
GRI 103: Management approach (2016)		
5 GRI content index	3. 3.1.2. 3.2.2, Table concerning the boundaries of material topics and the reconciliation with GRI disclosures	Explanation of the material aspects and their boundaries
103-2	3. 3.1.2. 3.2.2	The management approach and its components

103-3	3. 3.1.2. 3.2.2	Assessment of management approach
Material Topic: Employee wellness and development		
GRI 103: Management approach (2016)		
103-1	4, Table concerning the boundaries of material topics and the reconciliation with GRI disclosures	Explanation of the material aspects and their boundaries
103-2	4.1. 4.2.1. 4.3.1. 4.4.1. 4.5.1. 4.6.1	The management approach and its components
103-3	4.1. 4.2.1. 4.3.1. 4.4.1. 4.5.1. 4.6.1	Assessment of management approach
GRI 401: Employment		
401-1	Annex	New hires and turnover
401-2	4.1. 4.2.1. 4.3.1. 4.4.1. 4.5.1. 4.6.1	Benefits provided for full-time employees. but not for part-time or temporary workers
Material topic: Occupational health and safety		
GRI 103: Management approach (2016)		
103-1	5, Table concerning the boundaries of material topics and the reconciliation with GRI disclosures	Explanation of the material aspects and their boundaries
103-2	5. 5.1. 5.2. 5.3. 5.4. 5.5	The management approach and its components
103-3	5. 5.1. 5.2. 5.3. 5.4. 5.5	Assessment of management approach
GRI 403: Management approach (2018)		
403-1	5. 5.1. 5.2. 5.3. 5.4. 5.5	Occupational health and safety management system
403-2	5. 5.1. 5.2. 5.3. 5.4. 5.5	Hazard identification, risk assessment and accident investigation
403-3	5. 5.1. 5.2. 5.3. 5.4. 5.5	Occupational health services
403-4	5. 5.1. 5.2. 5.3. 5.4. 5.5	Participation and consultation of workers and communication on occupational health and safety
403-5	5. 5.1. 5.2. 5.3. 5.4. 5.5	Worker training on occupational health and safety
403-6	5. 5.1. 5.2. 5.3. 5.4. 5.5	Promotion of workers' health
403-7	5. 5.1. 5.2. 5.3. 5.4. 5.5	Prevention and mitigation of occupational health and safety impacts on commercial relationships
GRI 403: Occupational health and safety (2018)		
403-9	5 Annex	Work-related injuries
Material topic: Training and education		
GRI 103: Management approach (2016)		
103-1	1, Table concerning the boundaries of material topics and the reconciliation with GRI disclosures	Explanation of the material aspects and their boundaries
103-2	Annex 4. 4.1.2. 4.2.2. 4.3.2. 4.4.2. 4.5.2. 4.6.2	The management approach and its components
103-3	4. 4.1.2. 4.2.2. 4.3.2. 4.4.2. 4.5.2. 4.6.2	Assessment of management approach
GRI 404: Training and education		
404-1	4. 4.1.2. 4.2.2. 4.3.2. 4.4.2. 4.5.2. 4.6.2	Average hours of training per year per employee
404-3	Annex	Percentage of employees receiving regular performance and career development reviews
Material topic: Customer health and safety		
GRI 103: Management approach (2016)		
103-1	6, Table concerning the boundaries of material topics and the reconciliation with GRI disclosures	Explanation of the material aspects and their boundaries
103-2	6. 6.1.1. 6.2.1. 6.3.1. 6.4.1. 6.5.1. 6.6.1	The management approach and its components
103-3	6. 6.1.1. 6.2.1. 6.3.1. 6.4.1. 6.5.1. 6.6.1	Assessment of management approach

GRI 416: Customer health and safety		
416-2	During 2019, no incidents of non-compliance with regulations and/or voluntary codes concerning the health and safety impacts of products and services	Incidents of non-compliance concerning the health and safety impacts of products and services
EU 25	During 2019, there were no accidents related to company plants	Number of accidents related to company plants
EU 28	6.4.1	Service average interruption frequency index
EU 29	6.4.1	Average service interruption duration index
Material topic: Marketing and labelling		
GRI 103: Management approach (2016)		
103-1	6, Table concerning the boundaries of material topics and the reconciliation with GRI disclosures	Explanation of the material aspects and their boundaries
103-2	6. 6.1.1.. 6.2.1. 6.3.1. 6.4.1. 6.5.1. 6.6.1	The management approach and its components
103-3	6. 6.1.1.. 6.2.1. 6.3.1. 6.4.1. 6.5.1. 6.6.1	Assessment of management approach
GRI 417: Marketing and labelling		
417-2	During 2019, no incidents of non-compliance with regulations and/or voluntary codes concerning product and service information and labelling were reported	Incidents of non-compliance concerning product and service information and labelling
Material topic: Customer privacy		
GRI 103: Management approach (2016)		
103-1	6, Table concerning the boundaries of material topics and the reconciliation with GRI disclosures	Explanation of the material aspects and their boundaries
103-2	6. 6.1.2. 6.2.2. 6.3.2. 6.4.2. 6.5.2. 6.6.2	Management approach
103-3	6. 6.1.2.. 6.2.2. 6.3.2. 6.4.2. 6.5.2. 6.6.2	Assessment of management approach
GRI 418: Customer privacy		
418-1	6	Substantiated complaints concerning breaches of customer privacy and losses of customer data
Material topic: Socio-economic compliance		
GRI 103: Management approach (2016)		
103-1	1.5.1, Table concerning the boundaries of material topics and the reconciliation with GRI disclosures	Explanation of the material aspects and their boundaries
103-2	1.5.1	The management approach and its components
103-3	1.5.1	Assessment of management approach
GRI 419: Socio-economic compliance		
419-1	1.5.1	Non-compliance with laws and regulations in the social and economic area
Material topic: Risk management		
GRI 103: Management approach (2016)		
103-1	1.6, Table concerning the boundaries of material topics and the reconciliation with GRI disclosures	Explanation of the material aspects and their boundaries
103-2	1.6	The management approach and its components
103-3	1.6	Assessment of management approach

Report of the Independent Auditors



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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, 2019 prepared on the basis of art. 4 of the Decree, and approved by the Board of Directors on March 4, 2020 (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 in 2016 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.

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.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona

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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., Sirap France SAS, Italgem S.p.A. 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.



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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 Castelbelforte (MN) production plant for Sirap Gema S.p.A., Noves and Remoulins sites and production plants for Sirap France SAS, which we selected based on their activities, their contribution to the performance indicators at the consolidated level and their location, we carried out visits on site, 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, 2019 is not prepared, in all material aspects, in accordance with articles 3 and 4 of the Decree and the GRI Standards.

Other matters

The NFS for the year ended December 31, 2018, whose data are presented for comparative purposes, have been subject to a limited assurance engagement by another auditor that, on March 25, 2019 expressed an unmodified conclusion.

DELOITTE & TOUCHE S.p.A.

Signed by
Franco Amelio
Partner

Milan, Italy
March 30, 2020

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