



Agenzia nazionale per l'attrazione
degli investimenti e lo sviluppo d'impresa SpA

Consolidated Financial Statements at 31.12.2019

ADMINISTRATIVE AND CONTROL BODIES

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Managing Director	Domenico ARCURI
Directors	Paola CIANNAVEI Stefania COVELLO Sergio MACCAGNANI

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Alternative Members	Cinzia VINCENZI Giovanni DESANTIS

FINANCIAL REPORTING MANAGER	Daniele PASQUALINI
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AUDITING FIRM	PricewaterhouseCoopers SpA
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DIRECTORS' REPORT ON OPERATIONS

Consolidated Financial Statements

INTRODUCTION

Dear Shareholder,

The 2019 consolidated financial statements show a profit of € 14,215 thousand, a significant improvement over the previous year.

The Group's results for 2019 should also be seen in this manner, while confirming that growth forecasts continue to be significantly positive, as well as reflecting organic improvement in the main profit and loss statement entries. The value of production increased and added value improved, while net profit basically doubled compared to the previous year, thereby confirming the quality of decisions made during the year, in line with the Business Plan.

As in the previous year, the parent company maintained its commitment to supporting the creation of new businesses and to protecting existing ones, meeting the needs of local areas and creating new opportunities for growth and development consistent with the government's economic and financial policies. The Agency operates within the complex Italian entrepreneurial system, supporting both large investments and the competitive strengthening of already existing companies, also supporting the creation of new entrepreneurial businesses which can express economic potential in terms of employment, social aspects and the creation of value.

2019 Economic Situation

In 2019, there was a further weakening in the domestic economic cycle. In fact, the Italian economy grew only 0.2% with respect to the 0.9% and 1.6% registered in 2018 and 2017, respectively. The slowing of growth once again falls within the weak international economic situation, influenced by trade tensions between the USA and China, by Brexit and the industrial recession that lowered global growth rates to their weakest in recent decades.

In Asia, the slowdown in China had repercussions throughout the region. In fact, Beijing remains in the spotlight for the crisis in the auto sector, the decrease in industrial profits, with alarm rising due to default risks for private companies and a drop in exports.

During the initial months of 2019, in the face of dangerous signs of a slowdown in the US economic cycle, the Fed promptly reversed its monetary policy from restrictive to expansive, with consequent lowering of rates (quantitative easing) in an attempt to stimulate the domestic economy. These policies, combined with the significant tax reform rolled out the previous year, which took full effect in 2019, led to strong growth in the American economy in terms of both GDP and employment, which reached historic highs. Hence, in 2019, the American economy was the only western economy with appreciable growth rates, but was unable to bring the European economy with it, which continued to be much more resistant to monetary policy stimulus than the US economy and with reduced leverage in tax and debt areas.

The manufacturing sector was at the centre of the slowdown and the main source of blockage in trade, which fell significantly with respect to the solid growth recorded in 2017 and 2018. Germany, the main European economy, suffered a significant downturn, above all due to weak global demand, which dragged Berlin down together with growth forecasts. The German difficulties, above all in the automotive sector, had important consequences for Italian industrial production due to the strong links between manufacturing in the two countries. In Italy, the trust index is still very low, bringing companies and households to more parsimonious budget decisions. The decrease was more notable for manufacturing companies than for households, but more generally, rebuilding trust is a crucial factor in creating the conditions for growth.

Domestically, a slight improvement was seen in Italian commerce. As a whole, the value of retail sales grew by 0.8%, up with respect to the previous year (+0.1%). ISTAT figures provide an overview: while large scale retail saw an increase of 1.4%, sales in smaller stores declined for the third

consecutive year (-0.7%), while a significant increase in e-commerce was recorded (+18.4%). In terms of investments, the net amount slowed, with a total percentage with respect to GDP that is lower than the European average (21.2%).

In 2019, the Italian labour market saw a trend similar to that of the Eurozone, with an overall reduction in unemployment and an unemployment rate that continued to fall, reaching 9.7%, accompanied by growth in wages and an improvement in gross salaries per employee (+0.7%).

In terms of companies, growth in the demand for labour continued, with an increase in employee positions on an annual basis, following growth in both industry and in services. The employment trend is the combination of a decrease in the North (-0.2%), with an increase in the South (+0.1%) and, above all, in the Centre (+0.4%).

In a generalised situation of lower unemployment and inactivity, labour market trends nonetheless remain in a persistent phase of weak growth in economic activity levels and low private consumption with a weak trend for over a year. The resources coming from the "citizen's income" were positive, but had a more limited and delayed effect than had initially been expected.

In this situation, Agenzia nazionale per l'attrazione degli investimenti e lo sviluppo d'impresa SpA (hereafter also, the "Agency", "Invitalia" and the "parent company"), as the main entity implementing development policies, strengthened its supporting role for the public administration to support competitiveness for local areas, as well as its position providing support for the productive system, favouring the establishment and development of new businesses, in the context of the government's economic policy guidelines.

Composition of the Group

At 31/12/2019, the parent company holds control over the following companies:

Infratel Italia SpA, which is engaged in the construction and management of telecommunications infrastructure, implementing the National Strategy for Ultra-Broadband.

Banca del Mezzogiorno Mediocredito Centrale SpA The Bank's mission is to support SMEs, mainly in the South, through the provision of loans and management of public guarantee funds. The new 2018-2020 Business Plan ultimately defines the company's mission by envisaging its confluence with that of the Agency, consolidating its institutional role aimed at increasing Italy's competitiveness, particularly in the South, and the support for those sectors which are strategic for economic and social development.

The parent company also holds control over:

Italia Turismo SpA and 2 companies arising from the closure of the liquidation of Italia Navigando (Marina di Portisco SpA and Trieste Navigando Sri), all destined for disposal.

Invitalia also holds 100% of the shares of:

- **Invitalia Partecipazioni SpA**, which acts as a "vehicle" company and is therefore responsible for the completion of the residual disposal processes.
- **Invitalia Global Investment SpA**, a financial institution authorised to provide loans to promote the development of exports and internationalisation in the Italian economy relative to countries classified as high risk by the International Financial Action Group, also known as the Financial Action Task Force (GAFI-FATF).

Due to the special purposes that lawmakers intended to pursue by creating a new instrument for public action, regulated by special administrative provisions, Invitalia's Board of Directors resolved, in line with that indicated by the Italian Ministry of Economy and Finance, note to provide management and coordination for the newly established company.

However, despite possession of all the share capital, all the significant activities carried out by the company are subject to provisions and directives issued by the government. Consistent

with the assessments made also by the shareholder, it was held that these significant restrictions could be classified as a situation in which a majority of voting rights were held but without any real management power, with consequent exclusion of the company from the Group's scope of consolidation, as is also illustrated in the reference accounting standards.

Company	Site	Type of Relationship	Company Holding Stake	% Held	% Available shares	Type of Control
Equity investments						
INFRADEL ITALIA S.p.A.	Rome	1	Invitalia S.p.A.	100.00%	100.00%	A
INVITALIA PARTECIPAZIONI S.p.A.	Rome	1	Invitalia S.p.A.	100.00%	100.00%	A
BANCA DEL MEZZOGIORNO- MEDIOCREDITO CENTRALE S.p.A.	Rome	1	Invitalia S.p.A.	100.00%	100.00%	A
Assets held for sale						
ITALIA TURISMO S.p.A.	Rome	1	Invitalia S.p.A.	100.00%	100.00%	A
MARINA DI PORTISCO S.p.A.	Portisco	1	Invitalia S.p.A.	100.00%	100.00%	A
SVILUPPO ITALIA CALABRIA S.c.p.a. in liquidation	Cosenza	1	INVITALIA PARTECIPAZIONI S.p.A.	99.84%	99.84%	B
TRIESTE NAVIGANDO SRL (EX GALLIPOLI NAVIGANDO)	Gallipoli	1	Invitalia S.p.A.	100.00%	100.00%	A

(1) Majority of voting rights at the ordinary shareholders' meeting

A = direct control

B = indirect control

ACTIVITIES CONTINUED FROM THE PREVIOUS YEAR

With regard to the functions, activities and operating mechanisms of the individual line areas, while referring to the subsequent detailed analysis chapters of the report, it is worth recalling here the main actions undertaken to implement the more comprehensive Group strategies:

Incentives and Innovation

During 2019, the parent company confirmed its core activities, further extending the range of tools and services dedicated to helping create new businesses and strengthening the competitiveness of existing ones.

Two new and important projects were kicked off relative to financing of energy efficiency, through the National Energy Efficiency Fund, as well as through the provision of incentives for the purchase of cars and motorcycles with low carbon emissions (ECOBONUS).

Activities dedicated to helping develop start-ups in the tourism sector continued, carried out through the FactorYmpresa Turismo. The quality of this tool has been recognised internationally, in particular by the European Commission, which selected FactorYmpresa Turismo as one of the 3 best initiatives in the EU for promoting entrepreneurship during the 2019 European Enterprise Promotion Awards (EEPA).

Additionally, during 2019 the parent company presented an application to join TAFTIE, a network of the main European agencies for innovation. The network cooperates on the main issues associated with innovation and relative European policies (in course and future ones), working constantly with the European Union to influence the allocation of financial resources in European budgets relative to innovation and development in the near future.

In terms of the efficacy/efficiency of the measures managed, the parent company completed a detailed improvement/refinement plan for three significant incentives, modifying procedures and evaluation criteria, as well as expense accounting procedures for the companies of Smart & Start Italia, completing the process of revising the access criteria of Italian Law 181/89. Additionally, the foundation was laid, on the basis of more complex regulatory architecture, for changes relative to the New Companies Interest Free measure to allow financing of existing companies and higher investments.

The flow of requests relative to Development Contracts remains high. This is a tool which has become important in local industrial policies and development, but which suffers from insufficient financial resources with respect to current demand. Amounts provided in recent budgets have been limited, but there is hope that the current revisions being carried out by the Ministry for the South and Territorial Cohesion relative to allocations made in the past for the Cohesion and Development Fund may free up financial resources that can be used for development contracts.

Support for distressed companies

In the past three years, the parent company took on and strengthened an increasingly central role in supporting government initiatives to fight industrial and employment crises (also relative to multinational group decisions to relocate production), gaining the ability to operate with greater strength as of 2018, in line with article 8-bis of Italian Ministerial Decree 9/12/2014, as amended by Italian Ministerial Decree 23/3/2018.

The Decree allows Invitalia to acquire a temporary and minority stake in equity, when a Development Contract has been signed with the aim of relaunching operations in industrial plants of significant size (located in Abruzzo, Basilicata, Calabria, Campania, Molise, Apulia, Sardinia or Sicily). In addition to acquiring the stake, Invitalia may also make quasi-equity investments, including bond loans, and may issue guarantees in favour of the investee.

For these operations, the managing body uses the financial resources transferred by the Ministry for this purpose, originally in the amount of € 20 million, and subsequently extended to resources dedicated for Development Contracts (Ministry of Economic Development Directive of 2 August 2019). At present, these resources have been used to acquire and support equity investments in **Sider Alloys** and **Industria Italiana Autobus**.

Following the healthcare and economic emergency caused by the restrictive measures implemented by the executive branch, as part of the urgent economic initiatives undertaken by the government, measures to reward capital strengthening of medium size enterprises are currently being debated and approved by Parliament. To that end, the establishment of a fund for the subscription of financial instruments to support and relaunch the Italian economic/productive system is planned, the management of which may be entrusted to Invitalia.

In this situation, the parent company can further strengthen its role of providing support and assistance to companies in crisis, with the ability to make use of a variety of tools, currently being defined.

Public Investments

In the last two years, the government has supported and promoted a relaunch of public investments, as a typical tool to favour innovation and environmental sustainability and strengthen tangible and intangible infrastructure.

The Economy and Finance Document approved on 9 April 2019 by the Italian Council of Ministers emphasised the need to support public investments as a fundamental factor in ensuring the growth and competitiveness of the productive system.

In this framework, the parent company is becoming increasingly qualified to serve as the entity entrusted with implementing and accelerating investments of particular complexity and strategic importance, above all those for development and territorial cohesion, financed with national and EU resources.

Invitalia has taken on the role of the specialised structure for central administrations and commissioner structures, able to support the various stages in an investment cycle, from programming to design and through to execution of the work.

Therefore, during 2019, the parent company strengthened its role as the entity qualified to implement Institutional Development Contracts (IDCs), as well as serving as the main actor in governing the process of defining these contracts.

In fact, starting in February 2019, the Presidency of the Italian Council of Ministers promoted four new IDC proposals, identifying the parent company as the implementing entity: Capitanata (Province of Foggia), Molise, Basilicata, and Cagliari (Metropolitan City of Cagliari and the Province of South Sardinia).

Of these, the Capitanata IDC was signed on 13 August 2019, while the Molise IDC was signed on 11 October 2019. At the end of 2019, preparatory activities for signing the Cagliari, Basilicata and Calabria IDCs were under way.

The skills, professionalism and experience acquired up to this point have made it possible to develop an operating model which identifies the parent company as the Program Manager for executing public investments.

Additionally, the parent company is involved in promoting and managing programmes, projects and actions for restoration, environmental reclamation and reindustrialisation of areas in crisis, as well as those to overcome environmental emergencies, improve the efficiency of public services and take full advantage of public assets.

In all activities, the signing of specific Legal Protocols with various administrations and Cooperative Supervisory Protocols with the National Anti-Corruption Authority (ANAC) has made it possible to maintain high levels of transparency and legality in procedures.

Operating Programmes

The Parent Company proposes itself as a partner of the central and regional administrations, providing technical assistance and support for participation in EU tenders. In this context, it governs support and capacity building actions and assists development and implementation of EU project schedules.

The parent company also provides integrated technical assistance services, combined with the experience of resources coming from the former Institute for Industrial Promotion, with the traditional expertise in the development of measures and tools for the provision of incentives.

Cohesion policy, 2021/2027

The start of the cohesion policy for 2021/2027, with the presentation in May 2018 of regulation proposals with the European Commission (currently being negotiated) involves the structure of objectives, rules and procedures to programme and make use of European Union resources aimed at territorial rebalancing objectives, and has seen the parent company working since the end of the previous year to analyse regulatory texts to identify new limits and elements which will characterise the scenario in the future.

Starting in March 2019, this commitment was increased, as the parent company participated in the "partnership round table for 2021-2027 scheduling", contributing analysis and thoughts on the progress of projects in course and on guidelines for the coming years, as part of the issue-based round tables on policy objectives proposed by the general regulations. The objective of this work is to create a partnership agreement, the strategic document which defines guidelines, resources and projects for the new cycle of cohesion policy for Italy. To that end, the Agency contributed to defining the initial hypotheses relative to a possible national operating programme for productive and entrepreneurial development and another programme for the energy transition, both managed by the MED.

A - REFERENCE REGULATORY FRAMEWORK AND CORPORATE TRANSACTIONS

A.1 -Development of the regulatory framework

Below are the main regulatory provisions of interest to the Group issued during the course of 2019.

Addition of Invitalia among entities providing economic services on the ISTAT public administration list.

ISTAT communication, 30 September 2019.

List of public administrations inserted in the consolidated profit and loss account, identified pursuant to article 1, paragraph 3 of Italian Law 196 of 31 December 2009, as amended (Accounting and public finance law).

(OG, General Series, 229 of 30-09-2019)

Urgent measures, Banca del Mezzogiorno - Mediocredito Centrale

Italian Decree Law 142 of 16 December 2019. Conversion Law 5 of 7 February 2020, urgent measures to support the credit system in the South and to create an investment bank. (Coordinated text, OG 37 of 14-2-2020)

The provision establishes that "with one or more decrees of the Italian Ministry of Economy and Finance capital grants are assigned in favour of Invitalia, up to a maximum total amount of € 900 million for the year 2020, entirely intended to strengthen the capital of Banca del Mezzogiorno - Mediocredito Centrale SpA through a capital grant so that it may promote, using market logic, criteria and conditions, the development of financial assets and investment, also to support businesses in the Mezzogiorno, to be carried out through financial operations, including acquisition of equity investments in banking and financial companies, and with any eye to further possible operations to rationalise these equity investments. A new company may also be established, to which the assets and equity investments acquired will be transferred.

For all regulatory references regarding legal provisions managed, please see the Annexes to the Directors' Report on Operations.

A.2 - Corporate transactions

The Parent Company

On 5 December 2019, the Shareholders' Meeting appointed the new Board of Directors for the three-year period from 2019-2021.

CSP Venture Capital Gr SpA (Invitalia Ventures SGR SpA)

The parent company, implementing the Italian Ministry of Economic Development Directive of 20 February 2019, on 5 August 2019 transferred 1,050 shares without nominal value to Cassa Depositi e Prestiti SpA (CDP), equal to 70% of the equity investment held in CDP Venture Capital Gr SpA (Invitalia Ventures SGR). Subsequently, on 27 December 2019, Cassa Depositi e Prestiti SpA transferred this equity investment to CDP Equity SpA. Therefore, the equity of the company is now divided between CDP Equity (70%) and Invitalia (30%).

Italia Turismo SpA

On 18 December 2019, an extraordinary Plenary Shareholders' Meeting was held, which amended the Articles of Association, establishing that the Company can be administered by a Sole Director.

Also on 18 December 2019, an ordinary Shareholders' Meeting was held, called pursuant to article 2446 of the Italian Civil Code (reduction of equity by over one third), which resolved to postpone any operations involving equity to the subsequent financial year.

On 19 December 2019, the ordinary Shareholders' Meeting to appoint the company bodies was held, appointing the Sole Director for the years 2019/2021 and confirming the previous Board of Statutory Auditors for the years 2019/2021.

It is to be expected that during 2020 a newco will be established, which will receive all the assets of interest held by the acquiring entity, with formalisation of the relative transfer.

Minority corporate transactions

During 2019, the parent company carried out the following corporate transactions:

Industria Italiana Autobus SpA

The company was acquired using dedicated funds from Development Contracts, with a decree issued by the Ministry of Economic Development on 23 March 2018, intended to support the productive relaunch of large industrial plants.

On 29 January 2019, the Invitalia Shareholders' Meeting had resolved a divisible share capital increase of € 50,000 up to € 30,050,000, setting 29 July 2019 as the deadline for implementing the operation. As of the deadline of 29 July 2019, no third party entity had subscribed the residual share capital increase which, therefore, amounted to € 21,050,000.00. Subsequently, with a directive of 5 August 2019, the MED authorised Invitalia to not dispose of its equity investment until 29 July 2020 and, therefore, until the completion of activities intended to identify an independent industrial investor.

ItaliaCamp S.r.l.

The Shareholders' Meeting of 8 May 2019 resolved a free share capital increase of up to € 150,000. Consequently, the parent company's equity investment, equal to a 5% stake, increased from a nominal € 500 to € 7,500.

Disposals:

Salver SpA pursuant to Law 181/89

On 28 May 2019, the parent company transferred to Magnaghi Aereonautica SpA its entire equity investment of 2,524,000 shares with a value of € 1.00 each, equal to 14.31% of share capital.

To guarantee full payment of the price, a mortgage for a real estate property owned by the purchaser was granted to Invitalia, for an amount equal to the price extension, plus 20%.

A.3 - Litigation

Involvement in litigation mainly consists of active civil law cases related to the compulsory collection of loans associated with the subsidy measures managed by the Agency.

As occurred the previous year, the parent company worked to recover amounts due, also pursuant to the Italian Ministry of Economy and Finance Decree published in the *OG* of 7 March 2008, which allows it to comply with obligation to collect receivables due from beneficiaries of the provision under Italian Legislative Decree 185/2000 through the Revenues Agency - Collections, based on criteria of economy.

To date, there is a marginal degree of physiological labour law litigation that is appropriately distributed in the provisions.

The following are the details of the more significant disputes:

Invitalia

AGENZIA DEL DEMANIO (Bagnoli) – The case was submitted by Invitalia, opposing the estimate of Demanio made by the Agency regarding the value of the real estate previously owned by Bagnolifutura SpA in Liquidation (currently classified as bankrupt), with ownership transferred to Invitalia, as the entity implementing the environmental restoration and urban regeneration programme in an area of significant national interest, in the Bagnoli-Coroglia district, pursuant to and in accordance with Article 33, paragraph 12 of Italian Decree Law 133/2014.

The case aims at obtaining a reduction in the estimated value of the real estate transfer carried out by the Agency of Demanio with a note on 8 June 2017, amounting to € 80,570,000 and reduced to € 68,484,500 after Invitalia applied a 15% risk estimate, as established by the Agency itself.

The following cases are currently pending with the Naples Appeals Court relative to the aforementioned estimate:

- case 6767/2017 R.G.C., submitted by Fallimento Bagnolifutura SpA, in Liquidation, aimed at recognising the greater appraisal value for the real estate transferred, up to € 275,632,557.83 (case combined with that submitted by Invitalia);
- case 6815/2017 R.G.C., submitted by Fintecna SpA in its asserted role as the effective owner of the transferred real estate, aimed at recognising the greater appraisal value of up to € 224,658,751.00 (case combined with that submitted by Invitalia).

The appeals filed by Invitalia, Bagnolifutura and Fintecna were grouped into a single proceeding. To that end, the court arranged for a technical expert to ascertain the value of the reclamation costs to be paid relative to the areas in consideration. After the term granted by the Court for completion of the technical expert's activity, based on the expert's request, the Court granted an extension for the appraisal work, setting the next hearing for 3 November 2020.

For this ruling, which does not revolve around a dispute but rather the determination of the areas transferred to Invitalia under the law, the risk refers to the amount which must be paid by the Agency.

MED – The parent company presented an Extraordinary Appeal to the Head of State against the Department Decrees of 11 November 2016, 17 February 2017 and 31 May 2017, with which the MED opposed the distribution of the profits accrued by Infratel for the years 2013, 2014 and 2015 to Invitalia. Said opposition was also motivated by the presumed need to recalculate the sums payable to Infratel to cover operational requirements, based on the periodic reports referenced by the existing agreement for the expansion and distribution of broadband services. The value of the dispute is estimated at approximately € 6 million. In consideration of the complexity of the matter, the outcome of the proceedings is uncertain. Regardless, any decisions against the Agency would not have any consequences for the balance sheets of either the Agency or Infratel. On 5 September 2019, a preliminary investigation report was filed in the interest of the Agency. Action by the Council of State is awaited.

ISA/ISMEA - The company ISA SpA (now ISMEA) has summoned the Agency before the Court of Rome requesting the determination of the plaintiff's right to a credit of approximately € 15.5 million from SECI SpA (now Eridiana Sadam SpA) and Finbieticola SpA, deriving from the sale of the shares of Zuccherificio Castiglione SpA. The Court of Rome, with sentence No. 3465/15 of 29 January 2015, accepted the claimant's demand on concisely expressed grounds. The Agency - through delegated lawyers - has appealed to the Court of Appeal of Rome. There is a reasonable expectation of a favourable outcome, albeit the unknown nature of some interpretations of the special laws and the non - technical language of the regulations, given both the profiles of constitutional legitimacy and the assessment of the type of credit involved.

In December 2016, while awaiting the conclusion of the appeal, Invitalia agreed with the counterparty to deposit the sum of € 16.7 million in a joint account. The amount was transferred in early 2017. It should be noted that should the case be lost, the liability, as envisaged by the law, would not have economic repercussions for the Agency, therefore no risk provisions have been set aside for this purpose. The loss of the case is estimated as possible. The hearing for specification of conclusions was set for 5 February 2020 and the judge held the case for the decision.

FINANZIARIA TURISTICA - In the first quarter of 2013, the company Finanziaria Turistica Sri, as majority shareholder of Valtur SpA under extraordinary administration, sued the Agency, Italia Turismo SpA and Valtur SpA as jointly liable, requesting the ascertainment of pre-contractual, contractual and non-contractual responsibility in relation to the agreements negotiated and alleged non-performance breaches of the assumed obligations related to the acquisition of Valtur SpA assets. The amount of the claim is approximately € 117 million. In a ruling dated 17 April 2018, the Court declared the claims presented by Finanziaria Turistica S.r.l. to be inadmissible and ordered it to pay court costs of € 175,000 in favour of each of the defendants, covering lawyer's compensation plus flat-rate reimbursement for general expenses, VAT and CPA as per terms of the law. The losing party has appealed and the Agency is responding to the case with the assistance of the same professionals involved in the first instance. The hearing for specification of conclusions was set for 26 February 2020.

CERAMICA D'AGOSTINO: - The dispute originated with the revocation of government subsidies granted to Ceramica D'Agostino in 1985 by the MED, subsequently revoked in 1997.

The return of the subsidies was guaranteed through surety from Banca Commerciale Italiana, now Banca Intesa, granted in favour of the MED and in the interest of Ceramica D'Agostino.

The Invitalia Group became involved following the merger by incorporation of Ceramica D'Agostino in Gamma Geri, and the latter in Invitalia Partecipazioni. The Agency is involved in the case based on a counter-surety of € 12,999,709.54 provided in favour of Banca Intesa. The Italian Ministry of Economic Development has enforced the sureties granted by Banca Intesa. This latter recently saw to the payment (17 May we received confirmation from MED), but has not yet activated the guarantee provided by Invitalia, possible due to the pending judgement pursuant to point 2 below. Additionally, the amount enforced includes interest unduly calculated in an amount much higher than the legal rate (with a difference of around € 5 million). This is due to judgement 15964 of 21.7.2010 issued by the Court of Rome made in the case opposing the collection notice, also with regards to the same Ministry. Judgement 16805/2005 of the Court of Rome ruled the exact opposite, stating there was no legal obligation for the greater amount, the undue withholding of which had already been disputed with the Ministry.

The dispute currently pending with regards to Invitalia can be outlined as follows:

1. Appeal case 909/2006 pending with the Rome Court of Appeals, suspended on 16.1.2008 and taken up again by the MED on 24.10.2018. This judgement, introduced by the former Sviluppo Italia MED and Banca Intesa, has the aim of obtaining an order to not apply the decree revoking the subsidies in question and rejecting the repayment claims made by MED. The case was held for a decision after the specification of conclusions which occurred at the hearing on 11.11.2019.

2. First instance decision pending with the Court of Rome (RGN 41256/2015), introduced by Invitalia against Banca Intesa and relative to MED (third party involved in the case) with the goal of nullifying the surety provided by Invitalia relative to Banca Intesa, with a request to repay the Agency the fees accrued on the surety of € 354,008.40. At the last hearing on 7.2.2019, the case was set for decision, with the deadlines for submitting briefs and responses. With judgement 16547/2019 of 14 August 2019, the Court rejected the request for recovery introduced by the Agency, ordering it to pay legal expenses in favour of the defendants. The Agency authorised its attorneys to appeal the judgement.

For both cases, taking into account progress on the case in substantial and legal terms, and in consideration of the fact that Invitalia Partecipazioni SpA (a party in the same case) has also filed a case to review the Cassation Judgement due to the discovery of new documents that are decisive with regards to the merits of the dispute, it is held that there are not sufficient elements to hold a loss more than merely possible.

NAVIGAZIONE LIBERA DEL GOLFO - With a summary writ of summons dated 24 April 2019, the company Navigazione Libera del Golfo Srl called on Invitalia, as well as the Municipality of Capri, the company Porto Turistico di Capri SpA and the Ministry of Economic Development to appear before the Court of Rome, in order to obtain, pursuant to and in accordance with article 2932, Civil Code, a constitutive judgement regarding the sale, not completed by Invitalia, regarding the equity investment held in Porto Turistico di Capri . The summary is based on the judgement of the Regional Administrative Court 8946/2017 and that of the Council of State 6088/2018 which respectively declared and confirmed the lack of jurisdiction of the administrative court in relation to the request for annulment of the provision revoking the provisional awarding in favour of Navigazione Libera del Golfo, after the shareholder the Municipality of Capri exercised its right of first refusal.

The request for damages introduced in the writ of summons amounts to € 2,000,000.00 as compensation for the delayed stipulation of the sales deed for the equity investment, or to € 1,000,000.00 if the deed of sale has not been stipulated as of the issuing of the judgement.

While the claim introduced by Navigazione Libera del Golfo is considered to lack grounds, it is prudential to consider the risk of a loss as possible.

Former Svi Finance dispute

AUTOSTRADE PER L'ITALIA - The company Impresa SpA in its role as a contractor for works to extend the third lane on the Milan-Naples motorway factorised with Svi Finance the receivables due from the contracting entity Autostrade per l'Italia SpA.

Following the breach of Autostrade per l'Italia SpA with respects to payment obligations in favour of Svi Finance, **the Agency, in its role as the company incorporating Svi Finance**, issued an injunction through Court of Rome decree 28072/2015, for a total amount of € 1,373,311.96, plus fees and expenses.

Autostrade per l'Italia SpA defended itself against this injunction decree, involving the third-party entity Impresa SpA in the case in order to include the objections which could be raised by the contracting entity based on its main contractual relationship.

With judgement 17624/2019, the Court of Rome accepted the defence's arguments and, consequently, revoked the injunction decree and ordered Invitalia to pay the expenses following the loss for a total of € 27,001. Holding that the judgement was lamentable, especially with reference to the decrease of the receivable brought as justification, the Agency asked its attorneys to file an appeal with the Rome Court of Appeals.

As a result of the liquidation procedure of **Invitalia Attivita Produttive (IAP)** and consequent cancellation of the Company from the Register of Companies, all disputes outstanding at the date of

the Liquidation Financial Statements have been discontinued and claimants have resumed their demands against the Agency.

Below are the existing positions:

TESECO - The most important passive litigation refers to an agreement (with the Region of Sicily), wherein IAP contracted the emergency safety measures for the Thapsos coast of the Magnisi Peninsula to a temporary association established between Teseco SpA and Trevi SpA. In 2015, ATI sued IAP, demanding the ascertainment of: i) IAP responsibility for breach of contract, ii) termination of the contract pursuant to Article 1453 of the Italian Civil Code, iii) payment by IAP of approximately € 19 million plus revaluation and interest. The case was resolved favourably with judgement 1552/2019 published on 23/1/2019, rejecting TESECO's demands and ordering TESECO to pay € 5,970,742.10 plus interest to satisfaction, as well as court costs in the amount of € 36,207 plus accessory charges. TESECO appealed the first level ruling with a hearing set for 20 April 2020.

TESECO 2 - On 23 March 2018, Teseco Srl, in composition with creditors, on its own behalf and as the agent for the temporary consortia with Gesteco SpA, sued the Agency for recognition of the overall credit of € 3,919,999.67 as fees deriving from the public tender already issued by IAP to restore the former Nissometal industrial area located in Contrada Panuzzi in Agro di Nissoria – Enna. The hearing began at the beginning of July 2018. At the hearing on 1 April 2019, the date of 21/12/2020 was set for the specification of conclusions. A precise estimate of the Agency's risk of losing is not possible.

TESECO 3 - on 6/2/2019 Teseco served notice to Invitalia of an injunction of € 606,966.28 plus interest to be paid for delay in the payment of two invoices issued by Teseco for the restoration of the SMEB area in Messina.

Invitalia appealed the case, with the hearing set for 6/9/2019 with the Court of Pisa. The third party Region of Sicily was also involved in the case, with the hearing set for 20 February 2020. At present there are no further updates.

DANECO

With an action before the Court of Rome, Daneco Impianti SpA, in its capacity as the agent of RTI with Ecosistem S.r.l., summoned Invitalia Attivita Produttive SpA, today Invitalia, and the company Unipol Sai Assicurazioni SpA. The claimant requested the ascertainment of the correct execution of the contractual obligations with reference to facts and events related to safety measures for the San Foca sports complex as well as the consequent illegitimacy of the IAP's withdrawal from the contract with letter dated 17 September 2015 and the consequent recognition of the illegitimacy of enforcing the surety policy issued to guarantee the tender. At present, the position can be fully assessed only following the outcome of the technical expert opinion requested by Invitalia and UnipolSai, in order to verify the correspondence or discrepancy between the works agreed and executed by RTI, Daneco's agent.

The claimant has also filed a compensation request for damages to reputation and curriculum, in addition to damages for lost profits and emergent damages whose value will be specified during the course of the proceedings. Admission of the investigation methods is in reserve. At the hearing of 7 March 2017 - set for the admission of the request for a court technical expert opinion - the Court took up the case in reserve. Following the cancellation of the previous reserve, the judge set the hearing for specification of conclusions for 10 December 2019 and subsequently held the case for judgement. In consideration of the subject of the judgement and of the complaints and arguments proposed both by the counterparty and by the Agency, it is not possible to predict the outcome of the judgement itself with certainty, but a precautionary approach suggests it is appropriate to consider the possibility of losing.

B - GROUP ACTIVITIES DURING 2019

B.1 – Invitalia activities

B.1.1 – Support for business development

During 2019, through the Innovation Incentives Business Unit, the parent company confirmed its core activities, further extending the range of tools and services dedicated to helping create new businesses and strengthening the competitiveness of existing ones.

In particular, management of existing incentive schemes was provided, to which were added two new projects relative to financing of energy efficiency, through the National Energy Efficiency Fund, as well as through the provision of incentives for the purchase of cars and motorcycles with low carbon emissions (ECOBONUS).

In addition to the tradition mix of financial aid, granted on the basis of legislation and administrative provisions, the Business Unit continued with training and assistance for measures aimed at new businesses, intensifying and refining this work, in particular through the supply of tutoring, mentoring and networking services.

There were 484 meetings held in this sector, with 285 proposals accompanied relative to the various incentive tools managed.

Again in relation to accompaniment and support processes for the growth of start-ups, especially innovative ones, an additional new initiative was launched, known as the Scaleup Program Invitalia Network (SPIN), a training program, carried out in cooperation with ELITE/London Stock Exchange, dedicated to the entrepreneurial development of 50 innovative SMEs, start-ups and university spin-offs, focussed on growth, open innovation and funding for selected initiatives.

Within these activities and services, the network of accelerators and incubators in the Invitalia Start-up System grew, enriched by cooperation with other qualified entities, which helped to generate new high quality requests for Smart & Start Italia. At present, the network includes 40 affiliated entities including accelerators, incubators and business angels.

Activities dedicated to helping develop start-ups in the tourism sector continued, carried out through the FactorYmpresa Turismo. During 2019, 2 new editions were carried out which, as a whole, saw the participation of 214 candidates, with 40 projects selected and 20 initiatives receiving awards.

The quality of this tool has been recognised internationally, in particular by the European Commission, which selected FactorYmpresa Turismo as one of the 3 best initiatives in the EU for promoting entrepreneurship during the 2019 European Enterprise Promotion Awards (EEPA).

Additionally, during 2019 the parent company presented an application to join TAFTIE, a network of the main European agencies for innovation. The network cooperates on the main issues associated with innovation and relative European policies (in course and future ones), working constantly with the European Union to influence the allocation of financial resources in European budgets relative to innovation and development in the near future.

In terms of the efficacy/efficiency of the measures managed, the parent company carried out a detailed plan to improve and refine three important incentives, developing an extremely productive conversation with the relevant central administrations and, more generally, with interested stakeholders. In particular:

1. procedures and assessment criteria were amended, as well as accounting procedures for expenses sustained by Smart & Start Italia companies, with the goal of better recognising the specific aspects of companies involved in the regulations in question (innovative start-ups) and simplifying/accelerating the execution of investment plans and, therefore, as a last resort, the use of public funds, including EU funds.
2. the process of revising access criteria relative to Law 181/89 was completed. In this case, the conversations also involved the Regional Administrations and Parliament. The changes introduced

will make access to the tool by smaller companies easier and faster which, in previous experience, had suffered significant issues.

3. The foundations have been laid, but here, given the more complex regulatory structure, the process requires some further institutional steps for the changes relative to the New Companies Interest Free measure which will combine with simplification/acceleration projects an interesting addition which, in certain circumstances, will allow financing of existing companies, with higher amounts.

With regards to activities associated with the reconstruction of areas in Emilia Romagna, a notable achievement was seen with the renewal of the Agreement with the Region through 31 December 2020. This made it possible to guarantee additional revenues and, above all, to guarantee employment continuity to a pleasing number of workers located at the Bologna offices.

The flow of requests relative to Development Contracts remains high. This is a tool which has become important in local industrial policies and development, but which is beginning to suffer from insufficient financial resources which do not make it possible to adequately deal with current demand. Amounts provided in recent budgets have been quite limited, but there is hope that the current revisions being carried out by the Ministry for the South and Territorial Cohesion relative to allocations made in the past for the Cohesion and Development Fund (against effective spending that is around 3%) may free up sizeable financial resources that can be used for active and effective development policies such as those created through the Development Contracts.

Additionally, to support these policies, the instrument has added another financial tool which allows the Agency, in the presence of certain strategically important elements, to acquire equity investments in financed companies. In this sense, in 2019 the parent company finalised its acquisition of a stake in Industria Italiana Autobus, in order to support the company's development plan, which constructs collective transport vehicles.

During 2019, the parent company further strengthened its role as a multiplier of resources that support the productive system, in particular in the regions of southern Italy:

	Initiatives financed	Investments (€/000)	Subsidies (€/000)	Newly employed
Italy	2.577	1.346.012	646.550	19.701
Southern Italy	2.352	951.819	466.499	17.647

Of which:

	Initiatives financed	Investments (€/000)	Subsidies (€/000)	Newly employed
Business Creation Smart & Start Italia, NITO, SELFIE, Resto al Sud, Cultura Crea	2.434	245.688	153.176	9.020
Large Investments and Strengthening Competitiveness Earthquake, CDS, Law 181	143	1.100.324	493.374	10.681

B.1.2 - Support to the Public Administrations, acceleration of public projects and management of intervention programmes for competitiveness and territories

In the last two years, the government has supported and promoted a relaunch of public investments, as a typical tool to favour innovation and environmental sustainability and strengthen tangible and intangible infrastructure.

The Economy and Finance Document approved on 9 April 2019 by the Italian Council of Ministers emphasised the need to support public investments as a fundamental factor in ensuring the growth and competitiveness of the productive system.

Therefore, in this context it is a priority to promote a strategy aimed at accelerating and improving the efficiency and effectiveness of public investment spending, as well as improving the capacity of administrations to prepare and manage investment plans and programs, to guarantee compliance with the planned implementation schedules. In this sense, the Government has defined and partially implemented new governance regarding the following structures:

- **Control Room "Italy Strategy"**: verify implementation status for infrastructure investment plans and programs, adopting appropriate initiatives to overcome any obstacles or delays;
- **InvestItalia**: carry out analysis, assessment and verification of investment programs regarding tangible and intangible infrastructure
- **Economic Policy Scheduling and Coordination Department (DIPE)**: intended to drive and coordinate public investment issues, in cooperation with "Italy Strategy" and "Investitalia", including in investigation/research activities for CIPE.

In this framework, the parent company is becoming increasingly qualified to serve as the entity entrusted with implementing and accelerating investments of particular complexity and strategic importance, above all those for development and territorial cohesion, financed with national and EU resources.

The parent company has taken on the role of the specialised structure for central administrations and commissioner structures, able to support the various stages in an investment cycle, from programming to design and through to execution of the work.

The need to accelerate the completion of public investments was confirmed in all planning documents and in the main legislative provisions adopted during 2019. Most recently, article 1, paragraph 582 of the 2020 Budget Law (Italian Law 160/2019), dictated measures to allow the use of CONSIP's centralised purchasing and negotiating tools also with reference to public works.

In 2019, through the Competitiveness, Infrastructure and Territories Business Unit (CIT), the parent company strengthened its strategic position through the formalisation of 21 new opportunities and the operational start of activities relative to 6 new agreements, signed at the end of 2018. These initiatives made it possible to strengthen cooperation with administrations with which agreements already existed (e.g. the Italian Ministry of the Interior, Ministry of Cultural Heritage and Activities, the Ministry of Education, University and Research and the Ministry of Economic Development), as well as to begin cooperative relationships with 11 new administrations.

Additionally, during 2019 the parent company strengthened its role as the entity qualified to implement Institutional Development Contracts (IDCs), as well as serving as the main actor in governing the process of defining these contracts.

In fact, starting in February 2019, the Presidency of the Italian Council of Ministers promoted four new IDC proposals, identifying the parent company as the implementing entity: Capitanata (Province of Foggia), Molise, Basilicata, and Cagliari (Metropolitan City of Cagliari and the Province of South Sardinia).

Of these, the Capitanata IDC was signed on 13 August 2019, while the Molise IDC was signed on 11 October 2019. At the end of 2019, preparatory activities for signing the Cagliari, Basilicata and Calabria IDCs were under way.

As part of the Capitanata IDC, in addition to guaranteeing the activities of the Central Purchasing Body, Invitalia also supports individual administrations in all stages and with all necessary tasks, including financial aspects.

The skills, professionalism and experience acquired up to this point have made it possible to develop an operating model which identifies the parent company as the Program Manager for executing public investments.

This led to the refinement and startup of the experimental project **IT platform to accelerate public investments**, which will provide operators involved in public investment projects with operational support to manage projects, at all levels but above all those responsible for implementing the projects. The parent company is also the beneficiary of the project, financed by the Action and Cohesion Programme Supplementary to the 2014-2020 National Governance and Institutional Capacity Operating Programme (CIPE 31/2019).

Through this project management tool, all actors in the institutional chain delegated to implement financed projects can monitor the various phases of relevant processes, with the objective of:

- improving the ability of public administrations to govern public investment management and implementation processes;
- reducing problems connected to execution times for projects financed in the context of development and cohesion policies;
- introducing and experimenting with tools to improve transparency and legality in the management and implementation of public investments.

In 2019, the Agency strengthened its role as a specialist support structure for central administrations in exercising its substitute powers and for commissioning structures. Competitiveness, Infrastructure and Territories supported the extraordinary Commissioners:

- to restore sites of national interest in Trieste and Piombino, supervising the execution of reclamation projects;
- in post-earthquake reconstruction in central Italy;
- in carrying out actions needed to adjust current regulations relative to abusive garbage tips located in Italy;
- to mitigate hydrogeological risk;
- with water purification, supporting coordination and execution of actions needed to adjust the collection, sewage and purification systems condemned by the European Union Court of Justice with regards to treatment of urban waste water;
- with Italy's participation in EXPO 2020, to create the Italy Pavilion during Expo Dubai 2020.

The Ministry of Infrastructure and Transport, after consultation with the Ministry of Economy and Finance and the Ministry of Economic Development, defined with decree 344 of 1 August 2019 the remuneration for, among other things, activation of the parent company as the Central Procurement Authority for post-earthquake reconstruction.

Competitiveness, Infrastructure and Territories is involved in promoting and managing programmes, projects and actions for restoration, environmental reclamation and reindustrialisation of areas in crisis, as well as those to overcome environmental emergencies, improve the efficiency of public services and take full advantage of public assets.

Additionally, in 2019 cooperation with the Ministry of Education, University and Research (MIUR) and with Competitiveness, Infrastructure and Territories continued, to promote programs and projects to fully take advantage of research.

Finally, cooperation with the Ministry of Labour and Social Policies was begun to provide support and technical assistance for the Inclusion NOP. In this context, two agreements were activated: one for the "Social Subsidies Project" and the other involving first level controls relative to the cited NOP.

In all activities, the signing of specific Legal Protocols with various administrations and Cooperative Supervisory Protocols with the National Anti-Corruption Authority (ANAC) has made it possible to maintain high levels of transparency and legality in procedures.

INCUBATORS

The national network of incubators was established over the years by the former Sviluppo Italia and its investees, with the aim of attracting SMEs, mainly in Southern Italy, by making industrial areas available to businesses equipped to serve as vehicles to develop and relaunch local economies. The economic crisis and lack of additional public resources contributed in most cases to the gradual emptying of these areas.

In this context and with an eye to reorganising the real estate assets of the Agency, also to implement the provisions of the reorganisation and disposal plan included in the 2007 financial law, it was initially decided to transfer ownership to Invitalia Partecipazioni SpA, a special purpose vehicle identified in the cited Plan for the transfer of all equity investments and assets deemed non-strategic, with the goal of identifying a process for selling them on the market, considering the progressive loss of their initial utility.

The transfer was completed with a deed dated 27 June 2018, transferring to Invitalia Partecipazione the business unit consisting of five owned incubators: Cerignola, Terni, Marcianise, Pozzuoli and Salerno.

Subsequently, acknowledging the difficulties of proceeding along the path undertaken to fully take advantage of the incubators transferred, as part of a new process to rationalise the scope of Invitalia's assets, at a meeting on 18 March 2020 the Agency's Board of Directors asked the General Manager to assess the possibility of repurchasing the incubators in order to dispose of all the Group's real estate assets, in a comprehensive approach that considers the operation as a whole.

The annex "Activities for contracts managed" (Incubators) includes details on 2019 activities relative to incubators still owned by the Agency.

IMPLEMENTATION STATUS OF CONTRACTS PREVIOUSLY MANAGED BY INVITALIA ATTIVITA PRODUTTIVE (IAP)

Relative to contracts independently managed by IAP until it was merged into the parent company, in 2019 activities continued to progressively resolve administrative problems relative to specific contracts.

CENTRAL PROCUREMENT AUTHORITY SERVICES

The Current Public Procurement Code, issued with Italian Legislative Decree no. 50 of 18 April 2016 establishes under article 38 INVITALIA's right to be registered on the list created by the National Anti-Corruption Authority (hereafter, ANAC) of qualified contracting authorities, which also includes central procurement authorities.

Since 2012 the parent company has acted as a central procurement authority, above all for the assignment of technical work and services. Article 55-bis of Italian Decree Law 1 of 24 January 2012, containing "*Urgent provisions for competition, development of infrastructure and competitiveness*", converted with amendments by article 1 of Law 27 of 24 March 2012, recognised central procurement authority functions, in favour of the relative administrations, in order to accelerate the implementation of projects of strategic importance for cohesion and economic growth.

To that end, recall that with Resolution 484 of 30 May 2018, ANAC registered all central procurement authorities and the Cohesion Agency on the list of central procurement authorities of entities awarding tenders with regards to the parent company, as its own in house company, pursuant to article 192 of the Public Procurement Code.

It should be noted that all procurement tenders were handled by the parent company using an online-procurement solution (IT Platform accessible at <https://gareappalti.invitalia.it/>), thus achieving greater efficiency, security and transparency compared to traditional procedures.

In 2019, the Central Procurement Authority Services issued tenders on the account of an ever wider group of entities awarding tenders.

B.1.3 - Environmental reclamation and urban regeneration of the Bagnoli-Coroglio district

The year 2019 was of fundamental importance for the Bagnoli Project.

The Environmental Restoration and Urban Regeneration Program (PRARU), presented by the Control Room on 5 April 2018 and the relative Environmental Report published on 5 June 2018 were submitted for the Strategic Environmental Assessment (VAS), which was completed in the first few months of 2019, with the issuing of Ministerial Decree no. 49 of 27/02/2019, jointly signed by the Italian Ministry of the Environment and the Ministry of Cultural Heritage and Activities.

In the PRARU, presented during the Control Room meeting of 11 March 2019, a definition is included of the intended usage of the land and urban parameters known as "urban excerpt", which constitutes the "qualifying condition".

On 14/06/2019 the Services Conference met and approved the Urban Excerpt of the PRARU, called by the Extraordinary Government Commissioner, downstream from which the decree to adopt the Urban Excerpt of the PRARU was issued by the Government Commissioner, followed by the relative Italian Presidential Decree approving the same (06/08/2019, published in OG 26 of 1/2/2020).

With the completion of the approval process for the Urban Excerpt, the urban planning variant to the area of significant national interest of Bagnoli Coroglio was approved, within which are included areas which had been transferred to the ownership of the parent company, pursuant to article 33 of Italian Decree Law 133/2014 (converted with Law 164 of 11/11/2014).

With reference to the resources needed to finance the actions of the PRARU, the project forms for financing relative to the 2014-2020 Development and Cohesion Fund were approved with a CIPE resolution of 4 April 2019, consisting of the assignment of additional amounts totalling € 265.22 million for urban reclamation and restoration projects and € 47.37 million for work regarding the integrated water service.

B.1.4 - Support to Public Administrations for EU-related planning

The parent company, through the EU Project Assistance Business Unit, works to support central and regional administrations in implementing programmes co-financed by the European Union and domestic programmes with the objective of:

- supporting administrations in managing funds to improve spending performance;
- reinforcing administrative capacity through designing subsidy measures and projects which simplify processes and digitalise procedures.

More specifically, the parent company is a partner of the Ministry of Economic Development and other institutions, offering professional skills for all stages of EU project scheduling:

- preparation and refining of Programmes
- designing and implementing actions
- monitoring, auditing and certifying spending
- IT tools to speed up the operations of the administrative machine and combine information in public, domestic and EU databases.

Operating areas in which the parent company supports public administrations mainly involve:

EU and domestic operating programmes

the parent company guarantees necessary support for proper and effective implementation of programmes cofinanced with EU and domestic structural funds. In particular, it develops and manages technical assistance activities for central and regional administrations, starting from analysis and preparation of programme documents and negotiation of the same, moving on to defining and implementing management tools, prompt execution of actions and proper use of funds, through to administrative and accounting closure of completed projects, ensuring expense auditing and certification is done, monitoring data is collected and sent, and compatibility and consistency with EU regulations and policies is verified.

In particular, it provides technical assistance to administrations managing the resources of the following operating programmes:

National Operating Programme (NOP) for Businesses and Competitiveness 2014-2020

Technical assistance for the Management Authority (MED General Directorate for Enterprise Incentives) and the Intermediate Entity (MED General Office for the Electricity Market, Renewables and Energy Efficiency) to define, manage, implement and communicate the programme.

SME Initiative NOP 2014-2020

Technical assistance for the General Directorate for the Electricity Market, Renewables and Energy Efficiency and Nuclear (DGMEREN), for a total value of € 8,000,000 to create initiatives relative to the IC NOP to manage and implement intelligent networks for energy distribution and storage projects, with the goal of increasing the portion of electricity requirements covered by generation distributed within the five least developed regions (Basilicata, Calabria, Campania, Apulia and Sicily).

Complementary Operating Programme (POC) for Businesses and Competitiveness

Technical assistance for the authority responsible for the programme (MED General Directorate for Enterprise Incentives) for projects under its responsibilities.

FSC Businesses and Competitiveness Operating Plan 2014-2020

Technical assistance for the authority responsible for the plan (MED General Directorate for Enterprise Incentives) for projects under its responsibilities.

Operating Plan "Renewable Energy and Energy Savings" 2007-2013

Technical assistance to MED/DGIAI in carrying out their responsibilities as the Intermediate Entity and in management/implementation of the Activities/Actions: technical support to the GDEI offices in the management of the procedures for the implementation of the lines of activity delegated to it by the Programme MA.

Attraction of Foreign Investments

Technical assistance in managing the Operating Plan to Attract Regional Investments with the objective of convergence (Basilicata, Calabria, Campania, Apulia and Sicily). The parent company was assigned, by MED DGIAI, to ensure accompaniment for foreign investors in Italy. In 2019 around 150 companies received accompaniment assistance and 50 received after care.

Reinforcing administrative capacity through designing subsidy measures and projects which simplify processes and digitalise procedures

The parent company supports the public administration in strengthening administrative actions by designing subsidies and projects which make extensive use of ICT. In particular, it is a partner for the Ministry of Economic Development in designing and managing subsidy measures which involve large number of beneficiaries and the need for massive and automated controls supporting investigatory activities.

Management of MED incentives and projects:

Digital export reinforcement vouchers

Overall design of the initiative, granting of the contribution, simplification of implementation procedures and digitalised management of the incentives (MED DGIAI). The project is intended to strengthen administrative and institutional capacity in the least developed regions (Basilicata/Calabria/Campania/Apulia/Sicily).

Voucher Internationalisation

Overall design of the initiative, granting of the contribution, simplification of implementation procedures and digitalised management of the incentives (MED General Directorate for Internationalisation Policies and Promotion of Exchanges).

Voucher Innovation Manager

Disbursement of subsidies in the form of vouchers, of up to € 40,000 per business, as a contribution for the activation of consulting provided by managers registered with a specific list created by the MED.

Urban Export Processing Zones

Support for the General Directorate for Enterprise Incentives in managing measures for all 50 Italian Urban Export Processing Zones (UEPZ) with an organisational and operating model with a fully digitalised and automated investigation process (MED GDEI)

New Sabatini

Support for the measure activated by the Ministry of Economic Development, "New Sabatini Capital Goods", with the objective of facilitating access to credit for businesses and transforming the production system towards the "Intelligent Factory", with an eye to Industry 4.0. The measure targets micro, small and medium-size enterprises located throughout Italy, operating in all economic sectors, and involves subsidies for access to credit for the purchase of new machinery, systems and equipment (MED GDEI). In 2019, relative to around 21,000 requests for access to subsidies received by the MED, 19,657 decrees were issued for total subsidies of € 325,242,323.96 granted during the same period. With regards to the disbursement stage, during 2019 SME sent a total of 64,259 requests for disbursement to the Ministry and 62,261 were examined, with total subsidies distributed of € 162,686,369.40.

Contributions to Confidi [Collective Credit Guarantee Consortia] branches for the establishment of a special and distinct risk fund to be used in the provision of new guarantees to associated SMEs

Technical assistance to MED GDEI to implement the subsidy project "Provisions for growth and capital strengthening of collective sureties", with the goal of favouring credit access to associated SME through the establishment of specific provisions for risk related to the granting of new subsidised guarantees.

Support for enterprises victims of non-payments

Technical assistance for the implementation of the subsidy measure "Enterprises which are victims of non-payment" with the goal of supporting, through the granting of subsidised finance, SME risking potential liquidity crises due to non-payment by debtor companies accused of extortion, fraud, fraudulent insolvency or false financial reporting.

Support for companies seized and confiscated from organised crime

Technical assistance to MED GDEI to implement the measure "Companies seized or confiscated from organised crime", established through a decree of the Ministry of Economic Development, in concert with the Ministry of Economy and Finance of 4 November 2016. Agreement between the parent company and MED GDEI for a value of 960,000 (including VAT).

The project is intended to support the creation of development programs for companies of all sizes which have been seized or confiscated from organised crime, through the granting of subsidised finance.

Subsidies have been disbursed for a total of € 3,583,233.28, of which € 1,783,233.31 in 2019.

Social Economy

Management of the subsidy measure "Social Economy" with the Italian Ministry of Economic Development - General Directorate for Enterprise Incentives (GDEI), for a total value of € 469,196.14 (VAT included).

PCOM follows an implementation process on the basis of areas of responsibility.

Consumer Protection

Management of the tender notice "Balanced Settlements", a dispute resolution tool for businesses and consumers, and execution of the programmes to support consumers through support for the activities of the National Consumer and User Council - MED Market and Competition Office. During 2019, 12,557 disputes were accepted for the contribution, and the amount of contributions granted to beneficiaries totalled € 689,330.00.

MED Rome video surveillance table

Management/administrative support to execute the project, supporting MED and the project Coordination Committee at the Prefecture. Creation of a centralised system to send videos from video surveillance cameras to police forces located within the city of Rome and belonging to various private and public stakeholders. In 2019 the parent company signed an agreement with the Ministry of Economic Development - General Directorate for Territorial Activities, for a total value of € 1,500,000 (VAT included).

Porto Marghera technical assistance

Technical assistance for the Coordination committee, support for project investigation and verification of monitoring data to implement the Porto Marghera PA, entrusted to the parent company by MED (GDEI).

In 2019, in order to allow for completion of administrative proceedings for the implementation of the Programmes planned in the 2015 Agreement, the MED requested an extension through to 30 June 2023 for Technical Assistance activities.

Infrastructure Projects Phase II technical assistance

Technical assistance for infrastructure projects provided by the parent company to MED GDEI, relative to administrative management and monitoring of infrastructure projects in the context of the remodulation of the Regional Agreements and Area Contracts.

GDEI incentive archive

Digitalisation of historic IT assets relative to measures of the Italian Ministry of Economic Development General Directorate for Enterprise Incentives, the new GDEI digital archive. With the new agreement for a total of € 1,900,000, the activities begun in 2019 involved the design and execution of the new document archive in ORACLE, as well as the migration of GDEI's current archived series.

Agreements with the Ministry of the Interior:

Support to the Management Support Unit (MSU) of the Regional Development Protection Project North Africa (RDPP NA) of the Migration Asylum Integration Fund

Economic/financial monitoring of the projects financed by the EU program "Regional Development and Protection Programme for North Africa" - (RDPP NA) - in six North African countries, managed by the Ministry of the Interior - Department of Civil Liberties and immigration. In 2016, the Parent Company signed a contract with the Ministry of the Interior for a total value of € 605,218 (including VAT). To carry out the activities, in 2019 an extension of the Agreement was signed, which brings the total value of the assignment to € 781,755.67 (including VAT).

Specialised support services for the Asylum, Migration and Integration Fund Audit Authority and the Internal Security Fund 2014 -2020

The Ministry of the Interior intends to avail itself of support from the parent company to reinforce its Auditing structure. The project falls within the context of the Asylum, Migration and Integration Fund and the Internal Security Fund 2014 -2020.

System projects

National Aid Register (NAR)

Design and execution of the National Aid Register on the account of the MED GDEI. This is an important project, cofinanced with over € 17 million coming from the Governance and Institutional Capacity NOP for the period from 2016-23. In 2019, 1,351,864 instances of aid were granted to companies, for a value exceeding € 22 billion.

OpenCUP

Technical assistance for the Presidency of the Council of Ministers - Economic Policy Scheduling and Coordination Department (EPSCD) in developing the OpenCUP portal.

NUE 112 - Single Emergency Number

EU programme, member of the working group (within the Italian Ministry of the Interior) planning the operating model to establish the model to receive calls, with the task of strengthening the capacity of regional and central administrations to adhere to the single response exchange envisaged under NUE 112.

B.2. - Activities of subsidiaries

The Parent Company holds 100% of the capital of the following companies:

(amounts in € 000)

Full equity investments	Capital Share	Capital Net	Value Production	Result Net
Infratel Italia S.p.A.	1,000	9,307	204,199	2,619
Invitalia Partecipazioni S.p.A.	5,000	4,814	2,498	(6,655)
Banca del Mezzogiorno S.p.A.	204,509	294,543	88,636	22,519
Invitalia Global Investment S.p.A. (*)	11,000	9,884	0	(219)

(*) Invitalia does not exercise management or control, as better specified below

Infratel

The share capital of Infratel Italia is 100% held by the parent company.

Infratel Italia is a distinctive organisation offering skills in designing, constructing and managing infrastructure to serve telecommunications networks, and has efficiently and effectively served as the implementing entity for government strategies for the sector.

The 2019 financial year was characterised by numerous significant events all aimed at carrying out the activities necessary to achieve the goals set by the Government Plans for Ultra-Broadband services.

The "White Areas" Plan is now being implemented and moving forward rapidly. This involved significant commitments associated with the operational start of infrastructure work envisaged in the three tenders awarded for a total of € 1.6 billion, needed to carry out projects in areas where the market had failed to provide the new ultra-broadband network (known as Next Generation Access Network - NGAN).

As is known, in 2015 the Italian government approved the "Italian ultra-broadband strategy" in order to meet the 2020 European Digital Agenda goals. The strategy aims at serving 85% of the population with infrastructure capable of traffic capacities of 100 Mbps or higher, while ensuring that 100% of citizens can access the Internet at a minimum of 30 Mbps. The strategy implemented opened the way to achieving the 2025 objectives, which aim to spread fibre optic capacity throughout the country, bringing it closer to residential users while also making FTTH connections to PA locations possible (schools, healthcare facilities, etc.) as well as to production areas, additionally making development of 5G possible.

Parallel to the Plan, activities to design and open new work sites for the "direct" model moved forward, again with reference to White Areas. This was decided upon together with certain regions to more quickly develop work sites with respect to the concession model, thereby facilitating the achievement of intermediate spending objectives set by the European Union for 2018. The execution of this project, approved by the European Commission with Decision C (2012) 3899 of 18/12/2012, refers to projects involving 646 municipalities. Of these commissioning has been completed in around 500 municipalities and operator services have been activated in over 200. Direct access municipalities will be completed during the period from 2020 to 2021.

With regards to SINFI (National Register of Installation Infrastructure), activities have made it possible to render the IT platform fully operational, with the data for 771 operators included and usable as of 31 December.

The Wi-Fi Italia Project was enhanced, with a new "mission" that includes covering at least one square (*piazza*) in every municipality with public access Wi-Fi. The new project known as "Piazza Wi-Fi Italia" is integrated with the initial project, allowing for a federation of Italian public and private Wi-Fi networks. During 2019, Piazza Wi-Fi Italia networks were activated in 333 municipalities.

The company's activities continued, maintaining a close interaction with the Italian Ministry of Economic Development, which is responsible for the direction and monitoring of the Broadband and Ultra-Broadband Development Programmes and with the Regional Authorities. The intent is to identify the best models of cooperation for the implementation of the interventions on the various territories, in compliance with the provisions of the EU Guidelines on State Aid for the rapid development of broadband and ultra-broadband services.

The 2019 financial year closed with a turnover of € 204 million and a net profit of € 2.6 million.

Banca del Mezzogiorno-Mediocredito Centrale

The share capital of Banca del Mezzogiorno SpA is 100% held by the parent company.

Banca del Mezzogiorno-Mediocredito Centrale (BDM), established by Law 949/52 as a public law entity to disburse public subsidies and support internationalisation of businesses, was transformed in 1994 to a joint stock company with the aim of operating in the sectors of project & export finance, business finance, industrial credit, leasing and factoring.

In 2009, following its acquisition by Unicredit, BDM took the name UniCredit Mediocredito Centrale and in 2011 was sold to Poste Italiane SpA, as part of a project promoted by the Italian Ministry of Economy and Finance to create a bank to support investments in the south as well as access to credit for SME, and young and female entrepreneurs.

Mediocredito Centrale (MCC), operational since February 2012, has the goal of providing loans to businesses (medium/long-term loans), to households (mortgages, salary or pension-backed loans) and to public administrations (in the context of the Entity Treasury service provided by Poste Italiane). It manages the central Guarantee Fund for SME, which supports credit access for small and medium enterprises, and the Sustainable Growth Fund, which mainly finances investments in research and innovation, issues relative to which the parent company is also committed, through management of incentives for development and employment and to relaunch areas in crisis (including southern Italy).

The Bank's mission is to support SMEs, mainly in the South, through the provision of loans and the management of public guarantee funds.

During 2019 the bank's commercial business, in full compliance with the Plan, was mainly directed towards SMEs in the South with a well-developed range of products, providing loans also in synergy with other local players.

SME commercial development was carried out both by operating as a second level Bank, making use of local partnerships with other banks, financial companies, and collective sureties, mainly with agreements, and through B2C, using the WEB portal.

With regards to the Central Guarantee Fund for SME, 2019 saw a slowdown after the Reform Decree took effect, as of 15.3.2019. Requests received numbered 125,918 (-3.9% with respect to 2018), against a slight decline in operations granted guarantees, totalling 124,954 (-3.4% with respect to 2018). An increase in the volume of financing was recorded, totalling around € 19.4 billion (+0.9 with respect to 2018).

The 2019 financial year closed with an intermediation margin of € 88.5 million and a net profit of € 22.5 million.

Invitalia Partecipazioni

The share capital of Invitalia Partecipazioni is 100% held by the parent company.

Invitalia Partecipazioni is a special purpose vehicle in the Group, responsible for managing liquidation processes and equity investments deemed non-strategic.

As part of the Group's reorganisation plan, the former regional companies placed in liquidation were transferred to Invitalia Partecipazioni, as well as a business unit from the former Italia Navigando and Invitalia Attività Produttive.

During 2019, the company continued with its mission, aimed at disposing of the equity investments in its portfolio, by completing liquidation or disposal procedures, managing the closing of still existing creditor positions, settling the relative disputes and managing real estate assets, mainly consisting of business incubators.

The 2019 financial year closed with turnover of € 2.5 million and a loss of € 6.6 million.

Invitalia Global Investment

Following the process begun in October 2017 by the Italian government, on 9 January 2018, pursuant to article 1, paragraphs 260-266 of Law 205/2017, Invitalia established Invitalia Global Investment SpA, a financial institution authorised to provide loans to promote the development of exports and internationalisation in the Italian economy relative to countries classified as high risk by the International Financial Action Group, also known as the Financial Action Task Force (GAFI-FATF).

However, the 8 May 2018 announcement made by the US administration regarding the country's unilateral exit from the Iran nuclear agreement and the associated reinstatement of sanctions in two phases, the first beginning 7 August 2018 and the second on 4 November 2018, progressively led to a radical change in the international situation in terms of business interests. This led to uncertainties which affected the operations of the Company and, more generally, the Italian industrial system.

During 2019, the unchanged international situation combined with an absence of specific instructions from the government led the Board of Directors, downstream from the completion of cost saving actions aimed at fully eliminating discretionary costs, to place the company in "stand-by" in operational terms, effective as of 1 April 2019.

As already noted in the section on the structure of the Group, due to the special purposes that lawmakers intended to pursue by creating a new instrument for public action, regulated by special

administrative provisions, Invitalia's Board of Directors resolved, in line with that indicated by the Italian Ministry of Economy and Finance, not to provide management and coordination for the newly established company. Therefore, it is excluded from the scope of consolidation.

Subsidiaries held for sale

(amounts in € 000)

Controlling shareholdings	Share capital	Shareholders' equity	Production Value	Net result
Italia Turismo S. p. A.	128,463	78,549	8,528	(7,266)
Marina di Portisco S.p.A.	7,793	6,666	4,870	110
Trieste Navigando S.p.A.	100	54	-	(13)

Italia Turismo

The share capital of Italia Turismo is 100% held by the parent company.

Italia Turismo possesses a large number of real estate assets, mainly in Southern Italy (Apulia, Basilicata, Calabria, Sicily, Sardinia) consisting of tourist villages leased to leading sector operators.

Activities to dispose of the equity investment in Italia Turismo were begun by the parent company in the final months of 2017. Based on a formal request made by the shareholder Invitalia, at its meeting on 7 December 2017 the Board of Directors of Italia Turismo resolved to give the parent company a mandate to sell the assets it owns.

During 2019, while still continuing to work towards disposing of company assets, operational management continued along the path set, intended to strengthen margins in the individual business units while simultaneously pursuing strict cost containment in terms of structure and improving efficiency in the services required to manage assets.

The results for the year confirm the quality of the actions undertaken, showing significant profits in terms of the gross operating margin (EBITDA), unfortunately penalised by extraordinary events such as extraordinary allocations made to provisions for risks and for impairment of assets being disposed of, as well as by financial management significantly influenced by debt renegotiation.

Financial year 2019 ended with turnover of € 8.5 million and a loss of € 7.3 million, determined for around € 5 million by costs sustained to recover the flood damage suffered by 3 villages owned in the Simeri district at the end of 2018. Against these costs, as the insurance claim is still being resolved, it was not possible to recognise any profit in the 2019 financial statements, on the basis of the accounting standards. Presumably, it will be possible to recognise the proceeds in financial year 2020.

Sales procedure

below are the main actions in relation to the sales procedure:

- On 31 January 2018, with notices published in the Financial Times and *Il Sole 24 Ore*, the Open Preliminary Procedure for the Disposal of Italia Turismo SpA began. No offer was received by the final deadline of 31 March 2018.
- Invitalia subsequently continued with activities intended to achieve disposal of Italia Turismo, or of its real estate assets, through the publication of a notice intended to garner indications of interest. At the end of this stage, 10 indications of interest had been received, 2 from investment funds and 8 from sector operators.
- On 17 December 2018, the Invitalia Board of Directors expressed its opinion in favour of the proposal submitted by an operator and asked the General Manager to continue communications with the company in question and with creditor banks.
- On 30 May 2019, the Invitalia Board of Directors determined the offer received was the most advantageous in terms of the reliability of the counterparty, the price offered and the scope of interest, authorising the General Manager to continue exclusive negotiations with the company.
- On 11 July 2019, Invitalia and the prospective purchaser signed an agreement which set the closing date for 30 November 2019. The extension regime in which Invitalia then found itself did not allow the operation to be completed in accordance with the terms initially set.
- On 12 December 2019, the parties agreed to postpone the closing to 30 April 2020.
- On 18 February 2020 the Invitalia Board of Directors approved the sale of almost all the assets of the subsidiary Italia Turismo SpA to the identified Group, a major Italian operator in the tourism sector. The operation is contingent upon the issuing of the required authorisation by the Italian Ministry of Economic Development, pursuant to the Ministerial Decree of 4 May 2018. The total price of € 137.5 million is to be paid in three tranches.

- On 5 March 2020, the proposing entity sent a letter to Invitalia requesting a two-month suspension in negotiations due to COVID-19, which had led to cancellations by a large number of foreign tourists at facilities located in northern Italy.
- On 11 March 2020, Invitalia responded and accepted the two-month suspension in the sales negotiations, consequently postponing the entire authorisation process.

Marina di Portisco

The share capital of Marina di Portico is 100% held by the parent company.

Marina di Portico manages the tourist port located in the Gulf of Cugnana, between Porto Cervo and Porto Rotondo, through a thirty-year state maritime concession expiring in September 2029. The port offers 589 boat berths, of which 16 for maxi-yachts for lengths of up to 90 metres and quay depths of up to 10 metres, with parking for 315 vehicles, located next to the quays and in the area behind them.

During 2019, actions intended to optimise the positioning of the Marina continued, through a marketing and communication plan aimed at achieving the sales targets identified through market research and historical analysis of sales statistics.

Technical activities also continued aimed at extending the government maritime concession. At the end of 2019, the company sent a note to the public entities involved in the assessment process, indicating completion of the authorisation procedure.

At the end of 2019, turnover was € 4.8 million and profit equalled € 110,000.

Trieste Navigando

The share capital of Trieste Navigando is 100% held by the parent company.

The company's mission is to construct the "Porto Lido" project in the city of Trieste, including redeveloping an historic part of the city waterfront by constructing a marina. For this purpose, it obtained a forty-year state maritime concession.

In September 2016, a preliminary sale agreement was signed between Invitalia, the Trieste Chamber of Commerce and the FCRT for the sale of the entire share capital of the company, conditioning the effectiveness of the act to the acquisition of certain authorisations from the competent authorities.

In August 2019, following a change in the structure of the purchasing entity (the CR Foundation of Trieste allowed the Trieste Chamber of Commerce to acquire the entire stake in the company, renouncing the portion due to it) and a different method of guaranteeing the receivable, which still needs to be updated on the basis of the new agreements still being defined, a new letter authorising the sale of the equity investment was sent to the MED. The process of obtaining the requested authorisation is still in progress.

B.3 – Financial management

During 2019, the main global economies enjoyed stable growth in terms of monetary availability and subsidised growth, stimulated by the expansive monetary stances taken by the central banks which has remained essentially untouched since the times of the 2008 financial crisis. In the United States, buy back and refinancing operations for repurchase agreements, in addition to expansive fiscal policies, led to generalised growth in stock and bond prices in all the main financial markets with a strength that disregarded the economic situation and the risk premium for individual financial assets. The main variables of the previous year, the Chinese/US trade war and the risks of a hard Brexit lost most of their recession potential, while the probable negative effects on global growth associated with the corona virus cannot yet be predicted nor quantified.

In a situation in which the cost of money has further declined, the monetary rate curve is entirely negative for maturities of less than ten years. For Italian government securities, offering the highest level of remuneration among the main European government issuers, offer positive returns only for maturities exceeding 3 years.

The parent company's financial management, which features a prudential and generally monetary profile, was able to benefit from the marginal increases in the management mandates it received during the final quarter of 2018.

Financial income thereby reached € 6.6 million in 2019, with a percentage return of 2.46%, almost triple that seen the previous year, with assets managed practically unchanged. In fact, improved efficiency in collection trends made it possible to fully cover the parent company's current expenses with cash flow generated by current operations, leaving available monetary assets managed substantially unchanged.

Management objectives were achieved partially through total returns which exceeded the cost of debt (2.46% vs. 1.37%) and through maintaining the liquidity available to the company at the lowest possible levels by improving efficiency of the same while still maintaining short-term financial balance and a low risk profile for investments, also taking into consideration the fact that current account deposits are no longer remunerated and short-term investments are at negative rates. This result was mainly achieved through repurchase agreements, for around two thirds of the portfolio of securities which, in addition to improving expected returns by around a third of a point, also ensured short-term financial balance even with higher average loans.

The greatest contributions to overall performance were offered by the long-term securities portfolio (HTC). In this segment, taking advantage of profit taking, within the limits set by international accounting standards, and repositioning carried out during the few market reversals, around € 3 million in profits were recorded, against assets in the portfolio of around € 103 million.

Another significant contribution to the return on liquid assets was provided by external management. This management, with a moderate balanced profile, was stipulated at the end of 2018 for a minority portion of capital (average exposure of 3% of liquid assets managed). Prudential and careful management of these investments, including taking advantage of greater or lesser market volatility, made it possible to achieve € 1.1 million in profit on average capital invested of 10.3 million (11.2%), the best return in percentage terms.

The third most important segment in terms of size and returns was the investment policy portfolio. These are policies which invest in separate management of bonds which, in virtue of favourable governance regulations, provide an important function by stabilising management returns, reducing volatility and the overall risk profile for asset allocation, given the elevated stability of the performance offered. In 2019, remuneration for these investments was around 1.5 points, also taking into consideration costs connected with the initial loads.

During the year, these policies were accompanied, using a small portion of capital, by unit-linked investment policies, with partial capital protection, offering remuneration of 10%.

Asset allocation did not change in an appreciable manner during the year. At 31/12/19, held to collect (HTC) securities represented around 40% of net available liquid assets, while capitalisation policies reached the limit of 20% of invested capital, while a third of net liquid assets consisted of current account deposits. Finally, securities held for trading and mutual investment funds together accounted for 7% of asset allocation.

With regards to financial management for other Group companies subject to consolidation, we note the sole two companies which generate this type of cash flow: MCC, a bank, and Infratel, due to the significant amounts of liquid assets managed, deriving from advances from clients.

Again during the year in question, Infratel financial management featured extremely prudential policies for making use of liquidity, based on cash flows coming from the Ministry of Economic Development intended for management of contracts.

Banca del Mezzogiorno-Mediocredito Centrale, regulated by the Bank of Italy, manages its balance sheet assets and liabilities on the basis of the strategies in its business plan and consistent with bank and financial regulations and equity requirements. For more information, please see the Directors' Report on Operations in the Financial Statements approved by the Bank.

Financial management risk

There are no appreciable liquidity, interest rate or credit risks.

With regards to liquidity risk, there are no problems in that cash flow from current operations fully satisfies structural operating costs. The stress test, intended to verify the financial strength of management in the case of exogenous liquidity shocks, indicates that financial management investments comply with the principle of high liquidity, as two thirds of the total can be readily monetised.

Interest rate and credit risk are similarly limited.

More specifically, the long-term securities portfolio (HTC) has a very low risk profile with an average duration of around 5 years (against a financial mandate limit of 7 years) and an average rating of BB+ with Italian government securities exceeding 50% of the total.

The parent company's intention and ability to hold these securities for the long term in order to collect coupon-based returns makes it possible, on the basis of the international accounting standards, to not suffer any capital losses (to fair value) due to temporary fluctuations in interest rates and prices (measurement of securities at historic cost).

On the other hand, the portfolio of securities held for trading is of a residual amount, now less than 10% of investments, with a shorter financial duration of less than 3 years, and more contained relative implicit interest rate risk.

Investment policies are for the most part made up of separately managed items with a prudential profile which, due to the segregation of the relative funds and the rules governing them, offer high protection from credit and interest rate risk.

Finally, mutual investment funds, which are marginal in terms of amount, led to the choice of the main asset managers globally through the selection process, and in virtue of the prudential balanced investment class, do not appreciably increase the risk profile for management.

The first few months of 2020 saw substantial changes in the global macro-economy and the domestic economy. As a consequence of the restrictive provisions issued due to the COVID-19 pandemic, the most important global stock markets saw record drops of up to 30% of capitalisation, also affecting the bond and government security markets of issuer countries. In the most realistic scenarios, forecast data for developed economies suggest a decrease in GDP of around 10% for 2020, with partial recovery in 2021. In this context, the parent company's investment policies remain highly prudential, and asset allocation will be transferred towards liquid and conservative positions.

Infratel manages liquidity with its usual prudential policy, through the use of time deposits with low profitability and extremely low risk.

Finally, with regards to Banca del Mezzogiorno-Mediocredito Centrale, please see the Directors' Report on Operations in the financial statements approved by the Bank for an extensive description of the methods used to manage risk and monitor it, in line with the regulations to which the Bank is subject.

C - HUMAN RESOURCES AND ORGANISATION

Organisation Development activities during 2019 mainly focussed on the size of the function and the release of tools and systems to enable the parent company's business transformation (culture, skills, processes and behaviours) or to support decision making.

Feedback on the impact of the new implementation tools, in terms of productivity, business climate and organisational well-being in general, will provide useful information for the upcoming negotiations to renew the collective labour contract for 2020/2022.

C.1 - Organisational projects

The insertion of data driven systems and methods within the operating organisation and work was aimed at allowing company decision makers to obtain information more useful for improving the

quality of results, above all through more knowledgeable focus on all the variables which determine company productivity.

Job rotation

During the year, the Business Incentives and Innovation Area carried out the most extensive use of job rotation and right sizing projects.

An important driver for these processes was the need to find resources appropriate to support the definition of the marketing plan for subsidy measures and management of the Customer Relationship Management process.

Additionally, in the same organisational environment, the "Business Evaluator" profile served as a source to provide various requirements relative to the technical component of providing services to validate investigations and manage "after-sales" for incentives.

Both of the referenced projects were intended to strengthen technical skills relative to supporting subsidy measures, continuing forward with actions begun in 2018.

Changes to the organisational structure

After the renewal of the Board of Directors, and consistent with a forward looking view that expects significant challenges for Group governance, during the final part of the year a more complex revision of the corporate organisational model was begun (2019), redesigning staff functions, both in terms of governance and service, which subsequently continued (2020) with notable fine tuning of Business Areas.

The redesign involved, each time, simplification projects regarding the structure of the structures/processes, or authentic organisational upgrading. More specifically:

- **Legal and Corporate Affairs:** - Activities relative to the Board of Directors administrative services were separated from the function to offer better focus (full time), in consideration of the type of support which will be necessary during the next Board term, as well as for more general upgrading of the service. Organisational layers were reduced, distinguishing between services aimed at internal Agency/Business Area clients (contracts and disputes) and services aimed at external clients (projects). Consistent with the changes in the relevant legislative framework, a Privacy department was established with the aim of offering the DPO orderly monitoring of processes, in order to ensure compliance with the regulatory framework.
- **Human Resources and Organisation:** - Through implementation of transitional management of activities and the framework, intended to achieve maximum synergy after acquisition of MCC, centralisation of MCC personnel administration services within Invitalia was begun, with an eye to rationalising the Group's shared services. In addition to modest cost savings, the benefits of this decision involve the possibility of benefiting, prospectively, from the scaling effect, as well as in increasing the professional and project abilities of the group.
- **CFO:** - Although formalised the following 23 January, the creation of the CFO position constitutes a significant upgrade in the Group's structure in a number of ways:
 - reducing accounting, administrative and management responsibilities to a single person, supported by the "lever" of IT Systems. The investment in systems, starting with the progressive refinement of the CPM, will allow for effective governance and timely control over the Group's economic/financial figures;
 - the implementation of a department with the specific mission of supporting governance/control over Group equity investments simultaneously began, beginning with a focus on both protecting corporate autonomy in line with the regulator structures in effect with Group synergy objectives for shared services, as well as optimising the portfolio of Group equity investments;
 - the assignment of responsibilities for former PA digital activities is intended to kick off rationalisation of all company IT activities, supporting the establishment of a true centre of

knowledge, through redesigning all activities aimed at internal or external clients of the Agency;

- finally, within IT Systems, a data management knowledge centre was established. In this organisational environment, the Agency's knowledge base is acknowledged through identifying, modelling and cataloguing the various sources of information, at the same time that continuous scouting is activated to identify innovative technologies/products (data management and AI), making use of experiments and disseminating successes throughout the company.

Main organisational projects

During the year, strategic workshops for the Incentive and Innovative and EU Project Assistance Bus were carried out, with the aim of encouraging greater focus on the vision and mission of each area, through:

- market analysis and definition of possible reference scenarios;
- identification of economic and efficacy and efficiency indicators.

Productivity Bonus: certain performance indicators for operating processes were introduced experimentally. At the same time, indicators for other work groups were strengthened, based on the positive effect seen during the experimental stage.

Smart working: during the last quarter of the year, with a deadline of 31 December based on the expiration of the collective contract, experiments with the use of smart working were carried out, involving a total of 78 employees coming from three different organisational units (one from each business area), with the aim of evaluating the costs and benefits of smart working. The variables observed were:

- overall productivity;
- quality of planning and control over activities carried out remotely;
- effects on group motivation;
- satisfaction of the client;
- possibility of effective costs savings relative to office space;
- work/life balance and "social" benefits (reduced commuting).

Among the various results of the experiment, client propensity to accept (or not accept) changes in the methods of providing services, not originally foreseen in the rules of the engagement, were also monitored.

Quality management

In line with the provisions under the law and with an eye to rendering more systematic the management and control processes regarding health and well-being, the parent company was one of the first companies to move from a BS OHSAS 18001:2007 Management System to a UNI ISO 45:0001 one. While OHSAS 18001:2007 focussed on managing health and safety risks, the new norms focus more strongly on the interactions between the organisation and the context in which it operates. The structure of UNI ISO 45:0001 is considered to be "High level structure" (HLS), in that it is intended to guarantee compatibility with other management systems with an eye to overall integration. Additionally, consistent with previous reports, the parent company has certified all its core processes such as, for example, the management of incentive measures and the management of projects for external clients.

Finally, during 2019 the parent company maintained the certification for the management of its Contact Centre, according to the UNI EN 15838 - 11200, as well as certification concerning planning and execution of the verification service on works design for validation purposes.

C.2 - Management workforce interventions

During the 2019 financial year, workforce management actions were oriented, in line with the achievements of previous years, to a better allocation of internal resources on revenue-generating contracts, as well as to the acquisition of skills from the market required for the execution of contracts in the portfolio.

In particular and in line with the planning and management of the Agency's and the Group's contracts, recruitment was mainly aimed at integrating skills not present within the Group, in particular relative to the management and enhancement of contracts with highly technical content.

The policy for the stabilisation of fixed-term employment contracts continued to be pursued, leading to the confirmation of 116 permanent employment contracts for resources throughout the entire Group, of which 111 related to employees of the Parent Company. Additionally, 5 permanent employees were confirmed with regards to the source of the "Emilia Romagna Earthquake" contract, as established in the specific Union Agreement.

During 2019, employee turnover for the **Agency and its subsidiaries** (including companies excluded from the scope of accounting defined in the Non-Financial Statement) is summarised briefly in the table below:

	Managers	Middle Managers	Clerical staff	Total employees	Atypical workers**	Total
Staff at 31/12/2018	68	404	1,424	1,896	175	2,071
Joining:	5	23	409	437	202	639
- from Group companies	2	0	3	5	-	5
- other	3	23	406	432	202	634
Leaving:	12	19	297	328	326	654
- to Group companies	2		3	5	-	5
- other	8	15	288	311	133	444
- exit from scope, Invitalia Ventures***	2	4	6	12	193	205
Staff at 31/12/2019	61	408	1,536	2,005	51	2,056

* includes the companies held for sale Marina di Portisco spa and Italia Turismo spa

** Freelance workers, temporary employees, interns

*** on 5/8/2019, Invitalia transferred 70% of its equity investment in Invitalia Ventures to Cassa Depositi e Prestiti spa

Agency Turnover:

During 2019, incoming and outgoing members of parent company staff were heavily influenced by the aim of guaranteeing, also in relation to the strict regulatory constraints ("Dignity Decree"), continuous operations for the contracts relative to reconstruction of the areas affected by the Emilia Romagna and Central Italy earthquakes, in which specific technical skills are concentrated.

With regards to employees, incoming staff (361) relate to 202 new fixed-term contracts, 104 interns, 45 permanent employees and 10 promotions (2 managers and 8 middle managers).

Fixed-term contracts were activated for the most part to carry out activities planned for the reconstruction of the areas in Central Italy (79 hires) and in Emilia Romagna relative to which 55 new hires and 26 re-hires were carried out, against the expiration of 125 non-extendable fixed term contracts. As a whole, 160 fixed-term contracts were signed in 2019 relative to this work, equal to around 80% of total incoming employees with this type of contract. The remaining fixed term new hires were taken on to strengthen skills relative to the Central Purchasing Body institutional role, to manage and plan utilisation of EU funds and to strengthen other contracts in the portfolio, whether previously existing or acquired during the year.

Activation of intern contracts for the most part involved contracts managed by the Incentives and Innovation department (48% of the total) and, in particular Resto al Sud [Remain in the South]. To a lesser degree these were also used to satisfy expansion needs for activities involving management of EU funds, Engineering Services and other contracts associated with the Competitiveness, Infrastructure and Territories department.

New permanent employees included the absorption of 24 individuals coming from the company *Ancitel SpA in liquidation*, subject to management and coordination by the *Associazione Nazionale dei Comuni Italiani (ANCI)* (National Association of Italian Municipalities), with which the parent company stipulated a Framework Agreement on 9/2/2017. This agreement defined the areas of activity and

methods of cooperation between ANCI and INVITALIA, who committed to making the skills of their respective permanent employees available, as well as those of their investee companies. Additionally, 10 permanent employees with specific skills in the IT sector were hired, while 5 resources assigned to the "Emilia Romagna Earthquake" contract, whose fixed-term contracts had expired during the year, with re-hiring through temporary contracts, were confirmed as permanent employees in application of the Proximity Agreement with the unions (28/6/2019). The remainder of permanent contracts involved employees with high levels of professional experience in various sectors and infragroup transfers, coming from the subsidiary Infratel Italia SpA.

Outgoing employees, net of promotions, totalled 248. Of these, 152 involved fixed-term contracts relative to the "Emilia Romagna Earthquake" contract, with 125 expiring during the year and 27 terminated after resignation. The remaining outgoing fixed-term employees mainly derived from the closure of contracts activated by the Competitiveness, Infrastructure and Territories (33) and EU Project Assistance (16) due to both natural expirations and resignations. During 2019, a Group initiative was begun to encourage retirement for personnel which meet pension requirements, including application of Italian Decree Law 4/2019, which introduced the "sum of 100". As a whole, actions implemented for this purpose led to the retirement of 17 permanent employees, in good part relative to Invitalia (9 in 2019).

With regards to atypical contracts, used to satisfy additional flexibility requirements, 64 freelance, 67 temporary and 6 intern contracts were activated. The temporary contacts related almost entirely to maintaining operational continuity for the "Emilia Romagna Earthquake" contract (64) and involved, in virtue of the previously cited Proximity Agreement, 50 resources with previous fixed-term contracts which had expired during the year.

Outgoing atypical staff, totalling 105, involved 86 freelance workers, 12 temporary workers and 7 interns.

As a whole, at 31/12/2019, the total number of employees of the Agency saw a net increase of 103 with respect to 2018. The number of employees with atypical contracts was increased by 32 due to the activation of temporary contracts, partially compensated for by lower usage of freelance and intern contracts.

Turnover in other subsidiaries:

Changes in the staff of the other companies of the Group was mainly influenced by the increase in the staff of the Banca del Mezzogiorno – Mediocredito Centrale SpA (+39), based on the need to strengthen the structure with specific skills, by Infratel Italia SpA (+20 resources, of which 16 interns), following the increase in activities relative to the Broadband programme and seasonal mobility typical of the business of Marina di Portisco SpA (+10). This increase was substantially compensated for by the termination of employment relationships for 53 resources, of which 26 employees from Banca del Mezzogiorno – Mediocredito Centrale SpA, 12 from Infratel SpA and 12 from Marina di Portisco SpA.

C.3 – Human resources development actions

Development

2019 saw the execution of the project "Performance Evaluation - Reference Year 2018". This initiative was an initial project structured to identify and fully take advantage of individual performance.

More details about development of the **Performance Management** project and on **enhancing of company talent** can be found in the Non-Financial Declaration in section 2.2.2 *Development and enhancement of human resources*.

Training

For the parent company, training is seen as one of the factors that makes it possible to ensure company skills and actions are in line with the professionalism and integrity needed to further the Agency's position in its reference markets.

Overall, during 2019, 87% of the annual average for parent company staff was involved in training activities, with an average of 3.8 days per employee.

Details on **Continuous training: managerial, behavioural, technical** relative to the Group can be found in the Non-Financial Declaration in section *2.2.2 Development and enhancement of human resources*.

Company welfare

In 2019, the parent company provided a unilateral contribution to welfare for all employees totalling € 998,878. Employees were able to spend this sum within a services and agreements portal, using the methods allowed under the regulations (reimbursements, vouchers and payments). At the end of the year, the termination date for the welfare plan, around 98% of the welfare sum deposited had been spent.

In addition to the portal for active services and agreements (among which we note mortgages and loans with favourable conditions), the parent company continues to invest in welfare through the provision of services which meet employee needs (as expressed in the needs analysis survey of 2017 and in feedback questionnaires sent after each initiative):

- childcare - like every year, summer camps for children aged 3 to 14 were organised, with the company fully supporting the cost for the first child; cultural and social events were carried out for employees and family members, and events including volunteers;
- personal and professional development - the provision of language classes outside of work hours and in intensive modality continued, the latter through the U First of All project, with one week of residential training; pilot courses were activated for cooking, creative writing and literature;
- health and additional insurance - the supplementary healthcare policy, renewed in July 2019, ensures employees have direct access to healthcare services in participating structures or reimbursement for care received through non-participating structures and/or doctors; additionally, for employees with permanent contracts, the company makes an annual contribution to a pension fund;
- flexibility and mobility - an experimental smart working project was kicked off: 76 employees were able to work one day a week outside the office in a location of their choice. This project represents, among other things, an initial response to the need to support home/work "mobility", a desire expressed by employees in the 2018 survey.

C.4 Trade union management actions

Following the positive experience seen with the pilot Remote Work project for the "Title II" contract (Union Agreement of 23 July 2015) and in application of that established in the renewal of the national collective labour contract relative to experimenting with innovative forms of employment, on 4 March 2019 the Agreement was signed, which established that 40 employees' contracts would be switched to Remote Work, all under the Resto al Sud contract. Additionally, on 10 September 2019 an Agreement was signed for an experiment with smart working for employees in specific organisational areas, through 31 December 2019.

In order to guarantee operational continuity for the "Emilia Romagna Earthquake" project, on 28 June 2019 a Proximity Agreement was signed with union representatives which, in derogation of current regulations, established continued employment for the resources allocated to this project, activating

temporary contracts for workers hired prior to 31/12/2017 and contractual continuity for fixed-term employees hired after that date.

With regards to the production bonus introduced with the Agreement of 25 July 2017, on 30 July 2019 an agreement was signed between the unions and the parent company which introduced certain changes to the benchmarks used to quantify the bonus, as well as the usage of new experimental benchmarks for certain organisational units.

For the subsidiary Infratel SpA, an agreement was signed on 31 July 2019 which extended the Production Bonus to 2019, originally set to expire in 2017, as well as redefining the organisational units involved and the criteria used to calculate the summary performance benchmark.

During 2019, the ordinary union relations were also managed, providing the envisaged contractual information, as well as disclosure of information required for specific needs and meetings with the Union Representatives when required.

D - COMMENTS ON THE CONSOLIDATED FINANCIAL AND EQUITY POSITION

D.1 Financial situation

Financial year 2019 ended with profit of € 14,215 thousand, a notable improvement with respect to the previous year.

The following table reclassifies the consolidated profit and loss statement items from a management perspective, comparing them with those of 2018:

RECLASSIFIED PROFIT AND LOSS ACCOUNT	2019	2018	difference
Income from services and other income	380,399	354,628	25,771
Net financial income	34,233	30,482	3,751
VALUE OF OPERATIONAL PRODUCTION	414,632	385,110	29,522
External costs and operating costs	(221,104)	(200,010)	(21,094)
Added value	193,528	185,100	8,428
Staff costs	(139,515)	(132,854)	(6,661)
GROSS OPERATING MARGIN	54,013	52,246	1,767
Amortisation, depreciation and provisions	(2,930)	(4,821)	1,891
Result from management of equity investments	5,333	(83)	5,416
OPERATING RESULT [EBIT]	56,416	47,342	9,074
Result from assets held for sale and net non-recurring charges	(33,148)	(31,417)	(1,731)
GROSS RESULT	23,268	15,925	7,343
Income taxes	(9,053)	(8,046)	(1,007)
Profit (Loss) for the year attributable to non-controlling interests	0	(2)	2
NET RESULT	14,215	7,881	6,334

The increase in the value of production was significant, exceeding € 27 million, thanks in part to the increase in Infratel production, mainly relation to the BUL Large Project, also reflected in the significant growth seen in external and operating costs. Further increases in revenues can mainly be traced to Agency activities.

The cost of labour also increased, correlated with the increases seen in Invitalia and Infratel, generated by staff additions rendered necessary to carry out the additional activities assigned.

The gross operating margin and operating result were both more than positive. The latter, in particular, benefited from the trend in management of non-consolidated equity investments due to capital gains, essentially achieved through the transfer of 70% of the equity investment in CDP Ventures Capital (formerly Invitalia Ventures SpA), as well as a decrease in amortisation/depreciation and provisioning.

The positive net result, almost twice as large as that registered the previous year, is nonetheless penalised by non-recurring charges and writedowns deriving, among other things, from provisions relative to equity investments held for sale and receivables associated with Banca del Mezzogiorno, as well as increased taxes.

The following is a reconciliation between the results of the statutory and consolidated financial statements:

RECONCILIATION OF STATUTORY AND CONSOLIDATED RESULTS

	2019		2018	
Statutory result		20,609		18,003
Operating results of subsidiaries for the year	11,588		12,048	
Reversal of separate financial statement valuations	(17,318)		(20,967)	
net effect of subsidiaries		(5,730)		(8,919)
IFRS 9 adjustments		(399)		(133)
Valuation of equity investments		(260)		(959)
Adjustment of severance pay to IAS principles		(4)		34
Elimination of infragroup reports and other accounting		(1)		(147)
Consolidated group result		14,215		7,879
Result attributable to non-controlling interests		0		2
Result attributable to the Parent Company		14,215		7,881

The decrease in the consolidated net result with respect to the statutory amount is substantially generated by the net effect of profits and losses for the periods, from some subsidiaries held for sale (Italia Turismo, for the most part, relative to which the loss for the period was not recognised in the individual financial statements, following the results of the Impairment Test).

Other differences refer to:

- application of standard IFRS 9 to the consolidated companies which adopt national standards;
- the negative results of certain associated companies, essentially Marina d'Arechi, reflected in measurement of the stake held at equity;
- lower consolidation adjustments.

The result attributable to non-controlling interests refers to marginal stakes in Sviluppo Italia Calabria in liquidation, consolidated on a line by line basis. The amount in the 2019 financial statements amounts to € 0.4 thousand.

D.2 Equity situation

The consolidated financial position as at 31.12.2019, appropriately reclassified, is shown in the following table:

	2019	2018
Uses:		
Ready cash	167,855	213,142
Net working capital (deferred liquidity - current liabilities)	1,539,664	1,537,467
Assets held for sale	190,652	181,686
Net equity investments	20,306	23,980
Financial fixed assets	819,331	776,270
Technical fixed assets	223,521	259,259
Total	2,961,329	2,991,804
Funded by:		
Shareholders' equity	765,200	752,644
Non-controlling interest funds under management (net availability)	159,976	84,058
Contributions	270,415	443,746
Employment severance indemnity	11,538	11,588
Provisions for risks	30,303	25,587
Financing	1,723,897	1,674,181
Total	2,961,329	2,991,804

The Reclassified table shows amounts substantially in line with the previous term in both absolute terms and in percentage terms. The structure of the Balance Sheet consists of net working capital for 50% while financial fixed assets for the year in question amount to 28% of the total.

This composition mainly reflects the contribution of Banca del Mezzogiorno - Mediocredito Centrale to the Consolidated Financial Statements, for which the balance sheet, given that it is a bank, centres around these items. The weighing down of net working capital for the parent company should also be considered, due to difficulties in reducing receivable collection times relative to public administrations. In the liabilities, coverage of loans is ensured through own funds and medium-long term financing, which as a whole exceed 85% of total sources.

The limited decrease in total loans is due to a different allocation in the Infratel financial statements of funds relative to the broadband program, which following a clarification received were classified in 2019 among third party funds under management and indicated in the table net of relative cash and cash equivalents.

The other changes in the consolidated equity situation are limited as a whole. The largest of these refers to the decrease in the item contributions. In 2018 this included, gross of amounts available recognised under current assets, the funds previously cited.

E - NON-CONTROLLING INTEREST HOLDINGS

The Parent Company holds a number of non-controlling interests, the most significant of which are listed as follows:

(amounts in € 000)

Non-controlling interest holdings	Share capital	Shareholders' equity	Production Value	Net result
MARINA D'ARECHI S.P.A. (*)	30,000	23,083	5,559	(2,373)
CDP Venture Capital Sgr S.p.A.	2,596	5,612	4,639	771
IP Porto Romano Srl (*)	5,001	215	42	(1,326)

(*) amounts refer to 2018 financial statements, because the company opted for the extension

Marina d'Arechi SpA

The company Marina d'Arechi (MdA) was established in Salerno in 2010, in order to take over the original holder of the maritime concession to build and manage the Marina d'Arechi located in the Gulf of Salerno, through an 80-year government concession, valid through 18 February 2091.

Construction of the port began in 2010 with an executive project that distinguished between work at sea and work on land. The latter was designed by the Catalan architect Calatrava. The work at sea was completed by the end of 2017, a year later with respect to the original plan, with a total of 895 positions for boats constructed.

The company is controlled by the Gallozzi group, with Invitalia Group holding a direct equity share via the Agency (14%) and its subsidiary Invitalia Partecipazioni (26%).

During 2019 the company presented to the relevant banks, which signed it, a "standstill" agreement to renegotiate debt on the basis of a new business plan, prepared by one of the big four in auditing and consulting. The company is awaiting the decision from the pool of banks.

As a consequence of the above, the Board of Directors approved the use of an extension to approve the 2019 financial statements.

CDP Venture Capital SGR SpA

The 2019 stability law established, in order to simplify and strengthen the venture capital sector and the economic/productive fabric of the country, the Ministry of Economic Development (MED) may authorise the sale by Invitalia of the equity investment, even controlling, held in Invitalia Venture SGR SpA, at market conditions.

With a directive of 20.2.2019, MED authorised the sale of 70% of the equity held in Invitalia Venture SGR by Invitalia to Cassa Depositi e Prestiti SpA.

On 29 March the Agency's Board of Directors formalised the sales proposal regarding 70% of the shareholding stake held in CDP Venture Capital SGR (Invitalia Ventures) with Cassa Depositi e Prestiti SpA, as established under the law.

The sale was completed on 5 August 2019, and Invitalia SpA transferred 70% of the share capital of Invitalia Ventures SGR SpA to Cassa Depositi e Prestiti SpA

The sale occurred after the conditions precedent were met, as established in the contract signed between the seller and purchaser in April 2019. Among other things, these included the issuing of authorisation for the operation by the Bank of Italy and the issuing of the required rules by the Ministry of Economic Development, intended to support the AMC's role, with the objective of significantly supporting the development of venture capital in Italy.

On 15 January 2020 a plenary session of the Invitalia Ventures SGR Shareholders' Meeting was held which, during the extraordinary portion, changed the company name to CDP Venture Capital SGR SpA

and, during the ordinary portion, appointed the new Board of Directors consisting of nine members of which three, including the Chairperson, selected by the parent company.

The 2019 financial year closed with a value of production totalling € 4,639 million and a net profit of € 771 thousand.

Iniziative Portuali Porto Romano Srl

The company IP Porto Romano Srl—whose main shareholders are Marina di Fiumicino Partecipazioni (65.45%) and Invitalia (34.23%)—holds a 90-year government concession to create and manage a tourist port in Fiumicino. The Fiumicino port project plans for the creation of an area with 1445 boat berths, as well as water front infrastructure.

Due to the financial crisis which has hit the nautical tourism sector, construction work was suspended in 2011 and, after extended negotiations, consensual termination of the contract between IP Porto Romano and the relevant company was achieved in 2012. During this period of crisis, the company attempted, through a public tender, to find a general contractor which could be assigned to create the Fiumicino Port. This tender was unsuccessful.

On 10.5.2017, the Board of Directors of IP Porto Romano, noting that the company: (i) no longer had financial resources to continue its business, (ii) was nearing the time set for the bankruptcy request hearing presented by certain suppliers and professionals, resolved to present a request for composition with creditors as a going concern, pursuant to article 161, paragraph VI of the bankruptcy law.

On 4.3.2020, the Bankruptcy Court of Rome approved the Composition Plan and the company is awaiting the decree and appointment of the liquidation commissioner.

IP Porto Romano, during the process which led to approval of the Composition Plan, was in contact with Royal Caribbean, one of the most important cruise ship operators in the world, in order to jointly examine the possibility of presenting a variant to the project to the Lazio Region, to allow for the creation of a tourist port with an annexed cruise ship structure. At the end of 2018, the shareholders of IP Porto Romano signed a "Term Sheet" which governs relationships for the possibly entry of RCCL as a majority shareholder, taking over the portion currently held by Marina di Fiumicino Partecipazioni.

The administrative process for requesting this variant was presented by Invitalia and in 2019 the Lazio Region, the granting entity, the Italian Ministry of Cultural Heritage and Activities and the Ministry of the Environment all expressed favourable opinions relative to the RCCL project, with certain recommendations which must be implemented in the definitive project which will be presented by RCCL during 2020.

Istituto della Enciclopedia Italiana fondata da Giovanni Treccani

The parent company holds a stake equal to 6.47% of the share capital in Istituto della Enciclopedia Italiana fondata da Giovanni Treccani SpA. At 31.12.2019, share capital amounted to € 62,724,105.

Acquisition of equity investment in risk capital by the managing body

Against the resources made available to it by the Ministry of Economic Development (Decree of 23 March 2018), the Agency took on temporary and minority equity investments in entities proposing development contracts, for initiatives located in the South and involved in agreements signed by the Ministry, the Regions, the managing body and the interested companies, intended to relaunch industrial production plants of significant size.

The equity investments acquired with these resources are:

Sider Alloys

The company was acquired in 2018 for the amount of € 6,000,000.00, of which € 5,660,377.00 as equity and € 339,623.00 as the share premium, with the simultaneous depositing of the 25% by law and of the entire share premium, for a total amount of € 1,754,717.00.

Industria Italia Autobus

On 29 January 2019, following a divisible share capital increase of up to € 30,050,000, with the expiry for the operation set for 29 July 2019, Invitalia subscribed, using the funds from the Development Contracts, a stake for a nominal value of € 9,000,000, equal to 42.76% of the equity subscribed (€ 21,050,000).

F- SUBSEQUENT EVENTS

Following the end of the year, during March 2020, the virus COVID-19 spread through the world, being defined as a pandemic by the World Health Organisation, on 11 March 2020.

As of the date of this report, as the return of the country to a nearly normal situation can be assessed positively with respect to the restrictions imposed during the peak of the pandemic, the medium/long-term effects which may be caused by the evolution of the pandemic situation and consequent impacts on the macroeconomic situation and financial markets certainly cannot be estimated.

In application of accounting standard IAS 10, it is held that this circumstance does not require any adjustments to the financial statement balances as at 31/12/2019, in that the event itself and any relative consequences arose after the reporting date for the year and, in any case, the current situation does not appear to represent an uncertainty for the Agency or Group with respect to its ability to continue to operate as a functional entity, also taking into account the fact that the Agency was assigned new and important tasks following the pandemic crisis.

In fact, Italian Decree Law 18, coordinated with Conversion Law 27 of 24 April 2020, known as "Cure Italy", contained a complex combination of measures aimed at dealing with the effects of the COVID-19 health crisis, ranging from strengthening the healthcare and justice systems and providing support for employment and financing for companies.

In particular, Invitalia is involved in the following areas:

- Incentives for the production and supply of medical devices (art. 5)
- Contributions to companies for safety and strengthening of healthcare safeguards (art. 43)
- Central SME Guarantee Fund managed by MCC-Mediocredito Centrale (art 49)
- Financial support measures for SME affected by the COVID-19 epidemic (art 56)
- Measures to internationalise the country's system (art 72)
- Increase in funding for development contracts (art 80)

Additionally, with the Presidential Decree of 18 March 2020, the Managing Director of Invitalia was appointed as the **Special Commissioner** to implement and coordinate the measures needed to contain and fight the emergency, pursuant to article 122 of the Italian Decree Law of 17 March 2020 ("Cure Italy" Decree).

The Commissioner, pursuant to the same article 122, is also authorised to make use of implementing entities and in house companies for his activities, as well as making use of central purchasing offices. In this sense, the Agency is involved in providing support for all commission activities, both through

the inclusion of its employees in the Commissioner's structure within Civil Protection, and through the involvement of its departments in the legal, logistics and administrative work of the commission structure.

In this context, short-term effects, the sole ones which are worthy of note, given the absolute uncertainty regarding medium/term-effects, appear to be substantially irrelevant for the Agency which, in addition to the above also has a financial statement involving creditor positions almost entirely relative to public administrations, with financial assets measured at fair value limited to investments held for trading and amounting to a marginal 4.8% with respect to the total, and the remainder of assets invested in liquidity, guaranteed capital investments or in long-term financial assets measured at amortised cost (held to collect portfolio) and not subject to changes in market prices. There are no derivatives in the portfolio as of the reporting date.

In relation to the potential impacts of the COVID-19 health crisis on the scope of the Group, varying possible effects are expected for the activities managed by individual investee companies.

For the subsidiaries Infratel and Invitalia Partecipazioni, due to the type of business and core activities, at present no significant impacts require consideration in terms of preparation of these consolidated financial statements. In fact, on the basis of the current situation, no significant effects in terms of changes in the management are foreseen, even if the economic scenario is subject to updates on the basis of changes in the events connected with the epidemic.

With regards to Banca del Mezzogiorno-MCC, the rapid spread of the epidemic involved risks in terms of global financial stability. Nonetheless, it should be considered that the European banking system is currently in better health with respect to the previous financial crises (2008) and that banks typically represent the channel through which central governments and banks activate policies to support households and businesses. Hence, in the face of a general loss of gross domestic product and increased risks, especially in the credit sector, greater access to liquidity can be hypothesised, as an effect of the expansive policies implemented by the European Central Bank and new regulations relative to IFRS 9 and classification of NPLs, which will attenuate the effects of increased risks relative to impairment of loans and the cost of risk. Additionally, as the implementing entity for legislative measures to support small and medium enterprises and as the manager of the guarantee fund for which the financial resources have been significantly increased as part of measures to support companies following COVID-19, the Bank may be able to mitigate possible adverse economic effects by increasing the activities managed in terms of both volumes and margins. This fact was confirmed in the recently approved 2020 budget which, while taking into accounts the risks of COVID-19 for its management portfolio, indicates extremely significant profits, up substantially with respect to 2019.

For subsidiaries/associates with business directly connected to tourism or the management of tourism infrastructure (Italia Turismo, Marina di Portisco, Marina di Arechi), the initially positive forecasts for 2020, showing 3.5% growth in global tourism, must necessarily be revised downwards in the light of possible effects on the 2020 summer season. Initial estimates prepared for the five most affected regions (Lombardy, Veneto, Piedmont, Emilia Romagna and Friuli Venezia Giulia) suggest a decrease in international tourism of around € 2.5 billion. When extended to the other regions, the projection shows potential income loss of up to € 4.6 billion for the spring season through May. Assessment of possible COVID-19 impacts on these equity investments led to an examination of potential short-term economic/financial impacts. At present, it is not possible to make any type of forecasts regarding medium-term impacts. In any case, potential short-term effects related to COVID-19 on operating cash flow for just the 2020 season do not appear to significantly influence the valuations indicated in the financial statements and, therefore, the associated consolidation of these figures.

However, in consideration of the fact that at present it is not possible to estimate the impacts of COVID-19 on medium/long-term economic/financial flows and on the investment/divestment initiatives planned for investee companies operating in the sector, the analysis carried out must be promptly updated once the impacts of COVID-19 on these flows and initiatives can be estimated.

Among the subsequent events, we also note that the parent company, similar to other companies in the wider public sector, holds real estate assets (substantially land and buildings) which are partially or totally unproductive.

Characteristics shared by these assets, which were inherited from previous management and complied to allocation decisions linked to no longer current political and social requirements, generally involve not insignificant management and maintenance expense.

As part of the rationalisation of the scope of Invitalia's assets, certain no longer strategic real estate assets are held by the Group.

The Agency's Board of Directors, meeting on 18 March 2020 and taking note of the situation outlined above, asked the General Manager to assess possible routes for disposing of all the Group's real estate assets.

Subsequently, a regulatory provision was presented to the MED aimed at allowing rationalisation and disposal of certain assets, mitigating their relative impacts on the Agency's profit and loss account. From this point of view, the regulation has no effects on the government's budget. The hypothesised operation, whether it occurs through the involvement of a publicly controlled company, possibly indirectly, or through a fully controlled subsidiary, would allow Invitalia to amortise losses deriving from the operation solely at the equity level and not in the profit and loss account, thereby obtaining the requirement of sustainability.

The second part of the regulation provides for the possibility of using fiscal benefits deriving from Law 296, article 1, paragraph 461 of 27/12/2006, as this fully lies within the scope of the completion of the Agency's reorganisation plan, as established under the cited regulation.

Organisational interventions

The rapid worsening of the initial COVID-19 outbreak in Italy and the consequent adoption of progressively stringent measures by the government (with Prime Ministerial Decrees and provisions issued by individual Ministries) was handled by the parent company—in line with crisis management principles—by establishing a "control room" headed by the team leading the major company departments to quickly align company features with current objectives, including the top priority of limiting contagion, guaranteeing safety for all workers and ensuring the continuity of service allowed and required by the various types of clients for which Invitalia works.

The parent company gave itself the objective of creating certainty in terms of references for employees, preferring rapidity and ease of solutions over full definition of the regulatory framework. As is known, in the initial stages of the emergency this was classified as "in progress".

During the initial phase, with significant differences in government provisions for the "red zone" (later red zones plural) and the rest of the country, the parent company, in Communication 1, of 24 February, 1) invited personnel to inform the relevant authorities of any anomalies in their health status, in compliance with individual privacy on the issue; 2) took precautionary measures, above all in the operating headquarters in Bologna, minimising travel and physical contact with clients, above all avoiding large meetings; 3) began precautionary initiatives relative to the rest of the country, in any case recommending compliance with any stricter measures which were taken or requested by clients.

The extension of the "red zone" to the entirety of the Emilia Region led, in Communication 2 of 3 March, to prompt parent company alignment with stricter measures, eliminating all "physical"

meetings (including training), travel and commuting to and from the region, implementing smart working solutions. Additionally, in Communication 2, the parent company initiated a procedure to allow employees with underlying health conditions making them more exposed to contagion to work remotely.

Finally, in its fourth and fifth communications, published on 9 and 10 March, in addition to confirming the provisions regarding limitations on the use of travel, throughout Italy, and on physical contact with clients/external users, the Agency issued stricter rules on external individuals accessing company offices, adopting operating rules applying to almost all personnel which allowed them the possibility of smart working.

Article 1, paragraph 1 of Decree Law 142 of 16 December 2019, converted with amendments by Law 5 of 7 February 2020

In compliance with and execution of that governed by the cited Decree Law 142/2019, article 1, paragraph 1, the Ministry of Economy and Finance was asked to grant Invitalia a total amount of € 430 million to strengthen the capital, through a capital grant, of Banca del Mezzogiorno - Mediocredito Centrale S.p.A, so that it could carry out financial operations by acquiring an equity investment in Banca Popolare di Bari S.p.A.

The Ministry of Economy and Finance communicated that the Ministerial Decree assigning this amount had been issued and registered by the control bodies and asked the Agency's Board of Directors to resolve the payment of the capital grant to its subsidiary.

Decree Law 142 of 16 December 2019, containing "Urgent measures to support the credit system in the South and to create an investment bank" (converted with amendments by Law 5 of 7 February 2020), establishes in article 1, paragraph 1, that "with one or more decrees of the Ministry of Economy and Finance, in favour of Agenzia Nazionale per l'attrazione investimenti e lo sviluppo d'impresa S.p.A. capital grants are assigned, up to a maximum total amount of € 900 million for the year 2020, entirely intended to strengthen the capital of Banca del Mezzogiorno - Mediocredito Centrale S.p.A. through a capital grant so that it may promote, using market logic, criteria and conditions, the development of financial assets and investment, also to support businesses and employment in the South, to be carried out through financial operations, including acquisition of equity investments in banking and financial companies, generally joint stock companies, and with any eye to further possible operations to rationalise these equity investments.

To that end, Banca del Mezzogiorno – Mediocredito Centrale S.p.A., a fully held subsidiary of Invitalia, gave notification that on 31 December 2019 it had signed Framework Agreement with Banca Popolare di Bari S.C.p.A. and the Interbank Deposit Protection Fund, subsequently amended on 17 April 2020 and again on 27 May 2020.

Therefore, Mediocredito Centrale presented, pursuant to Italian Legislative Decree 385/1993, a request to the Bank of Italy to obtain authorisation to acquire a qualified equity investment in Banca Popolare di Bari, for which finalisation is expected by the end of the first half of 2020.

Amendment to article 18 of the Articles of Association

Through an Extraordinary Shareholders' Meeting, the amendment to article 18 of the current Articles of Association will be voted on, which would change the duration of the independent auditor's appointment to comply with the regulatory provisions established in the first paragraph of article 17 of Italian Legislative Decree no. 39 of 27 January 2010.

G - FORESEEABLE BUSINESS OUTLOOK

Within the macroeconomic situation outlined in the introduction, the parent company will continue to work in its area of responsibility, specifically regarding program management, serving as the central procurement authority and as the implementing entity for complex projects, focussing its attention and skills on protecting areas and companies in crisis in order to concretely carry out the programmes approved by CIPE to redevelop offerings and fight against industrial delocalisation.

Nonetheless, the recent health crisis caused by the appearance of Sars-Cov 2 and the consequent measures adopted by the Italian government require serious reflection on the economic and social impacts which could occur during 2020.

More generally, the global health emergency led to drastic measures by various governments, which will doubtless have economic repercussions which cannot at present be forecast.

In particular, the health crisis and the necessary containment actions adopted by the Italian government to limit the spread of COVID-19 will have significant negative implications for the entire economy, such as lower consumption in some sectors, production disruption in certain areas and a decrease in international trade, with the consequent immediate decline in financial liquidity for affected companies. To avoid permanent consequences from a liquidity crisis, the government adopted an initial package of provisions intended to provide support for companies and households as a short term solution during the emergency.

The decrease in production and sales induced by the crisis could have significant consequences for the economic results of companies, with further effects on their ability to remain on the market, to invest and to innovate. To deal with this aspect of the crisis which is not financial, as it is temporary, but economic, the government is researching selected forms of providing support to businesses. The executive branch asked for authorisation from Parliament to change the public finance profile in order to make resources totalling € 25 billion available to the real economy (corresponding to an additional deficit of 20 billion). These resources, in addition to guaranteeing full functionality for the healthcare system, will also finance initiatives to support business which would otherwise risk closure due to the crisis. These measures also include a moratorium on business debt with regards to the banking system, so as to not generate a credit crunch which would further worsen the problems faced by companies.

Under these circumstances, and in a situation with effects that cannot yet be foreseen, the parent company will continue to implement all measures as established, providing support in all areas in which it is called upon to act.

Requirements pursuant to Law 190/2012, also in matters of transparency in Public Administrations

The Parent Company's Corruption Prevention and Transparency Officer (CPO), appointed by resolution of the Board of Directors on 6 November 2013, prepares and updates the Corruption and Transparency Prevention Plan annually, in line with the provisions of Italian Law 190/2012 and related executive decrees, the National Anti-Corruption Plan, the ANAC rulings and the directives of the Italian Economy and Finance Ministry.

For more details about these requirements, please see the Non-Financial Statement in chapter 2.3.3.

H - REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

This paragraph presents the **Report on corporate governance and ownership structure** which describes the main characteristics of the risk management and internal control systems related to the financial reporting process. (Article 123 -bis, second paragraph, letter b) of the Italian Consolidated Finance Act - TUF).

The governance model adopted by the parent company is the "traditional" one, characterised by the classic dichotomy between the Board of Directors and the Board of Statutory Auditors. The statutory auditing of the accounts is entrusted to an independent Auditor Firm.

The scopes of the individual corporate bodies are summarised as follows.

The Shareholders' Meeting

Pursuant to the articles of association and the current provisions of the law, the ordinary Shareholders' Meeting is called at least once a year and decides on the following matters:

- approval of the financial statements;
- appointment and dismissal of the Directors; appointment of the Statutory Auditors and of the Chairman of the Board of Statutory Auditors; determination of the relative fees;
- appointment of the Independent Auditors and determination of the related fee;
- responsibilities of the Directors and the Statutory Auditors;
- any other subject attributed by law to the competence of the Assembly.
- The Extraordinary Shareholders' Meeting resolves on amendments to the Articles of Association, on the issuance of convertible bonds and on any other matter assigned by law to its competence.

Board of Directors

The management of the company rests exclusively with the Board of Directors. The Board of Directors, subject to disclosure to the shareholders, is also responsible for adjusting the company articles of association to comply with mandatory regulatory provisions which do not involve discretionary assessment of the manner of their transposition.

The Board also examines and approves the most significant financial, asset-related and equity -related transactions carried out both with third parties and with related parties.

The Board of Directors of the parent company is composed of five members, appointed by a meeting of 5 December 2019, as specified below:

Chair	Andrea Viero
The Managing Director	Domenico Arcuri
Members/Directors:	Paola Ciannavei
	Stefania Covello
	Sergio Maccagnani

Chair of the Board of Directors

The Chair, with the exception of matters reserved to law and/or the Articles of Association, officially represents the Company in Italy and abroad in relations with political institutions and authorities, and in particular with Parliaments, Governments, Ministers, Authorities, the Commission and Commissioners of the European Union, Regional Authorities and National and Supranational Economic Institutions. The Chair is also vested with the responsibility of preparing, jointly with the Managing Director, the reports to the Government and Parliament as required by current regulations, as well as reports to the political and administrative institutions and authorities. The Chair shall verify that the corporate strategies comply with prevailing national and EU legislation, and with the directives governing its purpose.

The Managing Director

The Board of Directors has delegated a number of its powers to the Managing Director who is responsible for the management of the company, having been granted all powers of ordinary and extraordinary administration, without prejudice to the legal and statutory limits and the matters reserved for the Shareholders' Meeting, to the Chair and to the Board of Directors.

The Board of Statutory Auditors

The Board of Statutory Auditors, in accordance with the Articles of Association, consists of three standing members and two alternate members.

Its duty is to verify and control:

- compliance with the law and the Articles of Association;
- adherence to principles of proper management;
- the adequacy of the organisational structure of the Company with respect to competence, the internal control system and the administrative-accounting system;
- the reliable and factual representation of operations.

It also performs the additional functions assigned to it by law and by the current regulatory and supervisory framework.

Fees for parent company directors with powers

The previous Board examined the weight of the organisational positions within the Group through the external advisor Korn Ferry International, selected through a tender carried out in accordance with the practices required by the Ministry of Economy and Finance for its subsidiaries. In line with the results of this analysis, the relative remuneration was determined.

In line with the results, on 16 December 2019 the new Board resolved:

- to confirm for the Chairperson the remuneration assigned to his predecessor in the previous three years and, therefore, in consideration of the duties assigned, in addition to that approved by the Shareholders' Meeting on 5 December 2019 for the fees pursuant to article 2389, paragraph 1, Italian Civil Code, to establish for the Chairperson a fee for the administrative relationship, pursuant to article 2389, paragraph 3, Italian Civil Code, in the amount of € 57,600 gross annually, paid in twelve monthly instalments, after the fact. The Chairperson declared that he will renounce this fee;
- to establish for the Managing Director, in consideration of the duties assigned, in addition to that approved by the Shareholders' Meeting of 5 December 2019 for the fees pursuant to article 2389, paragraph 1, Civil Code, and in addition to the relative executive salary, a fee for the administrative relationship pursuant to article 2389, paragraph 3, Civil Code, with a fixed portion of € 160,000.00 (one hundred sixty thousand and zero cents) and a variable portion, linked to the achievement of annual objectives established in advance by the Board, equal to 60% of the fixed fee, both gross of legal tax and contribution withholdings.

Yearly statutory audits

The statutory auditing of the annual accounts is entrusted to PricewaterhouseCoopers SpA., for which the appointment expires as of the approval of these financial statements.

The internal control system

On 30 June 2004, the Parent Company adopted an **Organisation, Management and Control Model**, to comply with Italian Legislative Decree No. 231 of 8 June 2001, which attributes direct responsibility to the company in the event of certain crimes committed by directors or employees in the performance of their duties.

The adjustment process took place through the definition of the aforementioned Model, which consists of a series of documents, namely:

Code of Ethics

It highlights the criteria of conduct for all those who work in the Parent Company and in the Group, indicating the behavioural rules underlying the company's mission, so that it is carried out in compliance with the law and is based on clear and transparent rules.

The Organisation, Management and Control Model

It describes the basic principles and goals of the Model, the duties of the Supervisory Body, the procedures for the dissemination and application of content related to the Parent Company and the Companies of the Group, the types of offence as well as the provision of the disciplinary system. The

model also includes organisational procedures - drafted on the basis of the mapping of risk areas - aimed at ensuring adequate preventive supervision. The decision to adopt the Organisational, Management and Control Model was taken with the aim of protecting its image, interests and the expectations of employees, shareholders, clients and the public, and to raise awareness among all collaborators and all those who work in the name and on behalf of Invitalia to adopt correct behaviour in order to avoid the commission of crimes. The Organisation, Management and Control Model has been prepared by the Agency according to the dictates of the Legislative Decree and based on the guidelines drawn up by Confindustria.

The Model was subsequently approved and adopted by the Board of Directors in accordance with the provisions of Article 6.1 of Italian Legislative Decree No. 231 of 8 June 2001, which envisions the Model as an expression of the Company's Management Body. Together with the adoption of the Organisation, Management and Control Model and in compliance with Article 6.1 b, the Board of Directors set up a Supervisory Body consisting of a panel composed of an external member with high professional skills, the Head of Internal Auditing and the Head of Corporate Legal Affairs of the Parent Company who is responsible for ensuring the Model's effectiveness, compliance and updating.

The Internal Control and Risk Management System consists of the set of rules, procedures and organisational structures aimed at ensuring, through an adequate process of identification, management and monitoring of the main risks, an exercise of management that is consistent with the corporate goals defined by the Board of Directors. The Intent is to safeguard the company assets and to ensure the efficiency and effectiveness of corporate processes, the reliability of financial information and compliance with laws and regulations, as well as with the Articles of Association and internal procedures.

The Internal Control and Risk Management System is based on principles that ensure that the company's business is consistent with the applicable internal and external rules, which can be traced and documented, that the assignment and exercise of powers in the context of a decision-making process responds to the basic principles of segregation of functions, which guarantees confidentiality and compliance with privacy protection legislation.

The main players in the Invitalia Internal Control and Risk Management System are the Board of Directors, the Board of Statutory Auditors, the Supervisory Body, the Independent Auditor Firm, the Head of the Internal Audit Function, the Financial Reporting Officer, the Corruption Prevention Officer and the Anti-Money Laundering Officer, each through the fulfilment of their role and their control duties.

The constituent elements of the Internal Control and Risk Management System of the Company are the organisational structure, the system of powers, the Organisational, Management and Control Model pursuant to Italian Legislative Decree No. 231/01, the Code of Ethics, the Control procedures and protocols, as well as the manuals and Operating Instructions.

Italian Law No. 262 of 28 December 2005 "provisions for the protection of savings and regulation of financial markets" (hereinafter Law 262/05) introduced legislative changes aimed at improving the Corporate Governance of companies listed on Italian regulated markets and ensuring the reliability, completeness, correctness and timeliness of financial information disclosed to the market.

The process of adaptation gave rise to a project in the Invitalia Group known as "Adjustment to the 262/2005 Savings Law", with the goal of ascertaining that the Internal Control Over Financial Reporting (ICFR) adopted by the Parent company was capable of ensuring the provisions of current legislation, identifying and developing any applicable improvement actions. During the project, the Agency defined rules and methods for the establishment and maintenance of the ICFR for the affected Companies for the purposes of adjustment to Italian Law 262/05.

The model adopted by the parent company is the "Internal Control - Integrated Framework" published in May 2013 by the Committee of Sponsoring Organisations of the Treadway Commission (COSO), whose components represent the benchmark in relation to which the ICFR was established, assessed and constantly updated.

The parent company has included within the Internal Control System those processes that precede the drafting of the financial statements and, in particular, those processes that are associated with the activities of the Organisation which generate data and/or information used in the preparation of the accounting documents.

The Financial Reporting officer performs the duties prescribed in the Articles of Association, observing the laws, applying the maximum professional diligence and referring to the general principles (so-called frameworks defined by the trade associations) commonly accepted as best practices in the areas related to internal control system.

On the basis of the powers defined by the Articles of Association and in full compliance with the provisions of Article 154-bis of the Italian Consolidated Finance Act, the main functions of the Financial Reporting Manager are the following:

- Preparation of a written declaration certifying that the company's annual or interim acts and disclosures to the market related to accounting matters are compliant with the documentary results, books and accounting records of the company. To this end, reference should be made to a specific procedure regulating the methods and authorisations related to the release to the public and to the financial community of so-called price-sensitive financial information.
- Preparation, in conjunction with the Human Resources Organisation and Development function, of adequate administrative and accounting procedures for the preparation of the financial statements and, where envisaged, of the consolidated financial statements, as well as any other disclosures of an economic-financial nature.
- Preparation of an appropriate statement (to be attached to the financial statements and consolidated financial statements) confirming:
 - o the adequacy and effective application of administrative and accounting practices during the period to which the documents refer;
 - o compliance of documents with applicable international financial reporting standards;
 - o correspondence of documents with entries in accounting books and records;
 - o the suitability of documents for providing a true and accurate representation of the equity, financial position and operating results of the issuer and the group of enterprises included in the consolidation;
 - o that the Directors' Report on Operations accompanying the financial statements and the consolidated financial statements includes a reliable analysis of the performance and operating result, as well as the situation of the issuer and the group of companies included in the consolidation, together with a description of the main risks and uncertainties to which the Company is exposed;

The certification is released jointly with the Managing Director in compliance with the outline approved by CONSOB.

The appointment of the Financial Reporting Manager occurred on 08 February 2012 and renewed, pursuant to Article 4 of the Regulations on the activities of the Financial Reporting Officer, by the Board of Directors on 26 June 2018 and expires with the approval of the 2020 financial statements.

Pursuant to Article 154-bis of the Italian Consolidated Finance Act, the certification process is broken down into the into the following phases:

- definition or updating of the scope of application;
- line monitoring on the adequacy of administrative and accounting procedures; these activities are carried out by the "Financial Reporting and Support Services" Function;
- independent monitoring of the effective application of administrative accounting procedures (phase 1 and 2), performed by a subject who is not hierarchically in line with the units responsible for implementing the controls themselves and, therefore, by the Internal Auditing function;
- assessment of any problems detected and certification.

The process, broken down according to the phases indicated above, is repeated every year, in order to comply with the obligations to certify the financial statements and the consolidated financial statements required by paragraph 5 of Article 154-bis of the Italian Consolidated Finance Act. Depending on the timing of the monitoring of the effective procedures application and the need to promptly detect any possible problems and/or anomalies and promptly identify the related corrective actions, two jointly addressed stages are identified wherein the Internal Auditing Function presents the Financial Reporting Officer with the following:

- interim report on the monitoring activity, which illustrates the progress of the accounting work and a summary of any problems encountered hitherto.
- final report on the monitoring activity, following the annual closure of operations and intended for the annual certification pursuant to paragraph 5, which includes the summary of any anomalies or problems detected and any other supporting information on the assessment of the adequacy and effective application of the administrative accounting procedures.

Main characteristics of the Internal Control and Risk Management System in relation to the financial reporting process, pursuant to Article 123-bis, paragraph 2, point (b) of the Italian Consolidated Finance Act

The risk management and internal control system governing the financial reporting process has the goal of ensuring the reliability, accuracy, reliability and timeliness of the reporting process itself.

The main phases of the System:

1. Identification of financial reporting risks: this phase involves the analysis of the most significant corporate processes in terms of potential impact on the financial disclosure performed by the parent company. In this context, we analyse the possible risks of both error and fraud that could potentially affect financial reporting outcome.
2. Identification of controls against identified risks: based on the analysis of the financial reporting process, the controls envisaged by the process are identified to ensure compliance with the related risk mitigation, containment and elimination objectives.
3. Assessment of controls against the risks identified on a regular basis.
4. Verification of the effectiveness of controls against identified risks.

The following are the main risks identified based on the nature of the risk, with a summary description of the most significant elements.

Counterparty Risk:

The main risks concern the evolution of relations with Clients during the operational management of the signed agreements. This risk is distinguished by the component linked mainly to the operational capability of Clients and the strong coordination between the company structures and the Clients themselves.

Operational risk:

These are risks related to the operational processes of the Agency, from the organisation of the project management structures, to the planning of the activities envisaged by the contracts, up to the implementation of these activities as requested. These risks concern both the ability in the contract start-up phase to plan the timely definition of the organisational structure necessary for the purpose.

Compliance risk:

These are the risks connected to regulatory obligations, whether of an external nature, such as legislative, tax or contractual obligations in the broad sense, or internal factors, such as compliance with the Group Code of Ethics and the company's procedural system.

Reporting risk:

The risks associated with reporting activities concern the preparation and monitoring of the economic and financial information required for the official legally mandated disclosures. Certain recent IFRS regulatory developments have led to the assessment, in terms of reporting, of the aspects related to the correct application of accounting standards.

Liquidity risk:

The category includes the risks associated with the ability to generate liquidity from current assets and to access, within the mandate limits, financial markets for the issuance of debt instruments and the management of treasury functions, both central and peripheral. The management of financial risk is managed in accordance with the company requirements with a medium-long term time horizon, in compliance with short-term operational needs. Within the client contract management context, the payment collection times and their monitoring are defined.

Legal risk:

These risks of a legal nature refer to the legal obligations concerning the aspects related to the management of contracts and the internal management of the current trends.

Fraud Risk:

The risk that certain intentional dishonest and deceptive actions could be implemented, internally or externally, directly or indirectly, with the intent of subtracting value and/or causing economic damage, to the advantage of those committing the action.

In order to address all the aforementioned risks, Invitalia adopts a system of procedures and control protocols (Organisation, Management and Control Model and Code of Ethics) which, in a logic of integration, have been strengthened with the adoption of the National Corruption Prevention and Transparency Plan (CPTP), drafted pursuant to Italian Law 190/2012, in order to strengthen the controls aimed at preventing corruption and fraud. In fact, the regulations establish for private law entities under public control implementation of the Prevention of Corruption Plan may be based upon the Organisation, Management and Control Model, adopted pursuant to Italian Legislative Decree No. 231/01, if already created by the entity, extending the scope of application to all crimes considered, both active and passive, by Law 190 of 2012.

The Internal Audit function is responsible for undertaking systematic interventions, including inspections, to verify the correct performance of company processes in compliance with the provisions of the Integrated Organisation, Management and Control Model.

Following risk area mapping, in line with that already established in the Organisation, Management and Control Model pursuant to Italian Legislative Decree No. 231/01, control systems were identified with the aim of preventing crimes of corruption and managing the associated risks.

The main risk prevention intervention tools are the adoption of control procedures and protocols, which consist of the formalisation of a sequence of behaviours aimed at guiding and orienting the development of identified sensitive/instrumental activities. In addition, the management measures identified in the CPTP are further developed by specific procedures and integrated into the internal regulatory corpus of the Company, in cases where greater exposure to crime risk has been judged likely.

In the formalisation of the control procedures and protocols, in fact, there are sections dedicated preventing and fighting corruption. These are notified to all employees via email and are also always accessible via the company Intranet. The Head of Corruption Prevention, appointed by the Board of Directors, is tasked with drafting the yearly CPTP proposal as well as:

- verifying the effective implementation of the CPTP and its suitability, proposing applicable modifications in cases of ascertained significant violations or in the event of changes in the organisation or in the actions performed;
- monitoring the implementation and compliance with the protocols and measures envisaged by the Plan within the areas of competence;

- promoting "anti-corruption" training activities for personnel, verifying their effective implementation;
- verifying the effective segregation of roles, where appropriate and expected, in the offices/functions responsible for carrying out the activities in which corruption crime risk is greatest;
- promoting, in cooperation with the Supervisory Body pursuant to Italian Legislative Decree No. 231/2001, the dissemination and knowledge of the Model and Code of Ethics;
- managing the communication channels for reporting illegal and/or suspicious behaviour and/or not in line with the rulings/protocols established by the Code of Ethics and Model 231;
- managing the anomalies and violations found, or the reports received, also through appropriate channels of cooperation/communication with the Supervisory Body, with the activation of specific inspections;
- annually reporting on the activity to the Chair and to the Managing Director, in fulfilment of the informative requirements to the Board of Directors, or in all cases deemed appropriate.
- Finally, regarding transparency, it should be noted that the related Plan was revised, following the issue of a bond listed on a regulated market. Consequently, from 20 July 2017, pursuant to the provisions of Article 2-bis, par.2, letter b) of the decree itself and Article 26 par. 5 of Italian Legislative Decree No. 175/2016, applicability of the provisions pursuant to Italian Legislative Decree No. 33/2013 is excluded for Invitalia and companies in the Group. In any case, data referenced in the following regulations will continue to be published on the company website, organised according to the format indicated in Annex 1 to the ANAC resolution no. 1134 of 8 November 2017, namely:
 - Italian Law no. 190 of 6 November 2012 - "Provisions for the prevention and repression of corruption and illegality in public administrations";
 - Italian Legislative Decree No. 39 of 8 April 2013, "Provisions on the subject of non-disclosure and incompatibility of positions with public administrations and with private entities under public control";
 - Italian Legislative Decree No. 50/2016 with reference to the transparency obligations set out therein.

The risk management and internal control model with regards to the Bank's financial reporting process requires further examination as shown in chapter 2.2.3 of the Non-Financial Statement, due to the different nature of the regulated business.

Non-Financial Statement, Italian Legislative Decree No. 254/2017 and GRI

1. Methodological note - our path towards sustainability

Invitalia began the process of providing non-financial reporting to offer complete information about the Group's sustainability performance, describing the main areas in which it operates and how these are pursued transparently and systematically over the long-term, with attention constantly paid to individual and community well-being, also in terms of sustainability.

The document was drafted in compliance with Italian Legislative Decree No. 2541 of 30 December 2016 on matters of non- financial information and in compliance with Article 5 of the same decree. It constitutes a specific section of the management report in compliance with the applicable regulatory restrictions.

1.1. Stakeholders and involvement activities

The relationship with the stakeholders represents one of the key elements of the social reporting process for the Group. Indeed, the system of relationships established and maintained with stakeholders strongly characterises the Group's social responsibility policies and initiatives.

For this reason, starting in 2017, a process of active stakeholder involvement was launched, in a more structured and in-depth manner compared to previous years. The intent is to ensure that all stakeholders may be heard and that their expectations may be adopted as company strategies.

In 2019, we continued to listen and report to stakeholders, inviting internal representatives to a working table for the new areas to be monitored and areas for improvement to be introduced to the non-financial statement.

This interaction increased the projects to be researched by Invitalia, not only in terms of effectiveness, but also with regards to recognition and measurability, to represent a plurality of Invitalia's activities.

Therefore, this document is one of the tools for dialogue with stakeholders, because it allows us to communicate what has been achieved during the year, in order to respond to expectations and share targets for improvement aimed at guiding activities towards shared growth objectives which are increasingly both ambitious and shared.

1.1.1. Mapping of stakeholders

Mapping of stakeholders was carried out by an internal work group which is representative of the Group's workforce. The mapping is a preparatory exercise to materiality analysis. It identified 10 categories, with another 31 sub-categories of stakeholders.

	CATEGORIES	SUB-CATEGORIES
1	Governance and control system	Control system Governance system Ratings agencies
2	Human Resources	Employees Union representatives Other forms of association
3	Environmental stakeholders	Invitalia environmental impact intermediaries Subjects involved in environment-related activities
4	Suppliers	General suppliers Specialist suppliers
5	Clients	Other institutions and partners Central Public Administrations Data recipients

¹Published in the *Official Gazette of the Italian Republic (OG)*, general series, of 10 January 2017, implementing Directive 2014/95/EU of 22 October 2014 of the European Parliament and of the Council, amending Directive 2013/34/EU regarding the disclosure of non-financial and diversity information by certain large undertakings and groups.

6	Beneficiaries	Central Public Administrations
		Local Public Administrations
		Companies and associations
		Individual beneficiaries
		Indirect beneficiaries
7	Associations	Professional associations
		Associations of citizens
		Associations of institutions
8	Media	Journalists
		New Media
		Traditional Media
		Users
9	Local communities	Local public actors
		Municipalities involved in Invitalia projects
		Civil society
		Local economic subjects
10	Competitors	Private competitors
		Public Competitors

After defining the map of the stakeholders, these subjects were subsequently analysed and grouped by degree of relevance in relation to:

- a) **ability to influence**, measured in relation to factors such as: size, representativeness with respect to the subject, current and potential resources (financial and human), specific knowledge and skills, strategic location, etc.;
- b) **level of interest which can be exercised**, assessed both as a function of the impact with respect to the Group's sphere of action, and in relation to the initiatives that can be implemented to promote or assert its interests or to encourage participation in the decision-making process.

The intersection of these criteria creates a matrix that enables stakeholders to be classified in four categories of relevance: low, medium, high and very high.

Among the stakeholders with **very high relevance** certain representatives were selected from all the represented categories with whom a **process of confrontation and dialogue** was initiated, with diverse approaches (bilateral and multilateral).

1.1.2. Dialogue with stakeholders

For the Group, the active involvement of the stakeholders constitutes the basis for:

- establishing action priorities;
- pursuing strategic goals, integrating its resources (understood as knowledge, people, budget and instrumentation);
- improving the environment in which to operate, through a more equitable and sustainable development of the company;
- increasing corporate reputation;
- informing, influencing and involving stakeholders.

Several initiatives involving stakeholder engagement have been launched with the dual goal of learning the issues relevant to our stakeholders and developing the dynamics of listening and interacting with the Group.

During 2019, dialogue with stakeholders continued and, with the assistance of external facilitators, thematic events and opportunities for conversation were organised, in the form of open dialogue, which involved various aspects such as:

- the framework of collaboration with the Group and implementation methods;
- evolution of the Group's presence over time;
- distinctive elements, strengths and critical aspects of collaboration;
- effects of collaboration with beneficiaries and in the territories;
- effects of collaboration on the culture and organisation;
- stakeholder expectations with regards to the Group's actions.

These initiatives made it possible to garner a great deal of information and qualitative feedback. In particular, it was possible to analyse operating flows, identifying the strengths and weaknesses of the current system, as well as the main challenges and opportunities for improvement.

Again in 2019, a small **group of internal stakeholders** were called upon to take part in the **working panel** to listen to the needs, requirements and proposals, and talk about the impact on Invitalia with regards to social responsibility, as well as new areas to monitor and improvements to be introduced to the NFS.

This document takes into account the proposals and indications gathered during the Panel, which will be fully implemented in subsequent editions.

1.2. Materiality analysis

Materiality analysis arises from the need to identify and develop issues relevant to management and to stakeholders with respect to the economic, environmental, social and cultural impact that business activities generate inside and outside the organization. In particular, through the materiality matrix, the Group provides a picture of the company priorities with respect to the expectations expressed by the stakeholders.

Analysis of materiality, within the social reporting process, has been applied for a few years, and has been periodically updated. In particular, during 2019 the analysis did undergo any changes.

1.2.1. The process of identifying relevant issues

As anticipated, starting in 2017, the process of identifying the relevant issues was profoundly redesigned in line with the main national or international reporting standards and in compliance with the provisions of Italian Legislative Decree No. 254/2016.

The procedure for identifying issues, coordinated by the NFS working group, was developed according to methods which included:

- assessment and comparison of various sources of information, both public and non-public, internal and external to the Group;
- benchmark analysis to verify the presence and methods used to formalise respective sustainability or social responsibility policies;
- stakeholder perception analysis, to identify the most relevant issues and take advantage of possible areas for improvement;
- interviews with the various internal functions of the company, to determine the significance of issues with respect to the individual business lines;
- considerations developed within the company's highest administrative body, to verify the consistency of the results with respect to corporate strategies;
- analyses of press content and other media, to assess the degree of perception and reputation of the brand (by decision makers, opinion leaders and other members of the community in Italy).

This process has enabled the definition of a list of material themes which are representative of the following macro-areas:

- Acceleration, control and use of EU funds
- Employee benefits/well-being
- Transparent communication

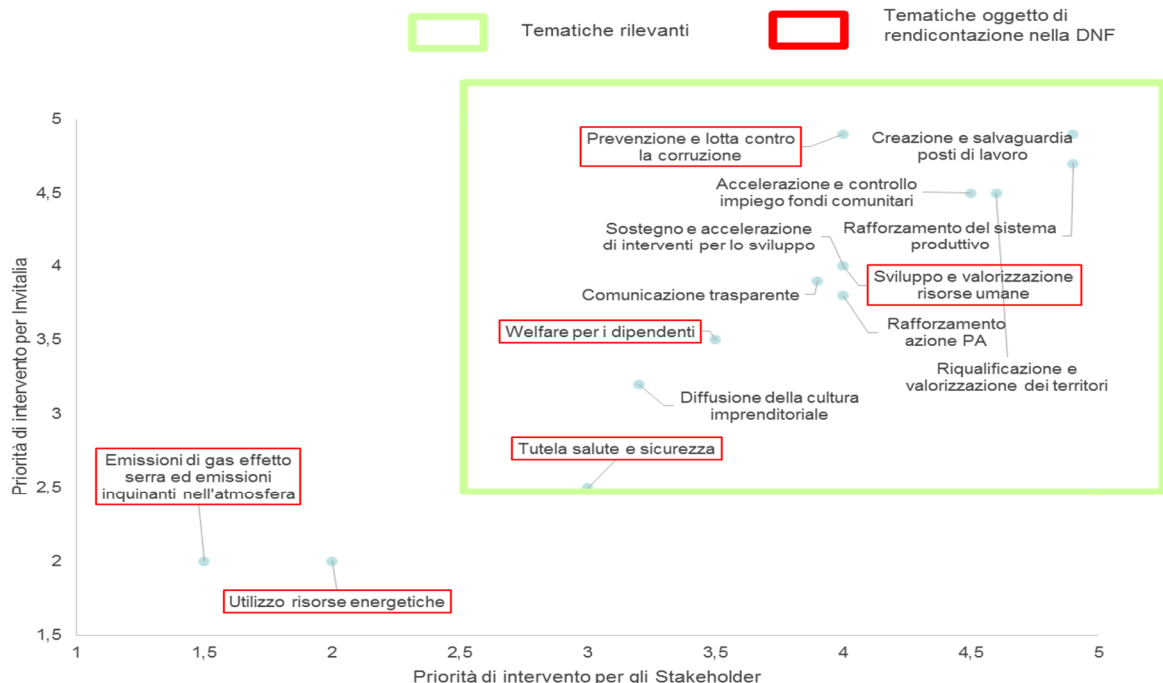
- Dissemination of entrepreneurial culture
- Greenhouse gas emissions and polluting atmospheric emissions
- Creation and safeguarding of jobs
- Prevention of and fight against corruption
- Reinforcing the production system
- Reinforcement of PA actions
- Redevelopment and enhancement of the territories
- Support and acceleration of development interventions
- Development and enhancement of human resources
- Safeguarding health and safety
- Use of energy resources

1.2.2. Priority definition

Once the relevant topics had been defined, the importance of the issues was assessed, both from an external and internal point of view.

The assessment of internal relevance was conducted by the main company departments, thanks to careful verification of the topics under analysis. The assessment of external relevance, on the other hand, was carried out by involving and listening to the stakeholders in order to directly grasp the perceptions of representatives of the Group's stakeholders.

The measurement of the degree of priority and the analysis of the results enabled the identification of the "Relevance to stakeholders" which is a prerequisite to the definition of the materiality matrix. The latter identifies the relevant topics understood as those aspects that can generate significant economic, social, environmental and cultural impact to the Group's activities and which, by influencing the expectations, decisions and actions of the stakeholders, are perceived by them as significant.



For more details on the Global Reporting Initiative (GRI) standards associated with each material theme, please refer to the correlation table contained in Italian Legislative Decree 254/2016.

In particular, in 2019, it was verified whether or not the exit of Invitalia Ventures from the scope of accounting would have a significant impact on the materiality matrix.

Given that it was determined it did not, the parent company did not hold it necessary to make changes to the matrix. Consequently, the most recent version is that presented and approved at the Board of Directors meeting of 28/05/2020.

The review phase is intended as a preparatory activity for the next reporting cycle, with the aim also of submitting the results of the analyses undertaken, updated in the following year, as part of specific stakeholder engagement activities.

1.3. Measuring our performance

1.3.1. Performance indicators

In accordance with regulatory requirements for sustainability reporting, the Group makes use of a set of KPIs (Key Performance Indicators) based on the adoption of the Global Reporting Initiative standard - GRI. The GRI is an international body that defines universally applicable standards for the preparation of sustainability reports. In addition, the Group also takes into account indications received from company management and stakeholders.

Among international standards, those of GRI appear to be the ones most suitable for representing the Group's activities, able to cover all the aspects required under Directive 2014/95/EU and, consequently, those required under Italian Legislative Decree 254/16 which fall within the area of Corporate Social Responsibility.

The designated KPIs enable the monitoring of company performance and the degree of achievement of previously established goals, as well as identifying initiatives and areas of improvement for the measurement of sustainability performance.

The management of the KPIs takes place on a centralised platform which collates the data related to the individual companies as well as general information that underlies the accounting, financial and control processes. This allows for data to be shared between the various platforms to ensure the maximum integration of sustainability in business processes.

The "data owners", distributed throughout the Group's operational areas provide for the collection of data and the transmission of information to the group that deals with the NFS, which in turn verifies the consistency and sends information to the centralised monitoring system.

For Non-Financial reporting, the Global Reporting Initiative has been adopted in its referenced mode, which allows for a more flexible and suitable approach to the specific information of the Group compared to the Core or Comprehensive approaches.

1.3.2. Reporting principles

The content of this document was inspired by the following principles:

- *Materiality principle*: reporting only applies to the relevant topics required for "ensuring the understanding of the company's activity, its progress, its results and the impact it produces". Materiality corresponds to the threshold beyond which an argument or indicator becomes sufficiently important to be reported;
- *Comparability principle*: data refers to the reference year and, where possible, it is compared with that of the previous year;
- *Accuracy principle*: the data and information shown are qualitative and quantitative. Quantitative information is accompanied by qualitative interpretations/comments that make it possible to properly understand the scope. Most of the data derives from direct and detailed surveys;
- *Impartiality principle*: the document includes both positive and negative impacts in order to enable a balanced assessment of company performance;
- *Consistency principle*: results are reported on, not products. The attention given to various topics is proportional to the relative importance of the same;

- *Timeliness principle*: the dissemination of information takes place at the same time, or at least in the short term, with respect to that of the statutory financial statements and, in any case, in compliance with the restrictions set forth in Italian Legislative Decree No. 254/2016;
- *Reliability principle*: the data and information contained in this document is subjected to verification of conformity by the independent auditing firm selected for this purpose.

1.3.3. The reporting period

This document refers to activities and information relative to the period between 1 January 2019 and 31 December 2019.

1.3.4. The scope of reporting

In compliance with the completeness principle, the information and indicators selected as well as the reporting scope are such as to provide a reasonable and appropriate representation of the company's performance in financial, social and environmental contexts.

The reporting boundary is periodically updated on the basis of the evolution of the structure and in relation to the strategic nature of the company's mission.

This activity is undertaken considering both the control and/or influence relationships between the entities belonging to the Group, and the capacity of the same to generate significant (actual and potential) impact on the performance indicators and sustainability policies.

In particular, in order to report only the productive companies and those whose activities have significant impact, the scope is defined taking into consideration the following aspects:

- Composition of the Group:
 - composition at date of analysis
 - change in composition with respect to last NFS
- Number of employees:
 - number of employees at date of analysis
 - trend with respect to last NFS
- Special characteristics of the companies, including:
 - strategic nature of business and contribution with respect to the Group mission
 - economic contribution and social and environmental impacts generated
 - any other provisions and/or characteristics of the companies which justify their inclusion or exclusion from the scope of reporting

Based on the analysis of the aforementioned aspects, in the context of the present reporting period, it was decided to exclude the following non-strategic subsidiaries and companies from the scope:

- Italia Turismo, given its 11 employees, the low strategic nature of the business with respect to the company mission as envisaged in the 2017-2019 business plan and, lastly, given that the procedure to dispose of the company, resolved in December 2017, is still under way;
- *Invitalia Partecipazioni*, based on the low number of employees, the limited strategic nature of the company consisting of management, disposal or disposal of non-strategic equity investments, implementing the reorganisation plan prepared by Invitalia and approved by the Italian Ministry of Economic Development;
- *Invitalia Global Investment*, due to the low number of employees and limited strategic nature of the company, established in 2018 to implement the purposes established in Law 205/2017, and with operations suspended as of June 2018.
- *Invitalia Ventures*, in order to simplify and strengthen the venture capital sector in Italy, the Ministry of Economic Development authorised sale of the company. In fact, in 2019 the closing with Cassa Depositi e Prestiti SpA (CDP) was finalised, to sell an equity investment equal to 70%

of the share capital held in the asset management company Invitalia Ventures SGR SpA (Invitalia Ventures), in execution of article 1, paragraphs 116 and subsequent, of Law 145 of 30 December 2018 and of the Ministry of Economic Development directive of 20 February 2019 (the MED Directive).

Therefore, the reporting scope (hereafter referred to as the Group), consists exclusively of INVITALIA *Agenzia nazionale per l'attrazione degli investimenti e lo sviluppo d'impresa* and the following subsidiaries:

- Banca del Mezzogiorno-Mediocredito Centrale SpA
- Infratel Italia SpA

The Non-financial Statement

The task of assigning priorities has made it possible to identify the material issues subject to reporting for the purpose of the **non-financial statement** pursuant to Legislative Decree 254/2016.

In particular, it emerged that certain topics are relevant only *"to the extent necessary to ensure the understanding of the Company's activity, its progress, its results and the impact it produces"* while *"taking into account the activities and characteristics of the company"*. The topics in question are listed in Article 3. 2, letters d) social and personnel-related aspects, including actions taken to ensure gender equality, measures to implement agreements with relevant international and supranational organisations and the manner in which dialogue with the social partners is achieved; and

f) the fight against both active and passive corruption, indicating the instruments adopted for this purpose.

In fact, the remaining issues, although mandatory for the purposes of the Non-financial Statement, are not relevant for the purposes of understanding the Group's business.

In relation to the provisions referenced in points *a) use of energy and water resources* and *b) emissions of greenhouse gases and atmospheric pollutants*, it is evident that the activities carried out by the Group, as service companies, do not significantly impact the environment. In fact, the organisation does not directly conduct activities capable of causing significant environmental impact. Nevertheless, in order to ensure completeness and continuity with the information made available in previous versions of the NFS, in this document Invitalia reports its energy consumption information.

With regard to the provisions referenced in point *c) impact on the environment, on health and safety or other relevant environmental and health risk factors*, it should be noted that the Group does not generate significant impact outside its organisation in the performance of its functions. On the internal front, on the other hand, in compliance with current legislation and in compliance with the Organisational Model 231/01, the protection of the health and safety of persons is ensured through a set of rules and procedures (discussed in detail in the paragraphs concerning workforce management).

Finally, with reference to point *e) respect for human rights*, it should be noted that the Group (as a governmental body of the Italian Ministry of Economy and Finance, which operates under the coordination and control of the Italian Ministry of Economic Development) operates in compliance with the rules of the Italian and international legal systems. In particular, it acts in compliance with current legislation on the protection and promotion of human rights, in line with the obligations undertaken at international level in terms of support for civil, political, economic, social and cultural rights. By way of example, we highlight the fight against racism, xenophobia and all forms of intolerance, discrimination, including that based on sexual orientation and gender identity, the promotion of the rights of persons with disabilities, education on human rights and the promotion of freedom of opinion and expression. In this regard, we recall the Code of Ethics, adopted by the companies, which formalises the set of corporate values and at the same time gathers together all the rights and duties which must be honoured by both the internal staff and all the subjects that interact with the Agency, such as for example, shareholders, collaborators, consultants, agents, partners and the Public Administration.

2.1. General information

As mentioned in section 1.3.4, the following companies fall within the reporting scope: INVITALIA, Infratel Italia SpA and Mediocredito Centrale SpA.

➤ INVITALIA

INVITALIA is the national agency for the attraction of investments and enterprise development and its sole shareholder is the Ministry for Economy and Finance, which exercises its rights in agreement with the Italian Ministry of Economic Development, which, in turn, directs and controls the Agency itself.

It acts on a mandate from the Government and operates mainly in Italy to boost the country's economic growth and to re-launch crisis areas, to increase territorial competitiveness (especially in the South) and to support fields of strategic development employment.

INVITALIA's registered offices are located in Rome, Via Calabria No. 46 - 00187, with operational offices in Via Pietro Boccanelli No. 30 - 00138 and Viale America No. 201 - 00144 (the latter at the offices of the Ministry of Economic Development).

➤ INFRATEL SpA

The Company's mission is to establish integrated broadband telecommunications network infrastructure on the national territory and to eliminate the digital divide of the country's underdeveloped areas, to meet the service needs of Public Administrations and to support the development of industrial sites.

The company is 100% controlled by INVITALIA, and has its offices in Rome, Viale America 201 - 00144

(in the offices of the Ministry of Economic Development).

➤ BANCA DEL MEZZOGIORNO-MEDIOCREREDITO CENTRALE SpA

this is a development bank which supports the country's entrepreneurial and economic structure, in particular in southern Italy, facilitating access to credit for businesses, especially SME, and supports investments for production and research and development, implementing public policies to support the productive system.

The company is 100% controlled by INVITALIA, and has its offices in Rome, Viale America 351 - 00144.

Invitalia and its subsidiaries pursue their missions through corporate actions conducted with respect for the rule of law and the fundamental rights of the person, based on clear and transparent rules and in harmony with the external environment and with the goals of the community. The staff of the companies - in the performance of their duties - ensures the quality of services, the prevention of corruption, respect for the constitutional duties of diligence, loyalty, impartiality and service exclusively rendered in the public interest.

To this end, each of the Group companies has its own **Code of Ethics** which, in line with the principles of loyal and honest behaviour, is aimed at regulating corporate activity through behavioural norms. The Code of Ethics is an integral part of the Organisation, Management and Control Model pursuant to Italian Legislative Decree No. 231 of 8 June 2001 - "Governance of the corporate liability of legal entities, companies and associations also without legal personality, pursuant to Article 11 of Italian Law 300 of 29 September 2000".

The Codes of Ethics prepared for each company all refer to corporate values and highlights the rights and duties of all those who, in any capacity, work with the Group, indicating the rules of conduct to be observed in all dealings with subjects such as shareholders, employees, collaborators, consultants, agents, partners, the Public Administration and, in general, all entities linked by a working relationship. Each Group company provides all employees and collaborators with an adequate training and awareness programme on the content of the Code of Ethics and related issues.

The adoption of the Code of Ethics is the expression of an enterprise context in which the primary goal is to meet the needs and expectations of stakeholders through high standards of professionalism, the values promoted by the Group and the absence of illegal conduct.

In relation to values, it should be noted that in November 2017, the process of defining the **Charter of Values** began. The Group's identity is rooted in this Charter, both in relation to strategic decisions and in daily operations and it inspires the conduct of employees in relations with stakeholders.

The process began in 2017 with the establishment of an *inter-departmental panel*, consisting of a representative group of employees (40% women) from various backgrounds and in positions of varying levels. This panel was tasked with identifying values to be recognised as distinctive for the organisation in terms of identity and reputation; it identified and elaborated the Group's following guiding values: integrity, vision, passion, collaboration, impact. Each of these values underlies a series of behaviours and references, referenced below.

- INTEGRITY: transparency, responsibility, merit, protection, commitment, respect, correctness.
- VISION: strategy, action, development, result, innovation.
- PASSION: pride, belonging, strength, meaning, constancy, tenacity, social identity.
- COLLABORATION: participation, people, cohesion, sharing, partnership, communication, together.
- IMPACT: performance, efficiency, transformation, change, methods, monitoring.

Given that the creation of the Charter of Values is a process that, in order to be effective and credible, must take place with the greatest possible participation and agreement, the management involved the company staff for the purpose of sharing and representing the values.

2.2. Social and personnel management aspects

The increasing complexity in which the Group operates requires constant attention with regard to personnel management and organisation.

In this sense, the work done in 2019 was strongly oriented to the need to combine the management of resources with business strategies, aligning production factors (people, systems, processes, indicators) and corporate culture (professional and value-related) in order to define paths that can promote efficiency, innovation, productivity and well-being in the organisation.

2.2.1. Management of resources

As mentioned in the introduction and in the *Directors' Report on Operations*, the activities related to personnel management in 2019 were mainly oriented towards maximising the quality of the results and the productivity of the structures and individuals.

At 31 December 2019, total Group staff (see the 2019 scope) amounted to **1,969 people**². If the scope is held equal (Invitalia, Infratel and Mediocredito Centrale), a net increase of 123 employees (+7%) is seen with respect to 31 December 2018.

Total new hires during the year amounted to **410**, more specifically 351 in Invitalia SpA, 20 in Infratel SpA and 39 in Mediocredito Centrale. In the context of hires³, these include 3 resources transferred from Group companies falling within the reporting scope. The number of **hires from outside the reporting scope**, therefore, totals 407.

In particular, with the activation of 351 hiring contracts (equal to 22.7% of its staff at 31/12/2019) and turnover of 248, at 31 December 2019 Invitalia reported total staff of 1,545 people (+7% with respect to 2018). Infratel SpA, with 20 new employees (15% of its staff) and turnover of 13, at 31 December 2019 reported 131 employees (+6% with respect to 2018). Mediocredito Centrale, with 39 new hires (13% of total staff) and turnover of 26, reported total staff of 293 people at 31 December.

² The numbers include: managers, middle-managers and office workers.

³ Also included in this parameter are 42 cases of Invitalia personnel who saw a contract expire, followed by re-hiring during the year. Cases of transfers between contract grades are not contemplated since they do not involve new hiring.

The table below shows **hiring** details with evidence of mobility within the group and the reporting scope.

Origin	HIRES AND MOBILITY				
	Gender	INVITALIA	INFRATEL	MCC	TOTAL
INVITALIA	M			2	
<i>Total</i>		0	0	2	2
INFRATEL	F	1			1
<i>Total</i>		1	0	0	1
OTHER (out of scope)	F	155	11	16	182
	M	195	9	21	225
<i>Total</i>		350	20	37	407
TOTAL		351	20	39	410

On the other hand, **outgoing** employees were essentially related to the natural expiration of fixed-term contracts and voluntary resignations. These totalled **287** and were almost entirely out of the reporting scope (284).

Destination	TURNOVER				
	Gender	INVITALIA	INFRATEL	MCC	TOTAL
INVITALIA	F		1		
<i>Total</i>		0	1	0	1
MCC	M	2			2
<i>Total</i>		2	0	0	2
OTHER (out of scope)	F	122	4	10	136
	M	124	8	16	148
<i>Total</i>		246	12	26	284
TOTAL		248	13	26	287

Turnover by gender is shown in the table below.

	Scope	TURNOVER BY GENDER	Women	Men	Total
2018	Invitalia, Infratel, Invitalia Ventures and MCC	Hires	152	155	307
		% hires	50%	50%	100%
		% hires with respect to total employees at 31- 12	16%	16%	17%
		Terminations	109	136	245
		% terminations	44%	56%	100%
		% turnover with respect to total employees at 31- 12	12%	15%	13%
	Scope	TURNOVER BY GENDER	Women	Men	Total
2019	Invitalia, Infratel and MCC	Hires	183	227	410
		% hires	45%	55%	100%
		% hires with respect to total employees at 31- 12	9%	12%	21%
		Terminations	137	150	287
		% terminations	48%	52%	100%
		% turnover with respect to total employees at 31- 12	7%	8%	15%

In relation to the **distribution of hiring and departures by geographical area**, please refer to the table below.

	Scope	TURNOVER BY AREA	North	Centre	South	Abroad	Total
2018	Invitalia, Infratel, Invitalia Ventures and MCC	Hires	19	109	172	7	307
		% hires	6%	36%	56%	2%	100%
		% hires with respect to total employees at 31- 12	15%	12%	23%	18%	17%
		Terminations	16	113	114	2	245
		% terminations	7%	46%	47%	1%	100%
		% turnover with respect to total employees at 31-12	13%	12%	15%	5%	13%
2019	Invitalia, Infratel and MCC	Hires	27	169	206	8	410
		% hires	7%	41%	50%	2%	100%
		% hires with respect to total employees at 31- 12	1%	9%	10%	0%	21%
		Terminations	45	85	146	11	287
		% terminations	16%	30%	51%	4%	100%
		% turnover with respect to total employees at 31-12	2%	4%	7%	1%	15%

In relation to the **distribution of hires/turnover by age range**, please refer to the table below.

	Scope	TURNOVER BY AGE RANGE	< 30	BETWEEN 30 AND 50	> 50	TOTAL
2018	Invitalia, Infratel, Invitalia Ventures and MCC	Hires	133	160	14	307
		% hires	43%	52%	5%	100%
		% hires with respect to total employees at 31-12	111%	13%	3%	17%
		Terminations	54	151	40	245
		% terminations	22%	62%	16%	100%
		% turnover with respect to total employees at 31-12	45%	12%	8%	13%
2019	Invitalia, Infratel and MCC	Hires	194	193	23	410
		% hires	47%	47%	6%	100%
		% hires with respect to total employees at 31-12	10%	10%	1%	21%
		Terminations	59	193	35	287
		% terminations	21%	67%	12%	100%
		% turnover with respect to total employees at 31-12	4%	12%	2%	19%

Among the 1,969 workers at 31/12/2019, the professional category with the greatest number of employees is that of the clerical workers (1,512), followed by middle managers (400) and managers (57). This directly reflects the nature of the business model adopted.

Below is a representation by category with respect to **age groups** and **gender**.

	Scope	PROFESSIONAL LEVEL BY GENDER	Women	%	Men	%	TOTAL	%
2018	Invitalia, Infratel, Invitalia Ventures and MCC	Managers	8	0.4%	57	3.1%	65	3.5%
		Middle management	161	8.7%	233	12.5%	394	21.2%
		Clerical workers	762	41.0%	637	34.3%	1,399	75.3%
2019	Invitalia, Infratel and MCC	Managers	6	0.3%	51	2.6%	57	2.9%
		Middle management	162	8.2%	238	12.1%	400	20.3%
		Clerical workers	799	40.6%	713	36.2%	1,512	76.8%

	Scope	PROFESSIONAL LEVEL BY AGE RANGE	< 30	%	Between 30 and 50	%	> 50	%	TOTAL	%
2018	Invitalia, Infratel, Invitalia Ventures and MCC	Managers		0.0%	18	1.0%	47	2.5%	65	3.5%
		Middle management		0.0%	181	9.7%	213	11.5%	394	21.2%
		Clerical workers	120	6.5%	1,048	56.4%	231	12.4%	1,399	75.3%
2019		Managers	-	0.0%	13	0.7%	44	2.2%	57	2.9%

Invitalia, Infratel and MCC	Middle management	-	0.0%	169	8.6%	231	11.7%	400	20.3%
	Clerical workers	197	10.0%	1,043	53.0%	272	13.8%	1,512	76.8%

With reference to **educational qualifications**, 79% of employees have college degrees. Most employees (1,515) have at least a college degree (and of these over 14% have post graduate or masters degrees), while the remaining 21% (418) have either a middle school or high school degree.

The dominant **geographical areas of origin**⁴ are Central Italy (52%) and the South (41%), followed by the North (5%) and staff from abroad (2%).

The **average age** among the Group's staff is currently around 44 years of age: 10% of employees (197) are under the age of 30; 62% (1,225) are aged between 30 and 50 years⁴, while 28% (547) are over the age of 50.

Within the governance bodies (Boards of Directors of the companies within the reporting scope) the average age is 52 years - 27% of the members are aged between 30 and 50, while the remainder are over 50 years of age.

Furthermore, the data recorded in 2019 confirms the active role of the Group in the **promotion of equality between women and men**, a significant contribution to compliance with non-discrimination principles. At 31/12/2019, female staff amounted to 49% of the total (967 women and 1,002 men), a perfect balance confirming an effective commitment to gender equality.

Also in relation to the type of contract, the Group promotes gender equality, as shown in the table below.

CONTRACT TYPE	2018				2019			
	Invitalia, Infratel, Invitalia Ventures and MCC				Invitalia, Infratel and MCC			
	TOTAL	Women	Men	% females	TOTAL	Women	Men	% females
Permanent	388	190	198	49%	261	121	140	46%
Permanent	1470	741	729	50%	1708	846	862	50%
Total	1858	931	927	50%	1969	967	1002	49%
Full-time	1734	813	921	47%	1841	847	994	46%
Part-time	124	118	6	95%	128	120	8	94%
Total	1858	931	927		1969	967	1002	49%

Within the governance bodies (Boards of Directors of the companies within the reporting scope) gender equality is confirmed. In fact, women represent 40% of the members.

2.2.2. Dialogue with social partners and trade union relations

All (100%) of the employment relationships of Group employees are governed by collective agreements stipulated at national level. In particular, with regards to Invitalia SpA and Infratel SpA, regulation of middle management and clerk-level employment contracts is done through the Invitalia National Collective Labour Contract, while managers come under the National Collective Labour Contract for the industry or the National Collective Labour Contract for managers of companies in the tertiary distribution and services sector. The two journalists in the group are subject to the National Journalist Contract.

⁴ The areas of origin are attributed according to the country/place of birth. Italian regions have been divided as follows: North (Liguria, Lombardy, Piedmont, Valle d'Aosta, Emilia-Romagna, Friuli-Venezia Giulia, Trentino-Alto Adige and Veneto), Centre (Lazio, Marche, Tuscany and Umbria) and the South (Abruzzo, Basilicata, Calabria, Campania, Molise, Apulia, Sardinia, Sicily).

With regards to MedioCredito Centrale, employment relationships for personnel in the category of middle managers and in professional areas and employment relationships with managers are governed respectively by the ABI National Collective Labour Contracts.

Description of remuneration policy

Corporate remuneration policy is a strategic lever for business success. Planning the best remuneration system, in fact, is a fundamental step in the execution of the company strategy and it enables productive endeavour to be aligned with corporate and specific organisational goals.

The remuneration policies adopted are aimed at ensuring the availability of effective remuneration tools in directing the performance towards corporate goals consistent with the constraints and logic of the market in which each Group company operates.

For all Group companies, remuneration has a fixed component and a variable part linked to the achievement of defined, measurable and quantitative goals. In particular:

The **fixed part of remuneration** is defined on the basis of the role and the delegated responsibilities, also taking into account skill level and experience. It is consistent with collective agreements and the reference market;

Short term **variable remuneration** is linked to the achievement of annual performance targets and is linked to predefined, objective and measurable economic and financial⁵ indicators. Specifically, two systems are envisaged, both linked to financial indicators and differentiated by targets of responsibility:

- An *MBO system*, applied to managers and middle managers with managerial responsibilities, in relation to goals that are essentially of a financial nature, with targets based on the budget and linked to the position held;
- A *Productivity Bonus*, applied to the remainder of the company workforce.

Description of the remuneration determination process

Within the defined remuneration policies, remuneration is defined with reference to market logic, role, value of skills and previous experience.

The Group's remuneration policies, in particular, are guided, on the one hand, by the principle of consistency with the medium/long-term goals and strategies and the corporate culture, and on the other, by the need to attract and enhance the value of subjects with professional skills and capacity appropriate to the needs and requirements of the company.

The determination, defined at the time of entry into the company, is periodically updated and, starting from 2018, is monitored on the basis of a performance assessment which is systematic and annual, with dialogue between the Human Resources department and Operational Line managers.

With regards to the *production bonus* introduced with the agreement of 25 July 2017, on 30 July 2019 an agreement was signed between the unions and Invitalia which introduced certain changes to the operational model of the benchmarks used to quantify the award. In particular, when not already present, performance benchmarks were added for operating processes (experimentally) and, at the same time, benchmarks for various work groups were strengthened.

Additionally, the Conventional Organisational Units were redefined for 2019 and intermediate verification planning was done with regards to the performance of the benchmarks. For the subsidiary Infratel SpA, an agreement was signed on 31 July 2019 which extended to 2019 the production bonus originally planned for 2017. Additionally, the Conventional Organisational Units were redefined and intermediate verification planning was done with regards to the performance of the benchmarks.

Relationships with Stakeholders

During 2019, the ordinary union relations were also managed, providing the envisaged contractual information, as well as disclosure of information required for specific needs and meetings with the Union Representatives when required.

Teleworking continued during 2019 and was renewed, also on the basis of the positive results achieved in terms of increased company productivity.

⁵ There are no environmental or social performance targets.

An experimental phase of smart working was begun, with a defined group of 78 people identified within the three Business Areas, with the aim of assessing:

- costs and benefits of smart working
- productivity
- building
- work/life balance.

2.2.3. **Development and enhancement of human resources**

In 2019, the plan to consolidate development logics for human resources was implemented, in part through the introduction of a new professional model, based on profiles and growth paths that take into account the special nature of Invitalia and market logics, begun in 2018.

Human Resource Development

2019 saw the strengthening of a professional development model based on individual growth profiles and paths. Enhancement of human resources involves increasing knowledge, in terms of skills, activities and behaviours. These elements serve as the foundation for beginning a process of continuing education, to improve professionalism within the company and that of the individuals which make it up.

The Group enhances its resources by investing in the continuous development of skills and professionalism through various initiatives, including:

Internal development and career opportunities.

The job posting system represents an internal tool to publicise new professional opportunities and take advantage of personal experiences and interests. In fact, all interested colleagues can participate in internal selections based on their skills, characteristics and motivations. In this way the exchange of internal skills and mobility for employees are both enhanced within the Group.

Performance Management.

2019 saw the execution of the project "Performance Evaluation - Reference Year 2018", begun in December 2018. This initiative was an initial project structured to identify and fully take advantage of individual performance. The project falls within the wider performance management system that the company is defining: if assessing productivity makes it possible to measure collective performance in terms of company results achieved, individual performance assessment is done by identifying the contribution provided by a single person. In the model selected, this contribution is measured in terms of organisational activities and actions.

The project involved all office workers and middle managers within the parent company who were present in the company as of 31 December 2018. An IT system was created to allow managers to assess their workers and to allow the latter to view their assessment form and insert a comment on the same. The entire process was concluded at the end of May and, shortly later, the company began an initial review of the process, in the light of comments and reflections received both during the assessments and during later opportunities for conversation.

Banca del Mezzogiorno-Mediocredito Centrale carries out a Performance Management process annually, the results of which are provided to employees as established in the National Collective Contract.

Taking advantage of company talent.

During the year, development and coaching courses for selected resources continued as a key aspect of the operational processes. In particular, individual development courses were carried out for resources involved in talent management processes carried out in previous years. Six individuals were enrolled in individual coaching courses for around 3 months. The goal of these courses were established and shared with the individual company managers.

Continuous training: managerial, behavioural, technical

The Group invests continuously and significantly on the training of resources, directing training projects based on business needs, company priorities and making targeted investments on the development of

key roles. The training plans include initiatives on both technical and managerial skills through internal and external training. For more details on the types of activities, please refer to that indicated in the *Directors' Report on Operations*.

With regards to **Invitalia SpA and Infratel Italia SpA**, there were **1,319** people involved in training initiatives in 2019. Total training hours provided⁶ came to around 44,800 (+4% with respect to 2018) for an average of 27 hours/person, stable with respect to 2018.

Within Invitalia, training is seen as one of the factors that makes it possible to ensure company skills and actions are in line with the professionalism and integrity needed to further Invitalia's position in its reference markets.

In 2019, training was essentially aimed at:

- focussing projects on "key" skills for professional development, both for individuals and the Company, including assessment of investments, managing public tenders, development policies and project management, while simultaneously increasing the number of individuals involved;
- developing middle management managing skills and contributing to the dissemination of relationship management and work group communication skills;
- creating innovative tools and methods through programs aimed at creating, enhancing and disseminating the skills needed to achieve complex multidisciplinary projects;
- training on distinctive skill-sets such as innovative methods for project assessment, innovation management, cost and benefit analysis of public investments, innovation and digital transformation;
- supporting individuals hired with intern contracts with the aim of creating individualised training plans, in full compliance with the regulations in effect.

Projects of special interest carried out include:

- **Value Creation Manager Program**, a classroom program designed for Invitalia people managers with the aim of developing management efficacy in terms of growth, care, motivation and performance with regards to employees, using organisational development tools and individual and group training projects. The program involved four phases with the same number of workshops, bringing 149 managers to the classroom:
 - INDUCTION - assessment system and identifying value
 - VALUE HUNTING - the practical meaning of Value Creation Manager
 - VALUE EXPLOITATION - how to fully realise potential from workers
 - VALUE CARING - how to support motivation in employees
- **Skills Engine**, an innovative process aimed at monitoring, disseminating and updating key skills within the company. It features two areas of action:
 - enhancing internal skills, supporting the spread of best practices, making use of research and a systematic approach for projects;
 - bringing new skills to Invitalia, needed to face the challenges the company will face and which, at present, are not part of its traditional portfolio of skills.

The project focussing on personal development continued, through a catalogue of company courses. In 2019, the themes were project management, data analysis and support systems, language training outside of working hours and residential language training. The supply of intensive residential language training continued, with two-thirds of the expense financed by the Fondimpresa interprofessional joint fund. This project assists in eliminating excess employee holiday time, translating to an economic benefit for the company while allowing the employee to obtain significant language skills.

⁶ In this case, training hours are calculated on the basis of the calls to training events.

During the year, as part of the LUISS-Invitalia Partnership to create a high level training and research zone in southern Italy, the third edition of the second level masters in Development Economics and Policies was carried out, with the Agency providing 10 scholarships to its employees.

With regards to **Banca del Mezzogiorno-MedioCredito Centrale**, **313** people were involved in training initiatives during 2019. Approximately 8,493 training hours were provided, for an average of 31 hours/person.

In 2019, MCC furthered strengthened its **training offerings**, also thanks to the use of incentives made available through joint funds (FBA and Fondir) to finance company/individual training plans. The annual training plan was the result of careful analysis of training requirements. In 2019 a bottom-up identification method was introduced, using focus groups consisting of a representative sample of workers.

Training projects, provided with various methods (remote, classroom), focussed on developing technical, specialised, managerial and behavioural skills.

With an eye to stimulating excellence, **Banca del Mezzogiorno-MedioCredito Centrale** also promoted the "learn to excel" initiative, providing reimbursement to workers who participated in educational courses such as a master, university class or specialisation class.

		2018		2019	
		Scope <i>Invitalia, Infratel, Invitalia Ventures and MCC</i>	Invitalia and Infratel	MCC	Scope <i>Invitalia, Infratel and MCC</i>
Resources involved [1]	ppl	1,855	1,319	313	1,632
Total training hours	hrs	50,818	44,800	8,943	53,743
Average training hours per person [2]	hrs	27	27	31	29

[1] The number of "resources involved" and "total training hours" also refer to training provided to employees who left during the course of the reporting year.

[2] "Average training hours per person" is calculated on the basis of staff in force at 31/12.

In relation to the distribution by gender, a summary table is shown below.

		2018		2019	
		Scope <i>Invitalia, Infratel, Invitalia Ventures and MCC</i>	Invitalia and Infratel	MCC	Scope <i>Invitalia, Infratel and MCC</i>
Managers					
Resources involved	ppl	57	42	13	55
% with respect to the total number of people involved	%	3%	3%	4%	4%
% with respect to managers at 31-12	%	88%	89%	130%	110%
Total training hours	hrs	1,557	1,556	197	1,753
Average training hours per person	hrs	24	33	20	53
% compared to total hours worked	%	3%	3%	2%	3%

Middle Managers					
Resources involved	ppl	392	183	172	355
% with respect to the total number of people involved	%	21%	11%	55%	33%
% with respect to middle managers at 31-12	%	99%	80%	101%	90%
Total training hours	hrs	11,721	6,490	4,965	11,455
Average training hours per person	hrs	30	28	29	57
% compared to total hours worked	%	23%	14%	56%	35%
Clerical staff					
Resources involved	ppl	1,406	1,093	128	1,221
% with respect to the total number of people involved	%	76%	65%	41%	53%
% with respect to office workers at 31-12	%	101%	78%	114%	96%
Total training hours	hrs	37,540	36,730	3,781	40,511
Average training hours per person	hrs	27	26	34	60
% compared to total hours worked	%	74%	82%	42%	62%

In relation to the distribution by gender, a summary table is shown below.

2018	2019		
Scope			Scope
<i>Invitalia, Infratel, Invitalia Ventures and MCC</i>	<i>Invitalia and Infratel</i>	MCC	<i>Invitalia, Infratel and MCC</i>

Women					
Resources involved	ppl	920	645	146	791
% with respect to the total number of people involved	%	50%	49%	47%	48%
Total training hours	hrs	24,753	22,069	4,131	26,200
Average training hours per person	hrs	27	27	30	28
% compared to total hours worked	%	49%	49%	46%	48%
Men					
Resources involved	ppl	935	673	167	840
% with respect to the total number of people involved	%	50%	51%	53%	52%
Total training hours	hrs	26,065	22,707	4,812	27,519
Average training hours per person	hrs	28	27	31	29
% compared to total hours worked	%	51%	51%	54%	52%

Employee benefits for Invitalia SpA, Infratel Italia SpA

In recent years, Invitalia has promoted a company culture which sees the well-being of its employees as a strategic objective, viewing welfare and well-being policies as an appropriate tool to achieve this goal. Following the logic of an approach based on active listening, welfare initiatives proposed for 2019 were consistent with that identified in the 2017 welfare requirements analysis and in structured feedback received from employees following each initiative.

Employee Services

The "stars" of contractual welfare continue to be appreciated and rewarded: healthcare assistance and pension funds. In July 2019, Invitalia renewed the insurance policy for the reimbursement of medical expenses for employees. This allows access to healthcare services offered in affiliated structures and/or indirect health services by means of recourse to non-affiliated facilities. Around 200 employees had access to Supplemental Health Coverage for the National Healthcare Service.

In addition to Supplemental Health Coverage for the National Healthcare Service, Invitalia also gives its employees the opportunity to make use of a supplementary pension fund, a type of complementary social security, with not just employees but the company contributing. 95 people chose to adhere to one of the two funds established by the National Collective Labour Contract, a significant increase with respect to the 20 people enrolled in 2018, thanks to a series of informational events regarding social security organised both live and via intranet.

The Services Portal for all employee benefit services was improved to create a single space to present all the initiatives available to employees. Quality continues to be the primary criteria used when selecting suppliers. The portal provides information about over 110,000 services and affiliations throughout Italy for employees and their family members. "Welfare credit" deriving from various financing methods can be spent on the portal. Relative to Invitalia, a "unilateral welfare" amount was provided for all employees (€ 998,878), based on that established in articles 51 and 100 of the TUIR (Consolidated Income Tax Act). At Infratel Italia, on the other hand, following the achievement of the production bonus established in the national collective labour contract, employees were given the possibility of voluntarily converting some or all of the production bonus into welfare services, for a total of € 36,470 converted.

With an eye to professional development, intensive language courses were successfully proposed, specifically through the U First of All project, which involves a one-week residential course with a native speaker instructor, with around **53 employees** participating, as well as language courses held outside of working hours, with **114 employees** participating. Additionally, in 2019 Invitalia added pilot courses for cooking, reading and creative writing, again for personal development, with 73 employees involved. In terms of organisational flexibility, in addition to extended remote working (reaching 44 employees, more than double with respect to the previous year), Invitalia inaugurated a pilot smart working project, through which 76 employees were able to work out of the office one day a week at a location of their choice, taking it as an opportunity to experiment with new methods of interaction between employees and managers.

Following the agreement signed between Invitalia and Mediocredito Centrale, allowing Invitalia employees to make use of favourable conditions for personal loans and mortgages, 165 Invitalia employees requested these advantages.

Services for employees and family members

To offer concrete support to employees with children during summer school closures, as occurs every year one-week residential summer camps were organised for children aged 6 to 14, as well as non-residential camps for children aged 3 to 5. Over **120 children** participated in the camps (offering language instruction or with other themes), with parents benefiting from full coverage by the company of all costs for the first child.

Monthly organisation of cultural events continued for employees and their family members, aimed, among other things, at increasing socialisation among employees: in 2019, **420 people** participated in this process of cultural and social training and participation.

Community services

For a number of years, Invitalia has supported and participated in charity initiatives with an eye to "corporate volunteering".

- For the 6th consecutive year it took part in the Dynamo Team Challenge, with a team of 25 athletes who participate in running, biking and tennis events. Over € 2,000 was collected for the Dynamo Camp, which offers stays free of charge to children and teenagers with chronic and serious illnesses.
- Around Christmas of 2019 funds were also collected for Save the Children, to support the NGO's projects aimed at children and babies living in developing countries.
- The Race for The Cure, a sporting event to fight against breast cancer was another charity initiative promoted by Invitalia. The aim is to collect funds for prevention programmes supporting women, with around 50 employees participating.
- Invitalia promoted and organised 8 days for blood donations in 2019 with Ad Spem at the company offices, with over 160 blood donations for a total of **72 litres donated**.

In order to monitor performance and satisfaction in terms of services offered, after every initiative in 2019 an online feedback questionnaire was sent out.

Employee benefits for MedioCredito Centrale

With reference to company welfare, in consideration of the appreciation shown in previous years, Mediocredito Centrale again adhered in 2019 to the national initiative "Children at work with mum and dad", which allows children of employees between 3 and 12 to visit the place where their parents work. During the day, children were involved in games, experiments and interactive laboratories regarding the themes of sustainable development, renewable energy and recycling.

Mediocredito Centrale also participated in "Dynamo Team Challenge 2019", an initiative to collect funds for Dynamo Camp Onlus, the first recreational therapy camp in Italy, which hosts children and teenagers fighting serious illnesses with the aim of offering care and therapy. This included a fund collecting evening, organised by Invitalia, through the Ultrabroadband concert.

Additionally, a school/work project known as AllenaMent" was activated, involving 16 students from the Vivona high school in Rome and 20 colleagues in a 40-hour training course which helped students to learn about the working world, presenting the corporate model of Mediocredito Centrale, as well as its business and employee roles.

Furthermore, other initiatives were carried out regarding:

- Work hours: with an eye to reconciling work/life time, weekly working hours were revised with flexible hours extended;
- Welfare hours: to improve work/life balance, those receiving the company bonus can decide among various methods of receiving the bonus, including the possibility of fully or entirely using the monetary portion to increase free time, making use of additional time off.
- Smart working: an experiment was begun and regulated to make use of new methods of work, involving certain organisational units. The goal of the project is to improve the quality of life of employees and increase their motivation;
- Solidarity and smart working: an extension of the above to certain workers for whom daily commuting is difficult or who have specific personal needs. This experiment, which began in 2020, is aimed at a limited number of workers and has a duration of 6 months.

2.2.4. Health and Safety

The Group oversees the management and control of Workplace Health and Safety (WHS) with the aim of ensuring the protection of its employees and of all external parties that interact with its organisation, in compliance with the provisions of the relevant legislation.

With an eye to rendering more systematic the management and control processes regarding health and well-being, **Invitalia** went from a BS OHSAS 18001:2007 Management System to a UNI ISO 45:0001 one.

While OHSAS 18001:2007 focussed on managing occupational health and safety risks and other internal issues, the new norms concentrate on the interactions between the organisation and the context in which it operates.

The structure of UNI ISO 45:0001 is considered to be a High-level structure (HLS) in that it is intended to guarantee compatibility with other management systems with an eye to possible integration.

The concept of a reference "context" is introduced, to understand the requirements of all the interested parties involved and to subsequently evaluate inclusion of these requirements, as additional objectives for the management system;

New instructions are provided with regards to the direct commitment and final responsibility of management in implementing and applying the Management System, while the top level management representative is no longer referenced explicitly. The concept that the Management System should not

be separate from organisational processes but integrated with them is rendered explicit, focussing on the participation of non-management workers in SSL processes.

One of the most significant innovations in the new rules is the requirement for strategic planning for the management system, identifying and assessing not just risks but also opportunities for improving health and safety, identified through analysis of the context in which the organisation operates.

The switch to 45:0001 certification led to the elimination within the Management System of the concept of the Management Representative, in place of a Health and Safety Management System Team (HSMS). The team is made up of protection and prevention service employees who operate within individual offices and worksites, representing all worksite activities for all locations.

Infratel has a Health and Safety Management System (HSMS), an integral part of the Organisation, Management and Control Model (OMCM), pursuant to Italian Legislative Decree 231/01. Infratel revised its HSMS in order to switch from a BS OHSAS 18001:2007 system to a UNI ISO 45001:2018 management system during its upcoming certification. The new rules focus more strongly on the role that each individual holds within the system. Hence both top management is referenced, responsible for leadership, as well as all people who can exercise influence on decisions, are influenced by the same, or merely feel that they are. This explains why one of the goals of this switch is to put more emphasis on workers and increase their participation. Other improvements include an improved approach to managing health and safety for contractors, as well as making health and safety part of the purchasing decision making process. Implementation of the new HSMS based on UNI ISO 45001 led to training sessions for all company departments.

The HSMS is the reference standard for all Group companies, which operate independently in relation to specific needs, but ensure uniformity of approach at a global level. Within the System, also for 2019-2020, specific goals have been identified regarding the most sensitive aspects of health and safety management (both operational and management-related), in order to ensure continuous improvement of company performance in this area, beyond the obligatory legislative provisions.

For both Invitalia and Infratel, the HSMS is supported by internal regulations which are revised and updated on a regular basis and which regulate company processes in compliance with the requirements set by the Standard and by the OMCM 231/01 by means of:

- The HSMS Manual
- Procedures that define roles and responsibilities in relation to hazard identification procedures, risk assessment and definition of controls, recording, analysis and management of anomalous situations (accidents, non-compliance), identification of corrective, preventive and improvement actions, management of internal audits, analysis and measurements of system performance
- Forms for recording data/information demonstrating the implementation of processes or parts thereof.

The HSMS and the management of health and safety are implemented through an organisation that, in addition to the roles required by current legislation (Managers, Supervisors, emergency teams, etc.), is centred on the figure of the Head of the Safety Management System (HSMS) who, in agreement with the Management Team, figure presides over the application of all obligations, assisted by the team.

Through the HSMS, good practices are disseminated among employees and actions are promoted aimed at spreading the culture of safety in the company, with the intent of sensitising all workers to the adoption of responsible behaviour and encouraging direct involvement and active participation, also through the reporting to the designated functions of dangerous situations, accidents or non-compliances.

To this end, the dedicated section has been reorganised on the company Intranet so that all employees can take note and be aware of the corporate safety-related policies and practices. The following documentation is available on the specific the Intranet page:

- WHS Presentation: which illustrates the logic, the process and the methods of implementation of the System
- Internal regulations: HSMS manual, procedures and forms
- Management Review 2019

- Goals and Programmes 2019
- Appointment of Head of the Management System
- Monitoring Plan 2019
- Safety organisation chart, composition of emergency teams for each company location and WSR
- Risk assessment documents, emergency plans and plans for each company office (updated/reviewed in December 2018)
- Specific disclosures on behavioural measures: Videoterminal use disclosure
- General disclosure on indoor air quality
- General information on the use of multiple sockets and electrical appliances not supplied by the employer, information on Supplementary Prevention and Protection Measures for the management and use of vehicles, Operational safety instructions for toner replacement
- Minutes of meeting to present the results of the environmental survey for the Invitalia Rome headquarters.

Annexes with regards to regulations for employees assigned to help those with disabilities, behavioural provisions with regards to armed threats (discovery of a bomb in the structure) and those relative to building collapse, earthquake or flooding constitute an integral part of the plan.

To support knowledge and awareness of workplace health and safety issues and in compliance with the relevant regulatory provisions (Italian Legislative Decree No. 81/08, as amended, Italian Ministerial Decree No. 388/03, Ministerial Decree 10.03.1998, etc.), also for 2019, the training needs for the workers have been charted (basic training for new recruits, updating, integration and training adaptation in case of change of duties, first responder fire and first aid teams etc.) and for all the company roles involved (Managers, Supervisors, Workers safety representatives, Protection and Prevention Service Officers, etc.). The planning and training has which shall proceed over the following months has been initiated.

In compliance with legal provisions, a Risk Assessment Document and the Emergency Plan have been drawn up for each of the Group's offices, with related prevention and protection measures and improvement plans in place. Regarding the management of emergencies, the components of the emergency team were also identified and designated (workers assigned to fire fighting and the first responders), who have been trained in the role through specific training courses, in accordance with the current legislation. Furthermore, in all company offices, the annual fire-fighting exercise has been planned and conducted (and is in progress), as required by law.

All actions to implement and improve the levels of health and safety are periodically managed and monitored, both in terms of efficiency and effectiveness, through specific tools, monitored by the HSMS (Global Action Plan, Monitoring Plan), also with the support of the company functions in charge. Specifically, moreover, in November 2019, the Management of the Group, with the support of the HSMS, proceeded with the periodic review of the Health and Safety Management System, to verify and ensure its adequacy, effectiveness and validity. Among other things, the review covered the policy, the objectives and their planning, the results of the audits, any reports of incidents or non-compliance, the evidence of monitoring activities, as well as the training and involvement needs of the personnel, proposals for improvement of the HSMS and relevant processes and implementation of internal and external communication actions.

There are no specific agreements with the trade unions regarding health and safety issues, except as expressly prescribed by the consolidated law on health and safety in the workplace, pursuant to Italian Legislative Decree No. 81 of 2008. Worker participation in the health and safety process is also guaranteed by 9 worker safety representatives (of which 8 for Invitalia and 1 for Infratel) involved through periodic meetings pursuant to article 35 of Italian Legislative Decree No. 81/08, as amended, as well as through invitations to participate in inspections, checks and opportunities to share and communicate with regards to assessment of risks and organisation (appointment of emergency teams, company physician, etc.). The Group provides the Workers' Safety Representatives with all the tools necessary to exercise their roles (including training and the related annual update), within the terms

prescribed by the regulations and by the company's union agreements. The percentage of workers represented is 100%. As per the results of the Risk Assessment, there are no processes that expose workers to high risks.

Invitalia approaches safety matters in terms of maximum protection, specifically, providing a basic training of 16 hours in total (12 hours dedicated to specific risks, related prevention and protection measures) to personnel who perform checks/inspections at client locations or specific sites, including contexts that are configured as temporary and mobile construction sites (Title IV of Italian Legislative Decree No. 81/08 as amended). The possible exposure to high risks is monitored through a system of constant interaction between the company function engaged in the construction site sector and the Head of the Prevention and Protection Service, under the supervision and control of the MR/ HSMS, in order to promptly assess exposure to specific non-ordinary risks of the activity and proceed with relative adjustments (health surveillance, PPE, training, etc.).

Banca del Mezzogiorno-Mediocredito Centrale also monitors management and control of Workplace Health and Safety (WHS) with the aim of ensuring the protection of its employees and of all external parties that interact with its organisation, in compliance with the provisions of the relevant legislation. To that end, the use of a *Workplace Health and Safety Management System* (HSMS) has been introduced, with the objective of spreading useful information to those involved in Mediocredito Centrale's Safety System, as well as increasing awareness in all workers about responsible actions and supporting direct and active participation.

Safety organisation has been updated on the company Intranet, allowing workers the possibility of learning about:

- relevant regulations (Italian Legislative Decree No. 81/08);
- emergency teams (fire prevention, BLS and BLSD);
- safety plans;
- the location of first aid kits.

Again in 2019, in compliance with regulatory provisions, training needs were identified for workers and specific training sessions were provided for new hires, new members of the fire prevention team, for first aid, managers, emergency teams and WSRs.

Additionally, periodic checks were carried out with regards to microclimates and workplace lighting. Additionally, the annual fire evacuation was carried out, with staff evacuation

With the assistance of the company physician, pre-hire and periodic medical check-ups were carried out for all employees classified as working with video terminals.

Accidents and absenteeism

Group personnel mainly work in offices, with low specific risks. Again in 2019, no on the job deaths or serious injuries were registered.

In 2019 the number of injured employees was 31⁷, of which 14 men and 17 women. The incidence of injured employees relative to total workforce is 2%. In particular, injuries affected 29 Invitalia employees, 1 Infratel employee and 1 Banca del Mezzogiorno-MedioCredito Centrale employee.

96% of accidents occurred in Lazio, where most of the Group's business occurs. The remaining accidents occurred in Emilia Romagna (1%) and in Abruzzo (3 %) where the regional offices are located.

⁷ Attributable to the parent company Invitalia, Infratel and Mediocredito Centrale.

In 2019 the main cause of injury was travelling to reach the workplace; out of 715 total days lost due to injury, 91% (649 days) can be attributed to *commuting* injuries, while the remaining 9% (66 days) relate to injuries associated with *office activities*.

In relation to distribution by gender, there is effective parity between men (59%) and women (41%), in line with 2018.

	2018 Full scope Invitalia, Infratel, Invitalia Ventures and MCC	2019						Total scope
		Invitalia, Infratel				MCC		
		Lazio	Emilia Romagna	Abruzzo	Σ	Lazio	Σ	
Days not worked due to travel injuries	358	613	6	23	642	7	7	649
Men	228	378	0	0	378	0	0	378
Women	130	235	6	23	264	7	7	271
Days not worked due to office activity injuries	130	66	0	0	66	0	0	66
Men	21	41	0	0	41	0	0	41
Women	109	25	0	0	25	0	0	25
Total	488	679	6	23	708	7	7	715

In relation to the **injury frequency (IR) rate**, **accident seriousness rate (LDR)** and **absenteeism rate (AR)**, please refer to the following table.

GRI Definitions	Calculation method	Ref	2018	2019		Total scope
			Full scope Invitalia, Infratel, Invitalia Ventures and MCC	Invitalia and Infratel	MCC	
IR - Injury Rate	Number of accidents causing abstention from work of at least one day divided by the hours worked in the year and multiplied by 200,000	Total	1.7	2.5	0.5	2.5
		Men	2.2	3.5	0.0	3.5
		Women	1.2	4.5	1.0	4.5
LDR - Lost Day Rate	Ratio between days not worked due to an accident and the total working hours during the year, multiplied by 200,000	total	28.7	5.5	2.7	5.5
		Men	28.6	6.5	0.0	6.5
		Women	28.7	7.5	5.7	7.5
AR - Absentee Rate	Number of days of absence divided by the number of workable days in the same period, as a percentage	Total	2.50%	8.5	2.2	8.5
		Men	2.20%	9.5	1.4	9.5
		Women	2.90%	10.5	3.1	10.5

It should be noted that the reporting scope for 2018 (Invitalia, Infratel, Invitalia Ventures and Mediocredito Centrale) differs from that of 2019 (which saw Invitalia Ventures leave the reporting scope).

Therefore, a specific assessment with regards to the trend for the three indexes is postponed to next year.

As no cases of occupational disease have been recorded, the rate of occupational disease is not reported (Occupational Diseases Rate). Finally, it should be noted that during the reporting period no episodes related to discriminatory practices were recorded.

2.3. The internal control system and the fight against both active and passive corruption

Invitalia adopts a healthy and correct management system, consistent with corporate goals through an Internal Process Control System. The organisational structure is subject to periodic checks and updates, to guarantee its suitability for monitoring the risk areas of our activities, in line with the relevant legislation. The system includes the Code of Ethics, the Organisation, Management and Control Model and the Agency Corruption Prevention Plan and Privacy Protection System.

The Code of Ethics and 231 Model are published in specific sub-sections in the Transparent Company sections of the institutional websites of Invitalia, Infratel Italia and Invitalia Ventures SGR, and in the Corporate Information section of the Banca del Mezzogiorno-Mediocredito Centrale website.

2.3.1. Code of Ethics

Adding to that indicated in section 2.1, the Codes of Ethics of the consolidated companies adhere to principles that inspire the action and the rules of conduct for those working in the Group: corporate bodies (Boards of Directors, Boards of Statutory Auditors), personnel (Managers, employees and collaborators), consultants and suppliers of goods and services, including professionals, as well as for anyone carrying out activities on behalf of Group companies. In fact, all the contracts and assignments that the companies of the Group put in place with employees, collaborators and third parties are subject to and require acknowledgement of the Code of Ethics adopted pursuant to Italian Legislative Decree No. 231/01 and added to pursuant to anti-corruption regulations.

2.3.2. The Organisation, Management and Control Model

The Organisation, Management and Control Model adopted by the companies of the Group responds to the need to perfect the internal control system and to mitigate the risk of commission of offences.

This goal is achieved by identifying, for each of the sensitive activities, the preparation of a detailed and structured system of protocols and procedures, as well as the adoption of an adequate risk control system. The aim is to prevent the commission of the crimes sanctioned by the regulations governing the administrative liability of entities, as well as those addressed by anti-corruption legislation such as Italian Law 190/2012, with which Invitalia, and Infratel Italia comply.

In accordance with the provisions of Italian Law 190/2012 as amended, the Boards of Directors of Invitalia and Infratel Italia have identified their respective Corruption Prevention and Officers who, in accordance with the regulatory provisions, prepare the Plan and the report on the activities of prevention and fight against corruption undertaken, ensuring publication on the respective institutional websites.

In consideration of the close connection between the measures adopted pursuant to Italian Legislative Decree No. 231/01 and the National Corruption Prevention and Transparency Plan (hereinafter CPTP), the functions of the Corruption Prevention Officer (CPO) are performed in constant coordination with those of the Supervisory Body (hereinafter SB), a collegial body endowed with autonomy and independence tasked with monitoring the functionality and observance of the Organisation, Management and Control Model and ensuring that it is updated.

As a result of the integration of the 231 model and the anti-corruption system implemented by the Group, also pursuant to the "New guidelines on matters of transparency and the prevention of corruption addressed to private companies and entities in which public administrations and public financial entities have an investment or controlling stake" (ANAC ruling 1134/2017), the Supervisory Body participates in risk management processes, considering risks and actions inherent to preventing corruption and ensuring transparency in the execution of its tasks, issuing opinions and proposals.

The CPO and SB, in application of this "systemic" approach, also promote the integration of specific anti-corruption protocols within the Organisation, Management and Control Model pursuant to Italian

Legislative Decree No. 231/01 and the Code of Ethics, as well as sharing the results of the supervisory activities carried out.

2.3.3. The fight against corruption, both active and passive

Prevention and the fight against corruption is one of the activities that the group and its stakeholders consider to be material. The parent company and Infratel prepare and update the CPTP, in line with the provisions of Italian Law 190/2012 and related implementing decrees, the National Anti-Corruption Plan and ANAC rulings.

The Plan is updated annually and, in any case, whenever required by significant organisational or process changes. By January 31 of each year, the Corruption Prevention Officers (CPOs) of the Group companies prepare their reports on the activities carried out to prevent corruption and foster transparency; they update the Plan and submit it to the approval of the Board of Directors. The Board of Directors is thus informed on all the initiatives taken and the methods adopted to mitigate the risk of corruption crime.

The Recipients of the CPTP are the directors, the top management, the members of the control/supervisory bodies, the employees/collaborators, the auditors and, as applicable, the consultants and the holders of contracts for works, services and supplies.

The goal of the Plan is to mitigate and prevent the risk of corruption crime which may affect Invitalia, through the adoption of an Internal Control System integrated with the Model pursuant to Italian Legislative Decree no. 231/01.

The concept of corruption that is taken as a reference for the definition of the Prevention Plans has a broad meaning, being inclusive of the various situations in which the abuse by a subject of the power/function entrusted to him can be found in order to obtain private benefits.

Indeed, the relevant situations include not only the entire range of crimes against public administrations regulated in Book 2, Title 2, Chapter 1 of the Italian Penal Code, Articles 314-360, but also any situations in which - regardless of the criminal relevance - the administration is caused to malfunction due to the abuse of assigned roles for private interests.

An essential prerequisite for the preparation of the Plans is the analysis of the level of exposure to the risk of corruption of company activities, which is divided into the following phases:

- identification and mapping of areas at risk of crime and "sensitive" activities;
- analysis of the risk profile for each "sensitive" activity, by identifying the potentially feasible crimes and how illicit actions may be conducted;
- definition of prevention and control measures to monitor identified risks.

With regards to the parent company, the three-year plan for 2020-2022 was prepared following the instructions found in the NAP, issued by ANAC in November 2019. The "corruption prevention measures" established in the Plan, as well as preparatory activities to identify them (context analysis, process mapping, risk evaluation), can be summarised as follows.

- **Control:** specific checks on the operations and adequacy of the Internal Control System adopted by Invitalia will be performed, with compliance audits focussing on the application of control procedures and protocols which govern activities at risk of corruption. These audits will include identification of "anomaly benchmarks", currently operational for the business incentives, central procurement authority and purchasing areas. Relative to the latter area, the Plan will extend benchmarks to other company areas to which the anti-corruption regulations apply, including personnel selecting and hiring as well as acquisition of professional services, the credit management process, treasury and accounting.
- **Employee training:** the Plan will implement, as of 2020, training activities on specific issues pursuant to Italian Law 190/2012 and Italian Legislative Decree 231/2001, structured at two levels:
 - o e-learning for all Invitalia personnel, following the design and validation activities concluded during 2019;
 - o classroom training for executives and managers of the areas at greatest risk of corruption, with specific differentiated training sessions in terms of content and level of depth, in relation to the various sector issues and roles held;

In any case, over time organisational and process changes within the Plan will be evaluated if they become necessary, as well as further personnel training. Additionally, other specific areas within the company which are more exposed to the risk of crimes of corruption being committed will be identified.

- Non-transferability and incompatibility: checks will be carried out on the certifications issued each year by individuals granted "executive roles" by Invitalia, in order to ascertain an absence of convictions for crimes against public administrations or conflicts of interest represented by simultaneous or previous holding of roles or execution of specific activities.
- Extraordinary rotation: to be applied after the occurrence of corruption problems, so that if criminal or disciplinary proceedings begin relative to an employee for corruption, an assessment of the behaviour itself is assessed by the relevant functions, transferring the employee from the previous position or responsibility to another department or service, to protect the image and impartiality of the company.
- Whistleblowing: promote, through specific initiatives to ensure dissemination and information both on the company intranet and in the "transparency" section of the institutional website, the new whistleblowing platform (invitalia.segnalazioni.net), implemented for notification of actions or behaviours by employees, including actions/behaviours not carried out, in contrast to laws, regulations, the Model and/or the Code of Ethics, or in any case relative to malfunctioning of activities carried out by Invitalia, emphasising greater protection for the whistleblower (cryptography systems which impede immediate identification) and the importance of supporting a positive and trusting environment in which notification of violations is part of the company culture.
- Pantouflage: the law prohibits employees who, within the last three years, have had authorisation or negotiating powers on Invitalia's account from, in the three years subsequent to termination of the employee relationship, exercising work or professional activities with the entities which are the recipients of provisions, contracts or agreements stipulated with Invitalia, implemented through the same powers. Therefore, this will be added to the Code of Ethics, establishing:
 - o the insertion of specific clauses in personnel hiring contracts, which explicitly prohibit pantouflage;
 - o the requirement for personnel who, on the basis of delegated powers, have been granted specific authorisation or negotiating powers, to sign, when the service or task ceases, a declaration with which they undertake to comply with the prohibition of pantouflage, in order to avoid possible disputes with regards to awareness of the regulation;
 - o in tender documents or in preparatory deeds for the assignment of work, the requirement for the economic operator to declare no work contracts have been stipulated or other assignments have been assigned to former Invitalia employees, in violation of the aforementioned prohibition;
 - o that entities which have been found to be in the situation pursuant to the previous point be excluded from work assignment procedures.

The activities performed in 2019, substantially in line with that established in the previous Plan, included:

- the operational kick off of new continuous monitoring tools. The initial results obtained from identification of "anomaly benchmarks" created a sort of drive to increase the attention paid in specific activities in which these benchmarks arose, with specific checks either activated or scheduled in concert with the relevant company departments. Again with regards to controls, in 2019 11 audits were performed concerning the application of protocols and procedures related to various processes exposed to risks of crimes under Law 190/2012, as well as with regards to complying with safeguards referenced in the same law (checks on the declarations of non-transferability and incompatibility and on transparency obligations);
- based on an initiative of the CPO, control risk self-assessment was carried out, which consisted in a questionnaire through which all first level department managers expressed a judgement on

the adequacy of the control safeguards adopted by the company to prevent corruption, on the need to identify additional areas at potential risk of crimes with respect to those defined by the CPTP, and any other considerations deemed useful for the purposes of improving the company's risk prevention system. No major issues were identified following the assessment;

- at the end of the year, an addition was made to the Code of Ethics, regarding "extraordinary" personnel rotation, to be implemented after the occurrence of corruption, in line with the specific Guidelines issued by ANAC with its resolution 215 of 26 March 2019, regarding the prohibition on pantouflage (pursuant to article 53, paragraph 16 ter, Legislative Decree 165/01), inserting specific clauses in personnel hiring contracts and issuing specific declarations both for personnel upon termination of the employment relationship and for economic operators participating in tenders
- the whistleblowing provision was strengthened, by adopting a cryptography system intended to further protect the privacy of the whistleblower;
- a series of training activities were implemented with regards to sensitive corruption regulation areas. Specifically, note the monthly implementation of classroom training sessions for new hires, held directly by the CPO or a member of the SB, given that training provided at the beginning of the employment relationship is considered to be extremely important in terms of increasing awareness about the content and extent of the standards, values and rules which must guide the actions of Invitalia employees. During these sessions, employees were also made aware of the whistleblowing tool, emphasising the importance of promoting a positive and trusting atmosphere, in which notification of violations is part of the company culture.

With regards to whistleblowing notifications received, **a total of 14 notifications were received in 2019**, of which 5 received directly by the Corruption Prevention Officer and 9 received in the Supervisory Body's email, relative to attempted corruption and fraud. With regards to the 5 notifications received by the CPO, 2 cases involved delays in the disbursement of subsidies granted to a beneficiary, 1 case referred to the methods of acquiring an equity investment and 2 cases were not relevant and were not followed up on. All notifications received were examined in accordance with the procedure, following up on them on the basis of the verification results. In one case, judicial authorities were informed for consequent legal action.

With regards to Infratel Italia, 2018 saw the start of the second level monitoring system through the request and receipt of informational flows, as envisaged in the three-year anti-corruption plan. In particular, two four-month monitoring cycles occurred in 2018 (January-April and June-September) and, in January 2019, a third monitoring cycle for October to December 2018. These activities were also an opportunity to establish contacts (also informal) with anti-corruption reference people to obtain indications and clarifications to better handle the informational flows in question.

Operating audit activities are delegated to the parent company's Internal Audit Department which again in 2019 completed checks involving various processes exposed to risks relative to Law 190/2012. More specifically:

- Manage of institutional or commercial relationships with public administration entities;
- Management of company assets;
- Disbursement of financing;
- Resource development and incentives;
- Management of employee attendance;
- Management of transfers;
- Management of legal and out of court disputes;
- Web and press communication;
- Network planning, design and execution;
- Network maintenance;
- Planning of spaces and management of company offices;
- Personnel recruitment, selection and insertion;

- Management of legal and corporate affairs for subsidiaries;
- Transparency requirements.

Functional consolidation of anti-corruption measures in the Company's Model 231 continued in 2019. At the document level this was begun in December 2016 with the revision of the special section of the model, this year saw the approving of a further update to the code of Ethics and the general section of the organisational, management and control model pursuant to Italian Legislative Decree No. 231/2001; the documents were approved by the Board of Directors on 30/05/2018; the system currently includes:

- a Code of Ethics and Behaviour relative both to provisions pursuant to Italian Legislative Decree No. 231/2001 and anti-corruption ones in a special section structured so as to cover both risks identified in relation to crimes relative to corporate liability and anti-corruption risks;
- an additional document, the CPTP which, as required by ANAC and deemed useful by the Head of Corruption Prevention, specifies anti-corruption measures at the operating level, in a specific, structured and organic manner, constituting a necessary and substantial part of the Model 231 implemented.

During 2019, all personnel (both those in Infratel and those in the Invitalia Group who work with Infratel, included seconded personnel) received specific training on fighting corruption through a specific e-learning platform. This led to a total of 45 authorised users.

Infratel opened a direct channel to communicate with the Head of Corruption Prevention, also available to external stakeholders, adequately publicised in a specific sub-section of the website titled "Notification of inappropriate actions - whistleblowing". The method used is the email address anticorruzione_infratel@infratelitalia.it, which can only be accessed by the Corruption Prevention Officer. No notifications of inappropriate actions were received in 2019.

During the year in question, no disciplinary proceedings were carried out relative to employees, nor for criminal episodes or violations of the code of conduct.

The members of the Boards of Directors of the parent company and Infratel, while not receiving any specific training on the aspects in question, approve the relative policies and procedures and are constantly kept up to date given that it is the Boards which approve the plans. Additionally, note that in Infratel the CPO is a member of the Board of Directors, and has no other appointed duties.

Banca del Mezzogiorno-Mediocredito Centrale deals with the issue of fighting corruption in the public administration and between private entities viewing them as "contemplated crimes" pursuant to Italian Legislative Decree No. 231/01.

Therefore, the Model adopted by Banca del Mezzogiorno-Mediocredito Centrale identifies activities at risk for crimes and adopts appropriate operating protocols which define the conduct which must be respected in carrying out these activities, in order to guarantee an internal control system suitable to prevent commission of the cited crimes.

These protocols are subject to the internal control and supervisory system of the SB with reference to the totality of the Model 231.

In the most recent update, operating protocols were revised with reference to the introduction of anti-corruption principles, strengthening organisational and control safeguards to mitigate the risks of active and passive corruption.

Banca del Mezzogiorno-Mediocredito Centrale has also adopted an internal whistleblowing system since 2017 as a tool to prevent and correct actions or events which could constitute violations of the regulations which govern its business. This internal notification system works to favour and protect positive actions by employees who, after becoming aware of presumed illegal or improper conduct by another entity within the company, decide to report these actions or events to the appropriate bodies. To that end, the whistleblowing system establishes specific managers within the internal reporting system, specifically the Head of Compliance or, alternatively, the Head of Internal Audit as well as decision-making bodies, initially the General Manager and the Board of Directors if escalated. It also includes autonomous and

independent channels with respect to the Bank's ordinary reporting lines, intended to guarantee the confidentiality of the whistleblower and the dignity and reputation of the individual reported. The internal whistleblowing system constitutes an integral part of the Organisation, Control and Management Model, adopted pursuant to Italian Legislative Decree No. 231/2001 to prevent and identify improper action attributable to the Bank.

Notifications involve any action or event that could constitute improper conduct, whether a violation of the Organisation, Management and Control Model adopted pursuant to Italian Legislative Decree no. 231/2001 or a violation of the regulations which govern the Bank's activities, both as a credit entity and as a manager of public services. Since implementation and through the end of 2019, no notifications have been received.

With regards to training, after the initial courses provided to all staff (classroom and e-learning), in order to improve Bank employee awareness about whistleblowing, as of 2019 the course became part of the obligatory training provided to all new hires (62 employees participated in this training during the year). Required training for new hires also includes a course on the Organisation, Management and Control Model, pursuant to Italian Legislative Decree 231/01 – General Section, including crimes of corruption. During 2019, 10 employees completed this training.

In compliance with the supervisory provisions for banks, Banco del Mezzogiorno-Mediocredito Centrale adopted a training programme for Board members with regards to technical/professional issues. This training, carried out in February 2019, included a module on internal control and whistleblowing systems. Additionally, the most recent update⁸ to the Organisation, Management and Control Model pursuant to Italian Legislative Decree No. 231/01 - General Section, strengthened the anti-corruption principles and introduced a new notification method, relative to the Supervisory Body, for 231 violations and in line with that established under Law 179/2017 (Whistleblowing).

Also note that no disciplinary proceedings occurred during the year associated with aspects of active or passive corruption.

Risk assessment

All of the 13 operating areas of the parent company and the 8 in Infratel have all been fully **analysed for risks associated with corruption**. Regarding the detailed information on the processes, on the possible relevant crimes, the offices involved and the description of the elements of risk, please refer to the CPTP present on the institutional sites and adopted by the respective Boards of Directors.

During the most recent update, Mediocredito Centrale completed the update of its operating protocols with reference to the introduction of anti-corruption principles, strengthening organisational and control safeguards to mitigate the risks of active and passive corruption.

Additionally, mapping which associates each organisational unit with the at risk activities it is responsible for was updated, with the assistance of the managers of said units. The update involved all the organisational areas of the bank, highlighting 19 processes with activities at risk for and/or instrumental for the commission of crimes of corruption.

All materials are available on the company Intranet and are sent to employees by email every time a new protocol is amended or added.

In the parent company, risk assessment identified 29 processes with activities at risk for and/or instrumental for the commission of contemplated crimes of corruption, as well as 20 for Infratel.

Following risk area mapping, in line with that already established in the Organisation, Management and Control Models pursuant to Italian Legislative Decree No. 231/01, control systems were identified with the aim of preventing crimes of corruption and managing the associated risks.

The main intervention tools supporting risk prevention are the control protocols/prevention measures, which consist of the formalisation of a sequence of behaviours aimed at standardising and guiding the development of identified sensitive/instrumental activities. In addition, the management measures identified in the CPTP are further developed by specific procedures and integrated into the internal regulatory corpus of the Company, in cases where greater exposure to crime risk has been judged likely.

⁸ Approved by the Board of Directors in July 2018.

In fact, in the formalisation of the internal control procedures, there are sections dedicated preventing and fighting corruption. These are sent by the relevant functions to all Group employees via email and are also always accessible via the company Intranet.

Finally, relative to transparency obligations, and taking into account the exclusion, with effect from 20 July 2017, of the applicability to the Agency and the companies of the Invitalia Group Invitalia of the provisions pursuant to Italian Legislative Decree No. 33/2013, as a result of the issue of a bond issue listed on the regulated market, pursuant to article 2-bis, paragraph 2, letter b) of the Decree itself and article 26, paragraph 5 of Italian Legislative Decree No. 175/2016, data referenced in the following regulations will continue to be published, organised in accordance with the format indicated in Annex 1 to ANAC resolution no. 1134 of 8 November 2017:

- Italian Law no. 190 of 6 November 2012 - "Provisions for the prevention and repression of corruption and illegality in public administrations";
- Italian Legislative Decree No. 39 of 8 April 2013, "Provisions on the subject of non-disclosure and incompatibility of positions with public administrations and with private entities under public control";
- Italian Legislative Decree No. 50/2016 with reference to the transparency obligations set out therein.

The fundamental aim is to continue to promote the process of change in values started with the adoption of the CPTP, in order to imbue a managerial culture aimed at increasing awareness of corruption prevention issues, not only through the adoption of greater controls but also through the implementation of increasingly more numerous training and informative initiatives.

2.3.4. Business partners

Since 2017, Invitalia has its own Register of Suppliers, also used by Infratel and Invitalia Ventures, for the purpose of awarding contracts, pursuant to Article 36, paragraph 2, letters a) and b), Article 157, paragraph 2, and Article 31, paragraph 8, of Italian Legislative Decree No. 50/2016, according to the procedures established by ANAC Resolution no. 1097 of 26 October 2016 guideline no. 4, as well as ANAC Resolution No. 973 of 14 September, broken down into the following sections:

- 1) Services related to architecture and engineering
- 2) Works
- 3) Supply of various goods and services
- 4) Environmental managers and accredited laboratories
- 5) Tender competition commissioners for the most economically advantageous offers

Invitalia reserves the right to not make use of the Register in the case it decides to purchase goods and services offered on the public administration digital market managed by CONSIP SpA.

Additionally, consulting appointments (articles 2222 and 2229 of the Civil Code) not falling within the scope of the Code are also excluded from the Register, with the exception of those relative to tender competition commissioners pursuant to Section 5.

To manage the register and select suppliers, INVITALIA has provided itself with an IT system (hereafter the Digital Platform - DP), able to digitally manage, also on the account of Group companies making use of it:

- tender procedures for the assignment of works, services and supplies;
- ideas and design competitions;
- the Register of Suppliers;
- other initiatives connected to previous activities, according to the current legislation on procurement, IT documents and digital signature.

In order to participate in Invitalia or Infratel tender procedures, interested entities must register with the Invitalia tender portal (<https://gareappalti.invitalia.it>) or with that of Infratel (<https://gareappalti.infratelitalia.it>) after which the digital platform can be accessed. For the purposes of registration, economic operators must have read and accepted the Code of Ethics issued by either

Invitalia or Infratel, based on which company issued the tendering procedure, which makes reference to the company's Corruption Prevention Plan, as well as the Rules for the Use of the Platform.

When Invitalia acts as the Central Purchasing Authority for the sole award of procurement procedures on behalf of other Adjudicating Authorities, it operates by using the IT Platform. The tender regulations establish the requirement for all participants to issue a declaration that the Invitalia or Infratel Code of Ethics has been read and accepted, made available in the "Website and Reference Documents" on the e-Procurement Platform. This declaration is also required from economic operators participating in a temporary association, whether as the head of the association or as a member.

Essentially, this declaration is issued when the operator (individual or member of a group) digitally signs the European Union Tender Document, containing the stated declaration, and sends it to Invitalia or Infratel through its e-procurement platform.

Banca del Mezzogiorno-Mediocentrale Credito has provided itself with its own "Supplier and Partner Code of Conduct" which outlines, with reference to business relationships, the principles already found in the Code of Ethics, specifying that these must serve as the foundation of beneficial relationships with suppliers and contract partners.

In fact, in addition to the general principles which characterise the Bank's ethics, the Supplier and Partner Code of Conduct summarises the guidelines governing relationships with the various representatives of the Bank itself. These include contractual partners, to whom the bank dedicates special attention, holding that in an increasingly global and integrated economy, the creation of a network of reciprocally satisfactory relationships with qualified suppliers/contractors and partners represents a strategic objective and a source of competitive success, given that it makes it possible to keep the quality of the Bank's products and services high.

Development of transparent relationships with suppliers and partners, attention to quality, safety and respect for the environment, compliance with current regulations - including specific labour regulations - represent in an ever more integrated economy, objectives to be pursued both with an eye to improving the services offered to customers and in the interest of the country's overall system.

The Supplier and Partner Code of Conduct is another company tool used to prevent the crimes contemplated under Italian Legislative Decree No. 231/2001 and is an integral part of the Organisation, Control and Management Model adopted.

Acceptance of the Model, including the Code of Ethics and the Supplier and Partner Code of Conduct, is a necessary condition for beginning a business relationship with the Bank and/or for registration on the Register of Suppliers.

2.3.5. **Description of the processes implemented to ensure the absence of conflicts of interest**

As noted in chapter 2.1 *General Information*, one of the Group's basic principles is complying with the laws and regulations in force in the country in which it operates. Every employee, collaborator and anyone who has relations with the Company must undertake to comply with the law, as well as with the provisions of the Code of Ethics and internal regulations. This commitment also applies to consultants, suppliers, customers and anyone who has relations with the Group.

The Group's general guidance principles include the avoidance of conduct that can generate **conflict of interest**, meaning any situation or relationship that, even if only potentially, involves the personal interests of Group subjects or other persons connected to the same and which may therefore affect the ability of said subjects to operate in the total interest of the Group.

All personnel and collaborators, in the exercise of their duties, are required to refrain from participating in activities in which a conflict of interest may arise. In the exclusive interest of the Group, staff and collaborators must ensure that their decisions are neutral and impartial. Employees and collaborators, in particular, must disclose all conflicts of interest (even potential ones) and discuss them with the relevant company department. In particular, in the event of a conflict of interest, the person in charge of the procedure and the heads of departments qualified to express opinions, perform technical assessments, execute procedural actions and final measures, must retire from the case in question and report any real or potential conflict situation.

The absence of conflicts of interest is also monitored when new employees are selected and hired. During each interview, candidates are asked to compile an "Interview information questionnaire" which includes

a specific conflict of interest self-declaration. Candidates are asked to avoid personally performing work and to decline assignment to duties entailing real or possible conflict of interest situation. Family members must also lack any association with real or potential conflict of interest situations.

In particular, with regards to Banca del Mezzogiorno-Mediocredito Centrale, the supervisory regulations applying to banks require the adoption of specific safeguards in terms of risk and conflicts of interest with regards to associated subjects, with the objective of guaranteeing that transactions with individuals involved in decision making areas of the banks are not compromised in terms of objectivity and impartiality. In compliance with the cited regulations, the bank has provided itself with specific internal policies and decision-making procedures when evaluating operations with related parties, which also require the involvement of the Independent Directors, as well as limits on at-risk activities. This policy is approved by the Board of Directors, after receiving a binding opinion from the Board of Statutory Auditors and is periodically revised and updated, at least every three years. The most recent update was approved by the Board of Directors in December 2019.

During 2019, Mediocredito Centrale also updated its policies on managing conflicts of interest.

Regarding applicable countermeasures in the event of unethical or unlawful conduct, please refer to that stated in section 2.3.3.

2.3.6. **The personal data protection system**

During financial year 2019, INVITALIA continued to implement the activities planned in the "Privacy System Adjustment Project", developed in compliance with the General Data Protection Regulation (GDPR) 679/2016, which took effect in May 2018.

The establishment of the Data Protection Officer within the Agency and the preparation of their 2019 Activity Plan, not only to guarantee the continuation of actions undertaken in 2018 but also to better define areas of action and details of initiatives to implement in 2019, contributed to better dissemination and awareness of privacy issues within the company.

2.3.7. **Internal organisation and privacy roles**

Given the complexity of its organisational structure and the processes carried out within it, as well as taking into account actions to be undertaken to manage problems relative to protecting personal information, also infragroup, the Agency developed its Privacy Organisational Chart, identifying the role of the DPO and a multidisciplinary team to support them, as well as external Managers.

In this way, the tasks and activities of Appointed Individuals with Special Responsibilities were identified and defined, referring to those responsible for monitoring processing operations of the departments at the first organisational level for which they are Managers. Privacy Representatives were also established, serving as points of reference for their relative departments and also providing support both for Appointed Individuals with Special Responsibilities and the DPO in managing issues connected data processing. Consequently, designations of employees and freelance workers authorised to process data were updated and formalised ("Appointed Processors") as were the relative instructions (Directives).

In this sense, the Privacy System Management Manual was updated, indicating the new privacy roles.

Privacy System Monitoring

During the period considered:

- disclosures issued pursuant to article 13 of the GDPR were updated, in part on the basis of specific needs indicated by the relative departments, and the new privacy policy was prepared for the www.invitalia.it website, in order to cover, in a general manner, all processing operations carried out by the Agency through the website, in compliance with the provisions of the GDPR;
- assistance was provided, for aspects relative to processing of personal information, for the kick off of the new CRM Project to create a platform to manage relations with individual users who come into contact with Invitalia through the various channels it manages;
- the "Data Breach Notification Procedure" was released, containing the rules to be observed to handle any breaches of personal information and to ensure compliance with notification requirements for affected parties and the Personal Information Protection Guarantor, and the procedure for identifying

processes, implementing those relative to managing inspections and exercising of interested parties' rights;

- the privacy assessment for certain departments began, with the objective of updating the Processing Registry (article 30 of the Regulation);
- methods and controls were defined with Internal Auditing for company processes and procedures deemed most sensitive in terms of privacy, to determine compliance with the regulations in effect.

Activities shared with the IT Systems Department

During the period in question, the Privacy Office met multiple times with the IT Systems Department to implement the various privacy related procedures, taking into account that during the initial months of 2019 Invitalia's IT infrastructure was involved in significant technological changes, including migration of physical systems located at company offices to virtualised systems using cloud platforms. Consequently, the entire panorama of processes supporting continuity of services was radically revised and, in agreement with the Human Resources department, a new organisational unit known as Architecture and Security was established, working with the entire IT Systems department and responsible for designing preventive projects, aimed at impeding damages and/or the disclosure of the company's digital assets, as well as for defining preliminary privacy checks for all new processes, making it possible to immediately identify risks and impacts on the protection of personal information, involving the DPO only if certain requirements are met.

Additionally, the IT Systems department carried out audits and applied risk assessment procedures on the service IT platforms, indicating a satisfactory level of compliance with the cited regulation.

Group companies and service contracts

With an eye to optimising synergies offered by membership in the Group, certain companies make use of the Agency's organisation to utilise certain services required to carry out their activities.

Infragroup relationships are governed by "corporate services supply" contracts which also define privacy roles relative to data processing activities associated with the purpose of the service contract, in order to fully implement the provisions of the cited Regulation (EU) 679/2016. The Agency is recognised as the Process Manager pursuant to article 28 of the Regulation in question.

In particular:

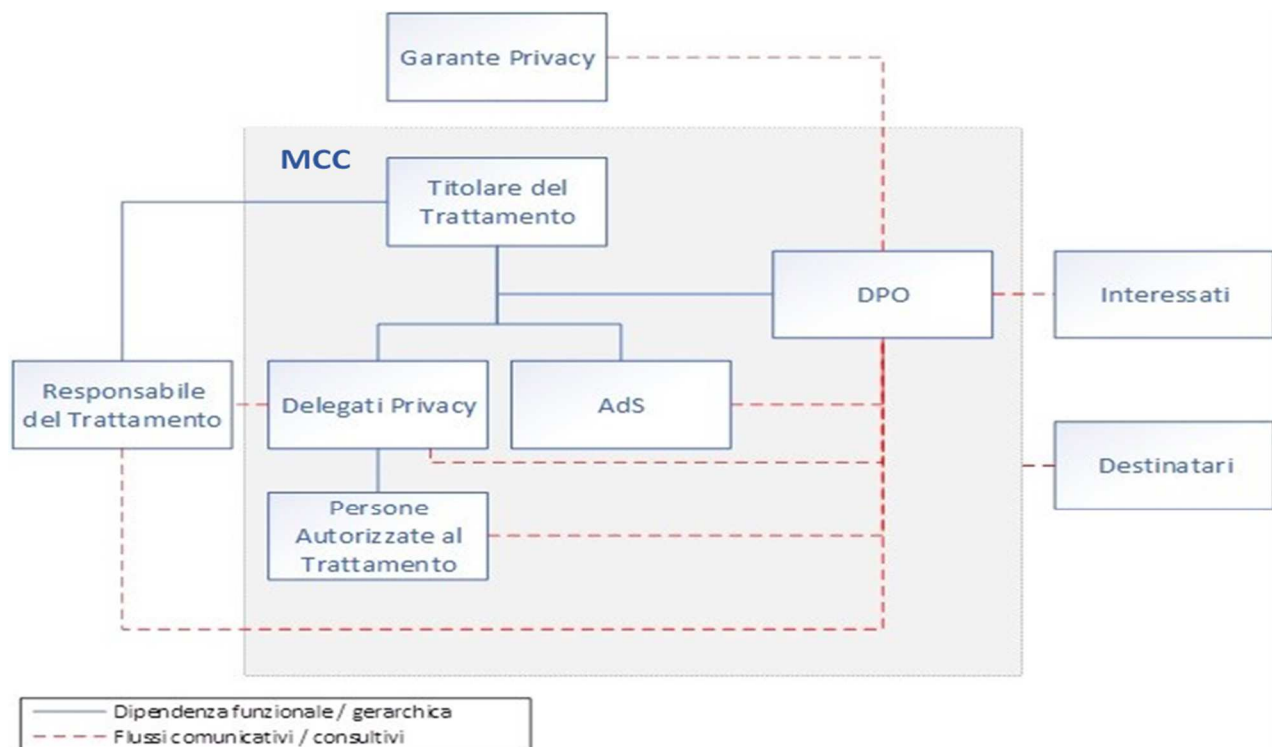
- **Infratel Italia SpA:** on 12 July 2018, a corporate service contract was signed, extended through 2019, identifying Invitalia as the Process Manager for:
 - HUMAN RESOURCES: Resource Organisation and Development - Human Resource and Industrial Relations Management - Personnel Administration-
 - IT SYSTEMS
 - CORPORATE SERVICES: Subsidiary governance - administrative service
 - LEGAL AND CORPORATE AFFAIRS
- **Banca del Mezzogiorno-MedioCredito Centrale SpA:** following the subjective novation of 9 August 2019 of the Agency, in the Agreement between MCC and INAZ to supply processing services for wages, salaries, 770s, employee attendance, analytics, transfers and hosting of HR procedures and the employee portal for MCC, through a Deed dated 24 December 2019 the Agency was appointed as the Process Manager for the activities described above. In turn, with authorisation from Banca del Mezzogiorno-MedioCredito Centrale, the Agency appointed INAZ as the sub-Process Manager (article 28, paragraph 2, Regulation EU).

In 2019, **Banca del Mezzogiorno-MedioCredito Centrale** continued the process of strengthening its Privacy Management System, adopted during the first half of 2018, after completing the process of adjusting to the new regulatory requirements dictated by European Regulation 2016/679 (GDPR). The establishment of and activities assigned to the Data Protection Officer (DPO) and the preparation and kick off of their "Three-Year Monitoring Plan, 2019-2021" guaranteed the continuation of actions undertaken in 2018, as well as management of new compliance requirements which emerged during 2019. Additionally, these activities helped to further disseminate and create knowledge within the company about privacy issues, as well as in relationships with third parties.

Prior to the GDPR taking effect, MCC had adjusted its **Privacy Management System** in line with the new risk-based approach to personal data protection and the changes introduced by the GDPR, of which the following are worthy of note: privacy by design and privacy by default, management of personal data breaches, introduction and start of Data Protection Officer activities, risk analysis and privacy impact assessment methods, processing registries, security and technical/organisational measures (protection profiles).

In particular, in the MCC framework regulations regarding processing of personal information, adopted pursuant to Regulation (EU) 2016/679, standards are defined, as well as the organisational structures, responsibilities, methodologies, processes and resources which constitute the structure the Bank has established in order to guarantee adequate protection of personal information it processes and to protect the rights and fundamental freedoms of real persons.

Also in the light of accountability, this system establishes an organisational structure, represented below, which defines the roles and responsibilities of all involved actors, in particular, beyond the DPO, the Privacy Appointees (the role assigned to each Organisational Unit Manager), responsible for promoting the adoption of practices within their structures which comply with the GDPR and the internal Regulation adopted by MCC, organising and carrying out relevant activities to guarantee adequate correctness and security in the processing performed.



Implementation of the Privacy Management System (MCC)

During the period considered the following activities occurred:

Cyclical activities:

- Monitoring activities relative to the Privacy Management System began, in line with the Plan approved by the Board of Directors and for the three-year period from 2019 to 2021, also with regards to Process Managers. The Plan defines and details the scope of activities to be carried out for processing in order to verify application and full implementation of the Privacy Regulation adopted by Banca del Mezzogiorno-MedioCredito Centrale, including assignment of responsibilities, raising of awareness and training of personnel involved in processing actions;
- a training initiative for all Bank staff was carried out, to raise awareness and provide education on issues relative to personal data processing;
- to verify the completeness and adequacy of all the information contained in the detail forms in the Banca del Mezzogiorno-MedioCredito Centrale Process Registry, a periodic revision process was carried out for all process registries. These activities, together with constant conversation throughout the year, in particular between the DPO and Privacy Appointees, allow the Process Manager and the Guarantor to have available a comprehensive and up to date framework of personal information processing carried out by MCC, if required.

Event-based activities:

- the disclosures released pursuant to articles 13 and 14 of the GDPR were updated, also on the basis of specific requirements indicated by the relevant departments;
- assistance was provided, for aspects relative to personal data processing. In particular, the DPO was asked to be involved in the issuing of opinions relative to activities associated with participation in new company initiatives and/or project activities which involve processing of personal information, as well as requests for more information about privacy issues coming from Privacy Appointees;
- the Security Incident Management Procedure was updated, which contains the rules to be observed when managing breaches of personal data and compliance with notification requirements relative to interested parties and the Guarantor;
- the Data Protection Impact Assessments (DPIA) were carried out relative to new processing;
- assistance and feedback were provided with regards to requests coming from interested parties during 2019.

Schedule relative to activities already begun in 2018

Completing the process of adjustment to the GDPR in May 2018, Banca del Mezzogiorno-MedioCredito Centrale noted the need to begin certain project initiatives intended to ensure full implementation of the new compliance requirements. These initiatives were inserted in a schedule "Plan to guide actions to be completed following the GDPR adjustment process". Below is an update relative to 2019:

- execution of the DPIAs for processing in progress at 25 May 2018 continued;
- progress in implementing technical and organisational counter-measures continued, as established in the schedule shared with the relevant structures. In particular, the actions planned involve the following areas:
 - i. **technical** actions: Deletion and removal of data, Server and database security, Mobile and portable devices, Security for application lifecycles, Physical security, Access and authentication control, Log collection and monitoring;
 - ii. **organisational** actions: Resource and asset management, Change management, Staff privacy, Backup and mobile and portable devices.
- Additionally, with reference to aspects relative to the deletion requirement established in the regulations for information not required for the purposes for which it was gathered, a working group was established to define criteria and methods for deleting personal information that is no

longer required. During 2019, the time frames, criteria and requirements for saving personal information in the Bank's various operating areas were identified/strengthened. In consideration of the operational complexity and difficulty of the subsequent stage of deleting this information, once the established conservation time has passed, subsequent methods for fully implementing this final project stage are currently being assessed, also as a function of the significance it represents for the operations of Banca del Mezzogiorno-MedioCredito Centrale.

2.4. Use of energy, water resources and emissions of greenhouse gases or pollutants

To accomplish our mission, the group operates with constant attention to the improvement of environmental impact, understood as a driving factor on which to base well-being, development and sustainability. Given the nature of its work, the Group's activities do not produce significant environmental impact. Nevertheless, the group confirms its commitment to the implementation of strategies and initiatives aimed at promoting the responsible use of energy sources and containing the impact and consumption of its facilities. This entails:

- **Efficient use of resources**

We believe that practising responsible behaviour can reduce waste and sustain the commitment of individual employees to protecting and respecting the environment and conserving natural resources. In 2019, electricity consumption was mainly associated with office lighting and climate control and totalled 2,954 (MWh)⁹. Natural gas consumption totalled 104,012¹⁰(m³). Light and gas production together produced 14,455 Gigajoules¹¹.

Mediocredito Centrale offices do not have any gas supply contracts, with the exception of the Bari offices, which have negligible consumption. Therefore, with regard to the direct production of greenhouse gases expressed as tonnes of CO₂, gas fuel consumption produced 204.89 tons of CO₂, while the consumption of electricity indirectly generated 1,107.50 tons of CO₂.¹² With regards to water supplies, consumption totalled 15,573 m³. The decrease recorded with respect to 2018 is mainly due to a revision of structures and optimisation of resource management (identifying leaks and managing the sludge purifier). The summary table below provides the details for 2018 and 2019, for Invitalia and Banca del Mezzogiorno-Mediocredito Centrale. Infratel does not have an individual supply contract for gas, electricity or water.

⁹ The data reported in this paragraph refers only to the offices in which Invitalia or a Group company is the owner of a contract for the supply of water, electricity or gas. In particular, they refer to the offices in Rome in Via Calabria and Via Boccanelli, and for Mediocredito Centrale the central offices in Viale America and regional offices of Mediocredito Centrale (Naples, Catania, Bari, Milan and Pescara).

¹⁰At the time of closing of the Non-Financial Statement, no aggregate data had been received for the manager entity for the last 12 months for the Via Calabria, Rome office. In order to make the description of consumption significant, a 10% increase in consumption for 2018 was assumed, due to remodelling work in the offices in question.

¹¹Sources used to calculate energy consumption bills received from electricity and natural gas suppliers. Consumption was then reported in GJ using the value 0.0036 GJ/kWh for electricity and the coefficient 35.253 (GJ/1000 Std m³) for gas, the coefficient used for the inventory of CO₂ emissions in the UNFCCC national inventory (source: The Italian Ministry of the Environment).

¹²The calculation of CO₂ emissions was based on electricity and natural gas consumption data. The emission factors used are:

- most recent Terna figure for electricity (375 g CO₂/kWh relative to 2015)

- the ratio used for the CO₂ emissions inventory in the national UNFCCC inventory (source MATTM) for natural gas (55.934 tCO₂/TJ)

2018							
	Water	Gas			Electricity		
	Consumption (m ³)	Consumption (m ³)	Gigajoules	CO ₂ emissions (tonne/C O ₂) Scope I	Consumption (kWh)	Gigajoules	CO ₂ emissions (tonne/C O ₂) Scope II
Invitalia	22,759	139,094	4,903	274	2,526,156	9,094	947
MCC	4,616	0	0	0	618,645	2,227	232
Total	27,375	139,094	4,903	274	3,144,801	11,321	1,179
2019							
	Water	Gas			Electricity		
	Consumption (m ³)	Consumption (m ³)	Gigajoules	CO ₂ emissions (tonne/C O ₂) Scope I	Consumption (kWh)	Gigajoules	CO ₂ emissions (tonne/C O ₂) Scope II
Invitalia	10,291	104,012	4,091	204.89	2,284,845	8,225	856.54
MCC	5,282	0.0	0	0	669,376	2,409	250.96
Total	15,573	104,012	4,091	204.89	2,954,221	10,634	1,107.5

With a view to rationalising the relevant impact, we promoted measures aimed at limiting our consumption, for example, heating and/or air-conditioning systems, as well as centralised lighting systems progressively decreasing performance from 5 pm onwards. Outside working hours these systems are generally turned off. As for vehicle fuel consumption, this is considered negligible and not reported. The company has a fleet of only 19 cars intended for service requirements. The Invitalia Group promotes responsible and knowledgeable use of water, which is obtained exclusively through the public mains system.

▪ **Optimisation of paper consumption and use of eco-friendly paper**

Thanks to the centralised printing system, adopted as a policy for all the companies of the group, the number of printers has progressively reduced. This change has led to a significant reduction in toner consumption due to changes in user habits that have minimised the amount of documents printed. For the printing of our proprietary publications (e.g. the Social Responsibility Report) and for those of our stakeholders, we promote sustainable initiatives through the use of FSC® certified paper. Certification of printing methods involves chain of custody and the use of quality ecological printing inks and typographic operations in line with ecological standards.

Within Banca del Mezzogiorno-MedioCredito Centrale, the multifunction machines used for internal professional printing services are next generation models that offer considerable energy savings and reduced ozone emissions. Paper used for printing consists exclusively of ISO 9001 and 14001 certified recycled paper.

▪ **Sustainable mobility: the use of transport solutions with a lower environmental impact**

In January 2018, in compliance with the Ronchi decree, a Mobility Manager was appointed for Invitalia, with the aim of optimising systematic employee movements, to support environmental sustainability.

In 2019, thanks to the Mobility Manager, implementation of a mobility plan continued, with the aim of decreasing the environmental impacts of employee movements and supporting greater work/life balance:

- dialogue continued with Rome Mobility Services, ENAV and Poligrafico dello Stato to create a direct access **interchange** to Via Boccanelli from Via Salaria in the direction of the Great Ring Road;
- bike racks were added at the two offices in Via Boccanelli and Via Calabria to encourage travel to the company offices using sustainable methods;
- an experimental smart-working project was begun, involving around 80 employees, which indicated already significant savings relative to the home/work commute (for **those who use a car** as the means of transport), with the following variables:
 - *Average distance saved in one day of Smart Working per person: **15 km/day***
 - *€ saved on average for one year of Smart Working per person: **€ 379/year***
 - *Average CO₂ emissions not produced per person in one year of Smart Working: **167 kg CO₂/year***

Again in 2019, Banca del Mezzogiorno-MedioCredito Centrale, through the Mobility Manager appointed in 2011, maintained its agreement with the largest public transport company in Rome, with the issuing of a specific contribution by the Bank to purchase public transport passes. This agreement, which encourages employees to make use of public transportation, also helps to decrease CO₂ emissions associated with work/home travel.

▪ **Redevelopment of work spaces and common areas**

During 2019, extraordinary remodelling work was planned for the building located at Via Boccanelli 12-30. This work, entirely paid for by the owner of the building, Autostar SpA, after its completion in 2021 will allow for an increase in work spaces, optimising the division of space and management of employees. The cafeteria will also be fully remodelled, able to welcome between 250/280 seated patrons.

3. Correlation table, Italian Legislative Decree No. 254/2016 and GRI

		GRI Disclosure	Paragraph in the document	
Areas covered by Italian Legislative Decree No. 254/2016	The corporate model for management and organisation of the company's activities	Name of the organisation	102-1 of GRI standard 102	See also § 2.1 "General information"
		Activities, brands, products and services	102-2 of GRI standard 102	See also § 2.1 "General information" + Report on Operations, § B
		Location of the central office	102-3 of GRI standard 102	See also § 2.1 "General information"
		Location of operations	102-4 of GRI standard 102	See also § 2.1 "General information"
		Ownership structure and legal form	102-5 of GRI standard 102	See also § 2.1 "General information"
		Information on employees and other workers	102-8 of GRI standard 103	See also § 2.2.1 "Social aspects and those related to personnel management" + Report on Operations, § C
		Mission, values, code of conduct, and principles	102-16 of GRI standard 102	See also § 2.1 "General information"
		Support mechanisms in case of unethical or unlawful conduct	102-17 of GRI standard 102	See also § 2.3 "Corruption"
		Description of the processes implemented to ensure the absence of conflicts of interest	102-25 of GRI standard 102	See also § 2.3 "Corruption"
		Description of remuneration policy	102-35 of GRI standard 102	See also § 2.2.2 "Social aspects and those related to personnel management" + Report on Operations, § C
		Description of the remuneration determination process	102-36 of GRI standard 102	See also § 2.2.2 "Social aspects and those related to personnel management" + Report on Operations, § C
		Description of how stakeholder opinions are taken into account in the process of determining remuneration	102-37 of GRI standard 102	See also § 2.2.2 "Social aspects and those related to personnel management" + Report on Operations, § C
		Percentage of employees covered by collective bargaining agreements	102-41 of GRI standard 102	See also § 2.2.2 "Social aspects and those related to personnel management" + Report on Operations, § C

Issues pursuant to Italian Legislative Decree No. 254/2016		Relevant associated issues	Policies enacted	Risks generated and incurred	GRI Disclosure	Paragraph in the document
a) b)	Environmental	- Use of energy resources	<p>Since the Group's activities do not produce significant external impact, it is not considered necessary to implement a formalised policy for the management of environmental issues. Nevertheless, the group confirms its commitment to the implementation of strategies and initiatives aimed at promoting the responsible use of energy sources and containing the impact and consumption of its facilities.</p>	<p>Given the segment in which the Company operates, (the tertiary sector), environmental risk profiles are not applicable</p>	103: Management Approach	see Methodological note
		- Greenhouse gas emissions and polluting gases			302.1 of GRI standard 302	See also § 2.4 "Use of energy, water resources and emissions of greenhouse gases or pollutants"
					305.1 of GRI standard 305	See also § 2.4 "Use of energy, water resources and emissions of greenhouse gases or pollutants"
					305.2 of GRI standard 305	See also § 2.4 "Use of energy, water resources and emissions of greenhouse gases or pollutants"
c)	Impact on the environment and on health and safety	<p>The group, in the exercise of its functions, does not generate significant impact external to its organisation. Internally, however, in compliance with current legislation and the 231/01 organisational model, the Group ensures the protection of health and safety by means of rules and procedures which are discussed in detail in the paragraphs concerning workforce management.</p>				
d)	Social and staff related aspects	<p>- Development and enhancement of human resources- Employee benefits- Health protection and safety</p>	<p>The policies applied to personnel management are described in the following documents:</p> <p><u>Development and Enhancement of human resources</u></p> <ul style="list-style-type: none"> - National collective labour contracts and agreement hypothesis - Code of Ethics - Organisation and Management Model - Staff Recruitment, Selection and Hiring <p><u>Employee Benefits</u></p> <ul style="list-style-type: none"> - Regulations for the Company Welfare Plan - Employee Benefit Agreement <p><u>WHS Management System</u></p> <ul style="list-style-type: none"> - Manual of the Workplace Health and Safety Management System 	<p>No particularly significant risk profiles are identified in the areas related to the management of human resources</p>	103: Management Approach	Methodological note
					401-1 of GRI standard 401	See also § 2.2.1 "Social aspects and those related to personnel management" + Report on Operations, § C
					401-2 of GRI standard 401	See also § 2.2.3 "Social aspects and those related to personnel management" + Report on Operations, § C
					403-1 of GRI standard 403	See also § 2.2.4 "Social aspects and those related to personnel management" + Report on Operations, § C
					403-2 of GRI standard 403	see also § 2.2.4 "Health and Safety" + Directors' Report on Operations, § C
					403-4 of GRI standard 403	See also § 2.2.4 "Social aspects and those related to personnel management" + Report on Operations, § C
					404-1 of GRI standard 404	See also § 2.2.3 "Social aspects and those related to personnel management" + Report on Operations, § C

			<ul style="list-style-type: none"> - Management of non-compliances, corrective actions and preventive actions (WHS) - Hazard identification, risk assessment and determination of applicable controls - Investigation of accidents - Performance measurement and monitoring 		<p>404-3 of GRI standard 404</p> <p>405-1 of GRI standard 405</p> <p>406-1 of GRI standard 406</p>	<p>See also § 2.2.3 "Social aspects and those related to personnel management" + Report on Operations, § C</p> <p>See also § 2.2.1 "Social aspects and those related to personnel management" + Report on Operations, § C</p> <p>See also § 2.2.1 "Social aspects and those related to personnel management" + Report on Operations, § C</p>
e)	Respect for human rights	The group acts in accordance with the Country's legal system and in compliance with current legislation on the protection and promotion of human rights in line with the obligations undertaken at international level on the support of civil, political, economic, social and cultural rights.				
f)	The fight against active and passive corruption	Prevention of and fight against corruption	<p>The policies practised in the fight against corruption (active and passive) are regulated within the following documents:</p> <ul style="list-style-type: none"> - Code of Ethics - Organisation, Management and Control Model - Corruption Prevention and Transparency Plan (updated annually) - Management of Corruption Reports, Irregularities and Offences 	The risks associated with corruption are set out in the Model pursuant to Italian Legislative Decree No. 231 (Crimes against public administration, Corporate offences, Crimes for terrorism, subversion of the democratic order and organised crime) and in Italian Law 190 of 2012.	<p>103: Management Approach</p> <p>205-1 of GRI standard 205</p> <p>205-2 of GRI standard 205</p> <p>205-3 of GRI standard 205</p>	<p>Methodological note</p> <p>See also § 2.3 "Corruption" + see transparent company: http://www.invitalia.it/site/new/home/trasparenza/altri-contenuti/corruzione.html http://www.infratelitalia.it/societa-trasparente/altri-contenuti/corruzione-e-trasparenza/ https://www.invitaliaventures.it/societa-trasparente/ https://www.mcc.it/documenti-informativi/</p> <p>See also § 2.3 "Corruption" + see transparent company: http://www.invitalia.it/site/new/home/trasparenza/altri-contenuti/corruzione.html http://www.infratelitalia.it/societa-trasparente/altri-contenuti/corruzione-e-trasparenza/ https://www.invitaliaventures.it/societa-trasparente/ https://www.mcc.it/documenti-informativi/</p> <p>See also § 2.3 "Corruption" + see transparent company: http://www.invitalia.it/site/new/home/trasparenza/altri-contenuti/corruzione.html http://www.infratelitalia.it/societa-trasparente/altri-contenuti/corruzione-e-trasparenza/ https://www.invitaliaventures.it/societa-trasparente/ https://www.mcc.it/documenti-informativi/</p>

I - INFORMATION PURSUANT TO ARTICLE 2428 OF THE CIVIL CODE, PARAGRAPH 3

Research and development

During the year, the Group did not make significant investments in research and development activities.

Treasury shares

The Parent Company does not directly or indirectly own treasury shares.

Secondary Locations

None

Management and coordination

Pursuant to the provisions of Article 19 paragraph 6 of Italian Law 102/09, it should be noted that the Parent Company is not subject to management and coordination by another company or body pursuant to Article 2497 of the Italian Civil Code.

ANNEXES TO THE DIRECTORS' REPORT ON OPERATIONS

1. Changes in the regulatory framework

1. CHANGES IN THE REGULATORY FRAMEWORK

Below are the main regulatory provisions which involved the legal measures managed by the Agenzia nazionale per l'attrazione degli investimenti e lo sviluppo d'impresa SpA

Smart & Start

Ministry of Economic Development Decree of 30 August 2019; amendments to the decree of 24 September 2014, containing the reorganisation of support for the launch and development of innovative start-ups throughout the country.

(OG 244 of 17-10-2019)

The decree makes amendments to the Italian Ministerial Decree of 24 September 2014. The revision is intended to simplify and accelerate procedures to access, grant and provide subsidies, also through updating methods used to assess initiatives and for accounting relative to expenses sustained by beneficiaries. It also is intended to increase the effectiveness of projects, identifying the most appropriate methods for the relative context and to allow broad participation by interested entities, including through a review of the financial commitments required by proposing entities and, for projects to restore areas of industrial crisis, intended to support participation, including financial, by local entities and subjects.

Directorial circular 439196 of 16 December 2019 - Criteria and methods for granting subsidies pursuant

to the Decree of 24 September 2014, as amended by the Ministerial Decree of 30 August 2019, regarding the aid regime intended to support the creation and development, throughout Italy, of innovative start-ups.

(OG no. 4 of 7-1-2020)

The circular defines criteria and methods for granting subsidies pursuant to the Decree of 24 September 2014, as amended by the Ministerial Decree of 30 August 2019, regarding the aid regime intended to support the creation and development, throughout Italy, of innovative start-ups.

Italian Law 181

Ministerial Decree of 21 November 2018, issued by the Italian Ministry of Economic Development. Assignment of resources to the Sustainable Growth Fund for projects to convert and redevelop areas affected by situations of industrial crisis.

(OG no. 30 of 5-2-2019)

The decree allocates € 1,441,902.82 to the reconversion and redevelopment of areas affected by situations of industrial crisis pursuant to Italian Law no. 181 of 15 May 1989.

Development and Cohesion Fund 2014 - 2020. CIPE Resolution 50 of 25 October 2018 - Amendments to CIPE Resolution 95 of 2017. Molise Region.

(OG no. 44 of 21-2-2019)

The resolution establishes the replacement of the "Integrated package of fiscal and contribution bonuses for businesses" project, with a value of € 15 million, approved through CIPE resolution 95 of 2017, with a new project of an equal amount known as "Aid for SME for the productive relaunch of areas of complex crises", falling under the same thematic area of "Economic and Productive Development".

Ministry of Economic Development Decree of 21 January 2019. Allocation of resources from the Sustainable Growth Fund to the reconversion and productive redevelopment of areas affected by industrial crisis situations pursuant to Italian Law no. 181 of May 15, 1989.

(OG, General Series, no. 62 of 14-03-2019)

The decree allocates € 30,000,000.00 for the projects pursuant to Law 181/1989 in the context of programme agreements relative to industrial conversion and redevelopment projects for areas of complex crisis, including those soon to be defined for the areas of Porto Torres and Portovesme.

Ministry of Economic Development Communication. Recognition of the complex industrial crisis area in Fermano-Maceratese
(OG no. 126 of 31-05-2019)

Ministry of Economic Development Decree of 30 August 2019. Revision of conditions and methods for implementing projects for areas of industrial crisis subsidised pursuant to Law 181 of 15 May 1989.
(OG 244 of 17-10-2019)

The decree establishes the terms, methods and procedures for presenting requests for access, as well as the selection and assessment criteria for granting and disbursing subsidies in favour of investment programmes intended to rehabilitate areas of industrial crisis, replacing the implementation regulations contained in the Ministerial Decree of 9 June 2015 and pursuant to article 29, paragraphs 3 and 4, of Decree Law 34 of 30 April 2019, conversion law 58 of 28 June 2019 (Growth Decree Law). The revision is intended to simplify and accelerate procedures to access, grant and provide subsidies, also through updating methods used to assess initiatives and for accounting relative to expenses sustained by beneficiaries. It also is intended to increase the effectiveness of projects, identifying the most appropriate methods for the relative context and to allow broad participation by interested entities, including through a review of the financial commitments required by proposing entities and, for projects to restore areas of industrial crisis, intended to support participation, including financial, by local entities and subjects. The Implementation Circular 10088 of 16 January 2020 was subsequently issued.

Decree Law "Urgent provisions to protect employment and resolve company crises", Conversion Law 128 of 2 November 2019
(Coordinated text, OG no. 257 of 02-11-2019)

Article 9 (Allocation of resources for areas of complex crisis in the regions of Sardinia and Sicily) The Region of Sardinia may allocate additional resources, up to a limit of € 3.5 million in 2019, for a maximum of 12 months, for specific employment situations existing within its territory; The Region of Sicily may allocate an additional € 30 million in 2019, for specific employment situations existing within its territory;

Article 10 (Mobility aid in derogation, for the complex crisis area of Venafro-Campochiaro Bojano and the affected enterprise framework) Under certain conditions, the provisions regarding the granting of mobility aid are extended in derogation to workers in the complex industrial crisis area "Venafro-Campochiaro-Bojano and the affected enterprise framework". The extension does not apply to individuals who receive the "citizen's income" as of the date the decree in question took effect.

Italian Ministry of Economic Development Decree of 30 October 2019. Areas in crisis. Distribution of financial resources for the re-conversion and productive redevelopment of areas affected by industrial crisis situations.
(OG no. 270 of 18-11-2019)

2020 Budget Law, Italian Law 160 of 27 December 2019; Government Budget for the 2020 financial year and the multi-year budget for the 2020-2022 three-year period.
(OG 304 of 30 December 2019, O.S. no. 45)

Paragraph 230 of article 1 increases the amount allocated to the Fund for Sustainable Growth by 50 million for 2020 and € 100 million for 2021, allocating the relative resources for the productive conversion and redevelopment of areas of complex and non-complex industrial crisis. The distribution of the amounts is postponed to an Italian Ministerial Decree. Paragraph 231 authorises spending of

100 million for each of the years 2020 and 2021 for the granting of the subsidies established relative to development contracts.

Self-Employment and Entrepreneurship (Italian Law 185/2000, titles I and II)

Italian Decree Law 34 of 30 April 2019. Urgent measures for economic growth and the resolution of specific crisis situations, converted with Law 58/2019.

(Coordinated text, OG no. 151 of 29-6-2019 - Ordinary Supplement 26)

Art.29. Paragraph 1 makes certain amendments to Italian Legislative Decree 185 of 2000 (Incentives for entrepreneurship and self-employment). In particular:

- letter a) increase the maximum duration of subsidised loans pursuant to Chapter 01 from 8 to 10 years (Measures in favour of new entrepreneurship in the production of goods and provision of services). It also increases the period during which a request for a subsidy can be presented after the establishment of the business from 12 to 60 months. It also establishes, for businesses established for at least 36 months and for no longer than 60 months, an increase from 75% to 90% with reference to the coverage percentage for allowable expenses. The maximum amount of these allowable expenses is also increased to € 3 million for the same entities. This is without prejudice to the limitations deriving from application of the relevant European regulations on government aid.

- letter b), introducing article 4-ter in Italian Legislative Decree 185, establishes that subsidies can be combined with other government aid, including *de minimis* aid, within the limits established in the European regulations on government aid.

Paragraph 2 establishes, among other things, tutoring services and coverage of initial management costs for newly established companies, for a percentage that shall in any case not exceed 20 percent of the total of allowable expenses.

Article 32-bis (Settlements for payment demands and tax injunctions for Invitalia loans)

Paragraph 1 establishes that the possibility of requesting a settlement for the total debt owed by beneficiaries of subsidised loans for self-employment and entrepreneurship is also extended to amounts due to Invitalia for payment demands and tax injunctions adopted pursuant to the consolidated text of provisions regarding the collection of government funds and pursuant to the Italian Ministerial Decree of 8 February 2008.

Paragraph 2, for activities relative to the aforementioned settlements, extends the deadline for adhering to the settlement procedure to activities pending, or payment demands and tax injunctions received as of the date the regulation took effect.

2020 Budget Law, Italian Law 160 of 27 December 2019; Government Budget for the 2020 financial year and the multi-year budget for the 2020-2022 three-year period.

(OG 304 of 30 December 2019, O.S. no. 45)

- Article 1, paragraphs 85-100 (Green new deal). Eco-sustainability Fund. New interest-free companies, Italian Legislative Decree 185/2000, Title I, Chapter 01

In the context of the new eco-sustainability fund (paragraph 86) for years 2020, 2021, 2022 and 2023, the subsidy projects pursuant to title I, chapter I of Italian Legislative Decree 185 of 21 April 2000 can be added to, in compliance with EU regulations, with a grant portion, provided on an over the counter basis, in an amount not to exceed 20 percent of allowable expenses relative to the resources for Europe structural and investment funds (SIE Funds), on the basis of agreements between the Italian Ministry of Economic Development and the administrations which own the programmes, after consulting with the Italian Ministry of Economy and Finance. In any case, the maximum amount of subsidies which can be granted as a whole cannot exceed 90 percent of allowable expenses. To that end, spending of € 10 million is authorised for each of the years 2020, 2021, 2022 and 2023.

Central Procurement Authority

"Unblock worksites" decree. Italian Decree Law 32 of 18 April 2019 - Urgent provisions to relaunch the public procurement sector, to accelerate infrastructure projects, for urban regeneration and reconstruction following earthquakes".

(OG no. 147 of 25-06-2019 - Ordinary Supplement 24)

- Article 4 quinquies Measures to accelerate healthcare building projects

Paragraph 4 establishes that, in order to accelerate execution of projects, the Extraordinary Commissioner may, upon agreement, make use of INVITALIA SpA as the central procurement authority, within the limits of the resources established in the economic budgets for projects to be carried out or completed and, in any case, without any new or greater expenses for public finance;

Chapter II - Provisions relative to earthquakes in the Molise region and the Etna area - Article 7
Functions of Extraordinary Commissioners

Paragraph 2-bis establishes that Commissioners may also make use of Agenzia nazionale per l'attrazione degli investimenti e lo sviluppo d'impresa - Invitalia SpA, by signing a specific agreement, with expenses applied to the resources pursuant to article 8 (special accounting).

- Article 14 Entities implementing projects relative to public works and cultural assets

Paragraph 1-bis establishes that in the context of programs established for public reconstruction (article 13), Extraordinary Commissioners may authorise implementing entities, within the limits of available resources, to make use of Agenzia nazionale per l'attrazione degli investimenti e lo sviluppo d'impresa Invitalia SpA, also as the central procurement authority, in accordance with the methods established in article 7. Extraordinary Commissioners may also make available to the same implementing entities the support of Agenzia nazionale per l'attrazione degli investimenti e lo sviluppo d'impresa - Invitalia SpA as the central procurement authority, with expenses applied to the resources pursuant to article 8 (special accounting).

Italian Decree Law 35 of 30 April 2019, coordinated with conversion law 60 of 25 June 2019, containing: "Emergency measures for the healthcare service in the Region of Calabria and other urgent healthcare measures".

(OG no. 152 of 01-07-2019)

Article 6, paragraph 4 establishes that, under certain conditions, for healthcare construction projects established under the decree, healthcare service entities in the Region of Calabria may make use of Invitalia SpA as the central procurement authority after signing an agreement. This agreement can also be stipulated to implement projects already inserted in programme agreements signed pursuant to article 5-bis of Italian Legislative Decree 502 of 30 December 1992 and to article 2, paragraph 203 of Italian Law 662 of 23 December 1996.

SME Guarantee Fund - Simplification Decree.

Coordinate text of Italian Decree Law 135 of 14 December 2018, coordinated with conversion law 12 of 11 February 2019. "Urgent provisions relative to support and simplification for businesses and public administration".

(OG no. 36 of 12-2-2019)

- Article 1 Support for small and medium enterprises with receivables due from public administrations.

The creation of a special section in the SME Guarantee Fund (Banca del Mezzogiorno-MedioCredito Centrale) is established, with initial funds of € 50 million to protect small and medium enterprises with receivables due from the public administration. For the Fund's operations, paragraph 7 and 8 provide for the issuing of an implementation decree by the Italian Ministry of Economic Development, in concert with the Italian Ministry of Economy and Finance. With the Decree will also be established, also in derogation of current conditions regarding admission and general provisions for the SME Guarantee Fund, conditions and limits for the granting, enforcement and liquidation of the special section guarantee, as well as cases for revocation of the same. The same decree will establish the provisioning percentages to apply to the resources of the special section and the parameters used to

determine the premium, in line with the market value of the guarantee. The effectiveness of the new provisions will in any case be conditional upon prior notification of the European Commission, pursuant to article 108 of the European Union Operational Treaty.

More specifically, the special section guarantee project:

- operates under market conditions, for financing already granted to SMEs by a bank or financial intermediary and classified as probable default;
- presupposes the existence of a certified receivable relative to the public administration;
- is subordinate to the signing of a plan by the bank/financial intermediary and the SME, with a maximum duration not to exceed 20 years, for repayment of the financing classified as probable default;
- covers, up to a maximum amount of 80%, the lesser of the non-repaid amount of the financing and the amount of the certified receivables. In any case the maximum guaranteed amount cannot exceed 2.5 million;
- is terminated after the public administration pays the certified receivables;
- in any case, involves repayment not to exceed 80 percent of the loss recorded by the bank or intermediary.
- is granted against the payment by the bank or intermediary of a premium which can be established under the responsibility of the beneficiary SME to an extent not to exceed one fourth of the amount.

Resto al sud [Remain in the South]

Central Italy earthquake of 2016. Italian Decree Law 123 of 24 October 2019, Urgent provisions to accelerate and complete the reconstruction in progress in the areas affected by earthquakes. (OG 250 of 24-10-2019)

Article 5 extends the Resto al Sud measure to the municipalities of the earthquake crater, amending article 1, paragraph 1 of Italian Decree Law 91 of 20 June 2017, converted by Italian Law 123 of 3 August 2017;

Italian Prime Ministerial Decree - Department for cohesion policies 134 of 5 August 2019. Amendments to regulation 174 of 9 November 2017, concerning the Resto al Sud incentive measure, pursuant to article 1 of Italian Decree Law 91 of 20 June 2017, converted with amendments by Italian Law 123 of 3 August 2017.

(OG no. 275 of 23-11-2019)

Subsidies can be granted to freelance professionals and increased the maximum age for access to 45 years.

Circular no. 22 of 27 November 2019, Presidency of the Italian Council-Department for Cohesion Policies, Amendments to circular 33 of 22 December 2017, containing Terms and conditions for the submission of applications for facilitation, as well as operational indications regarding the procedures for granting and disbursing the facilities, pursuant to the regulation adopted by decree no. 174 of 9 November 2017, referenced in Chapter 1, Article 1, of Italian Decree-Law no. 91 of 20 June 2017, converted and amended by law no. 123 of 3 August 2017.

(OG 287 of 7-12-2019)

The Circular amends Circular 33 of 22 September 2017 to the amendments to the Resto al Sud measure introduced by Law 145/2018 (2019 Budget Law) and governed by the Italian Ministry for the South Decree 134 of 5 August 2019, issued jointly with the Italian Ministry of Economy and Finance and the Italian Ministry of Economic Development.

2020 Budget Law, Italian Law 160 of 27 December 2019; Government Budget for the 2020 financial year and the multi-year budget for the 2020-2022 three-year period.

(OG 304 of 30 December 2019, O.S. no. 45)

Article 1, paragraph 320 - Resto al Sud measure

Paragraph 320 establishes that, for 2019 and 2020, the age limit requirement (between 18 and 45 years) is understood to be met if complied with as of the date Italian Law 145 of 2018 took effect, i.e. as of 1 January 2019;

New "Cresci al Sud" Fund (Grow in the South)

2020 Budget Law, Italian Law 160 of 27 December 2019; Government Budget for the 2020 financial year and the multi-year budget for the 2020-2022 three-year period.

(OG 304 of 30 December 2019, O.S. no. 45)

Article 1, paragraphs 321-326 -

Paragraphs 321-326 establish, in order to strengthen and enhance support for the economic/productive fabric of the regions of the South, the creation of the Cresci al Sud Fund, supporting competitiveness and growth for small and medium enterprises with registered offices and production in the regions of Abruzzo, Basilicata, Calabria, Campania, Molise, Apulia, Sardinia and Sicily (paragraph 321). Management of the fund is assigned to Invitalia SpA, which will stipulate an agreement to that end with the Presidency of the Italian Council of Ministers (paragraph 323). An additional portion of the Fund may also be subscribed by institutional investors, both public and private, identified by Invitalia, Cassa Depositi e Prestiti, the European Investment Bank and the European Investment Fund (paragraph 324). The Fund operates by investing in the capital of the companies, together with independent private investors. The investment in the capital of each target company is financed, based on the methods defined in the management rules for the Fund, also by resources provided by the aforementioned independent private investors, identified via an open and transparent procedure (paragraph 325). The provision establishing the Large Investment Plan for Special Economic Zones is abrogated, as it was never implemented, in order to recover the resources necessary to finance the Fund in the context of the Development and Cohesion Fund (paragraph 326). The Fund has duration of twelve years and an initial allocation of € 150 million for 2020 and € 100 million for 2021, to be taken from the resources of the Development and Cohesion Fund, under the 2014-2020 programme cycle. The resources are credited to a dedicated accounting system registered in the name of the Agency and under the control of the Italian Treasury (paragraph 322).

SME Guarantee Fund

CIPE Resolution 49 of 25 October 2018. 2014-2020 Development and Cohesion Fund. Assignment of resources to the Guarantee Fund for small and medium enterprises established under Italian Law 662 of 23 December 1996.

(OG no. 37 of 13-2-2019)

The Resolution allocates € 300 million the SME Guarantee Fund.

Growth Decree, Italian Decree Law 34 of 30 April 2019. Urgent measures for economic growth and the resolution of specific crisis situations, converted with Law 58/2019.

(Coordinated text, OG no. 151 of 29-6-2019 - Ordinary Supplement 26)

Article 18 (Rules to simplify management of the SME Guarantee Fund).

Paragraph 1 eliminates the provision which allows the SME Guarantee Fund to limit its actions to guaranteeing regional loan guarantee funds and collective loan guarantee consortia in the regions in which these instruments are operational.

Paragraph 2 establishes that, for a transitional period, in regions in which the aforementioned limitation was established, it will remain in effect through 31 December 2020, or until the earlier deadline established in the resolution which established the limitation.

Paragraph 3 allows, for the purposes of supporting the development of alternative financing channels for businesses, the granting of Fund guarantees, relative to the ordinary assets of the Fund, in favour of entities which finance investment projects carried out by micro, small and medium enterprises through social lending and crowdfunding platforms, as defined in the European Union regulations, operating in the business sectors allowed for the purposes of the Fund.

Paragraph 4 defines social lending and crowdfunding for the purposes relative to paragraph 3. Paragraph 5 establishes that the guarantee pursuant to paragraph 3 is requested, on the account of and in the interest of the financing entities pursuant to the same paragraph 3, by managers of previously accredited social lending or crowdfunding platforms, after the specific assessment performed by the Fund Management Council, pursuant to article 1, paragraph 48, letter a) of Italian Law 147 of 2013.

Paragraph 6 remands the definition of the methods and conditions for access the Fund for the financing pursuant to paragraphs 3 and 5 to a specific ministerial decree, as well as the maximum guarantee amount which can be granted, which in any case must ensure significant involvement of the financing entity in the risk of the operation, and the methods for returning to the financing entities sums deriving from possible enforcement or liquidation of the guarantee, and criteria for accrediting managers and platforms pursuant to paragraph 5, including transparency regarding the method used to determine the price of the financing, the reliability of the model used to determine the risk of the businesses, compliance with the rules which govern activities reserved for particular categories of the entity under the law, including the use of public savings on the basis of that established under Bank of Italy technical regulations.

Article 17 (SME Guarantee Fund business development guarantee)

Paragraph 1 establishes, in the context of the Guarantee Fund pursuant to article 2, paragraph 100, letter a) of Law 662 of 1996, in compliance with the European Union regulations, a special section intended for the granting, for payment, of guarantees covering individual loans and portfolios of loans with a maximum guaranteed amount of € 5 million and a duration between 10 and 30 years, granted to companies with employees not to exceed 499, by banks and financial intermediaries and used, for at least 60 percent, for investments in tangible goods. To that end, the fund's resources are increased by € 150 million for 2019. A ministerial decree will govern the types of operations allowed, the conditions, criteria and methods used to access the guarantees under the special section.

Italian Ministry of Economy and Finance Decree of 11 March 2019 - Amendments to the Decree of 26 January 2012, containing methods to increase the resources of the Small and Medium Enterprise Guarantee Fund. (OG no. 127 of 1-6-2019)

The decree establishes the MEF and MED identify, through a specific agreement, the methods through which Cassa Depositi e Prestiti will act to increase the resources of the Guarantee Fund.

Tax Decree, Italian Decree Law 124 of 26 October 2019, coordinated with conversion law 157/2019, containing: "Urgent provisions on tax issues and for needs which cannot be postponed" (OG 301 of 24/12/2019)

Article 41, paragraph 1 (SME Guarantee Fund refinancing) Paragraph 2 arranges for refinancing of the Small and Medium Enterprise Guarantee Fund in the amount of € 670 million for 2019;

Article 58-bis (Pension fund investments. Establishment of a special section of the SME Guarantee Fund) The article establishes a special section of the SME Guarantee Fund to deal with the granting of guarantee requests coming from pension funds which, as of 1 January 2020, intend to invest resources for the capitalisation of micro, small and medium enterprises, in the context of specific initiatives initiated by public administrations.

New Sabatini

"Growth" Decree. Italian Decree Law 34 of 30 April 2019. Urgent measures for economic growth and the resolution of specific crisis situations, converted with Law 58/2019. (Coordinated text, OG no. 151 of 29-6-2019 - Ordinary Supplement 26)

Article 20 (Amendments to the "New Sabatini" measure)

Paragraph 1, affecting article 2 of Italian Decree Law 69 of 2013, allows other financial intermediaries (in addition to those authorised to carry out financial leasing) registered in the Registry established under article 106, paragraph 1 of the Consolidated Banking and Credit Law, pursuant to Italian Legislative Decree 385 of 1993, which operate relative to SME, to grant financing for the investments pursuant to the New Sabatini measure.

It then raises the maximum amount of financing which can be granted in favour of a single business, from € 2 to 4 million.

Finally, it establishes that the disbursement of the contribution occurs on the basis of declarations presented by the companies, relative to the execution of the investment and that, in the case of financing not exceeding € 100,000, the contribution is provided in a single payment.

Article 21 (Support for capitalisation - New Sabatini)

Paragraph 1 recognises the contributions pursuant to article 2, paragraph 5 of Italian Decree Law 69 of 2013 (to purchase new machinery, systems and equipment), also in favour of micro, small and medium enterprises, established as corporations, and involved in capitalisation processes, which intend to carry out an investment plan.

Paragraph 2 establishes that subsidies pursuant to article 2 of Italian Decree Law 69 of 2013 are granted in the case of support for business capitalisation processes, against a commitment by the shareholders to subscribe a share capital increase for the business, to be paid in multiple tranches, corresponding with the due dates of the repayment plan of the aforementioned financing.

Paragraph 3 correlates, for the purposes of the present article, contributions pursuant to article 2, paragraph 5 of Italian Decree Law 69 of 2013, without prejudice to the maximum amounts established in the applicable EU regulations on government aid, to the interest calculated in a conventional manner on loans with an annual rate of:

- a) 5 percent, for micro and small enterprises;
- b) 3.575 percent, for medium enterprises.

Paragraph 4 adds, for the granting of the contribution pursuant to this article, authorisation of spending pursuant to article 1, paragraph 200 of Law 145 of 2018, in the amount of € 10 million for 2019 and € 15 million for each year from 2020 to 2023, and finally for € 10 million in 2024. To ensure the efficacy of the measure, these resources are transferred to the Italian Ministry of Economic Development at the beginning of each of the specified years.

Paragraph 5 remands to a specific ministerial decree the definition of the requirements and conditions for accessing the contribution pursuant to paragraph 3, as well as the features of the investment programme, the methods and terms for executing the capitalisation plan of the beneficiary business by its shareholders, and the reasons and methods for revoking the contribution in the case of breach of the commitments made, including execution of the aforementioned capitalisation plan.

Paragraph 6 establishes coverage for the charges deriving from paragraph 4, pursuant to article 50.

MED Circular 295900 of 19 July 2019 - Instructions and clarifications regarding the methods of applying the provisions pursuant to article 20 of Italian Decree Law 34 of 30 April 2019, containing "Amendments to the New Sabatini measure". (OG no. 189 of 13-8-2019)

MED Circular 296976 of 22 July 2019 - Amendments to circular 14036 of 15 February 2017, relative to the operating methods used to distribute the portion of the contribution established for the New Sabatini measure. (OG no. 189 of 13-8-2019)

2020 Budget Law, Italian Law 160 of 27 December 2019; Government Budget for the 2020 financial year and the multi-year budget for the 2020-2022 three-year period.

(OG 304 of 30 December 2019, O.S. no. 45)

Article 1, paragraphs 226- 229

Refinancing of € 105 million for 2020 is planned, as well as € 97 million for each year from 2021 to 2024 and € 47 million for 2025, for New Sabatini. A portion equal to 25 percent of the allocated resources will be reserved for micro, small and medium enterprises for the purchase, including through financial leases, of new machinery, equipment and tools for productive usage, with low environmental impacts, in the context of programmes intended to improve the environmental sustainability of products and production processes.

Genoa Urban Export Processing Zone

Italian Ministry of Economic Development Circular, no. 73726 of 7/3/2019 - Methods and terms for presenting requests to access subsidies for companies and independent workers located in the urban export processing zone established pursuant to article 8 of Italian Decree Law 109 of 28 September 2018, in the area of the metropolitan city of Genoa, following the collapse of a section of the Polcevera Bridge on the A10 motorway, known as the Morandi Bridge, which occurred in the Municipality of Genoa on the morning of 14 August 2018.

(OG, General Series, no. 77 of 01-04-2019)

Partnership Agreement

CIPE Resolution 52 of 25 October 2018

Partnership agreement - National strategy to develop internal areas of Italy - Distribution of resources allocated with the 2018 Budget Law for the three-year period 2019 to 2021 and amendment of the methods to transfer the resources.

(OG 114 of 17-5-2019)

The Resolution distributes the resources allocated by the 2018 Budget Law and, in point 1.1 of the resolution, establishes that to ensure support and assistance for the areas in question, a specific agreement will be signed with Agenzia nazionale per l'attrazione degli investimenti e lo sviluppo d'impresa SpA.

SME Vouchers

Italian Ministry of Economic Development Decree of 7 May 2019. Application provisions for grants, in the form of vouchers, to benefit micro, small and medium enterprises to acquire specialist consulting for technological and digital transformation processes.

(OG 152 of 1-7-2019)

Article 6 paragraph 3 appoints Invitalia to create and manage an IT system to implement the measure.

Innovation and space economy agreements

Italian Ministry of Economic Development Decree of 26 September 2019 Methods and terms for presenting project proposals to activate the negotiation procedure to define "Space Economy Innovation Agreements". (OG 236 of 8-10-2019)

Intelligent factory, Agrifood, Life science and high performance calculations

Communication relative to Directorial Decree of 2 October 2019, containing methods and terms for presenting project proposals to access the subsidies established in the Tender Notice "Intelligent Factory", "Agrifood", "Life Science" and "High Performance Calculation". (OG 236 of 8-10-2019)

Vouchers for innovation consulting

Italian Ministry of Economic Development Communication of 9 October 2019 relative to the Directorial Decree of 25 September 2019 - Methods and terms for the presentation of requests to access vouchers for innovation consulting.

(OG 237 of 9-10-2019)

Infratel

"Establishment of SINFI - National Infrastructure IT System" Italian Ministry of Economic Development Decree of 2 September 2019 Amendments to and integration of the Italian Decree of 11 May 2016, containing: "Establishment of SINFI - National Infrastructure IT System".
(OG, General Series, no. 248 of 22-10-2019)

The decree governs the methods for managing the SINFI database, managed by Infratel, containing information, collected pursuant to Italian Legislative Decree 33 of 15 February 2016 (Broadband), relative to public communication networks and other physical infrastructure, functional for hosting high speed electronic communication networks, with the exception of cable and including inactive fibre, as well as grid elements used to supply water intended for human consumption.

CIPE Resolution of 25 October 2018. 2014-2020 Development and Cohesion Fund: Investment plan for the extension of ultra-broadband.

(OG no. 29 of 4-2-2019)

Remodulation of resources.

Italian Ministry of Economic Development Decree of 17 April 2019 - Approval of the "Piazza Wi-Fi Italia Technical Operating Plan".

(OG no. 127 of 1-6-2019)

The Plan extends the project to all municipalities, already being implemented, aimed mainly at Italian municipalities affected by the earthquake of 2016 and at small Municipalities, to create Wi-Fi access in public spaces.

New Voucher 3 innovation measure

Italian Ministry of Economic Development Decree of 18.11.2019 Implementation of the subsidy measure "Voucher 3I Invest in Innovation", for innovative start-ups.

(OG 283 of 3-12-2019)

Article 6 identifies Invitalia as the entity which will manage the measure.

Patents

Italian Ministry of Economic Development Communications of 3 December 2019 - Tender notice to grant subsidies to businesses for the economic enhancement of patents, known as patents+. - Tender notice for the creation of programmes to enhance patents through financing proof of concept (POC) projects for Italian universities, Italian public research entities and scientific healthcare institutions. - Refinancing of the subsidy program for companies, to support the registration of brands in the European Union and international brands+3 and to reopen the deadlines for the assignment of the online protocol. - Tender notice for the granting of subsidies to companies to enhance designs and models, known as designs+4. - Tender notice for the financing of projects to enhance and improve the capacity of buildings for technology transfer offices in Italian universities, Italian public research entities and scientific healthcare institutions, in order to increase the intensity of technological transfer flows going towards the business system. Refinancing of already subsidised projects and financing of new projects.

(OG 283 of 3-12-2019)

Subsidies for SME technological and digital transformation

Italian Ministry of Economic Development Decree of 30 October 2019 Terms, methods and procedures for the granting and disbursement of subsidies in favour of innovative investment programmes aimed at allowing the technological and digital transformation of small and medium enterprises through the

use of enabling technologies relative to the Business 4.0 plan, or to favour transition towards the circular economy. (OG 297 of 19-12-2019)

Invitalia is the entity which manages the measure.

Subsidies for business confiscated from organised crime

Italian Ministry of Economic Development Decree of 5 November 2019 Amendment to the Italian Decree of 4 November 2016, containing criteria and methods for the granting of subsidies to businesses confiscated or seized from organised crime, to companies acquiring or renting businesses confiscated or seized and to cooperatives awarded or renting confiscated assets.

(OG 296 of 18-12-2019)

Regulations regarding school building construction

"Growth" Decree. Italian Decree Law 34 of 30 April 2019. Urgent measures for economic growth and the resolution of specific crisis situations, converted with Law 58/2019.

(Coordinated text, OG no. 151 of 29-6-2019 - Ordinary Supplement 26)

Article 30 bis To guarantee the safety of public buildings used for schools, local entities benefiting from government financing and contributions may make use of, limited to the three-year period from 2019 to 2021 and in the context of the national three-year schedules pursuant to article 10 of Italian Decree Law 104 of 12 September 2013, converted with amendments by Law 128 of 8 November 2013, with regards to the purchases of goods and services, of Consip SpA and, relative to the assignment of execution works, of Agenzia nazionale per l'attrazione degli investimenti e lo sviluppo d'impresa SpA (Invitalia), which are held to publish the tender notices within ninety days of the presentation to them of the definitive projects by local entities.

Financial Statement Schedules

CONSOLIDATED FINANCIAL STATEMENTS		
	thousands of euro	
STATEMENT OF FINANCIAL POSITION	31.12.2019	31.12.2018
ASSETS		
10. CASH AND CASH EQUIVALENTS	1,067	25,038
20. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT AND LOSS	90,537	123,313
<i>a) Financial assets held for trading</i>	19,172	62,794
<i>b) Financial assets at fair value</i>	54,548	48,148
<i>c) Other financial assets obligatorily measured at fair value</i>	16,817	12,371
30. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	747,966	715,751
40. FINANCIAL ASSETS MEASURED AT AMORTISED COST	2,783,430	2,616,079
<i>a) Receivables from banks</i>	650,266	629,102
<i>b) Receivables from financial companies</i>	97,258	1,775
<i>c) Receivables from clients</i>	2,035,906	1,985,202
50. HEDGING DERIVATIVES	88,039	82,650
70. EQUITY INVESTMENTS	30,190	34,980
80. PROPERTY, PLANT AND EQUIPMENT	278,251	221,649
90. INTANGIBLE ASSETS	8,811	37,610
100. TAX ASSETS	27,619	40,578
<i>a) Current</i>	10,182	20,447
<i>b) Deferred</i>	17,437	20,131
110. NON-CURRENT ASSETS AND ASSET GROUPS HELD FOR SALE	263,106	259,955
120. OTHER ASSETS	167,451	158,711
TOTAL ASSETS	4,486,467	4,316,314
LIABILITIES		
10. FINANCIAL LIABILITIES MEASURED AT AMORTISED COST	2,480,581	2,366,646
<i>a) Payables</i>	1,672,555	1,719,698
<i>b) Securities issued</i>	808,026	646,948
40. HEDGING DERIVATIVES	2,248	
50. VALUE ADJUSTMENTS OF MACRO HEDGED FINANCIAL LIABILITIES (+/-)	78,181	73,789
60. TAX LIABILITIES	2,825	1,909
<i>a) current</i>	2,742	1,801
<i>b) deferred</i>	83	108
70. LIABILITIES ASSOCIATED WITH ASSET GROUPS HELD FOR SALE	72,454	78,269
80. OTHER LIABILITIES	1,043,138	1,005,883
90. EMPLOYEE SEVERANCE LIABILITIES	11,538	11,588
100. PROVISIONS FOR RISKS AND CHARGES	30,302	25,586
110. CAPITAL	836,384	836,384
150. RESERVES	(85,032)	(81,738)
160. VALUATION RESERVES	(362)	(9,878)
170. PROFIT (LOSS) FOR THE YEAR	14,215	7,881
180. SHAREHOLDERS' EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	(5)	(5)
TOTAL LIABILITIES	4,486,467	4,316,314

Consolidated statement of comprehensive income

PROFIT AND LOSS ACCOUNT	31.12.2019	31.12.2018
10. INTEREST INCOME AND SIMILAR	44,560	53,803
20. INTEREST EXPENSE AND SIMILAR	(21,306)	(24,044)
30. NET INTEREST INCOME	23,254	29,759
40. COMMISSION INCOME	372,761	343,355
50. COMMISSION EXPENSE	(177,027)	(155,490)
60. NET COMMISSIONS	195,734	187,865
70. DIVIDENDS AND SIMILAR INCOME		
80. NET RESULT FROM TRADING ACTIVITIES	1,380	(506)
90. NET RESULT FROM HEDGING ACTIVITIES	(105)	9
100. PROFIT (LOSS) FROM SALE OR REPURCHASE OF:		
a) Financial assets measured at amortised cost	-	821
b) Financial assets measured at fair value through other comprehensive income	10,298	
110. NET RESULT OF OTHER FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT AND LOSS	1,259	399
a) Financial assets and liabilities designated at fair value	1,343	865
b) Other financial assets obligatorily measured at fair value	(84)	(466)
120. NET BANKING INCOME	231,820	218,347
130. NET VALUE ADJUSTMENTS/WRITE-BACKS FOR CREDIT RISK RELATIVE TO:		
a) Financial assets measured at amortised cost	(19,815)	(27,565)
b) Financial assets measured at fair value through other comprehensive income	(19,793)	(27,577)
140. PROFIT/LOSS FROM CONTRACTUAL CHANGES WITHOUT CANCELLATIONS	(22)	12
140. PROFIT/LOSS FROM CONTRACTUAL CHANGES WITHOUT CANCELLATIONS	(288)	
150. NET RESULT OF FINANCIAL MANAGEMENT	211,717	190,782
160. ADMINISTRATIVE EXPENSES:		
A) Personnel costs	(180,850)	(177,374)
b) Other administrative expenses	(139,476)	(132,854)
170. NET PROVISIONS FOR RISKS AND CHARGES	(41,374)	(44,520)
a) Commitments for guarantees given	(6,937)	(6,480)
b) Other net provisions	(1,131)	726
180. NET ADJUSTMENTS/WRITE-BACKS ON PROPERTY, PLANT AND EQUIPMENT	(5,806)	(7,206)
180. NET ADJUSTMENTS/WRITE-BACKS ON PROPERTY, PLANT AND EQUIPMENT	(19,361)	(15,406)
190. NET ADJUSTMENTS/WRITE-BACKS ON INTANGIBLE ASSETS	(5,703)	(6,859)
200. OTHER OPERATING EXPENSE/INCOME	25,015	48,717
210. OPERATING EXPENSE	(187,836)	(157,402)
220. PROFIT (LOSS) ON EQUITY INVESTMENTS	5,333	(83)
250. PROFIT (LOSS) FROM DISPOSAL OF INVESTMENTS	-	12
260. PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	29,214	33,309
270. INCOME TAXES FOR THE YEAR FROM CONTINUING OPERATIONS	(9,672)	(8,046)
280. PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	19,542	25,263
290. PROFIT (LOSS) ON DISCONTINUED OPERATIONS AFTER TAX	(5,327)	(17,384)
300. PROFIT (LOSS) FOR THE YEAR	14,215	7,879
310. PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	-	(2)
320. PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO THE PARENT COMPANY	14,215	7,881

Consolidated statement of comprehensive income

thousands of euro

	2019	2018
Profit (Loss) for the year	14,215	7,881
Other income, net of taxes not reclassified to profit or loss account		
Equity securities measured at fair value through other comprehensive income	-	
Defined benefit pension schemes	(664)	13
Other income components, net of taxes, reclassified to profit or loss account		
Financial assets (other than equity securities) measured at fair value through other comprehensive income	6,913	(4,879)
Total of other comprehensive income, net of taxes	6,249	(4,866)
Consolidated comprehensive income (Items 10 + 190)	20,464	3,015
Consolidated comprehensive income attributed to non-controlling interests		5
Comprehensive income attributable to the parent company	20,464	3,010

amounts in thousands of euro

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY 31.12.2017 - 31.12.2018								
	<i>amounts in thousands of euro</i>							
	Balance as at 31.12.2017	change in opening balances	change in scope of consolidation	Allocation of previous year's result	Reserves	Comprehensive income financial year 2018	Group shareholders' equity as at 31.12.2018	Non-controlling interest equity as at 31.12.2018
Capital	836,384						836,384	
Reserves	(65,665)	(17,802)	1,358	1,298	(940)	13	(81,738)	(3)
Valuation reserves	(4,925)	(74)				(4,879)	(9,878)	
Profit (Loss) for the year	1,298			(1,298)		7,881	7,881	(2)
Shareholders' equity	767,092	(17,876)	1,358		(940)	3,015	752,649	
Shareholders' equity attributable to non- controlling interests	(26)							(5)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY 31.12.2018 - 31.12.2019								
	<i>amounts in thousands of euro</i>							
	Balance as at 31.12.2018	change in opening balances	change in scope of consolidation	Allocation of previous year's result	Reserves	Comprehensive income financial year 2019	Group shareholders' equity as at 31.12.2019	Non-controlling interest equity as at 31.12.2019
Capital	836,384						836,384	
Reserves	(81,738)	(10,029)	(3,036)	7,881	(4,359)	6,249	(85,032)	(5)
Valuation reserves	(9,878)					9,516	(362)	
Profit (Loss) for the year	7,881			(7,881)		14,215	14,215	
Shareholders' equity	752,649	(10,029)	(3,036)		5,157	20,464	765,205	
Shareholders' equity attributable to non- controlling interests	(5)							(5)

STATEMENT OF CASH FLOWS - INDIRECT METHOD

		Amount	
		31.12.2019	31.12.2018
A. OPERATING ACTIVITY			
1	Management	68,409	70,991
	- result for the year (+/-)	14,215	7,881
	- capital gains/losses on financial assets held for trading and on financial assets/liabilities at fair value through profit and loss (-/+)	(1,546)	107
	- capital gains/losses on hedging activities (-/+)	105	(9)
	- net value adjustments/reversals for credit risk (+/-)	15,394	27,577
	- net value adjustments/reversals on property, plant and equipment and intangible assets (+/-)	25,064	22,265
	- net provisions for risks and charges and other costs/revenues (+/-)	5,765	(12,999)
	- taxes and tax credits not liquidated (+/-)	9,399	8,046
	- net value adjustments of assets groups held for sale, net of tax effect (+/-)	0	17,384
	- other adjustments (+/-)	13	739
2	Liquidity generated/absorbed by financial assets	(179,056)	294,132
	- financial assets held for trading	45,168	(25,434)
	- financial assets at fair value	(6,400)	(14,842)
	- other financial assets obligatorily measured at fair value	(4,446)	(4,102.00)
	- financial assets measured at fair value through other comprehensive income	(32,215)	24,349
	- financial assets measured at amortised cost	(185,382)	360,296
	- other assets	4,219	(46,135)
3	Liquidity generated/absorbed by financial liabilities	92,673	(363,928)
	- Payables	(47,143)	(225,321)
	- Securities issued	162,225	(72,050)
	- other liabilities	(22,409)	(66,557)
	Net liquidity generated/absorbed by operations	(17,974)	1,195
	Net cash generated/absorbed by operations on assets held for sale	(8,823)	(4,624)
B. INVESTMENT ACTIVITIES			
1	Liquidity generated by	4,777	13,768
	- sales of equity investments	4,777	13,768
2	Liquidity absorbed by	(5,587)	(11,181)
	- purchases of business units		
	- purchases of equity investments		
	- purchases of property, plant and equipment	(28,683)	(6,233)
	- purchases of intangible assets	23,096	(4,948)
	Net cash generated/absorbed by investing activities	(810)	2,587
	Net cash generated/absorbed by investing activities on Assets held for sale	2	9,153
C. FUNDING ACTIVITIES			
NET LIQUIDITY GENERATED/ABSORBED IN THE YEAR		(27,605)	8,311

RECONCILIATION	31.12.2019	31.12.2018
Cash and cash equivalents at start of year	129,734	121,423
total net liquidity generated/absorbed in the year	(27,605)	8,311
Cash and cash equivalents at the end of year	102,129	129,734
of which assets held for sale	7,548	7,403
Reconciliation		
<i>Item 40 - Receivables from Banks-Deposits and current accounts (financial resources available on demand for current operations)</i>	93,514	97,293
<i>Item 10- Cash and cash equivalents</i>	1,067	25,038
<i>Cash and cash equivalents at year-end Assets held for sale</i>	7,548	7,403
Cash and cash equivalents at the end of year	102,129	129,734
financial resources exclusively dedicated to contracts and/or agreements		
ITEM 40- Receivables from Banks-Deposits and current accounts		
<i>Item 40 - Receivables from Banks-Deposits and current accounts (financial resources available on demand for current operations)</i>	93,514	97,293
<i>constrained financial resources for implementing subsidy measures</i>	227,273	149,378
<i>financial resources exclusively dedicated to contracts and/or agreements</i>	275,377	354,414
ITEM 40- Receivables from Banks- Deposits and current accounts	596,164	601,085

Notes to the Financial Statements

Part A - ACCOUNTING POLICIES

A.1 – General section

Section 1 - Declaration of compliance with international accounting standards

These financial statements have been prepared in compliance with the accounting standards issued by the International Accounting Standards Board (IASB) and the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC), approved by the European Commission until 31 December 2018, as required by European Union Regulation no. 1606/2002, implemented in Italy by Legislative Decree 38 of 28 February 2005.

In preparing the annual financial statements, we observed the compilation format and rules set forth in the Bank of Italy Governor's decree of 30 November 2018 - "IFRS instructions for financial statements of intermediaries other than bank intermediaries".

In this regard, please note that the Agency was exempted by the MEF decree dated 10/10/2012 from the application of the regulation pursuant to Title V of the T.U.B., as it is subject to other forms of equivalent supervision (MEF, Court of Auditors). This exemption does not change the company's standing as a "Financial Intermediary" and, consequently, does not affect the governance of the financial statements as previously indicated and applied continuously over time. The foregoing is stated also on the basis of a pro veritate legal opinion issued by a qualified professional.

IFRS accounting standards, amendments and interpretations applied as of 1 January 2019

With reference to the new accounting standards applied as of 1 January 2019, we provide the following information:

- **IFRS 16 - Leasing - regulatory provisions:** the new accounting standard IFRS 16 was adopted through Regulation (EU) 1986/2017. The standard is intended to improve accounting relative to leasing contracts. IFRS 16 (Leases) replaces accounting standard IAS 17, as well as the interpretation 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).
- **Amendments to IFRS 9 – Financial instruments** - Prepayment features with negative compensation, adopted with Regulation EU 498/2018. The amendments made are intended to clarify the classification of certain financial assets which can be prepaid when IFRS 9 is applied.
- **Interpretation IFRIC 23** - Uncertainty over income tax treatments, adopted with Regulation EU 1595/2018. The objective of the interpretation is to specify how to reflect uncertainties when recognising income taxes.
- **Annual Improvements to IFRS Cycle 2015 – 2017** adopted with Regulation EU 412/2019; the changes involve:
 - **Amendments to IFRS 3** - Business combinations: clarifies that when a party to a joint control agreement acquires control over a formerly jointly controlled asset, the operation is a business combination carried out in multiple steps.
 - **Amendments to IFRS 11** - Joint arrangements: clarifies that a party which invests in a jointly controlled business without holding joint control must redetermine the fair value of the previously held equity investment if joint control is obtained.

- **Amendments to IAS 12 - Income taxes:** establishes that for the purposes of income taxes, an entity must recognise the tax effects of dividends, as defined in IFRS 9, at the moment in which the liability relative to the dividend to be paid arises.
- **Amendments to IAS 23 - Borrowing costs:** establishes that, to the extent which an entity is generically indebted and uses financing to obtain an asset which justifies capitalisation, the entity must determine the amount of the capitalised borrowing costs by applying a capitalisation rate to expenses suffered for the asset in question. This capitalisation rate must correspond to the weighted average of financial expense applied to all the entity's loans existing during the year. Nonetheless, an entity can exclude from this calculation financial expense applied to loans specifically obtained to acquire an asset which justifies capitalisation until substantially all operations needed to prepare the asset for the planned use or sale are complete.
- **Amendments to IAS 28 - Long-term Interests in Associates and Joint Ventures,** adopted with Regulation EU 237/2019. These amendments clarify that an entity which does not use the equity method for financial instruments held in associates or joint ventures must apply IFRS 9 to long-term interests without taking into account any adjustments to the book value of the same.
- **Amendments to IAS 19 - Employee benefits - Plan Amendment, Curtailment or Settlement:** adopted with Regulation EU 402/2019. As an effect of the amendments, a company must apply updated hypotheses to redetermine its net liability (asset) for defined benefits for the remainder of the reference period.

IFRS and IFRIC accounting standards, amendments and interpretations approved by the European Union, not yet obligatorily applicable and not adopted in advance by the Company as at 31 December 2019

As of the approval date of these financial statements, the IASB has issued and the European Union has approved, with an adoption date of 1 January 2020, the following standards/interpretations:

- Amendments to the Conceptual Framework;
- Amendments to IAS 1 and IAS 8: Definition of Material;
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Benchmark Reform.

The following standards/interpretations are still awaiting approval by the European Union:

- Amendments to IFRS 3 Business combinations;
- IFRS 17 – Insurance contracts.

The impacts that these accounting standards, amendments and interpretations nearing application could have on financial reporting are still being assessed and evaluated.

Section 2 - General principles of preparation

The financial statements are prepared according to the general principles referenced in the "Systematic Framework" for the preparation and presentation of the financial statements. Therefore, the financial statements are prepared according to the accrual basis accounting principle and on the basis of a 'going concern' assumption.

The general principles of information relevance and significance and the prevalence of substance over form were applied in the preparation of the financial instruments. Each relevant class of similar items is shown separately in the financial statements. Entries of a dissimilar nature or purpose are presented separately unless they are irrelevant. Assets and liabilities, income and expenses, shall not be offset unless required or permitted by a standard or an interpretation.

The consolidated financial statements consist of the statement of financial position, the profit and loss account, the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of cash flows, the notes and the directors' report on operations.

The schedules included in the notes are prepared in thousands of euro, if not otherwise indicated, in the same way as the financial statement schedules noted above.

In compliance with the provisions of Article 5 of Italian Legislative Decree No. 38/2005, the consolidated financial statements have been prepared using the euro as the accounting currency.

Section 3 - Events after the reporting period

Following the end of the year, during March 2020, the virus COVID-19 spread through the world, being defined as a pandemic by the World Health Organisation, on 11 March 2020.

As of the date of this report, as the return of the country to a nearly normal situation can be assessed positively with respect to the restrictions imposed during the peak of the pandemic, the medium/long-term effects which may be caused by the evolution of the epidemiological spread and consequent impacts on the macroeconomic situation and financial markets certainly cannot be estimated.

In application of accounting standard IAS 10, it is held that this circumstance does not require any adjustments to the financial statement balances as at 31.12.2019, in that the event itself and any relative consequences arose after the reporting date for the year and, in any case, the current situation does not appear to represent an uncertainty for the Agency or Group with respect to its ability to continue to operate as a functional entity, also taking into account the fact that the Agency was assigned new and important tasks following the pandemic crisis.

In fact, Decree Law 18, coordinated with conversion law 27 of 24 April 2020, known as "Cure Italy", contained a complex combination of measures aimed at dealing with the effects of the COVID-19 epidemiological emergency, ranging from strengthening the healthcare and justice systems and providing support for employment and financing for companies.

In particular, Invitalia is involved in the following areas:

- Incentives for the production and supply of medical devices (art. 5)
- Contributions to companies for safety and strengthening of healthcare safeguards (art. 43)
- Central SME Guarantee Fund managed by MCC-Mediocredito Centrale (art 49)
- Financial support measures for SME affected by the COVID-19 epidemic (art 56)
- Measures to internationalise the country's system (art 72)
- Increase in funding for development contracts (art 80)

Additionally, with the Presidential Decree of 18 March 2020, the Managing Director of Invitalia was appointed as the **Special Commissioner** to implement and coordinate the measures needed to contain and fight the emergency, pursuant to article 122 of the Decree Law of 17 March 2020 ("Cure Italy" Decree).

The Commissioner, pursuant to the same article 122, is also authorised to make use of implementing entities and in house companies for his activities, as well as making use of central purchasing offices. In this sense, the Agency is involved in providing support for all commission activities, both through the inclusion of its employees in the Commissioner's structure within Civil Protection, and through the involvement of its departments in the legal, logistics and administrative work of the commission structure.

In this context, short-term effects, the sole ones which are worthy of note, given the absolute uncertainty regarding medium/term-effects, appear to be substantially irrelevant for the Agency which, in addition to the above also has a financial statement involving creditor positions almost entirely relative to public administrations, with financial assets measured at fair value limited to investments held for trading and amounting to a marginal 4.8% with respect to the total, and the remainder of assets invested in liquidity, guaranteed capital investments or in long-term financial assets measured at amortised cost (held to collect portfolio) and not subject to changes in market prices. There are no derivatives in the portfolio as of the reporting date.

With regards to equity investments, note generally that the main subsidiaries Banca del Mezzogiorno-Mediocredito Centrale and Infratel have not shown any signs of difficulty.

More specifically, Banca del Mezzogiorno-Mediocredito Centrale recently approved a 2020 budget which, while taking into account the risks of COVID-19 for its management portfolio, indicates extremely significant profits, up substantially with respect to 2019. This trend reflects the sizeable refinancing of the Central Guarantee Fund, identified by the government as a tool to use to deal with the SME crisis induced by the pandemic.

Infratel has features similar to those of Invitalia, meaning a large portfolio of in house assets, receivables due almost exclusively from public administrations and available amounts invested essentially in liquidity.

For assets held for sale, the assessment of possible COVID-19 impacts led to an examination of entities operating in the tourism sector for which potential short-term economic/financial impacts can be presumed. However, at present no forecasts can be made about medium/long-term impacts.

For these companies, especially the subsidiaries, we note the impact of the assessments carried out, taking into account of potential short-term impacts relative to COVID-19 on operating cash flows, do not appear to have a significant influence on the valuations reported in the financial statements.

In any case, in consideration of the fact that at present it is not possible to estimate the impacts of COVID-19 on medium/long-term economic/financial flows and on the investment/divestment initiatives planned for investee companies operating in the sector, the analysis carried out must be promptly updated once the impacts of COVID-19 on these flows and initiatives can be estimated.

In terms of core business, as noted, in the context of the recently approved Decree Laws, the Agency will be called upon to serve various measures to support businesses, strengthening its mission and guaranteeing appropriate support for execution in terms of the volume of assets managed.

In particular, activities have begun in relation to the measure established under article 5 of the "Cure Italy" Decree Law, which provides for financing through grants and operating grants, as well as subsidised financing, for companies which produce medical devices and personal protective equipment, in relation to the inadequate availability of the same during the COVID-19 emergency, with € 50 million allocated for 2020.

Additionally, in order to support the continued and safe operation of business production processes, the Agency has been selected to manage and disburse the funds transfer from INAIL (€ 50 million) to acquire devices and other personal protective equipment, making use of the resources already planned in the 2020 forecast budget prepared by the same institution to finance projects pursuant to article 11, paragraph 5 of Italian Legislative Decree 81 of 9 April 2008.

AN additional € 403 million in funds transferred by INAIL will be transferred to Invitalia, as established under Article 95 of the "Relaunch" Decree Law, to acquire:

- a) equipment to isolate or create distance between workers, including associated installation costs;
- b) electronic devices and sensors to ensure space between workers;
- c) equipment to isolate or create distance between workers with respect to external users and with respect to workers from third-party companies providing goods and services;
- d) devices to sanitise workplaces; systems and tools to control access to workplaces used to identify indicators of possible contagious status;
- e) devices and other personal protective equipment.

Among the subsequent events, we also note that Invitalia, similar to other companies in the wider public sector, holds real estate assets (substantially land and buildings) which are partially or totally unproductive.

Characteristics shared by these assets, which were inherited from previous management and complied to allocation decisions linked to no longer current political and social requirements, generally involve not insignificant management and maintenance expense.

As part of the rationalisation of the scope of Invitalia's assets, certain no longer strategic real estate assets are held by the Group.

The Agency's Board of Directors, meeting on 18 March 2020 and taking note of the situation outlined above, asked the General Manager to assess possible routes for disposing of all the Group's real estate assets.

Subsequently, a regulatory provision was presented to the MED aimed at allowing rationalisation and disposal of certain assets, mitigating their relative impacts on the Agency's profit and loss account. From this point of view, the regulation has no effects on the government's budget. The hypothesised operation, whether it occurs through the involvement of a publicly controlled company, possibly indirectly, or through a fully controlled subsidiary, would allow Invitalia to amortise losses deriving from the operation solely at the equity level and not in the profit and loss account, thereby obtaining the requirement of sustainability.

The second part of the regulation provides for the possibility of using fiscal benefits deriving from Law 296, article 1, paragraph 461 of 27/12/2006, as this fully lies within the scope of the completion of the Agency's reorganisation plan, as established under the cited regulation.

Organisational interventions

The rapid worsening of the initial COVID-19 infection in Italy and the consequent adoption of progressively stringent measures by the government (both Prime Ministerial Decrees and provisions issued by individual Ministries) was handled by Invitalia - in line with crisis management principles - by establishing a "control room" headed by the team leading the major company departments to quickly align company features with current objectives, including the top priority of limiting contagion, guaranteeing safety for all workers and ensuring the continuity of service allowed and required by the various types of clients for which Invitalia works.

The first level teams, which naturally kept in constant contact with the GM, were given the objective of creating certainty in terms of references for employees, preferring rapidity and ease of solutions over full definition of the regulatory framework. As is known, in the initial stages of the emergency this was classified as "in progress".

Favoured communication channels were company notifications provided on the Intranet, always accompanied by the relative regulatory provisions, with emails with identical content sent to all personnel (to ensure provisions were received by all), and when required by the regulations, using more traditional communication methods (displaying of signs, etc.). Special promptness in communication and involvement was ensured with regards to union representatives and WSRs, even before the protocol of 14 March requested of the Committee.

In order to focus information on possible company emergencies, a single contact point was immediately established, to collect feedback and requests for clarification, creating an email for the subject to which employees could send any type of communication or question. The solution was found to be decisive in ensuring a reserved channel for communicating with healthcare authorities any time personnel (directly or indirectly involved, or potentially involved) requested it.

During the initial phase, with significant differences in government provisions for the "red zone" (later red zones plural) and the rest of the country, the Agency, in Communication 1, of 24 February, 1) invited personnel to inform the relevant authorities of any anomalies in their health status, in compliance with individual privacy on the issue; 2) took precautionary measures, above all in the operating headquarters in Bologna, minimising travel and physical contact with clients, above all avoiding large meetings; 3) began precautionary initiatives relative to the rest of the country, in any case recommending compliance with any stricter measures which were taken or requested by clients.

The extension of the "red zone" to the entirety of the Emilia Region led, in Communication 2 of 3 March, to prompt company alignment with stricter measures, eliminating all "physical" meetings (including training), travel and commuting to and from the region, implementing

smart working solutions. Additionally, in Communication 2, the Company initiated a procedure to allow employees with underlying health conditions making them more exposed to contagion to work remotely.

Following the suspension of school and university activities (Prime Minister Decree of 3 March), the Company decided, in Communication 3 of 5 March, it was necessary to immediately implement measures to protect parents, without awaiting government provisions, in order to support the approximately 420 parents of around 600 children of under 14 years. The immediate willingness to grant vacation time and leave was supported by granting remote working to parents of children of less than 6 without assistance and granting smart working to parents of children of under 14.

Finally, in its fourth and fifth communications, published on 9 and 10 March, in addition to confirming the provisions regarding limitations on the use of travel, throughout Italy, and on physical contact with clients/external users, the Agency issued stricter rules on external individuals accessing company offices, adopting operating rules applying to almost all personnel which allowed them the possibility of smart working.

No additional significant events occurred in the initial months of 2020, outside of the considerations found in section H - "Foreseeable business outlook".

Article 1, paragraph 1 of Decree Law 142 of 16 December 2019, converted with amendments by Law 5 of 7 February 2020

In compliance with and execution of that governed by the cited Decree Law 142/2019, article 1, paragraph 1, the Italian Ministry of Economy and Finance was asked to grant Invitalia a total amount of € 430 million to strengthen the capital, through a capital grant, of Banca del Mezzogiorno - Mediocredito Centrale SpA, so that it could carry out financial operations by acquiring an equity investment in Banca Popolare di Bari SpA.

The Italian Ministry of Economy and Finance communicated that the Ministerial Decree assigning this amount had been issued and registered by the control bodies and asked the Agency's Board of Directors to resolve the payment of the capital grant to its subsidiary.

Decree Law 142 of 16 December 2019, containing "Urgent measures to support the credit system of the Mezzogiorno and to create an investment bank" (converted with amendments by Law 5 of 7 February 2020), in article 1, paragraph 1, establishes that "with one or more decrees of the Italian Ministry of Economy and Finance capital grants are assigned in favour of the Agenzia Nazionale per l'attrazione investimenti e lo sviluppo d'impresa SpA - Invitalia, up to a maximum total amount of € 900 million for the year 2020, entirely intended to strengthen the capital of Banca del Mezzogiorno - Mediocredito Centrale SpA through a capital grant so that it may promote, using market logic, criteria and conditions, the development of financial assets and investment, also to support businesses and employment in the Mezzogiorno, to be carried out through financial operations, including acquisition of equity investments in banking and financial companies, generally joint stock companies, and with any eye to further possible operations to rationalise these equity investments.

To that end, Banca del Mezzogiorno - Mediocredito Centrale SpA, a fully held subsidiary of Invitalia, gave notification that on 31 December 2019 it had signed Framework Agreement with Banca Popolare di Bari S.C.p.A. and the Interbank Deposit Protection Fund, subsequently amended on 17 April 2020 and again on 27 May 2020.

Therefore, Mediocredito Centrale presented, pursuant to Legislative Decree 385/1993, a request to the Bank of Italy to obtain authorisation to acquire a qualified equity investment in Banca Popolare di Bari, for which finalisation is expected by the end of the first half of 2020.

Amendment to article 18 of the Articles of Association

Through an Extraordinary Shareholders' Meeting, the amendment to article 18 of the current Articles of Association will be voted on, which would change the duration of the independent auditor's appointment to comply with the regulatory provisions established in the first paragraph of article 17 of Legislative Decree no. 39 of 27 January 2010.

Marina di Portisco SpA

On 24 January 2020, the Shareholders' Meeting renewed the company bodies for the three year period from 2020-2022.

Infratel SpA

On 22 January 2020, the Shareholders' Meeting renewed the company bodies for the three year period from 2020-2022.

In the period between the reporting date of these financial statements and the date of their approval, the subsequent events described above did not require any additions to the financial information provided.

Section 4 - Other aspects

These consolidated financial statements were approved by the Board of Directors on 28 May 2020.

Since 2004, the Parent Company has adopted the "national tax consolidation regimen" regulated by Articles 117 and 129 of the TUIR [Italian Consolidated Income Tax Act], introduced into the tax legislation by Legislative Decree 344/2003.

Section 5 - Scope and methods of consolidation

The consolidated financial statements include the financial statements of the Agenzia nazionale per l'attrazione degli investimenti e lo sviluppo d'impresa SpA and its directly or indirectly controlled subsidiaries. The scope of consolidation is defined with reference to the provisions of IFRS 10, 11 and IAS 28. In compliance with these principles, subsidiaries are considered companies over which the Parent Company exercises, directly or indirectly, the power to determine financial and management policies. The Subsidiaries are consolidated on a line-by-line basis. Consolidation starts from the date on which the control relationship begins and lasts until the date of its termination.

The values of the financial statements as at 31 December 2019 of the companies of the Group, consolidated on a line-by-line basis, have been appropriately adjusted to bring them into line with the accounting policies of the Parent Company.

In line-by-line consolidation, the assets and liabilities, as well as the income and expenses of the consolidated companies, are included in the consolidated financial statements, after complete Consolidation set-off of receivables, payables, revenues and infragroup costs, with the exception of those considered irrelevant in the context of the consolidated financial statements according to the general criteria of significance and relevance.

The assets and liabilities are those resulting from the financial statements approved by the Boards of Directors and/or by the shareholders' meetings of the Companies. The portion of shareholders' equity and that of the result for the reporting period pertaining to non-controlling interests are accounted for in a separate item in the consolidated statements of financial position and profit or loss and income. In order to represent the Group's accounting information as if it were a single entity, appropriate consolidation adjustments were applied.

The controlling investments held for sale are consolidated on a line-by-line basis and shown separately in the consolidated financial statements as a group held for sale in asset items 110 and asset liability items 80, respectively.

Fully held subsidiaries are as follows:

Company	Site	Type of Relationship	Company Holding Stake	% Held	% Available shares	Type of Control
Equity investments						
INFRADEL ITALIA S.p.A.	Rome	1	Invitalia S.p.A.	100.00%	100.00%	A
INVITALIA PARTECIPAZIONI S.p.A.	Rome	1	Invitalia S.p.A.	100.00%	100.00%	A
BANCA DEL MEZZOGIORNO-MEDIOCREDITO CENTRALE SpA.	Rome	1	Invitalia S.p.A.	100.00%	100.00%	A
Assets held for sale						
ITALIA TURISMO S.p.A.	Rome	1	Invitalia S.p.A.	100.00%	100.00%	A
MARINA DI PORTISCO S.p.A.	Portisco	1	Invitalia S.p.A.	100.00%	100.00%	A
SVILUPPO ITALIA CALABRIA S.c.p.A. in liquidation	Cosenza	1	INVITALIA PARTECIPAZIONI S.p.A.	99.84%	99.84%	B
TRIESTE NAVIGANDO SRL (EX GALLIPOLI NAVIGANDO)	Gallipoli	1	Invitalia S.p.A.	100.00%	100.00%	A

(1) Majority of voting rights at the ordinary shareholders' meeting

A = direct control

B = indirect control

IGI SpA, even if 100% held, is not consolidated on a line by line basis as it is not subject to actual management power by Invitalia and is consequently excluded from the Group.

Transition to international accounting standard IFRS 16

Regulatory provisions

The new accounting standard IFRS 16, issued by the IASB in January 2016 and approved by the European Commission through Regulation 1986/2017, replaced, as of 1 January 2019, IAS 17 "Leasing", IFRIC 4 "Determining whether an arrangement contains a lease", SIC 15 "Operating leases - Incentives" and SIC 27 "Evaluating the substance of transactions involving the legal form of a lease", and governs the accounting requirements for lease contracts.

Accounting standard IFRS 16 introduces significant changes to the accounting associated with leasing transactions in the financial statements of lessees/users, but does not create significant changes for lessors.

The new standard requires entities to determine whether a contract is or contains a lease, based on the concept of control over an identified asset for an established period of time. It follows that rental, leasing, hiring and free use contracts fall within the scope of application for these new rules.

In the light of the above, significant changes are introduced in terms of accounting for leasing operations in the financial statements of the lessee/user, introducing a single accounting model on the basis of rights of use. More specifically, the main change involves the elimination of the distinction between operating and financial leases found in IAS 17: all leasing contracts must be accounted for in the same manner, recognizing an asset and a liability. The accounting model means a right of use is recognised in the balance sheet assets relative to the asset leased. The payables due for the lease yet to be paid to the lessor are then represented in the balance sheet liabilities. The method used to recognise components in the profit and loss account also changes. While in IAS 17 leasing fees were represented in the Administrative Expense item, under IFRS 16 expense relative to amortisation of "rights of use" and interest expense on the debt are instead recognised under the relevant items.

On the other hand, outside of greater disclosure requirements, no significant changes are seen in account for leases on the part of the lessor, for which the distinction between operating and financial leases is maintained.

As of 1 January 2019, for the lessee effects on financial statements after application of IFRS 16 involve - with final profit and cash flow held equal - in an increase in assets recorded in the balance sheet (leased assets), an increase in liabilities (debt relative to leased assets), a reduction in administrative expense (leasing fees) and a simultaneous increase in financial expense (remuneration of the payable recognised) and in amortisation (relative to rights of use). With reference to the profit and loss account, considering the entire duration of the contract the economic impact does not change over the time horizon of the lease, regardless of whether the previous IAS 17 or the new IFRS 16 are applied, but the effects occur at different times.

The scope of contracts

The Standard applies to all types of contracts which contain a lease, that is contracts which give the lessee the right to control the use of an identified asset for a given period of time, in exchange for a payment. The logic of the Standard is that the "control" over an asset requires the asset to be identified, e.g. if explicitly specified within the contract, or implicitly specified at the time at which it becomes available for use by the client. An asset is not specified if the supplier has the substantial right to replace it, or if the supplier is essentially able to replace the asset with an alternative asset throughout the period of use and obtains economic benefits from exercising this right.

Once it has been established that the underlying feature of the contract is an identified asset, it is necessary to determine whether an entity has the right to control it, meaning it simultaneously has the right to obtain substantially all economic benefits from use of the asset and the right to decide on the use of the identified asset.

For the Agency, analysis of contracts falling within the scope of the standard involved, in particular, those relative to the following cases: (i) real estate, (ii) vehicles. Real estate leases represent the most significant area and involve offices. As a rule, real estate leases have durations which exceed 12 months and typically involve renewal or extinction options which can be exercised by the lessee and lessor in accordance with the provisions of the law or specific contractual clauses. These contracts generally do not include a purchase option upon the end of the lease nor significant restoration costs for Invitalia. Other types of leasing contracts refer to vehicles. These are long-term lease contracts for the company fleet, made available to certain employees (for private and business use). The duration is of multiple years, without any renewal option. Generally these contracts do not include an option to purchase the asset.

Contractual duration

The duration of each contract was defined, considering: the period which cannot be cancelled in addition to the renewal period, to the extent it is reasonably certain the lessee will exercise this option, given that these refer to highly specialised assets with low availability of alternative assets. Any withdrawal options held solely by the lessor were not considered in the analysis. Specifically, with regards to the duration of contracts which involve real estate leases, use of the renewal option upon contract expiry was judged to be reasonably certain. On the other hand, for contracts involving vehicle leases, exercising of the renewal option at contract expiry was not judged to be reasonably certain, and only the period which cannot be cancelled was considered.

For the purposes of calculating the discount rate, the duration in years starting from the transition date was identified for all contracts.

When applicable, the exemption granted to the lessee for short-term leases (equal to or less than 12 months as of the transition date) was considered, taking any presumable renewals into account [*IFRS 16.5 lett. a), 6-8*].

Discount rate

In terms of determining the discount rate, IFRS 16 establishes that the discount rate to be applied for the purposes of measurement must correspond to the interest rate which would be applied to the lessee for the provision of a loan with a similar duration and guarantees. For this reason, in consideration of the fact that Invitalia SpA is a company established with entirely public capital, it was deemed appropriate to use the return rate for government securities as of the analysis date as the discount rate.

Contractual rent

In regards to determining rent, service and maintenance costs relative to leases were not considered (to be excluded for the purposes of measuring right of use assets) when indicated explicitly in the contract [*IFRS 16.13-14, 16*]. Alternatively, the rent established in the contract was considered in its entirety as the rent relative to leasing the asset, on the basis of the practical expedient granted to lessees in the standard [*IFRS 16.15*].

If discounts are granted by the lessor relative to the assets leased, the change in the rate over the course of the amortisation plan was taken into account.

Effects of first time application (FTA) of IFRS 16

Invitalia decided to implement First Time Adoption (FTA) of IFRS 16 through a modified retrospective approach which offers the possibility, under the standard, of recognising the cumulative effects of applying the Standard at the time of initial application, and not restating comparative figures in the financial statements in which IFRS 16 is applied for the first time. Therefore, amounts in accounting schedules relative to 2019 are not comparable with reference to the amounts for rights of use and corresponding lease payables. At first time application, the company adopted some of the practical expedients allowed under the standard in paragraphs C10 and subsequent. Specifically, contracts with a duration of 12 months or less were excluded ("short term" contracts). Invitalia has also established that in the future the new standard will not be applied to contracts with a total duration of 12 months or less nor to contracts with underlying asset values of € 5,000 or less ("low value" contracts).

Following adoption of the modified retrospective approach- Option 1 right of use assets (RoU) are recognised at book value, as if the standard had been applied as of the starting date of the contract, but are discounted using the marginal finance rate for the lessee as of the date of initial application. Leasing liabilities are recognised as the current value of remaining payments due for the lease, discounted using the marginal finance rate for the lessee as of the date of initial application.

It follows that a negative effect is seen on capital (RoU < Liability) at FTA. This value is recovered in consideration of the lower costs recognised in the profit and loss account with respect to the recognition of leasing fees which would have been required under IAS 17 (RoU Amortisation + Interest expense < Leasing fees).

In the profit and loss account, adoption of option 1 means that front load expenses (amortisation and interest) are initially in line with the leasing fees, but subsequently increase. Essentially, the greater initial impacts on equity are offset by the increase in future costs.

More specifically, application of IFRS 16 using the modified retrospective approach, Option 1, led to the recognition in the balance sheet of right of use assets totalling € 35,256 thousand and financial liabilities (payables due to the lessor) of € 45,218 thousand. At first time application, an impact of € 10,029 thousand on equity was also seen due to the establishment of a FTA reserve.

Below are the individual financial statement items affected by application of IFRS 16.

IMPACT OF IFRS 16 AT 01/01/2019

Assets Items	31/12/2018	IFRS 16	01/01/2019
80. Property, plant and equipment	51,538,901	38,595,368	90,134,269
Total Assets items	51,538,901	38,595,368	90,134,268

Liabilities Items	31/12/2018	IFRS 16	01/01/2019
10. Financial liabilities measured at amortised cost	547,231,833	48,624,107	595,855,940
Total Liabilities items	547,231,833	48,624,107	595,855,940

Shareholders' Equity Items	31/12/2018	IFRS 16	01/01/2019
150. Reserves	(52,064,095)	(10,028,739)	(62,092,834)
Total Shareholders' Equity items	(52,064,095)	(10,028,739)	(62,092,834)

IMPACT OF IFRS 16 AT 31/12/2019

80. Property, plant and equipment	01/01/2019	IFRS 16	31/12/2019
b) buildings	38,558,853	(3,313,308)	35,245,545
e) other	36,515	(25,594)	10,920
Total Property, plant and equipment	38,595,368	(3,338,903)	35,256,465

10. Financial liabilities measured at amortised cost	01/01/2019	IFRS 16	31/12/2019
Leasing payables	48,624,107	(3,406,408)	45,217,698
Total financial liabilities measured at amortised cost	48,624,107	(3,406,408)	45,217,698

Statement of Profit and Loss	31/12/2019	of which IFRS 16
20. Interest expense	(6,306,151)	(1,294,723)
160. b) Other administrative expenses	(22,509,672)	4,701,131
180. Net adjustments/reversals on property, plant and equipment	(4,758,968)	(3,338,903)
Total Statement of Profit and Loss items	(33,574,791)	67,506

A.2 Section related to the main items of the financial statements

Criteria used

Statement of the accounting standards adopted is done with reference to classification, registration, valuation and cancellation of the various asset and liability items.

Cash and cash equivalents

Cash and cash equivalents are recorded at nominal value and include the values that meet the requirements of high liquidity, short-term or very short-term availability and an insignificant risk of changes in their value.

Financial assets measured at fair value through profit and loss (FVTPL)

Classification criteria

This category includes financial assets other than those classified among financial assets at fair value through other comprehensive income and among financial assets measured at amortised cost. This includes:

- i. Financial assets held for trading, essentially represented by debt and equity securities and the positive value of derivatives held for trading purposes;
- ii. Financial assets obligatorily measured at fair value, represented by financial assets which do not meet the requirements for measurement at amortised cost or at fair value through other comprehensive income. These are financial assets whose contractual terms are not represented solely by payments of principal and interest (SPPI test not passed) or which are not held within the context of a Hold to Collect business model or Hold to Collect and Sell model;
- iii. Financial assets designated at fair value, or financial assets defined as such at initial recognition and when the requirements are met. In relation to financial assets, an entity may irrevocably designate a financial asset as measured at fair value through profit and loss if and only if by doing so it eliminates or significantly reduces a measurement inconsistency.

This item includes debt securities and loans included in an Other-Trading business model or which do not pass the SPPI test, including units of syndicated loans which, at origin, are held for sale and cannot be classified as part of a Hold to Collect and Sell business model.

This item also includes equity instruments which cannot be classified as controlling, association or joint control, held for trading purposes or which were not classified as measured at fair value through other comprehensive income at initial recognition. Units of UCITS are also recognised under this item. For the category of UCITS, given the structure of the instrument and the respective units, the SPPI test will always be failed, meaning they can only be classified under the fair value through profit and loss item.

Capitalisation policies represent another case in which the inherent features of underlying investment instruments require classification herein. Similar to UCITS units, these instruments fail the SPPI test with objective difficulty in preparing a look through approach. For this reason, they must be recognised under the item "financial assets measured at fair value through profit and loss". More specifically, the fair value is the value of the policy periodically communicated in the account statement sent by the insurance company. This value corresponds to the premium plus returns generated by separate accounting, net of the fee component.

Derivatives, recognised among financial assets held for trading, are represented as assets if the fair value is positive and as liabilities if the fair value is negative.

Derivatives also include those incorporated within complex financial instruments, in which the primary contract is not a financial asset falling under the scope of IFRS 9, which were subject to separate recognition in that:

- Their economic characteristics and risks are not closely correlated with the features of the underlying contract;
- The incorporated instruments, even if separate, meet the definition of derivative;
- The hybrid instruments to which they belong are not measured at fair value with relative changes recognised through profit and loss.

Based on the general rules established under IFRS 9 regarding reclassification of financial assets (with the exception of equity securities, for which no reclassification is allowed), reclassification towards other financial asset categories is not allowed unless the entity changes its business model for financial asset management.

Recognition criteria

Initial recognition of financial assets takes place on the settlement date for debt or equity securities and loans and on the subscription date for derivatives.

At initial recognition of financial assets at fair value through profit and loss, the fair value is recognised, without considering transaction costs or proceeds directly attributable to the instrument in question.

Measurement criteria

After initial recognition, financial assets measured at fair value through profit and loss are measured at fair value. The effects of applying this criteria are recognised in the profit and loss account in item 80. The net result of trading activity in the case of instruments held for trading, or in item "110. Net result of other financial assets and liabilities at fair value through profit and loss" in the case of instruments designated at fair value or other financial assets obligatorily measured at fair value.

With regards to interest income accrued during the year, these assets are recognised under item 10. Interest income and similar revenues in the profit and loss account.

Cancellation criteria

Financial assets are cancelled from the financial statements only if the disposal involve substantial transfer of all the risks and benefits associated with the assets in question.

Financial assets measured at fair value through other comprehensive income

Classification criteria

This item includes financial assets which satisfy both of the following conditions:

- the financial asset is held under a Hold to Collect and Sell business model, and
- the contractual terms of the financial asset establish, on set dates, cash flows representing solely payments of principal and interest (SPPI test passed).

This item also includes equity instruments not held for trading purposes for which the option to designate them at fair value through other comprehensive income was exercised at initial recognition.

In particular, this item includes:

- debt securities associated with a Hold to Collect and Sell business model which have passed the SPPI test;
- equity investments which cannot be classified as controlling, association or joint, not held for trading purposes, and for which the option for designation at fair value through other comprehensive income was exercised;
- loans associated with a Hold to Collect and Sell business model and which have passed the SPPI test, including units of syndicated loans which, at origin, are held for sale and can be classified as part of a Hold to Collect and Sell business model.

Based on the general rules established under IFRS 9 regarding reclassification of financial assets (with the exception of equity securities, for which no reclassification is allowed), reclassification towards other financial asset categories is not allowed unless the entity changes its business model for financial asset management.

In these cases, expected to be very infrequent, financial assets can be reclassified from measured at fair value through other comprehensive income to one of the other two categories established under IFRS 9 (financial assets measured at amortised cost or financial assets measured at fair value through profit and loss). The transfer value is represented by the fair value at the time of reclassification and the effects of the reclassification operate prospectively starting from the date of reclassification. In the case of reclassification from the category in question to that of amortised cost, the cumulative profit (loss) recognised in the valuation reserve is used to adjust the fair value of the financial asset on the date of reclassification. In the case of reclassification to the category of fair value through profit and loss, the cumulative profit (loss) previously recognised in the valuation reserve is reclassified from shareholders' equity to profit (loss) for the year.

Initial recognition of financial assets takes place on the settlement date for debt or equity securities and on the disbursement date for loans. At the time of initial recognition, the assets are recorded at fair value, including transaction costs or proceeds directly attributable to the instrument itself.

After initial recognition, assets classified at fair value through other comprehensive income, other than equity securities, are measured at fair value, with recognition within the profit and loss account of impacts deriving from application of impairment effects deriving from the amortised cost, while other profits or losses deriving from a fair value change are recognised in a specific shareholders' equity reserve until the financial asset is cancelled. At the time of disposal, whether total or partial, the profit or loss accumulated in the valuation reserve is entirely or partially reversed to the profit and loss account.

Equity instruments for which the choice was made to classify them among the present category are measured at fair value and the amounts recognised in a balancing entry under shareholders' equity (Statement of Comprehensive Income) do not need to be subsequently transferred to the profit and loss account, even in the case of disposal. Dividends are the only component relative to the equity securities in question recognised in the profit and loss account.

Fair value is determined on the basis of the criteria already illustrated for financial assets measured at fair value through profit and loss.

For equity securities in this category not listed on an active market, the cost criteria is used as an estimate of the fair value solely in a residual manner and limited to special circumstances.

Financial assets measured at fair value through other comprehensive income, in the form of debt securities and receivables, are subject to the impairment established under IFRS 9, in the same way as asset at amortised cost, with consequent recognition of a value adjustment in the profit and loss account to cover expected losses. More specifically, for instruments classified in stage 1 (that is financial assets at the time of origination, if not impaired, and instruments for which no significant increase in credit risk has been seen with respect to initial recognition) one year expected losses are recognised at initial recognition and at every subsequent reporting date. On the other hand, for instruments in stage 2 (performing but with a significant increase in credit risk with respect to initial recognition) and in stage 3 (impaired exposures) lifetime expected losses are recognised for the financial instrument.

Financial assets are cancelled from the financial statements only if the disposal involves substantial transfer of all the risks and benefits associated with the assets in question. On the other hand, if a significant portion of the risks and benefits associated with the financial assets disposed of is maintained, these continue to be recognised in the financial statements, even if legal ownership of the assets in question has been effectively transferred.

In the case in which substantial transfer of the risks and benefits cannot be ascertained, the financial assets are cancelled from the financial statements if not type of control has been

maintained over them. If not, conservation, even partial, of this control means the assets are kept in the financial statements in an amount equal to the residual involvement, measured by the exposure to changes in value of the transferred assets and to changes in the cash flows from the same.

Finally, financial assets transferred are cancelled from the financial statements in the case in conservation of contractual rights to receive relative cash flows is conserved, with the simultaneous obligation to pay said flows to other third parties, and only said flows, without a significant delay.

Financial assets measured at amortised cost

Classification criteria

This category includes financial assets (in particular loans and debt securities) which meet both of the following conditions:

- The financial asset is held under a Hold to Collect business model, whose objective is achieved by collecting the contractual cash flows.
- The contractual terms of the financial asset establish, on set dates, cash flows representing solely payments of principal and interest (SPPI test passed).

Based on the general rules established under IFRS 9 regarding reclassification of financial assets, reclassification towards other financial asset categories is not allowed unless the entity changes its business model for financial asset management.

Recognition criteria

Initial recording of financial assets takes place on the settlement date. At initial recognition, financial assets classified in this category are measured at fair value, including any directly attributable costs or proceeds.

In particular, initial recognition of a loan occurs on the date the contract is signed, normally coinciding with the date of disbursement. If these dates do not coincide, when the contract is signed, a commitment to disburse the funds is also recognised, which is cancelled on the date the loan is disbursed.

Recognition of the loan is done on the basis of the fair value of the same, equal to the amount disbursed, or the subscription price, including costs/proceeds directly attributable to the individual loan and able to be determined at origin, even if liquidated at a later time. Even if they have the same characteristics, costs which are repaid by the debtor counterparty or can be classified among normal internal administrative costs are excluded.

Measurement criteria

After initial recognition, the financial assets in question are measured at amortised cost, using the effective interest rate method and recognising interest income accruing during the period/financial year in item 10. Interest income and similar revenues in the profit and loss account.

The amortised cost method is not used for assets, measured at historic cost, which have a brief duration making the effects of discounting negligible, for those without defined maturity.

Financial assets in this category, regardless of their technical form, must be subjected to impairment tests, recognising the relative effects under profit and loss account item 130. Net value adjustments/write-backs for credit risk relative to a) financial assets measured at amortised cost.

Profits or losses achieved through the sale of these assets is recognised within profit and loss account item 100. Profit/loss from sale or repurchase of: a) financial assets measured at amortised cost.

Impairment

With regards to the new *impairment model introduced by IFRS 9*:

- methods were defined to measure credit quality of positions in the portfolio of financial assets measured at amortised cost;
- parameters were determined to assess increased credit risk, for the purposes of proper classification of performing exposures in either stage 1 or 2.
With respect to the classification logic for exposures in stage 3, "impaired/default" exposures, IFRS 9 does not provide a definition of the term "default", but requires each entity to provide their own definition. Therefore, every entity must provide itself with a definition of default that is consistent with its own situation, both in terms of types of assets and risk management practices. In the light of these regulatory requirements, the parent company considers as in default positions for which legal collection actions have begun;

- models were developed to be used for stage allocation, as well as for calculated one-year expected credit loss (ECL) (applied to exposures in stage 1) and lifetime expected credit loss (applied to exposures in stages 2 and 3).

Given the lack of internal loss rates after default, the assignment of Loss Given Default (LGD) to individual positions is done by making use of regulatory values or those derived from benchmarks, considered on a flat basis for the entire duration of the loan or appropriately updated, evaluating whether or not prudential margins should be used.

For on balance sheet positions, the parent company uses cash flows resulting from the effective amortisation plans of loans to determine exposure at default. More specifically, for the first year (positions in stage 1 and 2), the respective values in the consolidated financial statements are considered, while for subsequent years (stage 2), the residual debt associated with the capital portion of the exposure is considered, as in the IAS plan.

The parameters used for stage allocation are the following:

trade receivables:

- the threshold for impairment for receivables due from public administration has been set at one year;
- intragroup receivables are conventionally classified in stage 1;
- for the remaining cases, the threshold for impairment was left at 2 years.

financial receivables:

- intragroup receivables are conventionally classified in stage 1;
- loans with amortisation plans are measured separately between maturing loans and over due loans (as in the first scenario).

Probability of Default (PD) is determined as follows:

- for over due loans, PD at one year is applied, in the hypothesis that the receivables come due within the next 12 months;
- for invoices to be issued, a risk exposure time frame of 2 years is considered, therefore cumulative PD at 2Y is applied;
- for intragroup relationships, the PD for the parent company's institutional sector is applied (public administrations).

These criteria and the relative thresholds are defined at initial application and are updated at least once a year.

With reference to the securities portfolio, the approach adopted for allocation and transfer between stages is as follows:

- for securities which at the reporting date have an investment-grade rating (see the table below), the LCRE is applied, or they are allocated directly to stage 1 on the basis of the requirements outlined above;
- for securities which at the reporting date have a speculative-grade rating, the credit rating trend of the counterparty between the purchase/subscription date and the reporting date is considered, measured as a change in the rating class. Significant impairment leading to classification in stage 2 is defined by a decrease of at least 2 notches on the rating scale. On the other hand, if a credit event objectively occurs, the exposure is classified stage 3. If not significant

impairment of the position is seen, it is classified in stage 1 in accordance with the Standard.

In any case, classification and transfers comply with a symmetric and relative model. In fact, at every reporting date, reclassification of the positions among the stages is carried out, both upwards and downwards, based on changes in the conditions that led to the prior staging.

If no information is available for determining significant impairment or low credit risk, the position must be classified in stage 2. Ratings, provided by an info provider, are carefully updated at each reporting date.

Assessment of financial assets, whether performing or in stage 3, also reflects the best estimate of the effects of future conditions, above all those associated with the economic situation, on the basis of which forward looking PD and LGD are estimated. From a methodological point of view, at every consolidated financial statements reporting date, the parent company must measure the impairment of a financial instrument on the basis of:

- 12-month Expected Credit Loss (ECL) for instruments classified in stage 1;
- Lifetime Expected Credit Loss (LECL) for instruments classified in stage 2.
-

The impaired portfolio¹ is instead classified in stage 3 and continues to be measured using the Impairment Lifetime method.

Offsetting of financial assets and liabilities

IAS 32 regulates offsetting criteria between financial assets and liabilities. Specifically, a company can recognise the net balance in the statement of financial position if the following conditions are all respected:

- i. the company has the legal right to offset amounts recognised in the accounts;
- ii. the company intends to extinguish the net residual amount or realise the asset and simultaneously extinguish the liability.

Exposure of the net balance is hence possible when the offsetting is able to reflect the future cash flows the company expects to obtain through the settling of two or more distinct financial instruments. When an entity has the right and the desire to receive or pay a single net amount, in effect they possess a single financial asset or liability. In other cases, financial assets and liabilities are presented distinctly, in line with whether they represent a resource or an obligation for the entity.

Offsetting of financial assets and liabilities

Risk hedging transactions are aimed at covering risks associated with changes in market value, or of future cash flows related to a specific element or group of elements, such as those having potential effects on the Group's profit and loss statement. The hedging employed is of the fair value category, its aim is to compensate the risk of variation in fair value (attributable to the

¹ IFRS 9 does not provide a definition of "default", but requires every entity to provide its own definition, consistent with that used internally by risk management to determine credit risk for significant financial instruments, and which must also consider qualitative indicators if appropriate. Therefore, every entity must provide itself with a definition of default that is consistent with its own situation, both in terms of types of assets and risk management practices. In the light of these regulatory requirements, Invitalia considers as in default positions for which legal collection actions have begun.

various types of risk) of assets and liabilities recorded in the financial statements or portions thereof, of groups of assets/liabilities, irrevocable undertakings and portfolios of financial assets and liabilities, as permitted by IAS 39 and approved by the European Commission.

Financial derivative hedging instruments, like all derivatives, are initially recorded and subsequently valued at fair value. In particular, in the case of risk coverage at fair value, we compensate the variation of fair value of the element being hedged with the change in fair value of the hedging instrument. This offsetting is recognised through the Profit and Loss account entry of changes in value, referred both to the hedged instrument (as regards the changes produced by the underlying risk factor), and to the hedging instrument. Any difference, which represents the partial ineffectiveness of the hedge, consequently constitutes the net financial effect. A derivative instrument is designated as hedging if there is a formal documentation of the relationship between the hedged item and the hedging instrument and if it is effective from the time the hedge begins and, prospectively and retrospectively, throughout the life of the hedge. The effectiveness of the risk coverage depends on the extent to which the variations of the fair value of the hedged item are offset by that of the hedging instrument. Therefore, the effectiveness is appreciated by comparing the aforementioned changes, taking into account the intent pursued by the company at the time the hedge was implemented. We have accounting effectiveness when the variations of fair value of the hedging instrument almost entirely neutralise the changes in the hedged item (i.e. within a 80% - 125% range) for a given risk to the latter (dollar offset method). The assessment of effectiveness is carried out at each financial statement closure or interim period. If the checks do not confirm the effectiveness of the hedge, from that moment the accounting of hedging transactions is interrupted; the derivative contract is reclassified among the trading instruments and the hedged financial instrument re-acquires the valuation criterion corresponding to its classification in the financial statements. IAS 39 allows for the fair value risk coverage instrument to consist of not only in a single financial asset or liability but also a monetary amount resulting from a multiplicity of financial assets and liabilities (or portion thereof), so that a set of derivative contracts can be used to reduce swings from the fair value of the hedged instruments as market interest rates change (so-called generic hedge or macro-hedging). Net amounts arising from the mismatch of assets and liabilities cannot be the subject of generic hedging.

Similarly to specific hedging of fair value (micro-hedging), generic hedging is considered highly effective if, both at the beginning and during its life, changes in the fair value of the hedged monetary amount are offset by changes in the fair value hedging derivatives, and if the actual results are within the range required by IAS 39.

Equity investments

Equity investments in companies subject to significant influence are valued using the equity method, recording the portion of the gains or losses accrued during the period in the profit and loss account. Where applicable, the valuation performed with the aforementioned method takes into account any way out shareholders' agreements which define the Group's decisions on matters of timing and methods for determining the disposal price of such investments, which can be determined on the basis of agreed methodologies.

Investments in companies subject to significant influence also include those acquired in connection with the implementation of subsidy measures financed by national and/or EU funds for which the risk is totally or partially covered by said funds.

Equity investments in non-significant companies are measured at cost. In the presence of objective evidence of impairment, recoverability is verified by comparing the recognised value of the equity investment with the relative recoverable value, represented by the greater of fair value net of disposal costs and value in use. When the reasons behind impairment no longer exist, equity investments are revalued within the context of the impairment recognised, with the effects recognised in the profit and loss account.

The risk deriving from any losses exceeding the carrying value of the equity investment is recognised in a dedicated provision and weighted according to the parent company's commitment to comply with legal obligations or those that are implicit for the investee in question or, in any case, in a manner sufficient to cover its losses.

Non-significant companies also include companies in which a majority of share capital is held but no real management power exists.

Companies acquired using third-party funds under management, relative to subsidy measures for which the Agency is exclusively responsible for implementing such measures are not recognised among equity investments but under commitments.

Property, plant and equipment

Classification criteria

The item includes land, buildings, furniture, plant and machinery. Property, plant and equipment are initially recognised at cost, which includes, in addition to the purchase price, any directly attributable accessory costs required to purchase the asset and render it operational. Extraordinary maintenance expenses that involve an increase in future economic benefits are recognised as an increase in the value of the assets, while other maintenance costs are recognised in the profit and loss account.

The item also includes renovation costs for third party real estate, which are capitalised in consideration of the fact that for the duration of the contract granting use of the asset (lease, rental, concession, etc.) the user company has control of the assets and can derive future economic benefits from them.

Measurement criteria

Property, plant and equipment are measured at cost, minus any depreciation or losses of value. The depreciable value is represented by the cost of the assets (or the redetermined net value when the measurement method adopted is that of redetermining the value), net of the residual value at the end of the depreciation process, if significant. Property is amortised at a rate deemed appropriate to represent the depreciation of the assets over time based on their use, taking into account extraordinary maintenance expenses, which increase the value of the assets.

Remodelling costs for non-owned properties are amortised for a period that does not exceed the duration of the usage contract.

If there is evidence that demonstrates an asset may have lost value, a comparison is made between the carrying value of the asset and its recoverable value. Any adjustments are recognised in the profit and loss account.

If the reasons that led to recognising impairment no longer exist, a reversal is recognised, which cannot exceed the value the asset would have had, net of calculated depreciation, if the impairment had not previously been recognised.

Cancellation criteria

Property, plant and equipment are removed from the statement of financial position at the time of disposal or when the asset is withdrawn from use and no future economic benefits are expected from disposal.

The positive or negative balance between adjustments/reversals on property, plant and equipment held for operating purposes or investment, or constituting inventories of assets measured pursuant to IAS 2, including those relative to assets acquired through financial leases, must be recognised in the profit and loss account under item 180. Net adjustments/write-backs on tangible assets.

Additionally, for property, plant and equipment measured at fair value for operating or investment purposes and for inventories, the positive or negative balance between write-downs/write-backs must be recognised in the profit and loss account under item 230. Net result of fair value measurement of property, plant and equipment and intangible assets.

Intangible Assets

Classification criteria

Intangible assets are recognised as such if they are identifiable and originate through legal or contractual rights. Goodwill is also recognised among intangible assets, representing the positive difference between the purchase cost and fair value of the assets and liabilities pertaining to an acquired business.

Recognition and measurement criteria

Intangible assets are recorded at cost and adjusted for any related charges only if it is probable that the future financial benefits attributable to the assets will be realised and if the cost of the assets can be reliably determined. Otherwise, the cost of an intangible asset is recognised in the profit and loss account in the financial year in which it was incurred.

Essentially, to recognise an intangible asset, the following conditions must be met:

- i. The cost of the asset can be reliably determined.
- ii. The asset is able to produce future economic benefits for the company.

Intangible assets must be recognised:

- i. At purchase cost, if acquired from third parties or executed on the basis of contracts (contract work in progress). This cost includes any directly attributable accessory charges (e.g. installation and commissioning expenses, notary expenses, registration expenses, any non-deductible VAT) and is decreased by any commercial discounts received. If payment for an intangible asset is deferred beyond the normal terms, the cost must be discounted and determined on the basis of the equivalent cash price; the difference between this amount and the total payment is recognised as a balancing entry to the payable as interest expense throughout the period the debt exists;
- ii. At the direct production cost, if constructed in-house: the direct production cost, especially with reference to the group's core business, can include the cost of personnel involved in implementing the intangible asset if this can be easily calculated and adequately demonstrated (e.g. through the preparation of specific reports or time sheets); other attributable costs may include professional fees suffered directly to bring the asset to operational status, as well as costs to determine whether the asset is operating correctly;
- iii. With regards to intangible assets acquired so that they can be enjoyed (through a user license), it is possible to capitalise only a one-time fee. Periodic fees (subscription costs, royalties, etc.) are instead considered operating expenses. Under certain circumstances, an intangible asset may be acquired entirely or partially without any expenses, through a government grant. This may occur in the case in which the government transforms or distributes intangible assets such as licenses to activate radio stations, import licenses or units or rights to access other limited resources. The asset received and the contribution are recognised at a symbolic value.

For assets with a defined useful life, the cost is amortised at constant rates or at decreasing rates determined as a function of the flows of economic benefits expected from the asset. Assets with undefined useful life are not subject to systematic amortisation, but instead undergo

periodic tests to verify the adequacy of the value recognised in the consolidated financial statements.

If there is evidence that demonstrates an asset may have lost value, its recoverable value is then estimated. The amount of the loss recognised in the profit and loss account is equal to the difference between the book value and recoverable value of the asset.

The positive or negative balance between value adjustments/write-backs relative to intangible assets other than goodwill, including those relative to assets acquired through financial leases and assets granted through operating leases, must be recognised in the profit and loss account under item 190. Net adjustments/write-backs on intangible assets.

Additionally, for intangible assets measured at fair value, the positive or negative balance between write-downs/write-backs must be recognised in the profit and loss account under item 230. Net result of fair value measurement of property, plant and equipment and intangible assets.

Cancellation criteria

An intangible asset is eliminated from the statement of financial position at the time of disposal or when future financial benefits are no longer expected.

Non-current assets and asset groups held for sale

The separate recognition of "Non-current assets and asset disposal groups held for sale" and the relative liabilities responds to the need to provide more transparent information to readers of the financial statements. Current assets, vice versa, can be classified within the item "Non-current assets held for sale" solely when they are part of a disposal group. An asset disposal group is a collection of directly associated assets and liabilities, such as a cash generating unit, held for disposal through sale or otherwise, in a single transaction. In the case of asset groups, the assets and liabilities must be recognised separately in the consolidated financial statements, without the possibility of offsetting the two positions. The measurement standards outlined below do not apply to deferred tax assets, assets associated with employee benefits and financial assets falling under the scope of IFRS 9, whether they are held for sale as individual assets or included in an asset disposal group. Vice versa, the classification methods apply indistinctly to all non-current and current assets when included in a disposal group "held for sale", as well as the relative liabilities.

Assets held for sale are measured at the lower between the book value and the fair value net of sales costs, and are represented separately and distinctly in the consolidated financial statements.

The following assets can be classified as assets held for sale:

- i. Individual non-current assets;
- ii. asset disposal groups or asset and liability disposal groups;
- iii. discontinued operations.

Discontinued operations means a part of a company (for example a business unit) classified as held for sale and:

- i. Representing a significant area of business or geographic area of business;
- ii. Part of a coordinated plan to dispose of an area of business or geographic area of business, or
- iii. A subsidiary acquired solely for the purposes of being resold.

Classification of assets held for sale

Classification within assets held for sale can be chosen if the following conditions are met:

- i. The book value is mainly recovered through sale, rather than through operating use;
- ii. The sale is highly probable.

The sale is considered highly probable if:

- i. Company management is committed to the sale through a sales plan and a plan to identify the buyer;
- ii. The sales price is reasonable with relation to the current fair value;
- iii. The sale is to occur within one year of the reclassification date;
- iv. Activities to complete the plan suggest it is unlikely that significant changes will be made to the sales plan or that the plan will be withdrawn.

Extension of the cited one-year period to complete the sale does not preclude classification among "assets held for sale" if the delay is caused by events or circumstances outside the control of company management and if sufficient evidence exists that management will remain obligated relative to the sales plan.

If the sales period extends past one year, the classification of assets held for sale must be maintained in the following cases:

- i. Company management is committed to the sales plan but expects that others, not the buyer, will impose conditions on the sale which will increase the period necessary for the disposal;
- ii. There is a binding commitment to purchase but the buyer or other parties impose new conditions on the sale, unexpectedly;
- iii. During the initial one year period circumstances arise which were previously considered improbable and which increase the sales period.

The requirements above must exist as of the consolidated financial statements reporting date. Any assets (of asset groups) which meet these requirements after the consolidated financial statements reporting date but prior to approval of the same lead exclusively to the need for a similar disclosure to that required in the first financial year in which the asset was classified as an "asset held for sale".

Within the company, this item indicates non-strategic investments up for sale or for which the disposal process has begun. These assets, both due to the Group's operating characteristics and the special nature of the assets held for sale (associated with disposal or liquidation times) may, in specific cases, be classified under and kept in this item regardless of liquidation/disposal schedules.

Measurement of assets held for sale

Assets held for sale must be measured at the lower between the book value and the fair value net of sales costs.

If the sale extends for more than one year, sales costs must be measured at the current value. Any increase in the current value of the sales cost deriving from the passage of time must be recognised in the profit and loss account as a financial charge.

The book value of assets held for sale must be determined immediately prior to classification, taking into account the IFRS/IAS applied up to that time. At the consolidated financial statements (or interim) reporting date, the book value determined in this way must be aligned with the fair value net of sales costs for the asset held for sale, if this amount is lower, recognising a write-down. In the case of a cash generating unit, the write-down must be recognised as a decrease in the book value of any goodwill allocated, and subsequently to reduce the other assets in proportion to their respective book value.

Capital gains cannot be recognised in excess of cumulative write-downs.

Assets held for sale must not be amortised after they have been classified as such.

Assets held for sale which are part of a business combination must be valued exclusively at fair value net of sales costs.

Fair value adjustments net of sales costs deriving from classification are recognised in the profit and loss account as impairment, while any write-backs deriving from fair value increases net of sales costs may only be recognised within the limits of the impairment previously recognised.

If the conditions required for classification among assets held for sale no longer exist, the relative assets must be recognised at the lower between:

i. The book value prior to classification as assets held for sale, adjusted for any amortisation, depreciation or remeasurement that would have been recognised if the classification had not been made, and

ii. The value recoverable through use.

Book value adjustments deriving from removal of classification as assets held for sale must be recognised in the profit and loss account among capital gains and losses relative to operating assets.

Representation of assets held for sale in the financial statements

Assets held for sale must be separately recognised in the statement of financial position, without adjusted the comparative information, based on the following criteria:

i. Non-current assets must be represented as current assets in a separate entry;

ii. Assets and liabilities for an asset held for sale must be represented as current assets and liabilities in a single separate entry without the possibility for offsetting;

iii. Cost and revenue components recognised in the schedule of other profit and loss components and relative to a non-current asset or assets or liabilities of an asset held for sale must be recognised separately.

Equity investments in subsidiaries or joint ventures held for sale are not excluded from consolidation, but must be recognised in the statement of financial position schedule in separate entries, indicating the total assets and liabilities of the subsidiary, measured at the lesser between the book value and fair value net of sales costs.

Solely for discontinued operations, a single amount is recognised in the profit and loss account, deriving from:

i. Profit and loss after tax realised in the held for sale period and in all previous periods presented;

ii. Gains and losses after taxes deriving from fair value adjustment and disposal.

Additionally, the following must be indicated in the notes:

i. The amount of revenues, costs, profit or loss before taxes;

ii. The amount of income taxes;

iii. The amount of gains and losses after taxes deriving from fair value adjustment and disposal.

In the statement of cash flows, the amount of cash flows deriving from operating activity and financing of the discontinued operation must be reported separately.

The positive or negative balance of income (interest, dividends, etc.) and charges (interest payable, amortisation, etc.) relative to groups of assets held for sale and the associated liabilities, net of current and deferred taxes, must be recognised in the profit and loss account under item 290. Profit (loss) after tax from discontinued operations.

Financial liabilities measured at amortised cost

Classification criteria

Amounts due to banks, due to customers and securities issued include the various types of funding. They also include payables recognised by the business as the lessee for financial leasing operations.

Recognition criteria

Initial recognition of these financial liabilities occurs on the date the contract is signed, which normally coincides with the time the sums are received or the debt securities are issued. Initial recognition is done on the basis of the fair value of the liability, normally equal to the amount received or the issue price, plus an additional costs/proceeds directly attributable to the individual funding operation. Internal administrative costs are excluded.

Measurement criteria

After initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

Short-term liabilities are the exception, for which the temporal factor is negligible. These continue to be recognised at the value received.

Cancellation criteria

Financial liabilities are cancelled from the financial statements when they mature or are paid off. Cancellations also occur when previously issued bonds are repurchased. The difference between the book value of the liability and the amount paid to acquire it is recognised in the profit and loss account. When own securities are again placed on the market after repurchase, this is considered a new issue, with recognition at the new placement price.

In the case of a repurchase of own financial liabilities, the positive or negative balance between profits and losses must be recognised under item 100. Profit/loss from sale or repurchase of c) financial liabilities.

Financial liabilities held for trading

These financial instruments are recognised on the subscription or issue date at the fair value of the instrument, without considering any transaction costs or proceeds directly attributable to the instruments in question.

All liabilities held for trading are measured at fair value, with the valuation recognised in the profit and loss account.

Financial liabilities held for trading are cancelled from the financial statements when the contractual rights to the relative cash flows expire or when the financial liability is disposed of, with the substantial transfer of all the risks and benefits deriving from ownership of the same.

Financial liabilities at fair value

This item includes financial liabilities designated at fair value with a balancing entry in the profit and loss account, on the basis of the possibility granted to companies ("fair value option") under IFRS 9 and for the cases allowed under the reference regulations.

Recognition of these liabilities occurs on the issue date in an amount equal to their fair value, including the value of any embedded derivatives and net of placement fees paid.

These liabilities are measured at fair value, with the result recognised based on the following rules under IFRS 9:

fair value changes attributable to changes in own credit standing must be recognised in the statement of comprehensive income (shareholders' equity);

remaining fair value changes must be recognised in the profit and loss account.

Financial liabilities at fair value are cancelled from the financial statements when the contractual rights to the relative cash flows expire or when the financial liability is disposed of, with the substantial transfer of all the risks and benefits deriving from ownership of the same.

Other liabilities

The item other liabilities includes security deposits received in cash from third parties and tax payables due after twelve months.

The item other liabilities also includes: other short-term payables to third parties; other types of payables (for example: payables due to social security entities, amounts due to employees for wages to be paid; payables for amounts received in the name of and on the account of third parties; payables for advances from clients); accrued expenses and deferred income.

Also for short-term financial instruments in liabilities, for the purposes of measurement/valuation at amortised cost no discounting of the financial instrument is done, as the effect is insignificant. With reference to payables due to personnel, these are obligations to pay a determined amount on an established date. Hence, these are certain liabilities with regards to their existence and amount. Those which are probable or based on estimates and actuarial calculations are recognised under the item employee benefits.

In particular, this item includes the following types of payables:

- i. Amounts due to insurance and social security institutions;
- ii. Accrued expenses and deferred income;
- iii. Advances from suppliers.

Payables represent an obligation to pay a determined amount on an established date. Hence, these are certain liabilities with regards to their existence and amount. Those which are probable or based on estimates are recognised among provisions.

The item also includes interest expense deriving from amounts due to others, both when the accrual period is relative to two accounting periods and when the interest is fully accrued at the end of the period.

This item includes payables for third-party funds under management, relative to subsidy measures for which the Agency is responsible for implementation.

For these funds, the accounting treatment above is not done, with the supposition that the economic and equity effects are absorbed by the relative loans.

This item also includes contributions received.

Government grants

IAS 20 establishes that government grants must be recognised in the consolidated financial statements if and only if there is "reasonable certainty" that:

- i. The entity will respect the established conditions;
- ii. The contributions will be received.

Government grants must be recognised based on the profit system, that is they must be recognised among profit in the profit and loss account, based on a systematic and rational criteria, in financial years necessary to correlate them with the costs to which they refer.

Government grants cannot be recognised directly in shareholders' equity. In other words, recognition based on the "equity system" is not allowed.

Types of government grants:

IAS 20 establishes the following types of government grants:

i. **Capital Grants/Systems Grants:** Capital grants mean "government grants for which an essential condition for being a recipient is building or in any case acquiring a fixed asset". The grant is hence linked to the execution or purchase (or other type of acquisition) of property, plant and equipment or intangible assets, whose utility is extended over time, or instrumental goods for the company;

Accounting:

The value of this type of grant is suspended within Liabilities and progressively released to the profit and loss account in the item "Other operating income" proportionally to the duration of the useful life of the reference asset, thereby correlating it to amortisation/depreciation of the asset itself.

ii. **Operating grants:** Operating grants refers to a residual category, or all government grants other than capital grants.

Accounting:

This type of grant, associated with cost components, must be recognised with "Other operating income", and systematically distributed in the various financial years in which they accrue so that the revenues are commensurate with the costs they are intended to offset.

In line with the "profit" criteria, if a grant is related to future costs, the contribution is recognised in the profit and loss account in the financial year in which the charge for which the contribution was recognised occurred. In the event that a grant is paid in order to provide financial support to the company, the grant is recognised in the profit and loss account only in the financial year in which it becomes payable.

Given the company's characteristics, with specific reference to capital grants, the relative assets can be recognised based on the activity to which the grant itself refers, for example:

- i. 80. Property, plant and equipment;
- ii. 110. Non-current assets and asset groups held for sale
- iii. 120. Other assets – [Inventories];

Information pursuant to paragraphs 125 and subsequent of article 35 of Italian Legislative Decree No. 34 of 30 April 2019 are reported in the individual items to which the grants, subsidies, etc. refer.

Employee termination benefits (Employee benefits)

The liability related to benefits guaranteed to employees paid in connection at or after the termination of employment through defined benefit plans, as represented by the Employee Severance Indemnity, is recorded in the vesting period, net of any assets servicing the plan and the advances paid, and is determined on the basis of actuarial assumptions and entered under the accruals principle in accordance with the work performed in order to earn the benefits themselves. For the purposes of discounting, we adopt the Projected Unit Credit Method. The costs of the plan are recorded in the profit and loss account for the period.

Actuarial gains and losses are entirely recognised in the reference period and are recorded under shareholders' equity.

The actuarial analysis is carried out annually by an independent actuary.

Provisions for risks and charges

Provisions are instated exclusively when:

- a current obligation exists (legal or implicit) as a result of a past event;
- there is a probability resources will be required to produce economic benefits to fulfil the obligation and a reliable estimate of the amount of the obligation can be made.

The provisions are recorded at the value representing the best estimate of the amount that the company would pay to extinguish the obligation or to transfer it to third parties at the closing date of the financial year. Risks for which only the emergence of a liability is possible are disclosed in these notes or in the Directors' Report on Operations, without making any applicable provision. If the effect of discounting is significant, the provisions are determined by discounting the expected future cash flows at a discount rate that reflects the current market valuation of the cost of money and the specific risks of the liabilities. When discounting is applied, the increase in the provision due to the passage of time is recognised as a financing cost [interest expense].

Provisions for risks and charges relative to commitments and guarantees given include provisions for credit risk recognised against commitments to disburse funds and guarantees given falling under the scope of the impairment rules under IFRS 9. For these cases, as a general principle the same credit risk staging and expected loss calculation methods are used indicated with reference to financial assets measured at amortised cost or at fair value through other comprehensive income.

Current and deferred taxes

The effects related to current and deferred taxes calculated in compliance with national tax legislation on the basis of the accruals method are recorded, in line with the methods for recognising the costs and revenues that generated them, applying current tax rates.

Income taxes are recorded in the profit and loss account with the exception of those related to items debited or credited directly to equity.

The provision for income taxes is determined on the basis of a prudent forecast of the current, anticipated and deferred tax burdens.

Prepaid and deferred taxes are calculated on the basis of temporary differences - without time limits - between the value attributed to an asset or liability according to statutory criteria and the corresponding values assumed for tax purposes.

Prepaid and deferred taxes are recorded:

- prepaid taxes only if the probability of their recovery exists, assessed on the basis of the company's ability to continuously generate positive taxable income;
- deferred taxes, if they exist, are recorded in any case.

Assets and liabilities recorded for prepaid and deferred taxes are systematically valued to take account of any changes in the regulations or rates.

If deferred tax assets and liabilities refer to components that have affected the profit and loss account, the contra-entry is represented by income taxes. In the cases in which prepaid and deferred tax relate to transactions that directly affected the shareholders' equity without affecting the profit and loss account (such as the valuation of financial instruments available for sale or financial flow hedging derivatives), these are recorded as contra-entries under shareholders' equity, with an effect on the related specific reserves.

Recognition of revenues

Revenues are recognised once a customer obtains control over the goods. Identification of transfer of control is determined on the basis of a five-stage analysis model which applies to all revenues from contracts with customers:

- i. Identification of the contract with the customer;
- ii. Identification of performance obligations (contractual commitments to transfer goods and/or services to the customer);
- iii. Determination of the transaction price;

- iv. Allocation of the transaction price for the performance obligations identified on the basis of the stand alone sales price for each good or service; and
- v. Recognition of the revenues for each individual performance obligation one it has been satisfied.

Every time a contract is signed with a client, the Company, in relation to the goods or services promised, identifies as a separate performance obligation each distinct promise to transfer a good, service, series of goods, or series of services, or combination of goods and services. Revenues are measured in correspondence with the fair value of the fee due, including any variable components, when it is held to be highly probable that these will not be reversed in the future.

Revenues can be recognised:

- at a precise moment, when the entity fulfils its performance obligation by transferring the promised good or service to the client, or
- over time, as the entity gradually fulfils its performance obligation by transferring the promised good or service to the client.

Revenues are recognised to the extent that it is possible to reliably determine their value and according to the probability that the related financial benefits will be achieved by the Company. Depending on the type of transaction, revenues are recognised on the basis of the specific criteria set out below:

- Sale of goods - Revenues are recognised when the significant risks and rewards of ownership of the assets are transferred to the purchaser;
- Provision of services - Revenues are recorded with reference to the stage of completion of the activities on the basis of the same criteria as those for contract work in progress. In the event that the value of revenues cannot be reliably determined, the latter are recognised up to the amount of the costs incurred, which, in turn, are deemed to have been recovered;
- Interest - Income is recognised on the basis of interest accrued on the net value of the related financial assets using the effective interest rate (rate that precisely discounts estimated future cash flows at the net carrying amount of the asset);
- Dividends - These are recorded when the shareholders' right to receive payment is established;
- Fees considered within the amortised cost for the purposes of determining the effective interest rate are recognised among interest;
- Revenues or costs deriving from the sale of financial instruments, determined as the difference between the fee paid or received from the transaction and the fair value of the instrument, are recognised in the profit and loss account when the transaction is recognised.

The parent company essentially operates with two different cases:

- **Contracts for the sale/execution of goods/services:** in which the revenue from the public administration is directly commensurate with the costs sustained, which are reported to and approved by the same.
- **Contracts based on which it acts as the "Delegated Contracting Authority":** the public administration contracts Invitalia to carry out the call for tender to execute a work or service by a third supplier.

Pursuant to the new accounting standard IFRS 15, the contractual price component relative to contracts identified as "delegated contracting authority", characterised by the fact that Invitalia acts as an agent, or in which the performance obligation consists in acting so as to ensure a third party supplies the specific good or service, the portion relative to the cost of

the third party supplier is no longer recognised among revenues, but serves to reduce the cost sustained to fulfil the performance obligation.

Use of estimates and assumptions in the preparation of financial disclosures

In accordance with IAS/IFRS, the company management formulates assessments, estimates and assumptions to support the application of accounting standards for determining the amounts of assets, liabilities, costs and revenues recorded in the consolidated financial statements. The estimates and related assumptions are based on past experience and other factors considered reasonable in the case in question, and have been adopted to estimate the book value of assets and liabilities which is not easily deducible from other sources.

In particular, estimation processes have been adopted to support the recognition value of the most significant valuation items recorded in the Financial Statements as at 31 December 2019, as required by the accounting standards in force and by the reference standards described above.

These processes are based largely on estimates of future recoverability of the values recorded in the financial statements and were carried out with a view to business continuity, i.e. excluding the possibility of forced liquidation of the items being valued. The estimates and related assumptions are based on past experience and on other factors considered reasonable in relation to the assets and liabilities for which the relative value is not easily deducible from other sources.

The estimates and hypotheses are reviewed regularly, taking into account the best information available at the time of the physiological review of the same, including the historical experience specifically developed by the Group. Any changes resulting from these revisions are recorded in the period in which the revision is carried out if the same affect only that period. On the other hand, where the review involves both current and future periods, the change is recognised in the period in which the review is carried out and in the relative future periods.

The main cases where the use of subjective assessments is required in these Consolidated Financial Statements are listed below:

- Quantification of losses due to impairment of loans and other financial assets (determined for impaired loans on the basis of the estimate of future cash flows net of recovery costs and the presumed value of collateral);
- Quantification of the provisions for risks and charges (determined on the estimate of the disbursements necessary for the fulfilment of the obligations for which it is considered probable that resources will be used);
- Quantification of severance indemnity (determined using the estimate of the current value of obligations related to probable disbursements that are discounted considering financial aspects - interest rates - presumed salary trends, turnover rates and demographic data);
- Tax assets (the entry of items related to tax assets is based on the hypothesis that in the coming years the Agency will generate taxable income for amounts that, with reasonable certainty, will sustain offsets on the future taxes to be paid on said income and thus the full absorption of deferred tax assets).

A.3 Information on transfers between portfolios of financial assets

During 2019, the Group carried out reclassifications in its securities portfolios, transferring them from fair value through profit and loss to amortised cost, due to the change in the business model aimed at constructing a securities portfolio to be held over the long-term.

The effects of this reclassification are presented below in the notes, in correspondence with the item financial assets measured at amortised cost - Item 40.

A.4 Fair value disclosure

Fair Value of Derivatives

Determination of the fair value of derivatives is based on level 2 input, as these instruments are not traded on active markets. In particular, fair value determination is based on spot interest rate curves and forward values, as well as volatility of money market rates. Derivatives in the portfolio, all of which are hedges, can be grouped into two categories based on the complexity of the relative financial structure: interest rate swap plain vanilla and structured basis swaps. For each of the classes of derivatives indicated above, below we provide the measurement models adopted.

1) Interest rate swap plain vanilla.

This class includes three derivative contracts stipulated as fair value hedges, with the following characteristics:

IRS (received fixed rate, pay Euribor 6 month) covering the liability.

Measurement of these positions is done on the basis of the profit method. In particular, this involves applying the discounted cash-flow method, which involves:

- an estimate of uncertain future interest flows, indexed to the Euribor 6-month, carried out by determining the forward values of the parameter implicit in the specific spot rate curve on the reference date;
- discounting of certain future interest flows and estimated future interest flows based on the previous point, to take into account the temporal value of the money.

2) Structured basis swaps.

This class includes a single derivative contract, stipulated as a fair value hedge:

basis swap (receive EurLibor 3 month, pay EurLibor 6 month) with a floor when buying and a knock-in cap when selling, covering a structured bond loan.

Measurement of this position is done applying the building blocks approach, which breaks up the structured position into its component elements:

- linear component: basis swap plain vanilla;
- optional component: rate option (floor) when buying;
- optional component: rate option (knock-in cap) when selling.

Measurement of the linear basis swap is done on the basis of the profit method. In particular, this involves applying the discounted cash-flow method, which involves:

- an estimate of uncertain future interest flows, indexed to the EurLibor 3 month for the receive portion and the EurLibor 6 month for the pay portion, carried out by determining the forward values of each parameter implicit in the specific spot rate curve on the reference date;
- discounting of estimated future interest flows based on the previous point, to take into account the temporal value of the money.

The optional floor component on the purchase side establishes that the Bank receives any positive difference between a pre-set strike price and the value of the EurLibor 3 month parameter at each operating date and hence can be represented as a portfolio of European put options on the interest rate (floorlets). It is measured using a closed formula approach using the 1976 Black model. The optional knock-in cap component on the sell side establishes that the Bank pays any positive difference between the EurLibor 3 month parameter and a pre-set

strike value at each of the operating dates, on the condition that the value of the EurLibor 3 month exceeds an additional pre-set value (barrier). The position can be represented as a portfolio of European call options on the rate with a barrier and measurement is done using a closed formula using a derivation of the 1976 Black model. With respect to the base model, this takes into account the probability that at each operating date the value of the parameter will not exceed the barrier and hence the option will not be activated. The cited 1976 Black model cannot be used when there are negative forward values for the EurLibor 3 month parameter, such as those implicit in the market curves during financial year 2017. On the other hand, it can be seen that, on the basis of market expectations (negative forward rates), the contractual strike (1%) and the residual life (less than one year), the fair value of the optional floor component is similar to that of an interest rate swap in which the Bank receives a fixed rate and pays the EurLibor 3 month. Similarly, with reference to the optional cap component, given that the barrier is set at 7%, under current market conditions the option is deep-out-of-the-money and has a negligible fair value which reflects the mere presence of a "temporal value" for the position, associated with its residual life.

In terms of measuring counterparty risk, the derivatives in question can be classified as:

I. contracts assisted by credit support annexes (CSA), with cash collateral and daily margining: counterparty risk for these positions is negligible and therefore no Credit Value Adjustment / Debt Value Adjustment (CVA/DVA) is applied;

II. contracts assisted by non-standard collateralisation clauses, with cash collateral and half-yearly margining: in this case, considering the scarce materiality of the CVA/DVA, counterparty risk is incorporated in the measurement by adopting an IRS rate curve in place of the risk-free curve when discounting cash flows, which includes a risk premium for a "medium" counterparty from the banking sector.

Following this structure, market factors influencing determination of the fair value of the derivatives refer to risk-free interest rates, EUR IRS interest rates, forward values for the EurLibor 3 month and EurLibor 6 month parameters, and for optional components, to the volatility of the EurLibor 3 month rate.

Input data for measurement models:

The discount factor curve used to determine fair value is obtained from a zero-coupon rate curve, using the day count ACT/365 convention and the composed capitalisation regime. In turn, the zero-coupon rate curve is obtained through bootstrapping and linear interpolation of a curve of par rates obtained from the market, which varies as described above based on the measurement in question:

I. cash collateral derivatives with daily margins and remuneration at the EONIA rate;

II. cash collateral derivatives with half-yearly margins and remuneration at the Euribor 6 month rate.

For derivatives under point I, a curve of EUR OIS rates taken from the market is used (source: Reuters). For derivatives under point II, a curve of EUR IRS rates taken from the market is used (source: Reuters). Forward values of the EurLibor 3 month and EurLibor 6 month parameters are calculated on the basis of a zero-coupon rate curve obtained through bootstrapping and linear interpolation starting from futures and forward rate agreement contracts (for maturities up to 12 months) and EUR IRS rates (for subsequent maturity dates). Volatility of the EurLibor 3 month parameter used to determine the fair value of rate options (knock-in cap, floor) derive from an implicit volatility matrix obtained from the market (source: Reuters) for a pre-established number of strike/maturity combinations. Determination of volatility in correspondence with a strike/maturity node not on the matrix is done through bilinear interpolation.

A.4.3 Fair value hierarchy

With regards to classifying portfolios based on fair value hierarchy, we here present the three levels:

- the fair value of a financial instrument is classified as **level 1** when it is an instrument listed on active markets which allow market prices to be used in a reliable manner for the purposes of measurement;
 - the fair value of a financial instrument is classified as **level 2** when it is an instrument not listed on an active market, but which in any case allows the respective fair value to be measured using measurement models based on observable market prices;
 - the fair value of a financial instrument is classified as **level 3** when it is an instrument not listed on an active market, and its respective fair value cannot be determined using measurement models based on observable market prices.
- Fair value measurements are classified on the basis of a hierarchy of levels that reflects the significance of the inputs used in the evaluations themselves.

PART B - INFORMATION ON THE STATEMENT OF FINANCIAL POSITION

Part B - Information on the Statement of Financial Position ASSETS

Amounts expressed in these notes are in thousands of euro, unless otherwise specified.

Section 1 - Cash and cash equivalents - Item 10 **1,067** **25,038**

1.1 Cash and cash equivalents: breakdown

	31/12/2019	31/12/2018
a) Cash	1,067	21
b) Demand deposits with central banks	-	25,017
Total	1,067	25,038

The decrease with respect to the previous year derives from the extraordinary nature of the balance at 31/12/2018, the date on which the amount of 25 million was accredited, used on 2/1/2019 to settle ECB auctions.

Section 2 - Financial assets measured at fair value through profit and loss - Item 20 **90,537** **123,313**

Description	31/12/2019	31/12/2018
a) financial assets held for trading	19,172	62,794
b) financial assets at fair value	54,548	48,148
c) other financial assets obligatorily measured at fair value	16,817	12,371
Total	90,537	123,313

Financial assets at fair value through profit and loss consist of financial assets held for trading in the amount of 20% of the item, with the remaining 60% consisting of assets designated at fair value. The residual portion consists of other financial assets necessarily measured at fair value. Within financial assets held for trading, around two thirds are domestic financial bonds with an average residual life of 3 years, which gained around € 290 thousand in revenue during the year.

Only one third of financial assets held for trading are made up of mutual investment funds with a prudent bond profile, selected from the offerings of the best and largest managers in the bond and prudent balanced sectors. This segment contributed around € 1.1 million to the profit and loss account, through realised profits and valuations.

Assets designated at fair value, totalling € 54,548 thousand, consist of investment policies with internal prudential management for around 85% of investments, stipulated with major insurance companies with the aim of stabilising revenues from cash and cash equivalents managed. The remaining 15% is made up of unit linked policies with capital protection. As a whole, policies contributed an amount of just over 1.3 million to the profit and loss account.

Part B - Information on the Statement of Financial Position
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Financial assets necessarily measured at fair value represent medium and long-term investments in closed end investment funds. The method used to determine the fair value is based on the latest NAV (Net Asset Value) available as notified by the fund manager. This NAV is modified on the basis of the calls and reimbursements notified by the managers between the date of the last official NAV valuation the and the valuation date.

2.1 Financial assets held for trading: product composition

Items/Values	31/12/2019	31/12/2018	
	L1	L1	L2
A. Cash assets			
1. Debt securities	13,151	33,104	
1.1 Structured securities	-	-	
1.2 Other debt securities	13,151	33,104	
2. Equity securities and UCITS shares	6,021	29,690	
3. Financing	-	-	
Total (A)	19,172	62,794	
Total (A+B)	19,172	62,794	-

2.3 Financial assets held for trading: breakdown by debtors/issuers/counterparties

2.1 Financial assets held for trading: product composition

Items/Values	31/12/2019	31/12/2018	
	L1	L1	L2
A. Cash assets			
1. Debt securities	13,151	33,104	
1.1 Structured securities	-	-	
1.2 Other debt securities	13,151	33,104	
2. Equity securities and UCITS shares	6,021	29,690	
3. Financing	-	-	
Total	19,172	62,794	
Total	19,172	62,794	-

Please see Annex A.1 for details of the change.

2.4 Financial assets measured at fair value: product composition

Items/Values	31/12/2019	31/12/2018
	L3	L3
1. Debt securities	54,548	48,148
1.2 Other debt securities	54,548	48,148
Total	54,548	48,148

2.5 Financial assets measured at fair value: breakdown by debtors/issuers

Items/Values	31/12/2019	31/12/2018
Debt securities	54,548	48,148
c) Other financial companies	54,548	48,148
Total	54,548	48,148

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Financial assets measured at fair value: annual changes

	Debt securities
Initial balance	48,148
Increases	
Purchases	24,500
Positive changes in Fair Value	1,263
Other	80
Decreases	
Repayments	(19,263)
Other	(180)
Closing balance	54,548

Please see Annex A.2 for details of the change.

2.6 Other financial assets obligatorily measured at fair value: product composition

Items/Values	Total	Total
	31/12/2019	31/12/2018
	L2	L2
2. Equity securities	-	
3. UCITS units	16,817	12,371
Total	16,817	12,371

2.7 Other financial assets obligatorily measured at fair value: breakdown by debtor/issuer

	Total	Total
	31/12/2019	31/12/2018
1. Equity securities	-	1
of which: other financial companies	-	1
3. UCITS units	16,817	12,370
Total	16,817	12,371

Please see Annex A.3 for details of the change.

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Section 3 - Financial assets measured at fair value through other comprehensive income - Item 30

747,966	715,751
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3.1 Financial assets measured at fair value through other comprehensive income: product breakdown

Items/Values	31/12/2019	31/12/2018
	L1	L1
1. Debt securities	747,966	715,751
1.2 Other debt securities	747,966	715,751
Total	747,966	715,751

3.2 Financial assets measured at fair value through other comprehensive income: breakdown by debtors/issuers

Items/Values	Total	Total
	31/12/2019	31/12/2018
1. Debt securities	747,966	715,751
a) Public administrations	747,966	715,751
Total	747,966	715,751

The item "financial assets measured at fair value" consists solely of Italian government securities (BTP) with a residual life of 2.8 years, held by the subsidiary Banca del Mezzogiorno-MedioCredito Centrale. The item suffered from a decrease, mainly due to the trend in the sovereign spread.

3.3 Financial assets measured at fair value through other comprehensive income: gross value and total value adjustments

	Gross value		Total value adjustments
	Stage one	of which: Low credit risk instruments	Stage one
Debt securities	748,554	748,554	(588)
Total 31/12/2019	748,554	748,554	(588)

Section 4 - Financial assets at amortised cost - Item 40

2,783,430	2,616,079
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The item is as follows:

Description	31/12/2019	31/12/2018
a) receivables from banks	650,266	629,102
b) receivables from financial companies	97,258	1,775
c) receivables from clients	2,035,906	1,985,202
Total	2,783,430	2,616,079

Part B - Information on the Statement of Financial Position
ASSETS

a) Receivables from banks

4.1 Financial assets at amortised cost: product composition of receivables from banks

Type of operation/Amounts	Total 31/12/2019			Total 31/12/2018		
	Book value	Fair Value		Book value	Fair Value	
	Stage one and two	L1	L3	Stage one and two	L1	L3
	1. Deposits and savings accounts	596,164		596,164	601,085	
2. Financing	538		538	722		722
2.4 Other	538		538	722		722
3. Debt securities	53,564	57,184	-	27,295	26,011	
3.2 Other debt securities	53,564	57,184	-	27,295	26,011	
4. Other assets			-	-		-
Total	650,266	57,184	596,702	629,102	26,011	601,807

The sub-item "Deposits and current accounts" includes:

Ordinary deposits		93,514
- of which restricted (ISMEA dispute)	16,960	
- of which time deposit	172,230	
Financial resources dedicated to contracts and/or agreements		275,377
Financial resources from domestic and EU funds		227,273
Total available		596,164
IFRS adjustments		
Total available		596,164

- financial resources available on demand for current operations for € 596,164 thousand, of which € 16,960 thousand refers to a restricted amount in a joint account with ISMEA based on the settlement agreement signed in December 2016, until the result of the ISA/ISMEA dispute described in the Directors' Report on Operations.
- The restricted amounts in short-term time deposit accounts, include financial assets totalling € 84 million destined for projects in the Bagnoli-Coroglio area and € 88 million intended for the creation of Broadband and Ultra-Broadband.
- restricted financial resources for the implementation of subsidy measures financed by domestic and EU funds (further described in item 80 of liabilities) for a total of € 227,273 thousand, with the details provided below:

Part B - Information on the Statement of Financial Position
ASSETS

	2019	2018
Fund for the construction of Broadband and Ultra-Broadband networks	120,174	17,180
The sustainable growth fund	29,347	37,408
Italian Law 181/89 (Interventions in Crisis Areas)	20,859	26,167
Rolling Fund Italian Presidential Decree 58/87	24,551	30,948
Patent Agreement	26,020	16,052
Italian Law 208/98 Incentive funds	2	14,753
Tourism Promotion	1,117	1,247
Re-industrialisation of the Ottana area	584	788
Museum sites of Excellence	201	201
Other Operational Funds	878	1,153
ERDF funds formerly Garanzia Italia	1,819	1,820
National funds formerly Garanzia Italia	1,721	1,721
	227,273	149,438

The increase is essentially due to the reclassification to the Fund for the construction of Ultra-Broadband Networks of a portion of contributions received relative to resources assigned for the FSC intended to finance the BUL Large Project approved by the European Community in 2019 and managed by the subsidiary Infratel.

- Financial resources "exclusively and non-exclusively" dedicated to contracts and agreements for € 275,377 thousand, detailed as follows:

	2019	2018
Regional Broadband and Ultra-Broadband contracts	191,882	252,972
Interventions in Bagnoli - Coroglio area	68,806	80,396
Tendered contracts for local authorities (1)	11,780	14,188
Funds dedicated to non-exclusive Public Contracts	1,346	3,889
	1,563	2,969
	275,377	354,414

(1) Interest not accruing during the year

- Financial resources intended for actions to clean asbestos in the former Eternit area of Bagnoli-Coroglio, pursuant to the 2015 Stability Law, were deposited in a short-term time deposit account in the amount of € 84 million, offering a more favourable return rate than that recognised for ordinary current accounts;
- Amounts dedicated to CIPE 62-130/02 contracts saw a decrease due to the completion of certain Operating Programmes, for which final accounting has been formally concluded with the Client.

Cash related to the restricted resources for implementation of subsidy measures does not generate interest income for the Group and flows directly into the fund under management. A similar effect occurs for certain resources dedicated exclusively to covering the costs of contracts awarded by local authorities.

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Note that residual amounts of resources restricted for the projects planned under various measures will be returned to the client upon completion of the activity in question.

The item **debt securities** refers to the long-term portfolio of securities (held to collect), established with the sole objective of achieving certain revenue flows from coupon and capital maturation, taking into consideration expected cash flows in line with the parent company's financial capacity and with that of the subsidiary MCC, for which the securities portfolio amounts to € 9,252 thousand.

Please refer to Annex A.2 for the details of the movement and the breakdown of debtors/issuers.

Relative to the transfer of € 16,400 thousand of nominal value to the HTC portfolio by the parent company, the amounts and effects of the reclassification are summarised below.

Forma tecnica	Comparto di provenienza	Valore nominale alla data di trasferimento	Valore contabile alla data di trasferimento (01.01.2018)	Fair Value al 31/12/18	Valore contabile al 31/12/18	Fair Value al 31/12/19	Valore contabile al 31/12/19
Titoli di debito	Attività finanziarie di negoziazione	16.400	16.547	15.665	23.084	12.662	12.511
Totale		16.400	16.547	15.665	23.084	12.662	12.511

In summary:

(Costs)/Revenues	
Absence of transfer	
Negotiation	874
Total	874
With transfer	
Negotiation	280
Total	280

For securities deriving from the "financial assets held for trading" portfolio, the profit and loss statement registered net positive components totalling € 874,000, corresponding to the difference between the 2019-2018 fair value and profit deriving from the repayment of a security for a total nominal value of € 6.5 million, but for which only € 4 million falls under the effects of the reclassification.

As a result of the reclassification, the adoption of the "amortised cost" method produced positive net components for € 280,000.

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b) Receivables from financial companies

4.2 Financial assets at amortised cost: product composition of receivables from financial companies

Type of operation/Amounts	Total			Total		
	31/12/2019			31/12/2018		
	Book value	Fair Value		Book value	Fair Value	
	Stage one and two	L1	L3	Stage one and two	L1	L3
1. Financing	68,995		68,995			
1.4 Other loans	68,995		68,995			
2. Debt securities	27,975	1,445	28,019	1,457	1,457	
2.2 other debt securities	27,975	1,445	28,019	1,457	1,457	
3. Other assets	288		288	318		152
Total	97,258	1,445	28,307	1,775	-	152

“Other assets” include receivables due from Group companies or from companies which recently left the Group.

There are no receivables constituted as collateral for own liabilities and commitments.

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ASSETS**

c) Receivables from clients

4.3 Financial assets at amortised cost: product composition of receivables from customers

Type of operation/Amounts	Total 31/12/2019					Total 31/12/2018		
	Book value		Fair Value			Book value		Fair Value
	Stage one and two	Stage three	L1	L2	L3	Stage one and two	Stage three	L3
1. Financing	1,427,746	58,002			1,485,749	1,386,995	88,389	1,475,384
1.1 Current accounts	4,578				4,578	5,559	-	5,559
1.3 Mortgages	1,183,113	53,817			1,236,930	1,221,798	63,198	1,284,996
1.2 Factoring	66,435				66,435	7,008	-	7,008
Bank factoring	59,873				59,873	141	-	141
- with recourse	4,026				4,026	5,555	-	5,555
- without recourse	2,536				2,536	1,312	-	1,312
1.4 Credit cards, personal loans and salary-backed loans	3,503				3,503	2,666	-	2,666
1.7 Other loans	170,117	4,185			174,302	149,964	25,191	175,155
2. Debt securities	61,145		61,266	1,632	1,054	79,216	-	79,216
2.2 Other debt securities	61,145		61,266	1,632	1,054	79,216	-	79,216
3. Other assets	405,004	84,008			489,012	371,273	59,329	430,602
Total	1,893,896	142,010	61,266	1,632	1,975,815	1,837,484	147,718	1,985,202

The sub-item “**Other assets**” includes receivables for services provided to Ministries and public administrations and amounts due from subjects receiving financing.

The positions are constantly monitored in order to intervene, as far as possible, on the billing authorisation process and minimise the related collection lead times. Almost all past due receivables are owed by the Public Administration, with the consequent difficulty in implementing effective actions for their collection. There are no situations in which the right to collect the receivable appears to be prescribed and, if clearly not recoverable or considered bad debt, the Company proceeded to write down or write off the related receivable.

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4.4 Financial assets at amortised cost: breakdown of receivables due from customers by debtors/issuers

Type of operation/Amounts	Total		Total	
	31/12/2019		31/12/2018	
	Stage one and two	Stage three	Stage one and two	Stage three
1. Debt securities	61,145		79,215	
a) Public administrations	58,917		77,123	
c) Non-financial companies	2,228		2,092	
2. Loans to:	1,427,747	58,002	1,386,995	88,389
a) Public administrations	64,555		66,562	
c) Non-financial companies	1,004,847	53,164	873,030	83,856
d) Households	358,345	4,838	393,400	4,533
3. Other assets	405,004	84,008	371,273	59,329
Total	1,893,896	142,010	1,837,484	147,718

4.5 Financial assets at amortised cost: gross value and total value adjustments

	Gross value			Total value adjustments			Total partial write-offs
	Stage one	Stage two	Stage three	Stage one	Stage two	Stage three	
Debt securities	147,371			(4,729)			-
Financing	2,096,878		72,178	1,193		(16,562)	-
Other assets	402,641		84,008	(8)			-
Total 31/12/2019	2,646,891	-	156,186	(3,544)	-	(16,562)	-
Total 31/12/2018	2,328,823	154,661	221,426	(7,140)	(7,984)	(73,709)	-

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4.6 Financial assets at amortised cost: guaranteed assets

Type of operation/Amounts	31/12/2019		31/12/2018	
	Receivables from clients		Receivables from clients	
	BV	GV	BV	GV
1. Non-impaired assets guaranteed by:	42,443	42,443	102,873	102,873
- Mortgages	41,381	41,381	101,810	101,810
- Pledges	100	100	100	100
- Personal guarantees	963	963	963	963
2. Impaired assets guaranteed by:	55,629	55,629	54,119	54,119
- Mortgages	55,629	55,629	54,119	54,119
Total	98,073	98,073	156,993	156,993

BV = Book Value
GV = Fair value of guarantees
Section 5 - Hedging derivatives - Item 50
88,039
82,650
5.1 Hedging derivatives: breakdown by hedge type and level

The item **hedging derivatives**, equal to 88 million at 31 December 2019, shows the fair value of derivatives stipulated to hedge against interest rate risk on bond issues.

	Fair Value	NV	Fair Value	NV
	31/12/2019		31/12/2018	
	L2	31/12/2019	L2	31/12/2018
A. Financial Derivatives				
1. Fair Value	88,039	151,421	82,650	288,583
Total	88,039	151,421	82,650	288,583

5.2 Hedging derivatives: breakdown by portfolio hedged and type of hedge

Operation/Hedge type	Fair Value
	Macro
2. Portfolio	88,039
Total liabilities	88,039

The hedging derivatives are all related to funding obtained through bond issues.

**Part B - Information on the Statement of Financial Position
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Section 7 - Equity Investments - Item 70 **30,190** **34,980**
7.1 Equity investments: information on equity investments

Company name	Registered office	Operating offices	Stake held %	Available votes %	Book value at 31.12.2019	Fair value at 31.12.2019
C. Companies subject to significant influence						
CDP Venture Capital SGR SpA	Rome	Rome	30%	30%	1,684	1,684
CONSORZIO EX CNOW	Venice	Venice	52%	52%	1	1
ELETTRA SINCROTONE TRIESTE S.P.A.	Trieste	Trieste	4%	4%	2,112	2,112
LAMEZIA EUROPA SCPA	Lamezia Terme	Lamezia Terme	20%	20%	550	550
SICULIANA NAVIGANDO SRL	Siculiana	Siculiana	95%	95%	55	55
of which companies taken on pursuant to Law 181/89 and subsequent						
GUSTAVO DE NEGRI & ZA.MA. SRL	Caserta	Caserta	20%	20%	202	202
TEKLA SRL	Scafati	Scafati	26%	26%	653	653
Total equity investments in companies subject to significant influence					5,258	5,258
Non-significant companies						
C.R.A.A. SRL IN LIQUIDATION	Arese	Arese	15%	15%	38	38
CFI - COOPERAZIONE FINANZA	Rome	Rome	1%	1%	643	643
ELA SPA IN BANKRUPTCY PROCEEDINGS	Naples	Naples	6%	6%	-	-
FINMEK SOLUTIONS SPA IN PROC. CONC.	L'Aquila	L'Aquila	30%	30%	0	0
FONDERIT ETRURIA in bankruptcy proceedings	Livorno	Livorno	13%	13%	0	0
IDC - ITALIAN DISTRIBUTION	Rome	Rome	7%	7%	0	0
INVITALIA GLOBAL INVESTMENT SPA	Rome	Rome	100%	100%	9,884	9,884
ISTIT' ENCICLOPEDIA TRECCANI	Rome	Rome	7%	7%	4,849	4,849
ITALIACAMP SRL - UNIPERSONALE	Rome	Rome	5%	5%	1	1
MARINA DI VILLA IGIEA SPA	Palermo	Palermo	8%	8%	430	430
MECCANO SCPA	Fabriano	Fabriano	4%	4%	78	78
SASSI ON LINE SERVICE S.C.P.A. IN LIQUIDATION	Bari	Bari	10%	10%	0	0
SOCIETA' PER CORNIGLIANO SPA	Genoa	Genoa	10%	10%	1,361	1,361
TINTORIA STAMPERIA DEL MOLISE IN BANKRUPTCY	Boiano	Boiano	30%	30%	0	0
TRADIZIONI ITALIANE SPA IN BANKRUPTCY PROCEEDINGS	Cirò	Cirò	13%	13%	0	0
WAHOO SPA	Cagliari	Cagliari	18%	18%	0	0
of which companies taken on pursuant to Law 181/89 and subsequent						
CMS SRL IN BANKRUPTCY PROCEEDINGS	Laterza	Laterza	19%	19%	1,370	1,370
ELMIRAD SERVICE SRL IN LIQUIDATION	Taranto	Taranto	12%	12%	120	120
FONDERIE SPA IN BANKRUPTCY PROCEEDINGS	Rome	Rome	2%	2%	-	-
JONICA IMPIANTI SRL	Taranto	Taranto	9%	9%	278	278
MODOMECC BUILDING SRL	Massafra	Massafra	7%	7%	168	168
PERITAS SRL	Brindisi	Brindisi	15%	15%	326	326
PRO.S.IT. IN BANKRUPTCY PROCEEDINGS SRL	Naples	Naples	27%	27%	499	499
SIE-SOC. ITTICA EUROPEA IN ACCEL. AMORTISATI	Rome	Rome	15%	15%	-	-
SICALP SRL IN BANKRUPTCY PROCEEDINGS	Campiglia Marittima	Campiglia Marittima	36%	36%	1,033	1,033
SIMPE SPA	Acerra	Acerra	4%	4%	3,600	3,600
SISTEMA SRL	Cassana	Cassana	45%	45%	0	0
SURAL SPA BANKRUPT	Taranto	Taranto	1%	1%	253	253
Total non-significant equity investments					24,932	24,932
Total equity investments					30,190	30,190

This item also includes equity investments acquired with funds pursuant to Italian Law 181/89. The methods used to account for this subsidy establish that any losses are recognised against the fund itself. For this reason, assets are recognised even in the case of bankruptcy proceedings. The amounts are reversed in the context of the fund upon completion of the proceedings.

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"Non-significant companies" includes IGI SpA established in January 2018 pursuant to article 1, paragraphs 260-266 of Law 205/2017, which while held 100% by Invitalia is not subject to any real management power by the same and is consequently not included in the Invitalia Group. In financial year 2019, in line with the accounting standards, it was decided to

recognise impairment of this equity investment in order to adjust the value of the equity investment to losses suffered.

Additionally, note that the equity investment stakes in the share capital of Industria Italiana Autobus (42.76%), acquired in January 2019, and in that of Sider Alloys (22.33%), acquired in 2018, are not recognised in the financial statements item as they were acquired using third-party funds under management and, therefore, recognised under commitments.

There are no equity investments held as collateral for liabilities and commitments.

7.2 Annual changes in equity investments

	Total
	31/12/2019
A. Initial balances	34,980
B. Increases	1,755
B.3 Revaluations	100
B.4 Other changes	1,655
C. Decreases	(6,545)
C.1 Sales	(5,366)
C.3 Write-downs	(1)
C.3 Other changes	(1,178)
D. Closing balances	30,190
E. Total revaluations	100

Annex A.5 shows analytical changes in equity investments.

7.3 Significant investments: accounting information

Company name	Site	Stake held %	Value in consolidated financial statements at 31/12/2019	Total assets	Total revenues	Amount of shareholders' equity	Result of last financial year
TEKLA SRL	Scafati	26%	653	-	-	-	-
Companies subject to significant							
CDP VENTURE CAPITAL SGR S.P.A.	Rome	30%	1.684	8.817	4.639	5.612	771
CONSORZIO EX CNOW	Venice	52%	1	7	-	3	-
LAMEZIA EUROPA SCPA	Lamezia Terme	20%	550	8.347	547	2.750	244
SICULIANA NAVIGANDO SRL	Siciliana	95%	55	341	-	58	-
of which companies taken on pursuant to Law 181/89 and subsequent							
GUSTAVO DE NEGRI & ZA.MA. SRL	Caserta	20%	202	3.405	1.360	1.100	346
TEKLA SRL	Scafati	26%	653	9.522	3.662	1.195	177
Total significant equity investments			3.145	30.439	10.208	8.518	696

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7.5 Non-significant investments: accounting information

Company name	Site	Stake held %	Value in consolidated financial statements at	Total assets	Total revenues	Amount of shareholders' equity	Result of last financial year
Non-significant companies							
CFI - COOPERAZIONE FINANZA	Rome	1%	644	103,625	2,622	96,024	30
C.R.A.A. SRL IN LIQUIDATION	Arese	15%	38				
ELA SPA IN BANKRUPTCY PROCEEDINGS	Naples	6%	-				
ELETTRA SINCROTONE TRIESTE S.P.A.	Trieste	4%	2,112				
FINMEK SOLUTIONS SPA IN PROC. CONC.	L'Aquila	30%	0	-	-	-	-
FONDERIT ETRURIA in bankruptcy proceedings	Livorno	13%	0	-	-	-	-
IDC - ITALIAN DISTRIBUTION	Rome	7%	0	-	-	-	-
INVITALIA GLOBAL INVESTMENT SPA	Rome	100%	9,884	10,017	-	9,884	219
ISTIT ENCICLOPEDIA TRECCANI		7%	4,849	202,596	78,627	68,578	1,412
ITALIACAMP SRL - UNIPERSONALE	Rome	5%	1	1,156	848	636	153
MARINA DI VILLA IGIEA SPA	Palermo	8%	430	10,075	1,677	7,488	206
MECCANO SCPA	Fabriano	4%	79	8,570	2,921	1,754	6
SASSI ON LINE SERVICE S.C.P.A. IN LIQUIDATION	Bari	10%	0	253	-	1,272	20
SISTEMA SRL	Cassana	45%	0	1,587	153	5,008	322
SOCIETA' PER CORNIGLIANO SPA	Genoa	10%	1,361	74,749	10,666	13,570	64
TINTORIA STAMPERIA DEL MOLISE IN BANKRUPTCY PROCEEDINGS	Boiano	30%	0	-	-	-	-
TRADIZIONI ITALIANE SPA IN BANKRUPTCY PROCEEDINGS	Cirò	13%	0	-	-	-	-
WAHOO SPA		18%	0	-	-	-	-
of which companies taken on pursuant to Law 181/89 and subsequent							
CMS SRL IN BANKRUPTCY PROCEEDINGS	Laterza	19%	1,370	-	-	-	-
ELMIRAD SERVICE SRL IN LIQUIDATION	Taranto	12%	120	-	-	-	-
FONDERIE SPA IN BANKRUPTCY PROCEEDINGS	Rome	2%	-				
JONICA IMPIANTI SRL	Taranto	9%	278	6,688	896	1,176	551
MODOMEK BUILDING SRL	Massafra	7%	168	5,860	1,268	2,976	20
PERITAS SRL	Brindisi	15%	326	7,812	1,133	2,120	41
PRO.S.IT. IN BANKRUPTCY PROCEEDINGS SRL	Naples	27%	499				
SIE-SOC. ITTICA EUROPEA IN ACCEL. AMORTISATION	Rome	15%	-				
SICALP SRL IN BANKRUPTCY PROCEEDINGS	Campiglia Marittima	36%	1,033	-	-	-	-
SIMPE SPA	Acerra	4%	3,600	-	-	-	-
SURAL SPA BANKRUPT	Taranto	1%	253	-	-	-	-
Total non-significant equity investments			27,045	432,988	100,504	197,927	780

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Section 8 - Property, plant and equipment - Item 80

8.1 Property, plant and equipment for functional use: breakdown of assets measured at cost **278,251** | **221,649**

Assets/Values	Total	Total
	31/12/2019	31/12/2018
1. Property assets	233,376	221,649
a) land	6,284	6,603
b) buildings	69,493	43,909
c) furniture	516	638
d) electronic systems	1,170	
e) other	155,913	170,499
2. Rights of use acquired through leasing	44,875	-
b) buildings	17,677	-
e) other	27,198	-
Total	278,251	221,649

8.5 Inventories of tangible assets governed by IAS 2: breakdown

Items/Values	Total	Total
	31/12/2019	31/12/2018
1. Inventories of tangible assets obtained through enforcement of guarantees received	150,141	161,116
e) other	150,141	161,116
Total	150,141	161,116

8.6 Property, plant and equipment for functional use: annual changes

	Land	Buildings	Furniture	Other	Total
A.2 Net initial balances	6,604	43,909	638	170,499	221,649
B. Increases:	219	57,587	110	45,025	102,941
B.1 Purchases	219	16,131	110	17,962	34,422
B.7 Other changes	-	41,456		27,063	68,519
C. Decreases:	(608)	(28,249)	(217)	(17,265)	(46,340)
C.1 Sales				(4)	(4)
C.2 Amortisation		(5,620)	(175)	(13,566)	(19,361)
C.3 Value adjustments from impairment attributed to					-
b) profit and loss	(70)				(70)
C.7 Other changes	(538)	(22,629)	(42)	(3,695)	(26,904)
D. Net closing balances	6,214	73,247	530	198,259	278,251

Other changes includes the effects of the application of IFRS 16 to contracts through which rights of use are acquired over property, plant and equipment. In particular, note the reclassification to the item "**Other**" of rights of use relative to third-party telecommunications infrastructure, in Indefeasible Right of Use (IRU) mode, which in previous years had been classified among intangible assets.

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There are no:

- tangible assets pledged as collateral for own debts and commitments
- assets acquired through financial leases
- assets held for investment purposes

8.8 Inventories of property, plant and equipment governed by IAS 2: annual changes

	Other inventories of property, plant and equipment
1. Initial balance	161,116
Adjustment initial balances	
A. Initial balances	161,116
B. Increases	1,901
B.1 Purchases	1,901
B.2 Write-backs	-
B.3 Positive exchange differences	-
B.4 Other changes	-
C. Decreases	(12,877)
C.1 Sales	-
C.2 Value adjustments for impairment	-
C.3 Negative exchange differences	-
C.4 Other changes	(12,877)
D. Closing balances	150,141

Section 9 - Intangible assets - Item 90
8,811
37,610
9.1 Intangible assets: breakdown

Assets/Values	Total 31/12/2019	Total 31/12/2018
	Assets measured at cost	Assets measured at cost
2 Other intangible assets	8,811	37,610
2.1 owned	8,811	37,610
- generated internally	3,881	2,841
- other	4,930	34,769
Total 2	8,811	37,610
Total	8,811	37,610

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The decrease can essentially be attributed to the reclassification of rights of use for third-party telecommunications infrastructure within tangible fixed assets, in Indefeasible Right of Use (IRU) mode, in compliance with IFRS 16.

9.2 Intangible assets: annual changes

	Total
A. Initial balances	37,610
B. Increases	3,925
B.1 Purchases	3,386
B.4 Other changes	539
C. Decreases	(5,703)
C.2 Amortisation	(5,703)
D. Net closing balances	35,832

The change during the year, outside of amortisation during the period, is essentially due to capitalisation by the parent company of projects to implement IT and reporting platforms, which will offer future benefits in terms of cost savings and greater revenues.

Section 10 - Tax assets and liabilities - Item 100 of the assets and Item 60 of the liabilities

Tax assets - Item 100	27,619	40,578
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10.1 "Tax assets: current and deferred": breakdown

	Total	Total
	31/12/2019	31/12/2018
Current	10,182	20,447
Deferred	17,437	20,131
Total	27,619	40,578

Current assets include residual tax credits deriving from companies incorporated when Sviluppo Italia was established, relative to which the relative collection actions are still under way.

Deferred tax assets show the following balancing entry:

	Total	Total
	31/12/2019	31/12/2018
- As balancing entry to profit and loss account	15,383	14,721
- As balancing entry to shareholders' equity	2,054	5,410
Total	17,437	20,131

Part B - Information on the Statement of Financial Position
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10.3 Changes in deferred taxes (as balancing entry to profit and loss account)

	Total	Total
	31/12/2019	31/12/2018
1. Initial amount	14,721	14,305
2. Increases	1,916	3,082
2.1 Deferred tax assets recognised during the year	1,916	3,082
a) relative to previous financial years		11
b) due to changes in accounting criteria		2,206
d) other	1,916	865
3. Decreases	(1,253)	(2,666)
3.1 Deferred tax assets cancelled during the year	(1,183)	(2,666)
a) reclassifications	(1,030)	(2,585)
d) other	(153)	(81)
3.3 Other decreases:	(70)	-
b) other	(70)	
4. Final amount	15,383	14,721

10.3.1 Changes in deferred tax assets pursuant to Law 214/2011

	Total	Total
	31/12/2019	31/12/2018
1. Initial amount	5,410	3,009
2. Increases		2,492
3. Decreases	(3,356)	91
3.1 Reclassifications		91
3.3 Other decreases	(3,356)	-
4. Final amount	2,054	5,410

Deferred tax assets, as in the previous table, can no longer increase due to the full deductibility of write-downs on receivables. The current amount will be gradually recovered in income tax statements submitted through financial year 2025.

10.5 Changes in deferred tax assets (as balancing entry to shareholders' equity)

	Total	Total
	31/12/2019	31/12/2018
1. Initial amount	5,410	3,009
2. Increases	-	2,492
2.1 Deferred tax assets recognised during the year	-	2,492
c) other		2,492
3. Decreases	(3,356)	(91)
3.1 Deferred tax assets cancelled during the year	-	(91)
a) reclassifications		(91)
3.3 Other decreases	(3,356)	-
4. Final amount	2,054	5,410

Tax liabilities - Item 60

2,825

1,909

10.2 "Tax liabilities: current and deferred": breakdown

	Total	Total
	31/12/2019	31/12/2018
Current	2,742	1,801
Deferred	83	108
Total	2,825	1,909

Deferred tax liabilities show the following balancing entry:

	Total	Total
	31/12/2019	31/12/2018
- As balancing entry to shareholders' equity	83	108
Total	83	108

Section 11 - Non-current assets and asset groups held for sale - Item 110

263,106

259,955

11.1 Non-current assets and asset groups held for sale: breakdown

	Total	Total
	31/12/2019	31/12/2018
Cash and cash equivalents	8	42
Financial assets measured at amortised cost	13,306	12,845
Equity investments	14,058	14,279
Property, plant and equipment	72,238	72,611
Intangible assets	210	475
Tax assets	2,059	2,272
Non-current assets and asset groups held for	142,237	135,774
Other assets	18,990	21,657
Total	263,106	259,955

The item refers to the companies that were put up for sale following the reorganisation and disposal plan approved by the Italian Ministry of Economic Development with the Ministerial Decree of 31 July 2007 or in compliance with the 2017 - 2019 Business Plan approved by the MEF and the MED in December 2016.

For the purpose of determining the fair value net of costs for the sale of the carrying amount of these assets, the Management also availed itself of the support of external consultants who were experts in valuations.

Part B - Information on the Statement of Financial Position
ASSETS

In particular, for the assets of the subsidiary Italia Turismo, note that analysis carried out with methods consistent with those used the previous financial year (Discounted Cash Flow) confirmed the recoverability of the value recognised in the financial statements. Note that the estimate of the recoverable value is mainly based on the realisable price deriving from a transaction involving disposal of almost all assets, as well as prospective cash flows relative to assets not included in the scope of the aforementioned transaction, described in detail in the Report on Operations, in the section "Subsidiaries held for sale". Also note that this transaction is expected to be finalised in the second half of 2020 through the establishment of a newco, which will receive all the assets of interest to the purchasing entity. Therefore, if this transaction occurs with a different time frame and/or terms with respect to those defined during the negotiations, not foreseeable at present, the estimate of the recoverable value could be significantly affected.

The companies included in this item, which are fully consolidated, are listed below:

- Italia Turismo SpA;
- Sviluppo Italia Calabria SpA in Liquidation;
- Marina di Portisco SpA.

The sub-item "**equity investments**" represents the value of the investee companies valued at equity.

Attachments A.6, A.7, and A.8 respectively show the percentage of ownership and analytical change of the individual investments valued at equity.

Section 12 - Other assets - Item 120

167,451

158,711

12.1 Other assets: breakdown

	Total	Total
	31/12/2019	31/12/2018
- Inventories	81,114	85,691
- Indirect tax receivables from tax authorities	5,991	24,411
- Receivables from social security institutions	113	104
- Receivables and advances from suppliers	4,918	4,086
- Security deposits	3,059	2,990
- Prepayments (only those related to other assets)	2,235	10,223
- Receivables and various items	70,021	31,207
Total	167,451	158,711

The sub-item "**Inventories**" mainly includes:

- € 10.4 million for the Parent Company related to the valuation of the considerations accrued for work completed but still in the reporting phase. The fluctuations in this item are essentially due to the various reporting schedules;
- € 58.3 million related to the installation of Infratel SpA's "broadband" and "ultra-broadband" deployment work;
- € 23.6 million relative to real estate assets held by the subsidiary Invitalia Partecipazioni SpA which will be involved in an organisation and rationalisation plan during 2020.

Part B - Information on the Statement of Financial Position
ASSETS

Receivables and various items essentially include positions associated with 4 million in items in transit (bank transfer orders) and charges sustained for third party assets by a subsidiary (Banca del Mezzogiorno), as well as € 58.1 million in advances using FSC funds for the ultra-broadband project for the subsidiary Infratel.

Prepayments represent costs for services ascertained and paid in advance, accruing during the subsequent year or correlated with future revenues.

**Part B - Information on the Statement of Financial Position
LIABILITIES**
Section 1 - Financial liabilities at amortised cost - Item 10
2,480,581
2,366,646

Description	31/12/2019	31/12/2018
a) payables	1,672,555	1,719,698
b) securities issued	808,026	646,948
Total	2,480,581	2,366,646

1.1 Financial liabilities at amortised cost: product composition of payables

The breakdown of the item by type of credit is shown in the following table:

Items	Total			Total		
	31/12/2019			31/12/2018		
	to banks	to financial institutions	to clients	to banks	to financial institutions	to clients
1. Financing	463,079	435	54,730	497,402		59,641
1.2 Repurchase agreements	101,046		-	292,390		
1.2 Other loans	362,033	435	54,730	205,012		59,641
2. Leasing payables			45,218			
3. Other payables	33,296	106,080	969,716	488,740	50,000	623,915
Total	496,376	106,515	1,069,664	986,142	50,000	683,556
Fair value - level 3	496,376	106,515	1,069,664	986,142	50,000	683,556
Total fair value	496,376	106,515	1,069,664	986,142	50,000	683,556

1.2 Financial liabilities at amortised cost: product composition of securities issued

Type of securities/Amounts	Total			Total		
	31/12/2019			31/12/2018		
	VB	Fair Value		VB	Fair Value	
L2		L3	L2		L3	
A. Securities						
1.2 other	808,026	528,363	350,781	646,948	347,871	350,249
Total	808,026	528,363	350,781	646,948	347,871	350,249

The item includes the bond issued by the Parent Company in July 2017 for a total value of € 350 million, functional both for the acquisition of Banca del Mezzogiorno-Mediocredito Centrale and for the optimisation of working capital, as well as the securities held by the bank itself.

The item also includes the securities issued consisting of bond loans listed on the electronic bond market.

1.3 Breakdown of subordinate and non-subordinate debt/securities

	31/12/2019	31/12/2018
A.2 Non-subordinate debt	1,672,555	1,719,698
- banks	496,376	986,142
- clients	1,069,664	683,556
- financial institutions	106,515	50,000
- B.2 Non-subordinate securities	808,026	646,948
- Banks	808,026	646,948
Total	2,480,581	2,366,646

**Part B - Information on the Statement of Financial Position
LIABILITIES**
Section 4 - Hedging derivatives - Item 40
2,248
-
4.1 Hedging derivatives: breakdown by hedge type and level

	Fair Value		NV	Fair Value	
	31/12/2019			31/12/2018	
	L2	31/12/2019		L2	31/12/2018
A. Financial Derivatives	2,248	300,000	-	-	
1. Fair Value	2,248	300,000	-	-	
Total	2,248	300,000	-	-	

NV: Notional value

4.2 Hedging derivatives: breakdown by portfolio hedged and type of hedge

Operation/Hedge type	Fair Value
	Macro
2. Portfolio	2,248
Total liabilities	2,248

Section 5 - Adjustment of the value of financial liabilities subject to generic hedging - Item 50
78,181
73,789
5.1 Value adjustment of hedged financial liabilities

Value adjustment of hedged liabilities/Group components	Total	Total
	31/12/2019	31/12/2018
1. Positive adjustment of financial liabilities	80,341	73,789
2. Negative adjustment of financial liabilities	(2,160)	-
Total	78,181	73,789

The item reflects the effect of changes in discounting rates compared to the previous year.

Tax liabilities - Item 60
2,825
1,909
10.2 Tax liabilities: current and deferred: breakdown

	Total	Total
	31/12/2019	31/12/2018
Current	2,742	1,801
Deferred	83	108
Total	2,825	1,909

Part B - Information on the Statement of Financial Position
LIABILITIES

Deferred tax liabilities can be broken down as follows:

	Total	Total
	31/12/2019	31/12/2018
- As balancing entry to shareholders' equity	83	108
Totale	83	108

Section 7 - Liabilities associated with assets held for sale - Item 70

	72,454	78,269
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7.1 Liabilities associated with assets held for sale: breakdown

	Total	Total
	31/12/2019	31/12/2018
Financial liabilities measured at amortised cost	50,444	48,465
Tax liabilities	143	331
Other liabilities	17,803	17,152
Employee severance liabilities	690	544
Provisions for risks and charges	3,374	11,777
Total	72,454	78,269

Please refer to the comment of the corresponding asset item 110 for the list of companies to which the aforementioned amounts refer.

Part B - Information on the Statement of Financial Position
LIABILITIES

Section 8 - Other liabilities - Item 80

1.043.138

1.005.883

8.1 Other liabilities: breakdown

	2019	2018
Payables for third-party funds under management	397.133	244.497
Suppliers	354.087	101.553
Capital grants	93.191	104.002
Payables to employees	13.672	12.964
Payables to social security institutions	6.564	6.450
Payables to tax authorities	5.327	3.094
Tax consolidation payables	341	342
Guarantees and deposits received	177	134
Accrued expenses and deferred income	126	357.081
Sundry payables	172.520	175.766
Total	1.043.138	1.005.883

"Payables for third-party funds under management" refer to funds for subsidy measures for which the Agency is responsible for implementing the projects envisaged by the measures themselves. For further information on operations and the funding forms, please see the comment under *Part D "other information"*.

Operations with third party funds

Composition:

	2019	2018
FSC BUL Fund	150,000	
Italian Law 181/89 (Interventions in Crisis/Distressed Areas)	89,019	97,629
The sustainable growth fund	44,216	45,743
Rolling Fund Italian Presidential Decree 58/87	42,769	48,764
Fund for Broadband and Ultra-Broadband deployment	28,233	17,121
Patent Agreement	26,004	16,032
Italian Regional Law 23/91, Article 8	1,984	1,984
Tourism Promotion	1,438	1,568
Other	13,470	15,656
Total	397,133	244,497

Part B - Information on the Statement of Financial Position

LIABILITIES

More specifically:

- With regards to the **FSC BUL Fund**, in October 2019, the approval process for the Accounting Rules was completed, after which it was deemed appropriate to reclassify the amount of € 150 million from "deferred income" to "third-party funds under management". The above amount represents that collected in December 2016 relative to the first tranche of FSC funds for the BUL Large Project. In compliance with that established in the Guidelines for implementation, accounting, monitoring and control of the public project to develop Ultra-broadband in "white" areas - SIE Funds 2014 - 2020, given the favourable opinion issued by the State-Regions Conference on 20 September 2018, for all advances, including those coming from resources assigned for the FSC, it is established that the MED will deposit them with the subsidiary Infratel, which holds them in a specific unavailable rolling fund intended to finance the BUL Large Project (only approved by the European Community on 2 April 2019). This rolling fund can be used exclusively upon receiving prior authorisation from the MED.
- The **Fund L.181/89** is aimed at implementing investment and employment programmes in areas affected by the steel sector crisis. The aforementioned provision was allocated as a result of the CIPE resolution of 20 December 1990, the content of which was confirmed by the same CIPE with resolution of 3 August 1993, as well as reaffirmed by the "implementation guidelines" that were formulated by the Italian Ministry of Industry by letter of 9 April 1994 and confirmed by ministerial decree 1123182/75 of 23 December 1996. The above regulate the implementation of Law 513/93 which aggregated the regulations listed in Italian Laws 181/89, 408/89 and 38/90. Losses incurred on the use of funds are accounted for by direct transfer of this item.

The change in the composition of the L.181/89 fund as at 31 December 2019 is shown below:

	2019	2018
Funds cashed	645,697	645,696
Capital returns to the MED	(166,849)	(158,709)
Grants issued	(365,073)	(364,968)
Grants pending release	(2,914)	(2,914)
Losses on receivables and equity investments	(21,842)	(21,476)
Total	89,019	97,629

The item "**Capital returns**" indicates the amount returned to the Italian Ministry of Economic Development, in accordance with Italian Ministerial Decree No. 1184605/75 of 9 march 2005, which established the Single Fund and provides for half-yearly repayment by the Agency of capital amounts received for loans, revoked contributions and disposal of equity investments. This capital is subsequently reallocated to the Agency for the advancement of the Industrial Promotion Plan.

Part B - Information on the Statement of Financial Position

LIABILITIES

The L.181/89 fund thus recorded the following changes in the 2019 financial year:

Balance as at 31 December 2018	97,629
Capital grants paid and other uses	(105)
Funds cashed	0
Capital returns to the MED	(8,140)
Losses on receivables and equity investments	(365)
Other uses	0
Balance as at 31 December 2019	89,019

As at 31 December 2019, the funds collected equalling € 645,697 thousand, net of the Ministry's refunds of € 166,849 thousand, were employed as follows:

	2019	2018
Capital grants	365,072	364,969
Loan receivable from clients for pref-fin., fin. and mortgages (net	62,526	65,236
Equity Investments (net of unpaid called-up capital)	8,502	11,026
Receivables from banks	20,857	26,168
Other financial receivables (payables) for items to be recorded	48	(1,888)
Losses on receivables, equity investments and other uses	21,843	21,476
Total	478,848	486,987

- The **DPR 58/87 Rolling Fund** refers to sums disbursed for financial assistance to subsidiaries engaged in the tourism sector. The Fund is provided from allocations made by the former Agensud pursuant to Article 9 of Italian Presidential Decree 58/87. A management fee of 0.75% per semester is recognized for the management of loans granted on said Fund.
- The **Fund for Broadband and Ultra-Broadband Construction** refers to sums disbursed by the Ministry and intended to be distributed as contributions to telecommunications operators to create Broadband infrastructure (model B) and Ultra-Broadband infrastructure (model C), net of sums already distributed to beneficiaries.
- The **Law 23/91 Regional Fund** refers to the remainder of the sums disbursed in their time by the Region of Sicily (pursuant to Law no.23 of 15.05.91) net of the amount referenced in Law 359/92. With a document dated 9 April 2008, the Agency and the Region of Sicily, in implementation of the Agency's reorganisation plan, identified a solution for the transfer of the loans and residual amounts referenced by Law 23/91 to the regional administration.
- The **Law 208/98 Fund** refers to amounts released by the Italian Ministry of Productive Activities to activate the "incentive fund" to stimulate investments for enterprises operating in the incubators of the regional companies and as grants for plant for the construction of the incubators themselves.
- The **Tourism Promotion Fund** refers to sums paid out in implementation of the CIPE resolution of 25 March 1990, aimed at driving promotional efforts for tourism in the South. The purpose of the Program is to increase tourist flows in the Southern areas, providing adequate technical, organisational and coordination assistance to

Part B - Information on the Statement of Financial Position
LIABILITIES

identified initiatives. The envisaged formula is the co-financing of interventions proposed by Regional Authorities, business associations and relevant tourism sector organisations. A commission of 10% of the funds managed is retained to compensate for the organisation, coordination and quality control of the initiatives, as well as assistance for the relative planning work.

- The item "other" is essentially composed of the following funds:

- **Financial contribution Article 25, paragraph 2, Italian Law 196/97 (€ 9,884 thousand)**, which pursuant to Article 1, paragraphs 260-266 of Italian Law 205/2017, was used by Invitalia to establish Invitalia Global Investment SpA.
- **Ottana Fund (€ 805,000)** intended to carry out environmental and fire safety and general infrastructure projects.
- **The Venture Capital Rolling Fund (€ 307,000)** relates to ERDF contributions assigned to the Agency and aimed at establishing 50% of the ten-year Fund for "venture capital" interventions. The final reporting of the fund was made in 2015 and the amount represents the resources that will be transferred to the Ministry upon collection from the recovery procedures under way related to the residual equity investment shares acquired.
- **Museum Sites of Excellence (€ 201,000)** includes the residual amount relative to the convention to restore the National Museum of Abruzzo.
- **Acerra crisis area (€ 191,000)** relative to the capital grant deposited by the Campania Region, as regulated by the programme agreement of 14/07/2005, for the coordinated implementation of the intervention in the Acerra NGP SpA industrial crisis area, in synergy with the Italian Ministry of Economic Development for the financing of the industrial project promoted by Simpe SpA. With approval from the Campania Regional Authority, part of these funds (€ 1,235 thousand) were used to provide subsidies to PRO.S.IT Sri in early 2010, pending further remittances from the Campania Regional Authority itself. The company is carrying out an entrepreneurial project under the aforementioned programme agreement. The amounts collected under this measure plus the interest accrued on the dedicated current account amounted to € 5,413 thousand, while the sums disbursed to beneficiaries amounted to € 5,222 thousand, with a net debt of € 191,000.

The sub-item "**Contributions**" essentially refers to:

- The residual contribution of € 7,467 thousand established under the programme agreement for the re-industrialisation of the Ottana/Bolotana/Noragugume crisis area and aimed at the acquisition of an industrial complex, including works for general infrastructure as well as the implementation of environmental safety and fire prevention;
- € 10 million grant pursuant to Article 83 of Italian Law 289/02, disbursed by the Italian Ministry of Economy and Finance in 2003. Italian Decree Law 35 of 14 March 2005 established that this amount could be used to create incubators for productive businesses;

Part B - Information on the Statement of Financial Position
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- Grant under Italian Law 208/98 of € 5,619 thousand, intended for the establishment of incubators. Said grant was provided by the Italian Ministry of Economic Development in 2005, as regulated by the Procedural Document signed by Sviluppo Italia on 14 December 2004. The amount corresponds to the amount of the grant received, net of the amount credited to the profit and loss account for the available incubators on which the calculation of depreciation was initiated;
- Grant under Italian Law 26/86 for the Trieste incubator, transferred to the Agency through the separation of the Bic Friuli Venezia Giulia business unit for € 775,000;
- € 69,330 thousand grant, net of amounts accounted for, for the environmental reclamation and urban regeneration of the area of significant national interest in the Bagnoli-Coroglio area, pursuant to Article 33 of Italian Decree-Law no. 133 of 12 September 2014, converted and amended by Italian Law no. 164 of 11 November 2014. This is discussed in greater detail in section B.3 of the Directors' Report On Operations and in item 100 Property, Plant and Equipment.

The information above is also provided in compliance with the disclosure requirements established under paragraphs 125 and subsequent of article 35 in Italian Decree Law 34 of 30 April 2019.

Note that the Group manages additional funds disbursed by the Government (equal to around € 7.7 million), intended for specific projects and governed by specific laws.

These amounts are recognised among "Commitments", as there is no risk, either full or partial, falling to the Agency and management is remunerated solely through a fee (commission). Therefore, these can be classified as mere services.

The exposure towards "**suppliers**" represents the debt incurred for purchases of goods and services. This item includes both invoices received and not paid and debt outstanding for invoices not yet received.

"**Payables to employees**" consists of provisions for holidays accrued and not taken, '14th month' gratuities, variable and MBO bonuses.

The item other **deferred income** relates to deferred revenues related to the sale of rights to use on infrastructure - cable ducts and fibre optic plant - in IRU mode.

Section 9 - Staff severance indemnity - Item 90

11,358

11,588

Section 9.1 Employee severance liabilities: annual changes

	Total	Total
	31/12/2019	31/12/2018
A. Initial balances	11,588	12,057
B. Increases	7,279	6,088
B.1 Provisions during the year	7,076	5,929
B.2 Other changes	204	159
C. Decreases	(7,509)	(6,556)
C.1 Liquidations completed	768	229
C.2 Other changes	(8,277)	(6,785)
D. Closing balances	11,358	11,588

**Part B - Information on the Statement of Financial Position
LIABILITIES**

The item represents the "benefit subsequent" to the employment relationship and is calculated by projecting the amount already accrued to the presumable date of termination of the employment relationship. The value thus obtained is discounted at the reporting date using the actuarial method i.e. "Projected Unit Credit Method". This method complies with the Defined Benefit Obligation criterion envisaged by IAS no.19.

The provision for the year includes the so-called "Interest cost", i.e. the "figurative" charge that would be incurred by requesting a loan from the market for an amount equal to the liability at the beginning of the year, appropriately discounted at the rate adopted.

The "other increases" include actuarial losses for the period deriving from changes in the technical bases used in the current valuation compared to that at the end of the previous year. This increase is directly recorded in an equity reserve.

The "other decreases" item essentially refers to the portion of termination indemnities transferred to supplementary pension funds and to INPS treasury [the Italian National Social Security Institution].

The main demographic and financial hypotheses adopted in the valuation of the benefits are:

1. inflation;
2. discount rates;
3. salary increases.

1. With reference to initial assumption, the inflation scenario was based on ISTAT forecasts, assuming an IPCA index of 1.0% for the entirety of 2020 and 1.1% for subsequent years.
2. Pursuant to IAS 18R, the discount rate adopted to severance indemnity provision (TFR) was determined with reference to market returns for bonds from major companies as of the measurement date. More specifically, the interest rate curve "Composite" for securities issued by AA-rated corporate issuers in the Eurozone of "Investment Grade" class was used (source: Bloomberg) as at 31/12/2019.
3. Following social security reform, the assumption relative to salary increases was adopted solely for Group companies which in 2006 employed an average number of employees of less than 50. In fact, only for these is the portion of future annual severance indemnities accrued by employees still considered in the actuarial measurement of TFR (not deposited to social security funds). As agreed upon with parent company management, annual salaries were revalued on the basis of the IPCA index for the previous year.

**Part B - Information on the Statement of Financial Position
LIABILITIES**
Section 10 - Provisions for risks and charges - Item 100 **30,302** **25,586**
10.1 Provisions for risks and charges: breakdown

Items/Components	Total	Total
	31/12/2019	31/12/2018
1. Provisions for credit risk relative to commitments and financial guarantees given	1,712	581
3. Provisions for company retirement funds	3,323	3,287
4. Other provisions for risks and charges	25,267	21,718
4.1 legal and tax disputes	234	880
4.2 personnel expenses	2,734	-
4.3 other	22,299	20,838
Total	30,302	25,586

10.2 Provisions for risks and charges: annual changes

	Provisions for other commitments and guarantees given	Provisions for retirement funds	Other provisions for risks and charges	Total
A. Initial balances	581	3,287	21,718	25,587
B. Increases	1,177	308	11,505	12,990
B.1 Provisions during the year	1,177	37	8,505	9,718
B.4 Other changes		271	3,000	3,271
C. Decreases	(46)	(272)	(7,956)	(8,274)
C.1 Use during the year		(272)	(7,838)	(8,110)
C.3 Other changes	(46)		(118)	(164)
D. Closing balances	1,712	3,323	25,267	30,302

The financial/equity contra-entries for provision changes are detailed below:

Item/values	Provisions	Uses/Reversals	Other
item 160 - Administrative expenses	-	(8,110)	-
item 170 - Net provisions for risks and charges	9,718		-
item 40 financial assets at amortised cost/adjustments	-		3,107
Total	9,718	(8,110)	3,107

Part B - Information on the Statement of Financial Position
LIABILITIES

10.3 Provisions for credit risk relative to commitments and financial guarantees given

	Provisions for credit risk relative to commitments and financial guarantees given			
	Stage one	Stage two	Stage three	Total
Commitments to disburse funds	973	380	300	1,653
Financial guarantees given	-	60	-	60
Total	973	439	300	1,712

Section 11 - Equity - Items 110, 120, 130, 140, 150, 160 and 170

Section 11 - Capital - Item 110	836,384	836,384
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11.1 Capital: breakdown

	Total 2019	Total 2018
A. Capital	836,384	836,384
1.1 Ordinary shares	836,384	836,384

The share capital of 836,384 million euro is represented by 1,257,637,210 ordinary shares without nominal value owned by the Italian Ministry of Economy and Finance.

The Company has not issued "dividend-bearing shares" nor "convertible bonds".

* * * *

Items 150 and 160 of liabilities, respectively "Reserves" and "Valuation reserves" are commented on in Part D Section 4- Information on Equity.

Section 12 - Shareholders' equity attributable to non-controlling interests - Item 180	(5)	(5)
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12.1 Shareholders' equity attributable to non-controlling interests: breakdown

	31/12/2019	31/12/2018
Capital	2	2
Reserves	(7)	(5)
Profit (Loss) for the year		(2)
Total	(5)	(5)

PART C - INFORMATION ON THE STATEMENT OF PROFIT AND LOSS

Part C - Information on the Statement of Profit and Loss

Section 1 - Interest - Items 10 and 20

Interest income and similar revenues - Item 10

44,556 **53,804**

1.1 Interest income and similar revenues: breakdown

Items/Technical forms	Debt securities	Financing	Other transactions	2019	2018
1. Financial assets measured at fair value through profit and loss:	424	0	0	424	375
1.1. Financial assets held for trading	424	0	0	424	337
1.3 Other financial assets obligatorily measured at fair value					38
2. Financial assets measured at fair value through other comprehensive income	802			802	843
3. Financial assets measured at amortised cost:	2,083	29,655	0	31,738	36,645
3.1 Receivables from banks	2,406	69	0	2,475	2,422
3.2 Receivables from financial companies	0	0	0	0	(6)
3.3 Receivables from clients	(322)	29,585	0	29,263	34,229
4. Hedging derivatives			8,589	8,589	13,276
5. Other assets	0	0	411	411	2,665
6. Financial liabilities			2,592	2,592	
Total	3,310	29,655	11,592	44,556	53,804

The item, which mainly refers to interest accrued by the bank, consists for the most part of interest on the portfolio of loans to customers.

Section 1 - Interest expense - Item 20

(21,260) **(24,044)**

1.3 Interest expense and similar charges: breakdown

	Loans payable	Securities	Other	Total 2019	Total 2018
1. Financial liabilities measured at amortised cost	(5,176)	(15,685)	0	(20,861)	(23,646)
1.1 Payables to banks	(480)	0	0	(480)	(3,089)
1.3 Payables to customers	(4,696)	0	0	(4,696)	(1,918)
1.4 Securities issued	0	(15,685)	0	(15,685)	(18,639)
4. Other liabilities	(1)	0	(1)	(2)	(170)
6. Financial assets			(397)	(397)	(228)
Total	(5,177)	(15,685)	(398)	(21,260)	(24,044)
<i>of which interest expense relative to leasing paya</i>	<i>(1,850)</i>	<i>-</i>	<i>-</i>	<i>(1,850)</i>	<i>-</i>

The amount includes the change in the amortised cost of the bond loan issued in July 2017 for a total value of € 350 million and recognised under liabilities item 10 - Financial liabilities measured at amortised cost - b) Securities issued.

Part C- Information on the Statement of Profit and Loss

Section 2 - Commission income - Item 40

372,789

343,355

2.1 Commission income: breakdown

Type of services/Amounts	Total	Total
	31/12/2019	31/12/2018
b) factoring transactions	100	15
d) guarantees given	23	22
e) services	372,417	339,326
- <i>management of third party funds</i>	228,036	197,133
- <i>other</i>	144,381	142,193
f) collection and payment services	201	201
g) servicing for securitisation transactions	48	59
h) other commissions		3,733
Total	372,789	343,355

The item "**commission income - management of third-party funds/other services**" at 31 December 2019 essentially includes € 131 million relative to fees and contributions to repay costs sustained to carry out activities associated with operating programmes assigned by the relevant administrations to the parent company, € 51.4 million for the subsidiary Banco del Mezzogiorno-MCC for services rendered to manage the SME Guarantee Fund and € 186 million for revenues accrued by Infratel for creation of infrastructure to create ultra-broadband, commissioned by regional administrations.

Below is the breakdown:

Part C- Information on the Statement of Profit and Loss

	2019	2018
Broadband deployment	185,881	159,204
BdM - MCC - Subsidised SME Financing and other commission	54,648	56,541
2015 Development contracts	9,647	9,690
Resto al sud [Remain in the South]	9,318	5,278
Tech. Ass. on the 2014-2020 Enterprise and Competitiveness	9,177	7,768
The Emilia Romagna earthquake	8,364	16,737
Earthquake Emilia Romagna 2019-2020	7,204	0
New 181 Regime	6,362	5,603
Bagnoli-Coroglio remediation	5,284	5,711
Central Italy earthquake	5,024	5,560
Sabatini Capital Goods	3,796	3,856
Smart & Start Italia	3,432	2,571
System-level actions	3,346	5,758
New interest-free companies	3,296	3,275
National technical assistance programme FSC	3,134	2,579
National Aid Register	2,687	1,992
ReOPEN SPL	2,625	2,163
Italian Legislative Decree No. 185-Title 2	2,534	3,114
MIUR-Servizi Istruttori Progetti Ricerca	2,327	2,755
Checks ARS 12 areas	2,273	54
Tech. Ass. MISEDGIAI COP Enterprises and Competitiveness	2,066	1,853
Tech. Assistance PO Environment MATTM DGSTA	2,037	0
System Actions-IV addendum	1,844	0
2014 - 2020 Development contracts	1,748	2,114
Digit GDEI ZFU	1,730	1,993
Italian Legislative Decree No. 185-Title 1	1,724	2,079
National Revolving Fund - Garanzia Giovani [Guarantee for You	1,646	1,560
Bagnoli - Works	1,477	559
P.O. foreign investment attraction	1,242	909
Imprenditorialità turismo 3	1,164	470
Museum Sites of Excellence	1,071	0
Support for the Culture and Development NOP	1,054	1,491
Complex Industrial Crises	1,027	1,256
Energy Fund	1,016	184
Support to CSU for water purification	985	728
Support for handling the migrant reception emergency	938	2,580
SELFIEmployment tutoring	896	938
New Open cup	843	691
Social economy	828	935
MED and MIT PSNMS	789	0
EC NOP - Technical assistance to the MED-DGMEREEEN	810	1,196
MED DG LC UIBM	744	100
Innovative entrepreneurship	688	0
EXPO 2020 Dubai	683	111
Ischia Reconstruction	673	0
Other contractors	12,334	17,369
	372,417	339,326

Part C- Information on the Statement of Profit and Loss
Section 2 - Commission expense - Item 50
(177,027)
(155,490)
2.2 Commission expense: breakdown

Services/Amounts	Total	Total
	31/12/2019	31/12/2018
a) guarantees received	(252)	(354)
b) distribution of third party services	(175,690)	(154,422)
c) collection and payment services	(364)	(345)
d) other commissions	(721)	(369)
Totale	(177,027)	(155,490)

The item "**commission expense - Distribution of third party services**" saw an increase compared to the previous year due to increased costs, equal to € 21 million, incurred for the acquisition and construction of infrastructure related to Infratel's ultra-broadband contract.

	2019	2018
Ultra-Broadband	170,011	148,239
Bagnoli - Works	1,018	213
MIUR-Servizi Istruttori Progetti Ricerca	498	430
ReOPEN SPL	447	362
Tech. Ass. on the 2014-2020 Enterprise and Competitiveness	318	324
Central Italy earthquake	298	337
Development of cooperatives 2017	235	268
System-level actions	230	564
Bagnoli-Coroglio remediation	220	440
Digital export reinforcement	201	0
Earthquake Emilia Romagna 2019-2020	193	0
2015 Development contracts	189	155
Milan Incubator	161	39
New 181 Regime	159	127
The Emilia Romagna earthquake	144	272
Inland areas Phase 2	115	425
Support for the Culture and Development NOP	111	99
Imprenditorialità turismo 3	99	5
New interest-free companies	83	95
Sabatini Capital Goods	81	117
New interest-free companies	71	31
Checks ARS 12 areas	62	0
APQ Bagnoli	62	219
Smart & Start Tutoring	60	41
Inland areas 3	58	0
Resto al sud [Remain in the South]	53	73
Reclamation Area former Nissometal-1AA038 Niso	38	0
PNR 2015-2020- FSC Plan	38	0
MIUR - Support activities on 1st level controls	38	339
Central Italy earthquake - Schools	37	0
Other contractors	363	1,209
Total	175,690	154,422

Part C - Information on the Statement of Profit and Loss

Section 3 - Dividends and similar income - Item 70

During 2019, no dividends were received.

Section 4 - Net result from trading activities - Item 80

1,380 (506)

4.1 Net result of trading activities: breakdown

Operations/Income components	Capital gains (A)	Trading gains (B)	Capital losses (C)	Trading losses (D)	Net result [(A+B) = (C+D)]
1. Financial assets held for trading					
1.1 Debt securities	330	0	(64)	(39)	227
1.3 UCITS units	21	1,132	0	0	1,153
Total	351	1,132	(64)	(39)	1,380

The item represents the positive balance of financial transactions related to debt securities in the portfolio held by the parent company, determined for € 287,000 by year-end assessment and for € 1,093 thousand by net realised profits.

Part C - Information on the Statement of Profit and Loss
Section 5 - Net result of hedging activities - Item 90
(105)
9
5.1 Net result of hedging activities: breakdown

Income components/Amounts	Total	Total
	31/12/2019	31/12/2018
A. Income from:		
A.1 Fair value hedging derivatives	7,032	-
A.3 Hedged financial liabilities (fair value)	2,636	7,204
Total income from hedging activities (A)	9,668	7,204
B. Charges related to:		
B.1 Fair value hedging derivatives	(2,744)	(7,196)
B.3 Hedged financial liabilities (fair value)	(7,029)	-
Total charges for hedging activities (B)	(9,773)	(7,196)
C. Net income from hedging activities (A-B)	(105)	9

The item represents the net result of hedging activities carried out using derivatives.

Section 6 - Profit (Loss) from sale or repurchase - Item 100
10,298
821
6.1 Profit/loss from sale or repurchase: breakdown

Items/Income components	Total			Total		
	31/12/2019			31/12/2018		
	Profit	Loss	Net result	Profit	Loss	Net result
A. Financial assets						
1. Financial assets measured at amortised cost				-	-	-
1.1 Receivables from banks	-	-	-	867	-	867
1.2 Receivables from clients	-	-	-	-	(31)	(31)
2. Financial assets measured at fair value through other comprehensive income				-	-	-
2.1 Debt securities	25,138	(14,840)	10,298	-	(16)	(16)
2.2 Loans	-	-	-	-	-	-
Total assets (A)	25,138	(14,840)	10,298	867	(47)	821

The item includes the balance of € 10,298 thousand net of realised profits and losses from the sale of financial assets classified as "financial assets at amortised cost", with a net positive result of € 25,139 thousand, and of "financial assets at fair value through other comprehensive income", with a negative net result of € 14,840 thousand.

Part C- Information on the Statement of Profit and Loss

Section 7 - Net result of other financial assets and liabilities at fair value through profit and loss - Item 110 **1,259** **399**

The item can be broken down as follows:

Items/Sectors	31.12.2019	31.12.2018
Financial assets and liabilities designated at fair value (a)	1,343	865
Other financial assets obligatorily measured at fair value (b)	(84)	(466)
Total	1,259	399

7.1 Net value change in other financial assets and liabilities at fair value through profit and loss: breakdown of financial assets and liabilities at fair value

Operations/Income components	Capital gains (A)	Realised gains (B)	Capital losses (C)	Realised losses (D)	Net result [(A+B) - (C+D)]
1. Financial assets	1,343	-	-	-	1,343
1.2 Equity securities	1,343	-	-	-	1,343
Totale	1,343	-	-	-	1,343

The item represents the positive change deriving from the year-end valuation of the capitalisation policies held by the parent company.

7.2 Net value change in other financial assets and liabilities at fair value through profit and loss: breakdown of other financial assets necessarily measured at fair value

Operations/Income components	Capital gains (A)	Realised gains (B)	Capital losses (C)	Realised losses (D)	Net result [(A+B) - (C+D)]
1. Financial assets	-	-	-	-	-
1.2 Equity securities	-	-	(1)	-	(1)
1.3 UCITS units	-	-	(83)	-	(83)
Total	-	-	(84)	-	(84)

The sub-item mainly includes the balance of capital losses from valuation registered in units of UCITS classified among financial assets necessarily measured at fair value.

Section 8 - Net value adjustments/write-backs for credit risk - Item 130 **(19,815)** **(27,565)**

The item can be broken down as follows:

Items/Sectors	31/12/2019	31/12/2018
a) Financial assets measured at amortised cost	(19,793)	(27,577)
b) Financial assets measured at fair value through other comprehensive income	(22)	12
Total	(19,815)	(27,565)

Part C- Information on the Statement of Profit and Loss

8.1 Net value adjustments for credit risk relative to financial assets measured at amortised cost: breakdown

Operations/Income components	Value Adjustments (1)			Write-backs (2)		Total	Total
	Stage one and two	Write-offs	Other	Stage one and two	Stage three	31/12/2019	31/12/2018
A. Receivables from banks	(2,817)			3	0	(2,813)	(18)
Other credits	(2,817)			3	0	(2,813)	(18)
B. Receivables from financial companies	(8)				0	(8)	(2)
Other credits	(8)				0	(8)	(2)
C. Receivables from clients	(6,676)	(83)	(15,700)	3,021	2,466	(16,971)	(27,558)
Other credits	(6,676)	(83)	(15,700)	3,021	2,466	(16,971)	(27,558)
Total	(9,501)	(83)	(15,700)	3,024	2,467	(19,793)	(27,577)

8.2 Net value adjustments for credit risk relative to financial assets measured at fair value through other comprehensive income: breakdown

Operations/Income components	Write-backs (2)	Total	Total
	Stage one and two	31/12/2019	31/12/2018
A. Debt securities	(22)	(22)	12
Total	(22)	(22)	12

Section 9 - Profit (Loss) contractual changes without cancellation - Item 140

(288)

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9.1 Profit (loss) from contractual changes: breakdown

Losses from contractual changes without cancellations were recognised in the amount of € 293 thousand, as well as profits of € 5 thousand relative to the subsidiary Banca del Mezzogiorno.

Part C- Information on the Statement of Profit and Loss

Section 10 - Administrative expenses - Item 160 **(180,889)** **(177,374)**

The item can be broken down as follows:

Items/Sectors	31.12.2019	31.12.2018
Personnel costs (a)	(139,515)	(132,854)
Other administrative expenses (b)	(41,374)	(44,520)
Total	(180,889)	(177,374)

10.1 Personnel expenses: breakdown

Type of expense/Amounts	Total	Total
	31/12/2019	31/12/2018
1) Employees	(128,689)	(123,721)
a) salaries and wages	(89,928)	(88,283)
b) social security charges	(27,990)	(26,496)
c) severance benefits	(1,200)	(975)
d) insurance expenses	(103)	(43)
e) provisions for employee severance liabilities	(5,396)	(4,336)
f) allocations to the provision for retirement and similar	(37)	(36)
- defined contribution		-
- defined benefit	(37)	(36)
g) contributions to supplementary external pension funds:	(2,064)	(1,964)
- defined contribution	(2,064)	(1,964)
- defined benefit		-
h) other employee benefits	(1,972)	(1,587)
2) Other working staff	(9,721)	(8,195)
3) Directors and Statutory Auditors	(1,342)	(1,439)
4) Personnel on leave		
5) Recovery of expenses for employees seconded to other companies	237	500
6) Reimbursement of expenses for third party employees seconded to the company		
Total	(139,515)	(132,855)

"Recoveries of expenses for employees seconded to other companies" refer exclusively to secondments to other companies.

"Payments to supplementary pension plans with defined contributions" account for the severance indemnity payments made to INPS.

Part C- Information on the Statement of Profit and Loss

10.2 Average number of employees broken down by category

Average number of employees	31/12/2019	31/12/2018
Managers	62	74
Executive staff	402	404
Other staff	1,490	1,415
	1,954	1,892

Number of employees by category

Number of employees by category	31/12/2019	31/12/2018
Dirigenti	58	73
Quadri direttivi	402	403
Restante personale	1,514	1,385
	1,974	1,861

10.3 Other administrative expenses: breakdown

Type of expense/ Amounts	Total	Total
	31/12/2019	31/12/2018
Other administrative expenses		
- Use of third party assets	(1,018)	(7,711)
- Legal and notary	(10,626)	(8,327)
- Miscellaneous third parties services	(5,244)	(4,223)
- Maintenance, utilities and insurance	(4,190)	(4,501)
- Other personnel expense	(2,546)	(2,493)
- IT systems	(9,193)	(9,832)
- Indirect taxes and taxes	(932)	(1,259)
- Communication expenses	(1,032)	(646)
- Consumables and other operating expenses	(471)	(304)
- Association contributions	(484)	(577)
- Board of Statutory Auditors expenses	(58)	(28)
- Other	(5,450)	(4,617)
Total	(41,244)	(44,520)

Section 11 - Net provisions for risks and charges - Item 170

(7,472)	(6,480)
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The item can be broken down as follows:

Items/Sectors	31.12.2019	31.12.2018
Commitments for guarantees given (a)	(1,131)	726
Other net provisions (b)	(6,341)	(7,206)
Total	(7,472)	(6,480)

Part C- Information on the Statement of Profit and Loss

11.3 Net allocations to other provisions for risks and charges: breakdown

Type of expense/Amounts	Total	Total
	31.12.2019	31.12.2018
Other net provisions		
- Use of provision for future charges	1,273	1,431
- Net provisions for other risks	(7,614)	(8,636)
Total	(6,341)	(7,206)

Section 12 - Net value adjustments/write-backs on property, plant and equipment - Item 180 **(22,794)** **(15,406)**

12.1 Net adjustments to property, plant and equipment: breakdown

Activity/Income components	Amortisation/Depreciation	Value adjustments for impairment	Write-backs	Net result
	(a)	(b)	(c)	(a + b - c)
A. Property, plant and equipment				
A.1 owned	(21,349)	-	-	(21,349)
- for functional use	(21,349)	-	-	(21,349)
A.2 Acquired under financial leases	(1,445)	-	-	(1,445)
- for functional use	(1,445)	-	-	(1,445)
Total	(22,794)	-	-	(22,794)

The item includes depreciation for the year on owned assets.

Section 13 - Net value adjustments/write-backs on intangible assets - Item 190 **(2,270)** **(6,859)**

15.1 Net adjustments/write-backs to intangible assets: breakdown

Activity/Income components	Amortisation/Depreciation	Write-backs	Net result
	(a)	(c)	(a + b - c)
A. Intangible assets			
A.1 owned	(2,270)	-	(2,270)
- Generated internally by the company	(154)	-	(154)
- Other	(2,116)	-	(2,116)
Total	(2,270)	-	(2,270)

The item includes amortisation for the year on owned fixed assets.

Section 14 - Other operating income and charges - Item 200 **25,016** **48,717**

The item can be broken down as follows:

Items/Sectors	31.12.2019	31.12.2018
Other charges (a)	(2,802)	(2,792)
Other income (b)	27,818	51,509
Total	25,016	48,717

Part C- Information on the Statement of Profit and Loss

14.1 Other operating expense: breakdown

Services/Amounts	Total	Total
	31/12/2019	31/12/2018
14.1 Other operating expense		
- Other operating expense	(2,802)	(2,792)
Total	(2,802)	(2,792)

The item mainly includes other charges recognised by the Bank for amortisation of third party assets, settlements and agreements and charges for securitisation.

14.2 Other operating income: breakdown

Services/Amounts	Total	Total
	31/12/2019	31/12/2018
14.2 Other operating income		
- Rental income	1,214	1,090
- Revenues from contractual penalties		178
- Revenues from capital grants	17,406	17,443
- Revenues from operating grants	1,395	3,767
- Reversals	187	1,310
- Other operating income	7,615	27,721
Total	27,818	51,509

The sub-item "revenues from capital grants" essentially includes € 16 million for plant at the company Infratel and € 932 million of the Parent Company, recognised on the basis of the accounting for the depreciation of the period of the assets financed by these grants.

The "revenues for operating grants" essentially refer to the subsidiary Infratel and relate to the labour costs, operating expenses and lump sum expenses reported by the MED.

"Revenues from operating grants" essentially refer to the subsidiary Infratel and relate to the labour costs, operating expenses and lump sum expenses reported to the MED.

The item "Rental income" includes the rents of the hangar leased to Atitech.

The item "Other operating income" essentially refers to the reversal of the portion allocated in 2018 by the subsidiary Invitalia Partecipazione for € 2.1 million, for maintenance and adjustment works planned for the incubators transferred, the cost of which will be the responsibility of Invitalia until the effective transfer of the same, on the basis of the agreements reached.

Additional revenues of € 3.1 million refer to the Banca del Mezzogiorno for recoveries from management relative to clients and public administrations.

Part C- Information on the Statement of Profit and Loss

Section 15 - Profits (Losses) on equity investments - Item 220	5,333	(83)
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15.1 Profit (loss) on equity investments: breakdown

Income components/Sectors	Total	Total
	31/12/2019	31/12/2018
A. Income	5,333	800
1. Revaluations	100	
2. Profits from disposals	5,233	800
B. Charges	-	(883)
3. Depreciation / Impairment		(355)
4. Other expenses		(528)
Net result	5,333	(83)

The item revenues includes profits from the sale of 70% of the equity investment stake in Invitalia Ventures, now known as CDP Venture Capital, to Cassa Depositi e Prestiti for € 3.6 million and of the company Salver for € 1.6 million.

Section 18 - Profit (Loss) from disposal of investments - Item 250	-	12
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18.1 Profit (loss) from disposal of investments: breakdown

Income component/Sectors	Total	Total
	2019	2018
B. Other assets		12
- Profits from disposals		12
Net result	-	12

Part C- Information on the Statement of Profit and Loss
Section 19 - Taxes on income from continuing operations - Item 270
(9,053) (8,046)
19.1 Income taxes for the year from continuing operations: breakdown

Income components/Sectors	Total	Total
	31/12/2019	31/12/2018
1. Current taxes (-)	(9,508)	(5,902)
2. Changes in current taxes from previous years (+/-)	(362)	(354)
4. Changes in deferred tax assets (+/-)	817	(1,790)
6. Taxes accruing during the year	(9,053)	(8,046)

Section 20 - Profit (loss) after tax from discontinued operations - Item 290
(5,573) (17,384)
22.1 Profit (loss) after tax from discontinued operations: breakdown

Income components/Sectors	Total	Total
	31/12/2019	31/12/2018
Net interest income	(1,762)	(1,791)
Net commissions	10,892	5,892
Administrative expenses	(13,980)	(6,632)
Net adjustments to property, plant and equipment and intangible	(1,170)	(2,998)
Other value adjustments	(534)	(747)
Net provisions for risks	(1,002)	(6,880)
Other income and expense	2,119	2,058
Impairment of equity investments	(259)	(4,788)
Profit (Loss) on equity investments	(13)	(173)
Taxes	136	(1,325)
Total	(5,573)	(17,384)

The item includes the negative balance of € 5,327 thousand for revenue (interest, dividends, etc.) and expense (interest payable, amortisation/depreciation, etc.) relative to asset groups and associated liabilities held for sale, net of relative current and deferred taxes.

Section 22 - Profit (Loss) for the year attributable to non-controlling interests - Item 310
- (2)
22.1 Profit (Loss) for the year attributable to non-controlling interests: breakdown

Company name	Total	Total
	31/12/2019	31/12/2018
Result attributable to non-controlling	-	(2)
Total	-	(2)

The item reflects the portion attributable to non-controlling interests of the profits of a subsidiary, equal to € 400.

Part D - Other Information

Section 1- Specific references for activities carried out

B - FACTORING AND ASSIGNMENT OF RECEIVABLES

B.1 - Gross value and book value

B.1.1 Factoring transactions

Gross value and book value	31.12.2019	31.12.2019	31.12.2019	31.12.2018	31.12.2018	31.12.2018
	Gross value	Value Adjustments	Net value	Gross value	Value Adjustments	Net value
1. Not impaired	61,936	(65)	61,871	9,546	(315)	9,231
. Exposures to assignors (with recourse)	59,369	(42)	59,327	5,996	(300)	5,696
assignment of future receivables	(1,880)		(1,880)	4,463	(283)	4,180
other	61,249	(42)	61,207	1,533	(18)	1,375
. Exposures to assigned debtors (without recourse)	2,567	(23)	2,544	3,549	(15)	3,535
2. Impaired	5,970					
2.1 Impaired items	5,970					
. Exposures to assignors (with recourse)	5,970					
assignment of future receivables	5,970					
Total	67,906	(65)	61,871	9,546	(315)	9,231

B.2 - Breakdown by residual life

B.2.1 - With recourse factoring: advances and total receivables

Time stages	- advances	- advances	- total receivables	- total receivables
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
at sight			61,249	1,392
over 1 year	(1,880)	4,463		
Total	(1,880)	4,463	61,249	1,392

B.2.2 - Without recourse factoring transactions: exposures

Without recourse factoring transactions	- exposures	- exposures
	31.12.2019	31.12.2018
- on demand	2,567	3,549
Total	2,567	3,549

B.3.1 - Turnover of receivables in factoring transactions

Turnover of receivables in factoring transactions	Total	Total
	31.12.2019	31.12.2018
- without recourse transactions		524
- with recourse transactions		422
Total		946

Part D - Other Information

1B.3.3 - Nominal value of contracts for the acquisition of future receivables

Nominal value of contracts for the acquisition of future receivables	Total 31.12.2019	Total 31.12.2018
Flow from contracts for acquisition of future receivables during the year	-	-
Amount of contracts existing as of the reporting date	67,906	9,546
Total	67,906	9,546

D. GUARANTEES GIVEN AND COMMITMENTS

D.1 - Value of guarantees (real or personal) issued and commitments

	2019	2018
1) First demand guarantees given of a financial nature		
a) Banks	9	
c) Clients	44,759	23,476
3) Commercial guarantees given		
c) Clients	12,705	18,360
4) Irrevocable commitments to disburse funds		
b) Financial institutions		
a) For certain use	4,117	
c) Clients		
a) For certain use	7,703,731	6,800,493
ii) for uncertain use	350	350
7) Other irrevocable commitments		
a) to give guarantees	452	453
b) other	161,329	2,674
Total	7,927,452	6,845,806

The item "Irrevocable commitments to disburse funds" includes the financial resources dedicated exclusively to the disbursement of subsidies from third-party funds under management accounted for in the memorandum accounts, since the operations of Invitalia are limited to provision of services on behalf of the State.

The item "Other irrevocable commitments" mainly includes loans stipulated to be disbursed to clients by Banca del Mezzogiorno for € 141,342 thousand and for around € 11,043 thousand for Italia Turismo, relative to the estimate of investments to be made to complete urbanisation work in the municipalities of Sibari, Nicotera, Simeri, Crichi and Sciacca.

With regards to disclosure requirements under paragraphs 125 and subsequent of Article 35 of Decree Law 34 of 30 April 2019, note that all spending commitments taken on by Invitalia for funds under management are published in the Italian Aid Register, pursuant to Article 52 of Law 234 of 24 December 2012, in the transparency section established therein.

Part D - Other Information

Breakdown of "Irrevocable commitments to disburse funds" - Development contracts

	2019	2018
"Research and Competitiveness" NOP ERDF 2007-2013:		
Axis I - "Support for structural changes"		
- Revolving fund for development contracts	42,024	27,123
Axis II - "Support for innovation"		
- Revolving fund for development contracts	67,849	48,543
Axis I - "Support for structural changes"		
Axis II - "Support for innovation"		
- Operating grant	3,413	5,026
SIL NOP		
- Revolving fund for development contracts	4,912	7,141
- Development contracts, operating grants	6,266	13,291
Axis II - Investments in businesses in the tourism, cultural and environmental sectors		
- Revolving fund for development contracts	764	592
- Development contracts, operating grants	312	6,312
L'Aquila earthquake area		
- Development Contracts operating grants-Revolving Fund	1,277	6,138
2013 Stability Law Basilicata		
- Revolving fund for development contracts	817	797
- Development contracts, operating grants	15	321
Centre-North Initiative		
- Revolving fund for development contracts	36,320	32,127
- Lazio operating grants	3,333	2,047
- Abruzzo operating grants	75	142
- Piedmont operating grants	480	1,255
National ACP [Action and Cohesion Plan]		
- Revolving fund for development contracts	1,260	2,112
- Development contracts, operating grants	2,110	3,811
ACP for Campania		
- Revolving fund for development contracts	1,714	3,579
- Development contracts, operating grants	4,984	765
- Campania Region, operating grants, development contracts	10,320	10,693
2014 State budget		
- Revolving fund for development contracts	4,187	20,668

cont.

Part D - Other Information

cont. of Breakdown of "Irrevocable commitments to disburse funds" - Development contracts

	2019	2018
The Termini Imerese Programme Agreement		
- Revolving fund for development contracts	79	79
- Development contracts, operating grants	2,140	804
Development and Cohesion Fund		
- Revolving fund for development contracts	63,171	115,743
- Development contracts, operating grants	19,503	17,788
E&C NOP Axis I		
- Revolving fund for development contracts	5,350	7,181
- Development contracts, operating grants	11,746	912
E&C NOP Axis III		
- Revolving fund for development contracts	45,783	34,096
- Revolving fund for development contracts Por Lazio	960	-
- Development contracts, operating grants	-	3,000
E&C NOP Axis IV		
- Revolving fund for development contracts	10,108	10,104
- Development contracts, operating grants	14,006	14,001
E&C POC 2014-2020		
- Revolving fund for development contracts	8,548	6,764
- Development contracts, operating grants	7,037	8,487
POC Axis III		
- Revolving fund for development contracts	-	-
- Development contracts, operating grants	5,438	14,100
The Sustainable Growth Fund		
- Revolving fund for development contracts	845	1,410
- Development contracts, operating grants	2,308	5,001
MD 9 March 2018 E&C NOP Axis III 2014-2020		
- Revolving fund for development contracts	40,207	42,299
- Development contracts, operating grants	55,000	-
MD 9 March 2018 E&C NOP Axis IV 2014-2020		
- Revolving fund for development contracts	7,787	7,787
- Development contracts, operating grants	700	-
Equity Investments DC	9,250	18,246
Total	502,397	500,285

Part D - Other Information

Breakdown of "Irrevocable commitments to disburse funds" - Other measures

	2019	2018
"Renewable Energies and Energy Saving" IOP ERDF 2007-2013:		
Axis I - "Energy production from renewable sources"		
- Activity line 1.2		
- Revolving fund for subsidised loans	76,433	72,526
- Operating grant	2	2
- Activity line 2.1		
- Revolving fund for subsidised loans	47,358	45,195
- Operating grant	180	180
- Activity line 1.1 - Biomass		
- Revolving fund for subsidised loans	10,895	10,445
- Operating grant	42	43
Smart & Start Title-II and III		
- Contribution to operating expenses, Title II (MD 06/03/2013)	3,645	4,348
- Operating grant, Title III (MD 06/03/2013)	4,689	4,689
- Grant for Smart Start Abruzzo	1,171	1,171
Smart and Start Italy		
- Rolling Fund - Operating grant - Grant for management MD 24.09.14	17,474	13,152
- Revolving Fund - Operating grant - 2017 Stability Law management	338	39
- Revolving Fund - Operating grant - 2014/2020 NOP management	9,969	7,951
New interest-free companies		
- Revolving fund for Single Fund	9,624	10,277
- Revolving fund for 2017 Stability Law	41,988	45,520
- non-interest bearing liquidity, SIL NOP 2000/2006	19,052	19,851
- Revolving Fund Pac Campania	11	-
- Collection of fees	(3,464)	-
SELFIEmployment		
- Revolving fund	6,116	998
AZ 3.A.1.A New Businesses NOP		
- Revolving fund	3,688	6,619
- Operating grants	1,763	1,580
AZ 3.B.1.A NOP Cons. SME		
- Revolving fund	29,249	4,006
- Operating grants	682	632
AZ 3.C.1.A NOP Tertiary Sector		
- Operating grants	1,438	1,258
CRASI L'Aquila MD 14/10/2015		
- Measure I, operating grant - New Crasi	3,084	334
- Measure II, operating grant	626	99
Murgia		
- operating grant	4,060	5,069
MD Campania 13/02/2014		
- Revolving fund	4,810	6,931
- operating grant	3,921	6,672

cont.

Part D - Other Information

cont. of Breakdown of "Irrevocable commitments to disburse funds" - Other measures

	2019	2018
New Law 181		
-Rieti PA	-	7,220
-Piombino PA	-	1,171
-Growth Fund, Revolving fund	6,452	9,195
-NOP E&C Axis III, Revolving fund	13,116	15,735
-POR FESR 2014-2020 Campania Revolving Fund	6,750	6,750
-POR FESR 2014-2020 Basilicata Revolving Fund	506	506
- former Merloni area	-	6,468
-FSC Campania Revolving Fund	842	-
-Single Fund, Revolving fund	4,331	-
-Law 85/05 Revolving Fund	447	-
-Growth fund, operating grant	3,524	3,940
-NOP E&C Axis III, operating grant	2,461	1,323
-FESR operating grant	600	-
-Law 85/05 operating grant	294	-
-Single Fund, operating grant	2,377	-
Resto al sud [Remain in the South]		
- operating grant, capital grant	39,389	10,557
Internationalisation voucher		
- operating grant	2,426	8,081
Innovative Investments Voucher		
- operating grant	25,000	
Management of concession laws		
- Single fund Article 27 par. 11 Law 488/1999	70,923	88,121
- EU funds	4,156	4,156
- QCS Fertility Project 89/94	1,996	1,996
- Young ideas change Italy	1,163	1,163
Fondo Imprese sud [Southern Enterprise Fund]	144,906	147,906
MATERA DL 91-2017 art 7 par. 1-BIS	14,939	12,941
COP MED 2020 Notification	5,300	-
Guarantee fund Law 23/12/96 no. 662 c/o Mediocredito Centrale	6,377,667	5,310,083
Sustainable Growth Fund DL 22/06/12 no. 83, article 23, p. 2	95,519	170,468
Fund Law 23/12/00 art. 106 c/o Mediocredito Centrale	32,499	32,491
Fund Law 23/12/97 no. 454 c/o Mediocredito Centrale	1,453	21,449
National Research and Innovation Operating Programme Fund 2014-	558	15,486
Management portion single fund Marche Region	8,509	9,172
Management portion single fund Liguria Region	8,757	8,754
Law 488 RTI (MCC/BDS/IRFIS) MPA (now MED)	7,428	7,442
Other Funds	17,851	17,706
Total	7,200,984	6,189,867
Other commitments of uncertain use	350	350
Total	7,201,334	6,190,217
Grand total	7,703,731	6,690,502

Part D - Other Information

COMMITMENTS

Note that in the following schedules, amounts relative to liquidity available for individual lines include annual interest accrued and indicate the effective amount of resources available for disbursing subsidies.

Development Contracts

In implementation of Article 43 of Italian Decree-Law no. 112 of 25 June 2008 converted and amended by Italian Law no. 133 of 6 August 2008, the Interministerial Decree of 24 September 2010, published in the *Official Gazette of the Italian Republic (OG)* no. 300 of 24 December 2010, establishes the so-called "Development Contracts" identified with a new preferential formula designed to support large investments.

The subsequent Ministerial Decree [MD] of February 2014, published in the *OG* on 29 January 2015, reformed the governance of development contracts in accordance with EU legislation for the 2014-2020 period (EU regulation 651/2014 - GBER). Subsequently, the MD was integrated and amended by the Ministerial Decree of 9 June 2015, published in the *OG* on 23 July 2015. Lastly, on 8 November 2016, a further amendment decree was issued, published in the *OG* on 5 December 2016, to reduce the time required for granting subsidies and to establish a new procedure for large-scale strategic projects.

The details of the individual financial sources active in the Development Contracts are shown below.

Axis-1 - support for structural changes (operational goal 4.1.1.2 "Technological-productive areas for system competitiveness")

This measure enables the financing of investment, research and development programmes undertaken in the Industry, Tourism and Trade sectors.

Axis II - Support for innovation (4.2.1.1 Operational objective "Strengthening the production system")

The project includes two programmes focussed on:

- industrialisation of the results of the experimental research and development programmes;
- the pursuit of specific innovation, competitive improvement and environmental protection goals.

A Revolving Fund has been established for a revolving fund for disbursements of facilitated financing under the operational goal 4.2.1.1 with separate capital and accounting. Total financial resources allocated to the above goal are € 430 million of which € 50 million dedicated to Axis II.

Part D - Other Information

	2019	2018
Revolving Fund (MD 24/09/10) Axis I		
Cash at 01/01	27,123	17,135
Subsidies provided	14	(8)
Repayments from beneficiaries	16,621	10,018
Funds returned to the Ministry	-	(24)
Amounts	(1,737)	-
Net annual banking amounts	3	2
Cash as at 31/12	42,024	27,123

	2019	2018
Revolving Fund (MD 24/09/10) Axis II		
Revolving Fund (MD 06.08.10)		
Cash at 01/01	48,543	38,080
Subsidies provided		
MD 06.08.10 NOP RC	(1,995)	(47)
Axis II DC	-	(6,046)
Repayment of capital portions		
MD 06.08.10 NOP RC	16,781	11,903
Axis II DC	3,662	3,652
ACP	854	712
Repayment of interest portions		
MD 06.08.10 NOP RC	177	228
Axis II DC	63	78
ACP	17	15
Receivables due from other measures	(1)	-
Amounts		
MD 06.08.10 NOP RC	(252)	-
Cash in transit	-	(32)
Net annual banking amounts	-	-
Cash as at 31/12	67,849	48,543

	2019	2018
Operating grants (MD 24/09/10) Axis I		
Operating grants (MD 24.09.10) Axis II		
Grants for plant (MD 06/08/10)		
Cash at 01/01	5,026	14,486
Subsidies provided		
MD 06.08.10 NOP RC	(1,015)	-
Axis I DC	-	(135)
ACP	(1,200)	(9,377)
Reclassification of disbursements previous years	218	-
Repayment of capital	384	52
Net annual banking amounts	-	-
Cash as at 31/12	3,413	5,026

For these financial sources, € 4,196 thousand in subsidies were disbursed during the year.

Part D - Other Information

2000-2006 LED NOP

Resources made available from the 2000-2006 SIL NOP were used to fund development contracts.

	2019	2018
Revolving Fund (MD 24/09/10)		
Cash at 01/01	7,141	35,398
Cash advances, other measures	10,000	(21,482)
Subsidies provided	(12,435)	(6,802)
Repayments from beneficiaries	206	26
Net annual banking amounts	-	1
Cash as at 31/12	4,912	7,141
Grants for plant (MD 24/09/10)		
Cash at 01/01	13,291	61,008
Cash advances, other measures	-	(49,500)
Cash returns, other measures	-	5,407
Subsidies provided	(7,025)	(3,625)
Net annual banking amounts	-	1
Cash as at 31/12	6,266	13,291

For this financial source, € 19,460 thousand in subsidies were disbursed during the year.

During the year, € 10 million were transferred to other financial sources.

Axis II - Business competitiveness in the tourism, cultural and environmental sectors, and promotion of Region offerings, convergence objective

The funds allocated to the EU programme are aimed at making investments in the tourism and cultural sectors for qualification and innovation of accommodation facilities.

Part D - Other Information

	2019	2018
Revolving fund for subsidised loans		
Cash at 01/01	592	430
Repayments from beneficiaries	296	162
Amounts	(124)	-
Net annual banking amounts	-	-
Cash as at 31/12	764	592
Grant for plant		
Cash at 01/01	6,312	-
Funds cashed	-	6,312
Transfer of funds to other measures	(6,000)	-
Net annual banking amounts	-	-
Cash as at 31/12	312	6,312

For this financial source, no subsidies were disbursed in 2019.

During the year, € 6 million were transferred to other financial sources.

The L'Aquila Earthquake Area - Development and Cohesion Fund

The Agency was specifically appointed for projects aimed at favouring the economic and employment recovery of the Abruzzo area hit by the April 2009 earthquake.

	2019	2018
Development contracts for plant (MD 24/09/10)		
Cash at 01/01	6,138	4,782
Cash returns, other measures	-	10,000
Subsidies provided	(1,918)	(8,644)
Net annual banking amounts	-	-
Cash as at 31/12		6,138
Revolving Fund (MD 24/09/10)		
Subsidies provided	(2,943)	-
Total liquidity at 31/12	1,277	-

For this financial source, € 4,861 thousand in subsidies were disbursed during the year.

2013 Basilicata regional budget - Law 228/2012

Financial assistance in support of private investments has been made available in the Basilicata region to facilitate the startup and continuation of entrepreneurial initiatives aimed at developing tourism. The intent is to strengthen and improve the quality of accommodation services on offer as well as ancillary activities aimed at promoting tourism products and in need of investment.

Part D - Other Information

	2019	2018
Revolving fund for development contracts (Law 228/2012)		
Cash at 01/01	797	1,699
Subsidies provided	-	(911)
Repayments from beneficiaries	20	7
Net annual amounts	-	2
Cash as at 31/12	817	797
Development contracts for plant (Law 228/2012)		
Cash at 01/01	321	2,149
Subsidies provided	(306)	(1,830)
Net annual banking amounts	-	2
Cash as at 31/12	15	321

For this financial source, €306,000 in subsidies were disbursed during the year.

The Centre-North Initiative - D.L. 69/2013

Law 69/2013 is one of the financial sources related to Development Contracts which contains provisions for economic growth.

	2019	2018
Revolving Fund Development Contracts (DM 24/09/10)		
Cash at 01/01	32,127	31,649
Subsidies provided	(5,977)	(9,216)
Repayments from beneficiaries	10,164	9,678
Sums to return Ministerial Commission	-	14
Net annual banking amounts	6	2
Cash as at 31/12	36,320	32,127
Development contracts for plant in Lazio (MD 24/09/10)		
Cash at 01/01	2,047	2,047
Funds cashed	1,600	-
Subsidies provided	(339)	-
Sums to return Ministerial Commission	25	-
Net annual banking amounts	-	-
Cash as at 31/12	3,333	2,047
Development contracts for plant in Abruzzo (MD 24/09/10)		
Cash at 01/01	142	111
Funds cashed	104	308
Subsidies provided	(210)	(308)
Sums to return Ministerial Commission	39	31
Net annual banking amounts	-	-
Cash as at 31/12	75	142
Development contracts, Piedmont operating grants (MD 24/09/10)		
Cash at 01/01	1,255	1,948
Funds cashed	280	-
Subsidies provided	(1,069)	(560)
Disbursement in transit 2017	-	(133)
Sums to return Ministerial Commission	14	-
Net annual banking amounts	-	-
Cash as at 31/12	480	1,255

For this financial source, € 7,595 thousand in subsidies were disbursed and € 1,984 thousand in funds were collected from the Ministry during the year.

Part D - Other Information

ACP - Action and Cohesion Plan

The Action and Cohesion Plan aims to:

- Accelerate the implementation of the 2007-2013 plans;
- Strengthen the effectiveness of interventions by orienting them towards measurable results and focusing resources;
- Start new actions, some being prototypes, which, according to the results, will be incorporated into the 2014-2020 plans.

	2019	2018
Revolving Fund Development Contracts (DM 24/09/10)		
Cash at 01/01	2,112	1,551
Cash advances, other measures	-	2,400
Subsidies provided	(1,684)	(2,267)
Repayments from beneficiaries	832	428
Net annual banking amounts	-	-
Cash as at 31/12	1,260	2,112
Development contracts for plant (MD 24/09/10)		
Cash at 01/01	3,811	12,874
Cash advances and other measures	-	(5,000)
Cash advances, other measures	6,000	-
Subsidies provided	(7,826)	(4,064)
Net annual banking amounts	-	1
Payables due to Ministerial Commission	125	-
Cash as at 31/12	2,110	3,811

For this financial source, € 9,510 thousand in subsidies were disbursed during the year.

During the year, € 6 million were collected from another financial source.

ACP for Campania

The Action and Cohesion Plan of the Campania Region has been set up to provide incentives in support of productive investments oriented towards innovation and competitive improvement in the manufacturing and electricity production sectors as well as other specific services. The goal is the conversion of economically distressed areas through the innovation, integration and management of companies, the enhancement of disused or underused facilities and the creation of new jobs.

Part D - Other Information

	2019	2018
Revolving Fund Development Contracts (DM 24/09/10)		
Cash at 01/01	3,579	603
Funds cashed	-	-
Transfer of funds from other measures	-	4,423
Subsidies provided	(2,149)	(1,464)
Repayments from beneficiaries	298	3
Adjustment of 2017-2018 returned funds transferred to other measures	(14)	-
Payables due to other measures	-	14
Net annual banking amounts	-	-
Cash as at 31/12	1,714	3,579
Development contracts for plant (MD 24/09/10)		
Cash at 01/01	765	12
Transfer of funds from other measures	9,064	9,000
Subsidies provided	(4,869)	(8,247)
Payables to tax authorities	24	-
Net annual banking amounts	-	-
Cash as at 31/12	4,984	765
Region of Campania		
Cash at 01/01	10,693	124
Funds cashed	5,000	10,361
Transfer of funds from other measures	-	5,000
Subsidies provided	(5,372)	(4,792)
Net annual banking amounts	(1)	-
Cash as at 31/12	10,320	10,693

For this financial source, € 12,390 thousand in subsidies were disbursed during the year.

Also during the year, € 9,064 thousand were collected from another financial source and € 5 million were collected from the Ministry.

Law 147/2013 - 2014 Stability Law

This subsidy aims to finance interventions for territorial safety, national interest sites and environmental policy.

Part D - Other Information

	2019	2018
Revolving fund for development contracts (Law 147/2013)		
Cash at 01/01	20,668	36,909
Transfer of amounts to other measures	(10,000)	(5,900)
Subsidies provided	(7,734)	(18,152)
Reclassification of 2017 disbursement	-	7,169
Repayments from beneficiaries	1,248	647
Reclassification of amounts returned by beneficiaries 2017	-	(9)
Net annual banking amounts	6	3
Payables due to other measures	(1)	1
Cash as at 31/12	4,187	20,668

For this financial source, € 7,734 thousand in subsidies were disbursed during the year.

The financial resources were also used to cover subsidised loans for other DC measures.

The Termini Imerese Programme Agreement

This is the Programme agreement regulating the retraining and upgrading of the Termini Imerese industrial site.

	2019	2018
Revolving Fund Development Contracts (DM 19/12/2014)		
Cash at 01/01	79	57
Repayments from beneficiaries	-	22
Net annual banking amounts	-	-
Cash as at 31/12	79	79
Development contracts for plant (MD 24/09/10)		
Cash at 01/01	804	804
Amounts returned from beneficiaries due to revocation	1,336	-
Net annual banking amounts	-	-
Cash as at 31/12	2,140	804

For this financial source, no subsidies were disbursed in 2019.

During the year, the procedure to revoke subsidies was begun relative to the company Bluetec.

Part D - Other Information

2014-2020 Development and Cohesion Fund (DCF)

The Development and Cohesion Fund (DCF) is the main financial tool through which development policies are being implemented in economic, social and territorial cohesion endeavours and the removal of economic and social imbalances, in order to implement the provisions of the Italian Constitution and the European Union Treaty.

The table below lists the liabilities to third parties related to development and cohesion fund contracts for 2014-2020:

	2019	2018
Revolving Fund Development Contracts (DM 24/09/10)		
Cash at 01/01	115,743	49,853
Funds cashed	-	80,500
Reclassification of disbursements previous years	(3,300)	-
Transfer of amounts from other measures	3,000	20,000
Transfer of amounts collected from other measures	8	-
Transfer of amounts to other measures	(20,000)	-
Subsidies provided	(32,766)	(34,651)
Repayments from beneficiaries	475	41
Net annual banking amounts	11	-
Cash as at 31/12	63,171	115,743
Development contracts for plant (MD 24/09/10)		
Cash at 01/01	17,788	43,255
Funds cashed	44,100	-
Transfer of funds from other measures	-	24,000
Transfer of funds to other measures	(3,000)	(5,000)
Subsidies provided	(37,371)	(39,000)
Reclassification of 2017 disbursement	(2,040)	(5,407)
Payment in transit 2017	-	(59)
Sundry payables	27	-
Net annual banking amounts	(1)	(1)
Cash as at 31/12	19,503	17,788

For this financial source, during the year, € 70,137 thousand in subsidies were disbursed.

During the year, € 44.1 million were collected from the Ministry and € 20 million were transferred to other financial sources.

Axis I Innovation E&C NOP DC

These development contracts are aimed at sustaining initiatives charged to the E&C NOP for the management and implementation of the following projects:

Part D - Other Information

- "Intelligent energy distribution networks (smart grids) and work on closely related transmission networks aimed at directly increasing the distribution of energy produced from renewable sources, introduction of equipment incorporating digital communications systems, smart metering, control and monitoring for cities and peri-urban areas";
- "The deployment of intelligent storage systems serving smart grid distribution networks and renewable energy generating stations" linked to Axis IV "Energy Efficiency".

Commitments to third parties are shown in the following tables:

	2019	2018
Development Contracts Revolving Fund		
Cash at 01/01	7,181	7,173
Subsidies provided	(5,065)	-
Reclassification of disbursements previous years	3,300	-
Reclassification of amounts collected previous years	(8)	-
Repayments from beneficiaries	2	8
Net annual banking amounts	-	-
Amounts	(60)	-
Cash as at 31/12	5,350	7,181
Development Contracts for plant		
Cash at 01/01	912	8,115
Funds cashed	10,000	-
Transfer of funds from other measures	3,000	-
Reclassification of disbursements previous years	2040	-
Subsidies provided	(4,206)	(7,203)
Net annual banking amounts	-	-
Cash as at 31/12	11,746	912

For this financial source, during the year, € 9,271 thousand in subsidies were disbursed. During the year, € 10 million were collected from the Ministry and € 3 million were collected from another financial source.

Axis III SME Competitiveness E&C NOP DC

Through the Development Contract, Invitalia supports large investments in the industry, tourism and environmental protection sectors.

Commitments to third parties are shown in the following tables:

Part D - Other Information

	2019	2018
Development Contracts Revolving Fund		
Cash at 01/01	34,096	10,763
Funds cashed	30,811	22,733
Transfer of funds to other measures	(1,680)	17,648
Subsidies provided	(17,840)	(6,957)
Repayments from beneficiaries	413	25
Reclassification of 2017 disbursement	-	(10,110)
Reclassification of interest portion 2017	-	9
Receivables due from other measures	16	(15)
Amounts	(38)	-
Net annual banking amounts	5	-
Cash as at 31/12	45,783	34,096
Revolving Fund Por Lazio		
Transfer of funds from other measures	1,680	-
Subsidies provided	(720)	-
Net annual banking amounts	-	-
Cash as at 31/12	960	-
Development Contracts for plant		
Cash at 01/01	3,000	3,000
Transfer of funds to other measures	(3,000)	-
Net annual banking amounts	-	-
Cash as at 31/12	0	3,000

For this financial source, during the year, € 18,560 thousand in subsidies were disbursed. During the year, around € 30,811 thousand were collected from the Ministry and € 3 million were transferred to another financial source.

Axis IV E&C NOP DC

This financial source is intended for the deployment of intelligent storage systems serving smart grid distribution networks and renewable energy generating stations" linked to Axis IV "Energy Efficiency".

	2019	2018
Development Contracts Revolving Fund		
Cash at 01/01	10,104	-
Funds cashed	-	10,100
Net annual banking amounts	4	4
Cash as at 31/12	10,108	10,104
Development Contracts for plant		
Cash at 01/01	14,001	-
Funds cashed	-	14,000
Net annual banking amounts	5	1
Cash as at 31/12	14,006	14,001

No subsidies were disbursed for this financial source during the year in question.

Part D - Other Information

2014-2020 COP - "Enterprises and Competitiveness"

The financial resources for the COP, equal to € 355,000, are intended for the financing of two lines of intervention in the most disadvantaged areas of the country. One line relates to the attraction of investments capable of ensuring a regional impact on SMEs (60% of the budget). The other (40% of the financial allocation) covers significant investments linked to the expansion of production capacity in companies of any size.

Commitments to third parties are shown in the following tables:

	2019	2018
Development Contracts Revolving Fund		
Cash at 01/01	6,764	12,500
Transfer of funds from other measures	5,000	-
Reclassification of disbursements previous years	1,758	-
Subsidies provided	(4,981)	(5,736)
Repayments from beneficiaries	7	-
Net annual banking amounts	-	-
Cash as at 31/12	8,548	6,764
Development Contracts for plant		
Cash at 01/01	8,487	18,000
Reclassification of disbursements previous years	2,952	-
Subsidies provided	(4,402)	(9,513)
Net annual banking amounts	-	-
Cash as at 31/12	7,037	8,487

For this financial source, € 9,383 thousand in subsidies totalling were disbursed during the year and € 5 million were collected from another financial source.

COP - 2014-2020 Action and Cohesion Programme - "Businesses and Competitiveness" Axis III

Commitments to third parties are shown in the following tables:

Part D - Other Information

	2019	2018
Revolving fund for subsidised loans		
Cash at 01/01	-	17,647
Transfer of funds to other measures	-	(17,647)
Net annual banking amounts	-	-
Cash as at 31/12	0	0
Development Contracts for plant		
Cash at 01/01	14,100	14,100
Transfer of funds from other measures	15,000	-
Reclassification of disbursements previous years	(12,017)	-
Subsidies provided	(11,645)	-
Net annual banking amounts	-	-
Cash as at 31/12	5,438	14,100

For this financial source, no disbursements occurred during the year. Around € 11,645 thousand were transferred and funding of € 15 million was collected from another financial source.

Sustainable Growth Fund DC

This measure is intended to finance industrial investment and environmental protection projects in the regions of the centre/north.

	2019	2018
Development Contracts Revolving Fund		
Cash at 01/01	1,410	-
Funds cashed	-	10,000
Transfer of funds from other measures	2,500	-
Subsidies provided	(3,092)	(8,590)
Repayments from beneficiaries	26	-
Net annual banking amounts	1	-
Cash as at 31/12	845	1,410
Development Contracts for plant		
Cash at 01/01	5,001	-
Funds cashed	-	5,000
Transfer of funds to other measures	(2,500)	-
Subsidies provided	(194)	-
Net annual banking amounts	1	1
Cash as at 31/12	2,308	5,001

For this financial source, € 3,286 thousand in subsidies were disbursed during the year.

Part D - Other Information

MD 09 MARCH 2018 - Innovative Investments E&C NOP Axis III 2014-2020

This measure serves to support innovative investment programmes with the aim of improving efficiency and/or flexibility for economic activity.

	2019	2018
Development Contracts E&C NOP Axis III - Revolving Fund		
Cash at 01/01	42,299	
Funds cashed	-	42,299
Receivables due from other measures	(734)	-
Subsidies provided	(1,358)	-
Net annual banking amounts	-	-
Cash as at 31/12	40,207	42,299
Development Contracts E&C NOP Axis III - operating grant		
Funds cashed	55,000	-
Payables due to other measures	734	-
Subsidies provided	(734)	-
Net annual banking amounts	-	-
Cash as at 31/12	55,000	-

For this financial source, € 2,092 thousand in subsidies were disbursed and € 55 million in funds were collected during the year.

MD 09 MARCH 2018 - Innovative Investments E&C NOP Axis IV 2014-2020

	2019	2018
Development Contracts E&C NOP Axis IV - Revolving Fund		
Cash at 01/01	7,787	-
Funds cashed	-	7,787
Net annual banking amounts	-	-
Cash as at 31/12	7,787	7,787
Development Contracts E&C NOP Axis IV - operating grant		
Funds cashed	700	-
Net annual banking amounts	-	-
Cash as at 31/12	700	-

For this financial source, no subsidies were disbursed during the year.

Part D - Other Information

Other Measures

2007-2013 ERDF IOP - "Renewable Energies and Energy Saving"

The Ministry has issued a number of implementing decrees in the context of this operational programme, as highlighted below:

- On 6 August 2010, the Italian Ministry of Economic Development (MED) issued three decrees implementing the provisions of the Ministerial Decree of 23 July 2009, with an original allocation of € 500 million, later reduced to € 495 million.
- The Italian Ministry of Economic Development, with the Decree of 5 December 2013 (Energy Efficiency MD), promoted the implementation of investment programmes aimed at reducing and rationalising the use of primary energy in the processing and/or supply cycles of services carried out within an already existing production unit, benefiting companies located in the Convergence Goal regions (Calabria, Campania, Apulia and Sicily).

Activity Line 1.2/2.1 - Initiatives supporting the development of research-related entrepreneurship and application of innovative technology in the field of renewable energy

The program finances investment projects involving the production of instrumental assets used to develop renewable energy sources and energy savings.

In this regard, two Rolling Funds were activated for project lines 1.2 and 2.1, managed with separate capital and accounting.

Part D - Other Information

	2019	2018
Revolving fund for subsidised loans line 1.2		
Cash at 01/01	72,526	68,928
Subsidies provided:		
EE IOP 1.2 MD 06/08/2010	-	-
IOP 1.2 MD 05/12/2013 Energy Efficiency	-	45
EE IOP 1.2 MD 24/04/2015 New Energy Efficiency	-	(94)
Repayments from beneficiaries:		
EE IOP 1.2 MD 06/08/2010	665	262
IOP 1.2 MD 05/12/2013 Energy Efficiency	2,356	2,357
EE IOP 1.2 MD 24/04/2015 New Energy Efficiency	873	1,021
Net annual banking amounts	3	5
Other		
Payables due to other measures	12	-
Payment to suppliers, energy efficiency	(2)	2
Cash as at 31/12	76,433	72,526
Revolving fund for subsidised loans line 2.1		
Cash at 01/01	45,195	42,976
Subsidies provided:		
EE IOP 2.1 MD 24/04/2015 New Energy Efficiency	-	(37)
Repayments from beneficiaries:		
EE IOP 2.1 MD 06/08/2010	464	365
IOP 2.1 MD 05/12/2013 Energy Efficiency	773	850
New Energy Efficiency 2.1	937	1,039
Net annual banking amounts	2	2
Other		
Receivables due from other measures	(13)	-
Cash as at 31/12	47,358	45,195

For this financial source, no subsidies were disbursed during the year.

Part D - Other Information

	2019	2018
Grants for plant (MD 06/08/10) line 1.2		
Cash at 01/01	2	46
Subsidies provided	-	(44)
Net annual banking amounts	-	-
Cash as at 31/12	2	2
Grants for plant (MD 06/08/10) line 2.1		
Cash at 01/01	180	180
Subsidies provided	-	-
Net annual banking amounts	-	-
Cash as at 31/12	180	180
Funds returned to the Ministry	-	-
Grant for plant (MD 06/08/10)	182	182

For this financial source, no subsidies were disbursed during the year.

Project line 1.1 - initiatives for the activation of biomass production chains driven by goals comprising energy efficiency, environmental compatibility and spatial development (the Biomass Call)

The Agency is the Managing Body of the Biomass Initiative, promoted pursuant to Italian Ministerial Decree of 13 December 2011, whose purpose is to finance investment programmes for activating, strengthening and supporting biomass supply chains in the regions of Campania, Apulia, Calabria and Sicily.

	2019	2018
Revolving fund for subsidised loans (MD 13/12/11)		
Cash at 01/01	10,445	11,948
Subsidies provided	-	(1,072)
Repayments from beneficiaries	505	641
Fund release		
Amounts		
Sundry receivables	(55)	(1,081)
Net annual banking amounts	-	9
Cash as at 31/12	10,895	10,445
Grant for plant (MD 13/12/2011)		
Cash at 01/01	43	66
Subsidies provided	(76)	(1,084)
Fund release		
Sundry payables	76	1,061
Net annual banking amounts	(1)	-
Cash as at 31/12	42	43

Part D - Other Information

For this financial source, € 76,000 in subsidies were disbursed during the year.

**Instruments for creation of new enterprises and jobs
Smart&Start (MD 06/03/2013)**

The programme includes 2 types of initiatives:

- aid for newly created small businesses (SMART);
- support for investment programmes carried out by new digital and/or technological content companies (START).

	2019	2018
Smart - Contr. Operating Expenses - Title II (MD 06/03/2013)		
Cash at 01/01	4,348	1,625
Transfer of funds	-	4,881
Subsidies provided	(492)	(2,366)
Net annual banking amounts	(1)	(2)
Payables to other financial source	(210)	210
Cash as at 31/12	3,645	4,348
Start-Operating grant, Title III (MD 06/03/2013)		
Cash at 01/01	4,689	4,689
Net annual banking amounts	-	-
Cash as at 31/12	4,689	4,689
Smart & Start Abruzzo (MD 06/03/2013)		
Cash at 01/01	1,171	1,171
Net annual banking amounts	-	-
Cash as at 31/12	1,171	1,171

For this financial source, € 492,000 in subsidies were disbursed during the year.

Smart & Start Italia

Smart & Start Italia benefits are reserved for innovative start-ups located throughout the country, whose business idea must include innovative technological features or envisages the development of products, services or solutions in the realm of the digital economy, or economically enhances the results of the research system.

Part D - Other Information

	2019	2018
Revolving Fund (MD 24/09/2014)		
Grants for plant and operations (MD 24/09/14)		
Cash at 01/01	13,152	16,749
Funds cashed	11,804	8,685
Transfer to other financial source	(2,401)	290
Disbursements paid out for financing	(5,775)	(11,549)
Transfer from 2017 fund disbursements	216	(216)
Reclassification of fund disbursements previous years	250	
Subsidy grants paid out	(466)	(1,015)
Transfer to other financial source	-	(54)
Transfer from other financial source	54	
Repayments from financing beneficiaries	867	35
Payable to other financial source	-	227
Receivable from other financial sources	(227)	-
Cash as at 31/12	17,474	13,152
	2019	2018
2017 State budget		
Cash at 01/01	39	2,619
Funds cashed	7,486	-
Receivable from other financial sources	500	(500)
Payables to other financial source	1,211	-
Subsidies provided:		
Financing	(8,402)	(1,931)
Contributions	(500)	(148)
Payables to tax authorities	4	-
Net annual banking amounts	-	(1)
Cash as at 31/12	338	39
	2019	2018
2014/2020 NOP		
Cash at 01/01	7,951	10,221
Funds cashed	5,500	-
Net annual banking amounts	(1)	-
Subsidies provided		
Financing	(2,966)	(1,918)
Contributions	(742)	(480)
transfer to other financial source	-	269
Repayment of capital portion:		
Financing	-	69
Contributions	-	17
Receivable from other financial sources	-	(227)
Payables to other financial source	227	-
Cash as at 31/12	9,969	7,951

For these financial sources, € 18,851 thousand in subsidies were disbursed during the year and € 24,790 thousand in funds were collected.

Part D - Other Information

New interest-free companies

This measure is aimed at supporting entrepreneurship through the creation of micro and small enterprises.

	2019	2018
Revolving Provision for 'Single Fund' subsidised loans		
Cash at 01/01	10,277	10,920
Funds cashed	-	500
Subsidies provided	(789)	(1,197)
Repayments from beneficiaries	136	53
Net annual banking amounts	-	1
Cash as at 31/12	9,624	10,277
2017 State budget		
Cash at 01/01	15,199	5,652
Liquidity c/o Treasury	30,321	40,500
Subsidies provided	(3,596)	(632)
Repayments from beneficiaries	64	-
Net annual banking amounts	-	-
Cash as at 31/12	41,988	45,520
Non-remunerated liquidity LED NOP 2000/2006		
Cash at 01/01	196	20,000
Liquidity c/o Treasury	19,655	-
Transfers to Treasury current account	(2,339)	-
Collection of funds	2,339	-
Subsidies provided	(718)	(149)
Repayments from beneficiaries	7	-
Receivables from Pac Campania	(88)	-
Net annual banking amounts	-	-
Cash as at 31/12	19,052	19,851
ACP for Campania		
Cash at 01/01	-	-
Transfer of funds from other measures	88	-
Subsidies provided	(87)	-
Repayment of capital portion	11	-
Net annual banking amounts	(1)	-
Cash as at 31/12	11	-
Collection of fees	(3,464)	-
Total liquidity 31/12	67,211	-

For this financial source, € 5,190 thousand in subsidies were disbursed and € 2,339 thousand in funds were collected from the Ministry during the year.

Part D - Other Information

SELFIEmployment

Self-Employment funds with interest-free loans small business initiatives, promoted by young NEET. The Fund is managed by Invitalia under the Guarantee for Youth Programme, under the supervision of the Italian Ministry of Labour.

	2019	2018
Revolving fund for subsidised loans		
Cash at 01/01	998	7,980
Funds cashed	11,823	-
Repayments from beneficiaries	1,140	525
Subsidies provided	(7,810)	(7,502)
Amounts in transit	-	10
Net annual banking amounts	(35)	(15)
Cash as at 31/12	6,116	998

For this financial source, € 7,810 thousand in subsidies were disbursed and around € 11,823 thousand in funds collected during the year.

Interventions to support sectors

Cultura Crea [Culture Creates] Programme (MIBACT Decree 11/05/2016)

This programme is for the creation and development of business initiatives in the cultural and tourism sectors and provides support to non-profit ventures aimed at enhancing cultural resources in the Basilicata, Calabria, Campania, Apulia and Sicily regions.

AZ 3.A.1.A New Businesses NOP

	2019	2018
Revolving fund		
Cash at 01/01	6,619	7,909
Subsidies provided	(2,987)	(1,290)
Repayments from beneficiaries	138	
Receivables due from other measures	(82)	
Net annual banking amounts	-	-
Cash as at 31/12	3,688	6,619
Operating grant		
Cash at 01/01	1,580	439
Funds cashed	2,750	2,750
Subsidies provided	(2,648)	(1,608)
Payables due to other measures	82	-
Net annual banking amounts	(1)	(1)
Cash as at 31/12	1,763	1,580

Part D - Other Information

AZ 3.B.1.A NOP Cons. SME

	2019	2018
Revolving fund		
Cash at 01/01	4,006	4,382
Liquidity c/o Treasury of the State	25,846	-
Funds returned	-	(198)
Subsidies provided	(604)	(178)
Repayments from beneficiaries	1	-
Net annual banking amounts	-	-
Cash as at 31/12	29,249	4,006
Operating grant		
Cash at 01/01	633	443
Funds cashed	250	250
Subsidies provided	(200)	(60)
Net annual banking amounts	-	-
Cash as at 31/12	682	633

AZ 3.C.1.A NOP Tertiary Sector

	2019	2018
Operating grant		
Cash at 01/01	1,259	663
Funds cashed	1,500	1,500
Subsidies provided	(1,319)	(904)
Net annual banking amounts	(1)	-
Cash as at 31/12	1,438	1,259

For these financial sources, € 7,758 thousand in subsidies were disbursed and € 4.5 million in funds collected during the year.

CRASI L'Aquila MD 14/10/2015

This initiative promotes economic recovery and job creation in the part of Abruzzo hit by the 2009 earthquake and is broken down into Measure I and Measure II. Measure I supports the creation of new businesses or the rehabilitation of existing ones, and Measure II provides funding for the promotion of territorial excellence with initiatives to increase visibility.

Commitments to third parties are shown in the following tables:

Part D - Other Information

	2019	2018
Measure I, operating grant		
Cash at 01/01	334	1,919
Funds cashed	4,500	-
Transfer of amounts from other measures	650	-
Subsidies provided	(2,153)	(1,586)
Capital returned	-	1
Payables to tax authorities	1	-
Net annual banking amounts	-	-
New Crasi		
Subsidies provided	(248)	-
Cash as at 31/12	3,084	334
Measure II oper. grant		
Cash at 01/01	99	729
Funds cashed	1,000	-
Transfer of amounts from other measures	250	-
Subsidies provided	(725)	(628)
Receivables from clients	1	(2)
Payables to tax authorities	1	-
Net annual banking amounts	-	-
Cash as at 31/12	626	99
Total liquidity 31/12	3,710	433

For this financial source, € 3,126 thousand in subsidies were disbursed during the year. Funds of € 900,000 were collected from another Measure, as well as € 5.5 million from the Ministry.

Murgia MD 18/10/2013

The Agency is the Managing Body for the MD Murgia Call for Proposals, promoted pursuant to Ministerial Decree of 13 October 2013, whose purpose is the reconversion and reindustrialisation of the Murgia territory affected by the crisis in the upholstered furniture sector.

	2019	2018
Operating grant		
Cash at 01/01	5,069	5,069
Amounts	(1,009)	-
Net annual banking amounts	-	-
Cash as at 31/12	4,060	5,069

For this financial source, no subsidies were disbursed during the year.

Part D - Other Information

MD Campania 13/02/2014

The Agency is the Managing Body of the MD Campania Call for Proposals, promoted pursuant to Italian Ministerial Decree of 13 February 2014, whose purpose is the industrial relaunch and/or the redevelopment of the production system of the Municipalities in areas affected by industrial crisis in Campania.

	2019	2018
Revolving fund		
Cash at 01/01	6,931	7,724
Financial rebalancing from operating grant	58	-
Subsidies provided	(2,347)	(802)
Capital returned	168	8
Net annual banking amounts	-	1
Cash as at 31/12	4,810	6,931
Grant for plant		
Cash at 01/01	6,672	7,439
Financial rebalancing to Revolving Fund	(59)	-
Subsidies provided	(2,692)	(768)
Net annual banking amounts	-	1
Cash as at 31/12	3,921	6,672

For this financial source, € 5,039 thousand in subsidies were disbursed during the year.

New Law 181

With the Decree of 09/06/2015, the MED set forth the conditions and arrangements for the actions required to implement a new aid provision system.

The contexts to be addressed by the initiative are:

- Areas of complex industrial crises, with 26 requests presented during the year and 23 sent for assessment;
- Areas of non-complex industrial crises, with 32 requests presented during the year, 9 of which not accepted;
- Other areas, for which 11 requests were presented, 3 of which not accepted.

Commitments to third parties are shown in the following tables:

Part D - Other Information

	2019	2018
Rieti PA		
Cash at 01/01	7,220	7,220
Transfer of funds to other measures	(7,220)	-
Net annual banking amounts	-	-
Cash as at 31/12	0	7,220
PA Piombino		
Cash at 01/01	1,171	1,171
Transfer of funds to other measures	(1,171)	-
Net annual banking amounts	-	-
Cash as at 31/12	0	1,171
Growth Fund, Revolving fund		
Cash at 01/01	9,195	9,194
Funds cashed	3,336	-
Subsidies provided	(6,084)	-
Capital returned	1	1
Payables due to other measures	4	-
Net annual banking amounts	-	-
Cash as at 31/12	6,452	9,195
NOP E&C Axis III, Revolving fund		
Cash at 01/01	15,735	-
Funds cashed	-	18,575
Subsidies provided	(2,629)	(2,840)
Capital returned	14	-
Receivables due from other measures	(4)	-
Net annual banking amounts	-	-
Cash as at 31/12	13,116	15,735
POR FESR 2014-2020 Campania Revolving Fund		
Cash at 01/01	6,750	-
Funds cashed	-	6,750
Net annual banking amounts	-	-
Cash as at 31/12	6,750	6,750
former Merloni area		
Cash at 01/01	6,468	-
Funds cashed	-	7,310
Transfer of funds to other measures	(6,468)	-
Subsidies provided	-	(842)
Net annual banking amounts	-	-
Cash as at 31/12	0	6,468
POR FESR 2014-2020 Basilicata Revolving Fund		
Cash at 01/01	506	-
Funds cashed	-	506
Net annual banking amounts	-	-
Cash as at 31/12	506	506
FSC Campania Revolving Fund		
Funds cashed	842	-
Net annual banking amounts	-	-
Cash as at 31/12	842	-
Single Fund, revolving fund		
Funds cashed	1,406	-
Transfer of funds from other measures	5,594	-
Subsidies provided	(2,670)	-
Net annual banking amounts	1	-
Cash as at 31/12	4,331	-
Law 80/05 Revolving Fund		
Transfer of funds, other measures	5,117	-
Transfer of funds from other measures	1,000	-
Subsidies provided	(5,678)	-
Capital returned	8	-
Net annual banking amounts	-	-
Cash as at 31/12	447	-
Growth fund, operating grant		
Cash at 01/01	3,940	3,940
Funds cashed	1,283	-
Subsidies provided	(1,746)	-
Payables to tax authorities	47	-
Net annual banking amounts	-	-
Cash as at 31/12	3,524	3,940
NOP E&C Axis III, operating grant		
Cash at 01/01	1,323	-
Funds cashed	2,400	2,600
Subsidies provided	(1,263)	(1,277)
Payables to tax authorities	1	-
Net annual banking amounts	-	-
Cash as at 31/12	2,461	1,323
FESR operating grant		
Funds cashed	600	-
Net annual banking amounts	-	-
Cash as at 31/12	600	-
Law 80/05 operating grant		
Transfer of funds from other measures	2,193	-
Transfer of funds to other measures	(1,000)	-
Subsidies provided	(899)	-
Net annual banking amounts	-	-
Cash as at 31/12	294	-
Single Fund, operating grant		
Funds cashed	527	-
Transfer of funds from other measures	2,797	-
Subsidies provided	(948)	-
Net annual banking amounts	1	-
Cash as at 31/12	2,377	-

For this financial source, € 21,917 thousand in subsidies were disbursed during the year.

Part D - Other Information

Resto al sud [Remain in the South]

With Italian Decree Law No. 91 of 20 June 2017, the Remain in the South Measure was established, with the goal of creating incentives to develop new businesses in Southern Italy, with beneficiaries being no more than 45 years old and required to have registered offices in the following regions: Abruzzo, Basilicata, Calabria, Molise, Puglia, Sardinia or Sicily. The Measure finances the purchase of machinery, plant, equipment and IT systems, as well as remodelling and restructuring of the main offices.

Following the publication in the OJ of Italian Decree Law 123 of 24 October 2019, containing "Urgent provisions to accelerate and complete reconstruction in progress in areas affected by earthquakes", the Measure was also extended to municipalities within the seismic crater in the regions of Lazio, Marche and Umbria.

	2019	2018
Central Treasury		
Cash at 01/01	8,938	-
Funds cashed	46,400	11,088
Transfers to current account	(21,738)	(2,150)
Cash as at 31/12	33,600	8,938
Operating Grant		
Cash at 01/01	1,569	-
Transfers to Treasury current account	19,338	2,000
Subsidies provided	(15,876)	(440)
Amounts collected for revocation	10	-
Payables to tax authorities	23	9
Payables to social security institutions	13	-
Payables to interest rate subsidy	2	-
Bank fees	1	-
Cash as at 31/12	5,080	1,569
Interest Rate Subsidy		
Cash at 01/01	50	-
Transfers to Treasury current account	2,400	150
Subsidies provided	(1,749)	(100)
Amounts collected for revocation	3	-
Net annual banking amounts	(1)	-
Disbursements in transit	8	-
Receivable from operating grants	(2)	-
Cash as at 31/12	709	50

For this financial source, € 17,625 thousand in subsidies were disbursed and € 21,738 thousand in funds collected during the year.

Part D - Other Information

Internationalisation voucher

On 29 September 2017, an Agreement was signed with the MED with the aim of using grants in the form of vouchers to support SMEs intending to market their goods outside of Italy, through a specialist able to analyse, design and manage these processes.

	2019	2018
Cash at 01/01	8,081	-
Funds cashed	18,641	9,424
Subsidies provided	(24,402)	(1,342)
Payables to tax authorities	66	-
Disbursements in transition	40	-
Net annual banking amounts	-	(1)
Cash as at 31/12	2,426	8,081

For this financial source, € 24,202 thousand in subsidies were disbursed and € 18,641 thousand in funds collected during the year.

Innovative Investments Voucher

During the year, an Agreement was signed with the MED in order use grants in the form of vouchers to support SMEs intending to acquire specialised consulting for technological and digital transformation processes.

	2019	2018
Funds cashed	25,000	
Subsidies provided	-	
Net annual banking amounts	-	
Cash as at 31/12	25,000	

For this financial source, funds totalling € 25 million were collected from the MED during the year.

COP MED 2020 Notification

This is an Agreement through which the Agency is assigned to provide support services for the design and management of a financing measure intended to support the development of the technological level of industrial property rights held by universities and research and other scientific institutions.

Part D - Other Information

	2019	2018
Funds cashed	5,300	-
Net annual banking amounts	-	-
Cash as at 31/12	5,300	-

For this financial source, no subsidies were disbursed during the year.

Single fund Article 27 par. 11 Law 488/1999

The table below shows the commitments to third parties regarding the management of facilitation measures pursuant to Italian Legislative Decree No. 185/2000. Title I refers to measures in support of entrepreneurship and Title II addresses initiatives supporting self-employment.

	2019	2018
Cash at 01/01	274,311	244,597
Agevolazioni da erogare	(70,923)	(88,121)
Mutui	3,112,221	2,139,468

Loans totalling around € 12,108 thousand were provided during 2019. These receivables will become true "available resources" only to the extent that such amounts will actually be repaid.

Fertility project

The programme supports the development of entrepreneurial initiatives promoted by non-profit organisations.

	2019	2018
Cash at 01/01	222	5,733
Agevolazioni da erogare	(1,996)	(1,996)

For the Fertility Project, the total commitments, net of released sums, amounted to € 222,000 at 31 December 2019.

The 'Youth ideas to change Italy' project

The programme aims to enhance the design skills and creativity of young people and addresses Italian citizens between 18 and 35 years of age. It is intended to finance the creation of the best project ideas in 4 areas: technological innovation, social and civic engagement, sustainable development, management of urban and territorial services for the quality of life of young people.

Part D - Other Information

	2019	2018
Cash at 01/01	27	2,319
Subsidies to be disbursed	(1,163)	(1,163)

Under this project, the total commitment at 31 December 2019 stands at € 27,000.

EU funds

EU funds, the main instrument of the European Union's investment policy, are intended to promote economic growth and the employment policies of the Member States and their regions as well as European territorial cooperation.

	2019	2018
Cash at 01/01	425	425
Payables for Funds Received	(4,156)	(4,156)

These funds do not show changes from the 2009 financial year.

Fondo imprese Sud [Southern Enterprise Fund]

The amount of € 150 million is the initial amount deposited into a special account held by the Agency, opened with the Treasury of the State, to manage the fund established by Law 205/17. The goal is to support the economic/production structure of the regions of Abruzzo, Basilicata, Calabria, Campania, Molise, Apulia, Sardinia and Sicily, to support growth of small and medium enterprises whose registered headquarters and manufacturing activities are located in the above regions.

To manage this fund, the Agency will sign an ad hoc agreement with the Presidency of the Italian Council of Ministers.

MATERA DL 91-2017 art 7 par. 1-BIS

These involve resources transferred to the special account no. 6065 held by the Agency, opened with the Italian Treasury for the project established under Italian Law 208/2015, Article 1, paragraph 435 "Matera, European Capital of Culture 2019".

Development Contract Equity Investments

With the Decree of 23 March 2018, the Agency was assigned € 20 million to acquire minority shareholdings in companies already financed through Development Contracts, with the aim of reopening industrial plants of significant size.

Part D - Other Information

F. Operations with third party funds

F.1 - Nature of funds and type of use

	2018		2017	
	Public funds		Public funds	
		of which: at own risk		of which: at own risk
1. Non-impaired assets				
. Other financing	440,520	13,551	482,163	15,903
<i>of which: from the enforcement of guarantees and</i>	-			
. Equity investments	4,151	-	5,623	
<i>of which: for merchant banking</i>	4,151	-	5,623	
2. Impaired assets				
2.1 Impaired items				
. Other financing	97,909	-	100,433	
<i>of which: from the enforcement of guarantees and</i>	-	-		
. Equity investments	6,875	-	8,126	
<i>of which: for merchant banking</i>	6,875	-	8,136	
2.3 Past due exposures				
. Other financing	4,050	4,050	3,277	3,277
<i>of which: from the enforcement of guarantees and</i>	-	-		
Total	553,505	17,601	599,622	19,180

Part D - Other Information

Section 3 - Information on risks and related hedging policies

In relation to the specific operations of Invitalia and reference markets, the following risks emerged during the analysis phase:

- credit risk
- market risk
- operating risk
- concentration risk
- counter-party risk
- interest rate risk
- liquidity risk
- strategic risk
- reputation risk
- real estate risk

Analysed risks were classified into the following categories:

- quantifiable risks (against which prudential capital and/or internal capital provisions can be deployed);
- assessable risks (not subject to quantification).

The risks listed above were then submitted for relevance analysis, excluding liquidity and real estate risks, which were deemed not relevant in relation to the current asset allocation and scope of regulatory capital.

Quantifiable risks consist of: credit risk, counterparty risk, market risk, operational risk, concentration risk and portfolio interest rate risk. Assessable risks include reputational risk and strategic risk.

Relevance analysis established the basis for defining Invitalia's level of exposure to the risks themselves.

The conclusions which emerged from this analysis indicate that Invitalia's risk exposure is low with reference to the organisational supervision enacted for its control. In any case, continuous surveillance and, where appropriate, limited remedial actions are warranted.

Part D - Other Information

3.1. CREDIT RISK

TOTAL QUALITATIVE CRITERIA

1. General aspects

Invitalia has defined credit risk as that related to incurring losses due to unexpected deterioration of the creditworthiness of clients that were granted funding, also following breach of contract situations. Credit risk is also connected to possible counterparty breaches and losses incurred in the provision of services and/or consultancy work as well as the acquisition of holdings not classified in the trading book for supervisory purposes.

Lending activity is undertaken as part of merchant banking operations, the processing of statutory subsidies and within the scope of affiliation contracts. The first of these is centred on Equity Investment intervention principles, where the repayment capacity and the size of the loan granted is conditioned by the preliminary examination that precedes the effective intervention implementation.

Operations involving statutory funds or in the management of concession laws do not determine, by their nature, financial and economic effects borne by Company, with the exception of certain lines of activity of minor importance.

2. Credit risk management policies

2.1 Organisational aspects

The structure of the delegated powers is inspired by the containment of risk concentration level, both in quantitative and sectoral economic terms. Lines of credit are granted under the powers delegated by the Board of Directors and attributed to the business units involved in the assessment prior to the credit approval.

2.2 Management, measurement and control systems

For the quantification of capital requirements considered necessary to cover a given risk, i.e. current internal risk capital, Invitalia adopts a standard procedural approach applicable to the determination of prudential capital requirements (see Bank of Italy Circular 216/96, Part One, Chapter V, Section III). Given the extent of its Regulatory Capital, Invitalia believes that it is not required to make estimates in terms of prospective domestic capital nor to undergo related stress testing for that risk.

Operational management and risk control are implemented via systematic monitoring (at least twice per year) of the operating performance of investee companies.

Part D - Other Information

2.3 Credit risk mitigation techniques

When deemed appropriate, adequate collateral is required and shareholder agreements governing the way-out mechanism are stipulated (with the prior determination of times and liquidation values).

2.4 Impaired financial assets

Credit risk management is governed by procedures that establish the applicable rules of conduct. In particular, during the pre-litigation phase, the activity is carried out by the administrative department together with the department responsible for monitoring the position; subsequently, the legal department is delegated to recover the amounts due. The administrative department defines the specific loss estimates based on the information on the recoverability terms provided by the operations function and/or the legal department.

Part D - Other Information

QUANTITATIVE INFORMATION

1. Breakdown of financial assets by associated portfolios and credit quality (book value)

Portfolio/quality	Impaired	Expired past due exposures	Other exposures not impaired	Total
1. Financial assets measured at amortised cost	142,010		2,641,420	2,783,430
2. Financial assets measured at fair value through other comprehensive income			747,966	747,966
3. Financial assets at fair value			54,548	54,548
4. Other financial assets obligatorily measured at fair value			16,817	16,817
Total 2019	142,010	-	3,460,751	3,602,761
Total 2018	147,718		2,528,881	2,676,599

2. Breakdown of financial assets by associated portfolios and credit quality (gross and net values)

Portfolio/quality	Impaired			Not impaired			Total (net exposure)
	Gross exposure	Total value adjustments	Net exposure	Gross exposure	Total value adjustments	Net exposure	
1. Financial assets measured at amortised cost	155,326	(13,316)	142,010	2,647,897	(6,477)	2,641,420	2,783,430
2. Financial assets measured at fair value through other comprehensive income			-	747,988	(22)	747,966	747,966
3. Financial assets at fair value			-	54,548		54,548	54,548
4. Other financial assets obligatorily measured at fair value			-	16,817		16,817	16,817
Total 2019	155,326	(13,316)	142,010	3,467,250	(6,499)	3,460,751	3,602,761
Total 2018	182,341	(34,623)	147,718	2,521,834	7,047	2,528,881	2,676,599

Portfolio/quality	Assets with clear evidence of low credit quality		Other assets
	Cumulative capital losses	Net exposure	Net exposure
1. Financial assets held for trading			19,172
2. Hedging derivatives			88,039
Total 2019	-	-	107,211
Total 2018			62,794

Part D - Other Information

3. Distribution of financial assets by maturity (book values)

Portfolio/quality	Stage one and two			Stage three		
	From 1 day to 30 days	Over 30 days to 90 days	Over 90 days	From 1 day to 30 days	Over 30 days to 90 days	Over 90 days
1. Financial assets measured at amortised cost	2,529,538	4,475	107,407	24	280	141,706
Total 2019	2,529,538	4,475	107,407	24	280	141,706
Total 2018	2,303,387	40,449	124,526	-	-	147,718

6. Credit exposures with customers, banks and financial companies

6.1 On and off balance sheet credit exposures with banks and financial companies: gross and net values

Type of exposures/amounts	Gross exposure		Total value adjustments	Net exposure	Total partial write-offs*
	Impaired	Not impaired			
A. Cash credit exposures					
a) Impaired	155,326		(13,316)	142,010	
e) Other non-impaired exposures		2,647,897	(6,477)	2,641,420	
TOTAL A	155,326	2,647,897	(19,793)	2,783,430	
B. Off-balance sheet credit exposures					
a) Impaired					
b) Non-impaired					
TOTAL B	-	-	-	-	
TOTAL A+B	155,326	2,647,897	(19,793)	2,783,430	

6.2 Cash credit exposures with banks and financial companies: trend of gross impaired exposures

There are no impaired exposures with banks or financial companies.

6.3 Impaired cash credit exposures with banks and financial companies: trend of total value adjustments

There are no impaired exposures with banks or financial companies.

Part D - Other Information

6.4 On and off balance sheet credit exposures with customers: gross and net values

Type of exposures/amounts	Gross exposure		Total value adjustments and total	Net exposure	Total partial write-offs*
	Impaired	Not impaired			
A. Cash credit exposures					
a) Impaired	155,326	155,326	(13,316)	142,010	
e) Other non-impaired exposures		1,897,552	(3,655)	1,893,897	
TOTAL A	155,326	2,052,878	(16,971)	2,035,906	
B. Off-balance sheet credit exposures					
a) Impaired	1,743		(300)	1,443	
b) Non-impaired		148,717	(1,413)	147,304	
TOTAL B	1,743	148,717	(1,713)	148,747	
TOTAL A+B	157,069	2,201,595	(18,684)	2,184,653	

9. Credit concentration

Concentration risk is the risk that derives from a concentration of exposures in the credit portfolio relative to counterparts, or groups of counterparts in the same economic sector, which carry out the same type of business or are located in the same geographic area.

9.3 Large exposures

As of 31 December 2019, the Group does not hold any positions classifiable as "large risks".

3.2. MARKET RISKS

Market risk is defined as the risk that the fair value or future cash flows of a financial instrument may undergo oscillations due to changes in market prices.

For Invitalia, this risk is represented by the risk of adverse change in the value of a position in securities, included in the trading book for supervisory purposes, due to the adverse trend of interest rates, Exchange rates, inflation, volatility in stock prices, credit spreads, commodity prices (generic risk) and issuer credit ratings (specific risk).

Market risk comprises three types of risk: interest rate risk, price risk and currency risk.

3.2.1 Interest rate risk

1. General aspects

Interest rate risk is the current and prospective risk of volatility in profits or capital arising from adverse interest rate variations.

Part D - Other Information

TOTAL QUALITATIVE CRITERIA

Invitalia's financial management complies with the asset allocation policies and risk limits established by the Board of Directors.

As already shown in the Report on Operations, there is no appreciable liquidity, interest rate or credit risk.

With regards to liquidity risk, note that cash flow from normal operations fully satisfies structural operating costs. The stress test, intended to verify the financial strength of management in the case of exogenous liquidity shocks, indicates that financial management investments comply with the principle of high liquidity, as two thirds of the total can be readily monetised.

Interest rate and credit risk are similarly limited.

More specifically, the long-term securities portfolio (HTC) has a very low risk profile with an average duration of around 5 years (against a financial mandate limit of 7 years) and an average rating of BB+ with Italian government securities exceeding 50% of the total.

The Agency's intention and ability to hold these securities for the long term in order to collect coupon-based returns makes it possible, on the basis of the international accounting standards, to not suffer any capital losses (to fair value) due to temporary fluctuations in interest rates and prices (measurement of securities at historic cost).

On the other hand, the portfolio of securities held for trading is of a residual amount, now less than 10% of investments, with a shorter financial duration of less than 3 years, and more contained relative implicit interest rate risk.

Investment policies are for the most part made up of separately managed items with a prudential profile which, due to the segregation of the relative funds and the rules governing them, offer high protection from credit and interest rate risk.

Finally, mutual investment funds, which are marginal in terms of amount, led to the choice of the main asset managers globally through the selection process, and in virtue of the prudential balanced investment class, do not appreciably increase the risk profile for management.

QUANTITATIVE INFORMATION

2. Models and other methods for measuring and managing interest rate risk

3.2.2 PRICE RISK

"Other price risk", as defined in Appendix A of IFRS 7, is defined as the risk that the fair value or future cash flows of a financial instrument may oscillate due to changes in market prices other than changes determined by interest rate risk or currency risk. For Invitalia, this risk is substantially limited to equity investment operations which following reorganisation are limited to residual costs. Price risk is kept in check by defining shareholders' way-out agreements, possibly accompanied by guarantee mechanisms or disincentives in relation to non-compliance with agreed terms.

Part D - Other Information

3.2.3 EXCHANGE RISK

Assets and liabilities denominated in foreign currencies are not present.

3.3 OPERATIONAL RISK

TOTAL QUALITATIVE CRITERIA

1. General aspects, management processes and measurement methods for operational risk

Operational risk means the risk of suffering losses due to the inadequacy or dysfunction of procedures, human resources and/or internal systems, or due to exogenous events. This category includes, among other things, losses deriving from fraud, human error, interruption of operations, unavailability of systems, contractual breaches and natural disasters. Operational risk includes legal risk, whereas strategic and reputational risks are not included.

The main corporate processes are governed by dedicated internal documented procedures. These documents, together with IT-based procedures, enable the monitoring of operational risks related to the occurrence of technical and human errors in all phases of the company's operations, which could result in harmful financial and reputational consequences for the company.

From an organisational point of view, the Internal Auditing function monitors the effectiveness and adequacy of the internal control system, verifying the adherence and coherence of corporate departmental actions and practices with the regulations, directives, conferred powers and procedures enacted, with particular reference to the provisions of Italian Legislative Decree No. 231/2001.

The Organisation, Management and Control Model adopted, and compliant with the requirements of Italian Legislative Decree No. 231/01 is based on:

1. adherence to the code of ethics, with particular regard to relations with the Public Administration bodies;
2. the written and jointly agreed definition of operating procedures;
3. the separation of tasks and responsibilities;
4. the establishment of an autonomous and independent supervisory body;
5. the systematic verification of compliance with the prescribed internal control procedures by the supervisory body and the Internal Auditing function.

3.4 LIQUIDITY RISK

Liquidity risk is not subject to specific analysis, in consideration of current asset allocation.

Part D - Other Information
Section 4. Information on equity
4.1.2 Quantitative information
4.1.2.1 Equity: breakdown

Items/Values	2019	2018
1. Capital	836,384	836,384
3. Reserves	(62,900)	(81,738)
- profit reserves	(53,760)	(54,597)
a) legal	873	873
d) other	(54,633)	(55,470)
of which Reserve, IAS FTA IFRS 9	(17,802)	(17,802)
- Other reserves	(9,139)	(27,141)
5. Valuation reserves	(362)	(9,878)
-Financial assets (other than equity securities) measured at fair value through other comprehensive income	-	(2,904)
-Valuation reserves for equity investments measured at equity	(362)	(6,974)
7. Profit (Loss) for the year	14,215	7,881
Total	787,337	752,649

4.1.2.2 Valuation reserves: breakdown

	2019 Negative reserve	2018 Negative reserve
2. Equity securities	(362)	(9,878)
	(362)	(9,878)

4.1.2.3 Valuation reserves: annual changes

	Equity securities
1. Initial balance	(9,878)
2. Positive changes	9,516
2.1 Fair value increases	6,612
2.5 Other changes	2,904
4. Closing balance	(362)

Part D - Other Information

INFORMATION ON REGULATORY CAPITAL

The disclosure for regulatory capital is not applicable.

Section 5 – Analytical statement of comprehensive income

	Statement of Comprehensive Income	Gross Amount	Income tax	Net amount
10.	Profit (Loss) for the year	23,268	(9,053)	14,215
	Other income, net of taxes not reclassified to profit or loss account			
20.	Equity securities measured at fair value through other comprehensive income	0		0
70.	Defined benefit pension schemes	(664)		(664)
	Other income components, net of taxes, reclassified to profit or loss account			
150.	Financial assets (other than equity securities) measured at fair value through other comprehensive income	6,913		6,913
190.	Total of other comprehensive income, net of taxes	6,249	0	6,249
200.	Consolidated comprehensive income (Items 10 + 190)	29,517	(9,053)	20,464
210.	Consolidated comprehensive income attributed to non-controlling interests	0	0	0
220.	Comprehensive income attributable to the parent company	29,517	(9,053)	20,464

Part D - Other Information

Section 6 - Related party transactions

The scope of natural and legal persons having the characteristics compliant with the definition of related parties in relation to the consolidated financial statements has been defined on the basis of information provided in IAS 24, appropriately applied with reference to the specific organisational structure and governance of the Agency.

In particular, the following are considered to be related parties:

Entities exercising significant influence on the Company

The company has a sole shareholder, the Italian Ministry of Economy And Finance. In this regard, in accordance with local regulations, shareholder's rights with reference to the Agency shall be exercised by the Minister of Economy And Finance, in agreement with the Minister of Economic Development.

It follows that, for operational purposes, the following are to be considered as related parties: the Italian Ministry of the Economy, the Italian Ministry of Economic Development, all subsidiaries controlled by the Ministry of the Economy, any other in house companies of the Ministry of Economic Development.

Subsidiaries

These are companies over which the Agency directly or indirectly exercises control as defined by IFRS 10.

Associate companies

These are companies over which the Agency directly or indirectly exercises substantial influence as defined by IAS 28.

The Management team vested with strategic responsibilities and supervisory bodies

Key management personnel vested with strategic responsibilities are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. In the Agency, in addition to the Board of Directors, "**strategic responsibility**" is attributed to the organisation's top-level managers.

6.1 Information on the remuneration of managers vested with strategic responsibility

The following provides information on the remuneration paid in the year 2018 to managers vested with strategic responsibilities, as required by IAS 24, in line with the provisions of the Bank of Italy Circular no. 262 of 22 December 2005 (2nd update of 21 January 2014) which provides for the inclusion of the remuneration paid to members of the Board of Auditors.

Part D - Other Information

Information on the compensation of managers vested with strategic responsibilities (including directors and statutory auditors)	
a) short-term benefits	3,460,619
b) post-employment benefits	
<i>of which related to defined benefit plans</i>	-
<i>of which related defined contribution plans</i>	686,443
c) other long-term benefits	-
d) employment severance indemnity	-
e) payments in shares	-
Total	4,147,062

Intra-group relationships

As discussed elsewhere in these Notes to the Financial Statements and the Directors' Report on Operations, the reorganisation plan is still under way, nevertheless, intra-group transactions continued without interruption for the entire year. In this regard, it should be noted that, within the Group, the relationships between various its financial players are based on criteria of centrality with regard to fundamental tasks of governance and control, supplemented by those of guidance and assistance, in the form of advice on legal, economic, organisational and resource management. On the other hand, individual companies are entrusted with the mission of handling various kinds of products and services.

Transactions with related parties, including infragroup transactions, are not qualified as atypical or as unusual, they are part of the daily ordinary daily business activities of the Group's companies. The financial effects associated with these relations are regulated, as a rule, on the basis of the usual market conditions. In the case of services supplied by the parent company as part of the normal group synergies, the fees are determined with the goal of recovering at least the general and specific costs. Such transactions, when not settled at standard conditions or dictated by specific regulations, were in any case governed by market conditions. Any funding granted by the parent company to subsidiaries and associates on more favourable or interest-free terms were accounted for in accordance with IAS 39, as explained in the section "accounting policies".

Part D - Other Information

6.3 Information on transactions with related parties

Transactions with related parties are duly reported, even if they are concluded under normal market conditions and also in cases where the amounts are not significant, since the relevance of the transactions is linked to the reasons which led to the decision to approve and conclude each related party the transaction.

The following information on related party transactions are broken down by type and counterparty:

Equity-related transactions

Company name	Financing	Receivables from banks	Financial assets	Other active transactions	Financial liabilities	Other passive transactions	Guarantees issued	Commitments to disburse commitments
Sole shareholder								
MEF	47	-	-	-	-	-	-	-
Companies subject to significant influence								
GUSTAVO DE NEGRI & ZA.MA. SRL	864	-	-	-	-	-	-	-
MARINA D'ARECHI S.P.A.	14,245	-	-	88	-	-	-	-
TEKLA SRL	1,053	-	-	-	-	-	-	-
Other related parties								
ANAS	-	-	-	-	-	(9)	-	-
CDP - Cassa Depositi e Prestiti SpA	-	-	1,445	-	(60,807)	-	-	-
ENEA - National agency for new technology, energy and sustainable economic development	-	-	-	-	-	-	(12)	-
ENEL SpA- ENEL Distribuzione SpA	-	-	-	-	(100,037)	(456)	-	-
ENI SpA	-	-	-	-	-	-	-	-
EQUITALIA	-	-	-	-	0	-	-	-
GSE - Gestore dei Servizi Energetici SpA	-	-	-	4,090	-	-	-	-
Leonardo SpA	-	-	-	-	-	-	-	37
MED	61,901	-	-	-	-	-	-	-
Monte dei Paschi di Siena SpA	-	55,225	-	-	-	-	-	-
OPEN FIBER SPA	-	-	-	-	-	(32,824)	-	-
Gruppo Poste Italiane SpA	4,626	-	-	0	-	(33,107)	-	-
RAM	7	-	-	-	-	-	-	20
RAY WAY SPA	235	-	-	-	-	-	-	-
RETE FERROVIARIA ITALIANA	-	-	-	-	-	(37)	-	-

Part D - Other Information

Financial transactions

	Net interest	Net commissions	Administrative expenses	Other revenues
Companies subject to significant influence				
MARINA D'ARECHI SPA	469	-	140	0
TEKLA SRL EX MEXALL SISTEMI	46	-	-	-
IP PORTO ROMANO SRL	-	-	10	-
LAMEZIA EUROPA SCPA	-	-	1	-
Other related parties				
ANAS			(14)	
CDP - Cassa Depositi e Prestiti SpA	(441)	-	0	-
Gruppo Poste Italiane SpA	-	(15)	-	(1,682)
ENAV	14			
ENEL DISTRIBUZIONE SPA	(13)		(182)	
EQUITALIA	(8)			
OPEN FIBER SPA			(150,883)	
Poste Italiane SpA		(15)	(1,682)	
RAY WAY SPA	-	-	-	-
RAM				
RETE FERROVIARIA ITALIANA			(125)	
STUDIARE SVILUPPO	27			

Part D - Other Information

Section 7 - Other information details

AUDITOR FIRM FEES

Below is the schedule of fees pursuant to Article 149-duodecies of the issuers' regulations.

Description of services	Company	The Parent Company	Subsidiaries	Total
Audit services	PricewaterhouseCoopers SpA	129	389	518
	PricewaterhouseCoopers Network	-	-	-
Certification services (*)	PricewaterhouseCoopers SpA	32	47	79
	PricewaterhouseCoopers Network	-	-	-
Other non-audit services	PricewaterhouseCoopers SpA	-	-	-
	PricewaterhouseCoopers Network	-	-	-
	Total	161	436	597

SECTOR DISCLOSURE

The Agency's work is defined on the basis of provisions of law or contracts and agreements when expressly required by Public Administration bodies. In fact, as known, also according to the articles of association and in accordance with in-house regulations, over 80% of the company's turnover must produce in the performance of tasks entrusted to it on the basis of existing legislation, appropriate contracts and agreements referenced in ILD no. 1 of 9 January 1999 by the MED and other central government departments. Residual activities are permitted, subject to authorisation, only on condition that they achieve economies of scale or other efficiency benefits.

Consequently, the agency adopts a scheme which classifies activities in three categories (Incentives and Innovation, Public Investments, Operating Plans) that reflect purely organisational distinctions and do not characterise the nature of the operations. The latter are, however, all attributable to "in-house" assignments in the service of specific Public Administration needs, whose remuneration, while subject to conventional mechanisms, is always determined on a mere cost-compensation basis.

Part D - Other Information

These characteristics lead to the conclusion, for the purposes of IFRS 8 disclosure, that the Agency does not operate according to actual operational sectors, i.e. diverse elementary corporate units capable of generating financially distinguishable consolidated budgetary effects and sustaining discretionary operational decisions (so-called management approach) in the allocation of resources related to distinct risks and returns.

Also for other consolidated Group companies, with the exception of the Banca del Mezzogiorno which is organised according to two business lines, there are no significant business characteristics worthy of classification by sector.

The following table presents the Group Companies' contributions to the consolidated gross operating margin [EBITDA] according to the organisational reclassification. The latter is similar to that reported in the Directors' Report on Operations. Each Group Company is regarded as representing a single operating sector, except, as mentioned, the Banca del Mezzogiorno. Consistent with the reporting structure, companies in disposal groups held for sale are not recorded separately, rather they are accounted for under a separate item.

Financial year 2019	Agency	Infratel	Banca del Mezzogiorno	Invitalia Partecipazioni	CONSOLIDATED TOTAL
Amounts in thousands of euro					
Income from services and other income	134,257	187,392	55,732	3,018	380,399
Net financial income	(4,012)	364	33,981	3,899	34,233
VALUE OF OPERATIONAL PRODUCTION	130,245	187,756	89,713	6,917	414,632
External costs and operating costs	(30,278)	(174,706)	(14,398)	(1,720)	(221,104)
ADDED VALUE	99,967	13,050	75,315	5,197	193,528
Staff costs	(104,269)	(8,967)	(25,271)	(1,008)	(139,515)
GROSS OPERATING MARGIN	(4,302)	4,082	50,043	4,189	54,013

Financial year 2018	Agency	Infratel	Banca del Mezzogiorno	Invitalia Ventures SGR	Invitalia Partecipazioni	CONSOLIDATED TOTAL
Amounts in thousands of euro						
Income from services and other income	147,282	166,319	57,003	3,884	141	374,629
Net financial income	(2,899)	595	32,781	32	(28)	30,482
VALUE OF OPERATIONAL PRODUCTION	144,383	166,915	89,784	3,916	113	405,111
External costs and operating costs	(30,489)	(152,229)	(16,013)	(190)	(1,090)	(200,010)
ADDED VALUE	113,894	14,686	73,771	3,726	(977)	205,100
Staff costs	(97,679)	(8,414)	(24,041)	(1,150)	(1,570)	(132,854)
GROSS OPERATING MARGIN	16,215	6,272	49,730	2,576	(2,546)	72,246

ANNEXES

NOTES TO THE FINANCIAL STATEMENTS

Annex A.1.

Changes in "financial assets held for trading"

Amounts in thousands of euro

Debt securities	Initial inventory	Purchases	Positive changes in Fair Value	Other positive changes	Repayments	Sales	Negative changes in fair value	Other negative changes	Final inventory	Issuer risk rating		
										MOODY'S	S&P	FITCH
Public administrations												
BOT 14/11/2019 ZC (1)	24,939	0	73	0	(25,012)	0	0	0	0			
	24,939	0	73	0	(25,012)	0	0	0	0	Baa3		
Banks												
BANCO BPM 08/03/2022		3,779	39	61	0	0	(4)	0	3,875	Ba2		
BANCO BPM 21/06/2024		1,988	78	28	0	0	0	0	2,094	Ba2		
BP SONDRI0 03/04/2024		4,992	124	90	0	0	(53)	0	5,153			BB+
ICCREA 25/11/2019 (1)	3,010	0	15	0	(3,019)	0	0	(6)	0		BB	
ICCREA 21/02/2020		2,010	1	26	0	0	(8)	0	2,029		BB	
MPS 01/04/2019 (1)	5,155	0	0	0	(5,019)	0	0	(136)	0	Caa1		
	8,165	12,769	257	205	(8,038)	0	(65)	(142)	13,151			
Total Debt securities	33,104	12,769	330	205	(33,050)	0	(65)	(142)	13,151			
Equity securities and UCITS units												
LU0756065834 (1)	14,754	0	0	0	0	(14,754)	0	0	0			
LU1116430247 (1)	14,936	0	0	0	0	(14,936)	0	0	0			
LU1353442574	0	6,000	21	0	0	0	0	0	6,021			
Total Equity securities and UCITS units	29,690	6,000	21	0	0	(29,690)	0	0	6,021			
Grand total	62,794	18,769	351	205	(33,050)		(65)	(142)	19,172			

'(1) Securities and UCITS units repaid and sold during the year generated total net profits of € 1,093 thousand, as broken down under item 80 - Net result from trading activities, in the Statement of Profit and Loss

'P: OTHER public entities

B: Banks

D: OTHER issuers

Annex A.2

Changes in "financial assets at fair value"

Amounts in thousands of euro

Financial Assets At Fair Value	Initial balance	Purchases	Positive changes in Fair Value	Other positive changes	Repayments	Other negative changes	Closing balance
CATTOLICA ASSICURAZIONI VITA INTERA	1,104	0	24	0	0	0	1,128
CATTOLICA ASSICURAZIONI VITA INTERA	1,104	0	24	0	0	0	1,128
CATTOLICA ASSICURAZIONI 14/4/2022	1,035	0	22	0	0	(2)	1,055
CATTOLICA ASSICURAZIONI 14/4/2022	1,035	0	22	0	0	(2)	1,055
CATTOLICA ASSICURAZIONI 14/4/2022	1,035	0	22	0	0	(2)	1,055
CATTOLICA ASSICURAZIONI 14/4/2022	1,035	0	22	0	0	(2)	1,055
CATTOLICA ASSICURAZIONI 14/4/2022	1,036	0	22	0	0	(2)	1,056
CATTOLICA ASSICURAZIONI VITA INTERA	3,507	0	-	20	(3,527)	0	-
CATTOLICA ASSICURAZIONI 30/04/2023	1,009	0	22	0	0	(2)	1,029
CATTOLICA ASSICURAZIONI VITA INTERA	5,010	0	-	30	(5,040)	0	-
CATTOLICA ASSICURAZIONI VITA INTERA	5,010	0	-	30	(5,040)	0	-
PRAMERICA LIFE SpA	9,030	0	251	0	0	0	9,281
ITAS VITA	6,119	0	103	0	0	0	6,222
UNIPOL ASSICURAZIONI SPA	5,656	0	-	0	(5,656)	0	-
UNIPOL ASSICURAZIONI SPA	1,102	0	28	0	0	0	1,130
UNIPOL ASSICURAZIONI SPA	1,102	0	28	0	0	0	1,130
UNIPOL ASSICURAZIONI SPA	1,102	0	28	0	0	0	1,130
UNIPOL ASSICURAZIONI SPA	528	0	12	0	0	(1)	539
UNIPOL ASSICURAZIONI SPA	529	0	12	0	0	(1)	540
UNIPOL ASSICURAZIONI SPA	530	0	12	0	0	(1)	541
UNIPOL ASSICURAZIONI SPA	530	0	12	0	0	(1)	541
ALLIANZ GLOBAL LIFE DAC	0	2,500	287	0	0	0	2,787
ALLIANZ GLOBAL LIFE DAC	0	2,500	138	0	0	0	2,638
ALLIANZ GLOBAL LIFE DAC	0	2,500	53	0	0	0	2,553
HDI ASSICURAZIONI SPA	0	1,000	9	0	0	(1)	1,008
HDI ASSICURAZIONI SPA	0	2,000	15	0	0	(22)	1,993
HDI ASSICURAZIONI SPA	0	1,000	7	0	0	(7)	1,000
AMISSIMA VITA SPA	0	6,500	44	0	0	(67)	6,477
AMISSIMA VITA SPA	0	6,500	44	0	0	(67)	6,477
Total Financial Assets At Fair Value	48,148	24,500	1,263	80	(19,263)	(180)	54,548

Annex A.3

Change "Other financial assets obligatorily measured at fair value"

amounts in thousands of euro

Other financial assets obligatorily measured at fair value	Initial balance	Purchases	Write-backs	Other positive changes	Positive changes in fair value	Repayments	Other negative changes	Negative changes in fair value	Closing balance
Capitalisation policies									
CATTOLICA ASSICURAZIONE	1,560						(1,560)		
UCITS units									
FONDO NEXT	1,336	-	-	-			-	(27)	1,309
FONDO NORDOVEST	935	-	-			(447)		(56)	432
FONDO ITALIA VENTURE I (*)	8,539	7,463		602				(1,527)	15,077
Equity securities	1						(1)		0
	12,371	7,463	-	602	0	(447)	-	(1,610)	16,817

(*) The shares of the fund in question are acquired with the financial resources of the Sustainable Growth Fund, consequently changes in fair value decrease the fund itself

Changes in Italia Venture II _Fondo Imprese Sud

amounts in thousands of euro

Other financial assets obligatorily measured at fair value	Initial balance	Purchases	Write-backs	Other positive changes	Positive changes in fair value	Repayments	Other negative changes	Negative changes in fair value	Closing balance
ITALIA VENTURE II FUND - SOUTHERN ENTERPRISE	(27)			3,000				(3,043)	(70)
	(27)	-	-	3,000	-	-	-	(3,043)	(70)

Annex A.4

Securities classified as financial assets measured at amortised cost

amounts in thousands of euro

Debt securities	Initial inventory	Purchases	Positive changes	Sales	Value Adjustments	Write-backs	Negative changes	Closing balance	level
Public administrations									
BTP 01/02/2028 2.0%	5,008	-	-	(4,965)	0	2	(45)	-	
BTP 01/08/2027 2.05%	6,590	-	-	(6,538)	0	3	(55)	-	
BTP 01/03/2030 3.5%	29,038	-	238	(5,614)	0	3	(520)	23,145	1
BTP 01/09/2028 4.75%	19,954	-	174	(6,107)	0	3	(549)	13,475	1
BTP 15/10/2023 0.65%	2,946	-	25	-	0		(4)	2,967	1
BTP 15/11/2024 1.45%	8,051	-	113	-	0		(60)	8,104	1
BTP 01/03/2024 4.5%	-	5,675	75	-	(3)		(100)	5,647	1
CCTS EU 15/04/2025	4,040	-	19	-	0		(11)	4,048	1
REP OF ITALY CNP STRIP 20/02/2	1,495	-	37	-	0		0	1,532	2
Total	77,122	5,675	681	(23,224)	(3)	11	(1,344)	58,918	
Banks									
BANCO BPM 24/04/2023 1.75%	4,028	-	51	-	0		(49)	4,030	1
BANCO BPM 27/07/2020 2.75%	7,281	-	83	-	0		(203)	7,161	1
BANCO BPM 28/01/2025 1.75%	-	3,996	12	-	(3)		0	4,005	1
BPM 29/01/21 TRIM	3,229	-	34	-	0		0	3,263	1
ICCREA 01/02/2021	4,482	-	8	-	0		(5)	4,485	1
ICCREA 11/10/2022 1.5%	6,287	-	20	-	0		(21)	6,286	1
MCC 24/10/2024 1.5%	-	13,065	38	-	(14)		0	13,089	1
UBI 17/10/2022 0.75%	1,990	-	6	-	0		(3)	1,993	1
Banca Carige Tier II 2019-2029		12,000	29	-	(2,777)			9,252	3
Total	27,297	29,061	281	-	(2,794)	-	(281)	53,564	
Other financial companies									
CDP RETI 29/05/2022 1.875%	1,457	-	16	-	0		(28)	1,445	1
CHEESETAKE SRL 2019-20 ABS		500	0	-	(11)		0	489	
EBB 9/5/2028 TV		20,000	58	-	(16)		(0)	20,042	
EBB EXPORT 17/7/2027		6,000	3	-	(5)		0	5,998	
Total	1,457	26,500	77	-	31	-	(28)	27,975	1
Non-financial companies									
TERNA 23/07/2023 1%	1,250	-	7	-	0		(6)	1,251	1
OCTO GROUP S.p.A.17/12/2026		1,000	1	-	(23)		(0)	978	
Total	1,250	1,000	8	-	(23)	-	(6)	2,229	
Total debt securities	107,126	62,236	1,047	(23,224)	(2,852)	11	(1,659)	142,686	

Annex A.5

Equity investments - Annual changes

Company name	Initial balances Financial statements	Purchases	Write-backs	Other positive changes	Sales	Value Adjustments	Other negative variations	Closing balance
Companies subject to significant								
CDP VENTURE CAPITAL SGR S.P.A.		191	100	1,398			(5)	1,684
CONSORZIO EX CNOV	1							1
LAMEZIA EUROPA SCPA	599						(49)	550
MARINA DI REGGIO CALABRIA SRL	-							-
SICULIANA NAVIGANDO SRL	55							55
of which companies taken on pursuant to Law 181/	-	-	-	-	-	-	-	-
GUSTAVO DE NEGRI & ZA.MA. SRL	202							202
TEKLA SRL	653							653
	1,511	191	100	1,398	-	-	- 54	3,146
Non-significant companies								
ALA BIRDI S.R.L.	2,842				(2,842)			-
C.R.A.A. SRL IN LIQUIDATION	38							38
CFI - COOPERAZIONE FINANZA	643							643
ELA SPA IN BANKRUPTCY PROCEEDINGS	-							-
ELETTRA SINCROTONE TRIESTE S.P.A.	2,050			62				2,112
FINMEK SOLUTIONS SPA IN PROC. CONC.	-							-
FONDERIT ETRURIA in bankruptcy proceedings	-							-
IDC - ITALIAN DISTRIBUTION	-							-
INVITALIA GLOBAL INVESTMENT SPA	11,000						(1,116)	9,884
ISTIT ENCICLOPEDIA TRECCANI	4,849							4,849
ITALIACAMP SRL - UNIPERSONALE	1							1
MARINA DI VILLA IGIEA SPA	438						(8)	430
MECCANO SCPA	78							78
SOCIETA' PER CORNIGLIANO SPA	1,358			3				1,361
TRADIZIONI DI CALABRIA (in bankruptcy proceedings)	-			1		(1)		-
of which companies taken on pursuant to Law 181/	-	-	-	-	-	-	-	-
CATWOK SPA IN BANKRUPTCY PROCEEDINGS	-							-
CMS SRL IN BANKRUPTCY PROCEEDINGS	1,370							1,370
ELMIRAD SERVICE SRL IN LIQUIDATION	120							120
FONDERIE SPA IN BANKRUPTCY PROCEEDINGS	-							-
JONICA IMPIANTI SRL	278							278
MODOMECC BUILDING SRL	168							168
PERITAS SRL	326							326
PRO.S.IT. IN BANKRUPTCY PROCEEDINGS SRL	499							499
SALVER SPA	2,524				(2,524)			-
SICALP SRL IN BANKRUPTCY PROCEEDINGS	1,033							1,033
SIMPE SPA	3,600							3,600
SURAL SPA BANKRUPT	253							253
	33,469	-	-	66	- 5,366	- 1	- 1,124	27,044
Total equity investments	34,980	191	100	1,464	- 5,366	- 1	- 1,178	30,190

Annex A.6.

Non-current assets and asset groups held for sale: information on equity investments

Company name	Percentage quity investment %	Value in financial statements
CONSORZIO MARINA DI PORTISCO	50.00%	10
I.T.S INFORMATION TECHNOLOGY SERVICES SPA	17.33%	300
IP PORTO ROMANO SRL	34.23%	74
MARINA DI ARECHI	40.00%	13,522
SALERNO SVILUPPO	20.00%	100
TRIESTE NAVIGANDO SRL	100%	53
Total other companies		14,058

Annex A.7

**Item 110 - Non-current assets, groups of assets
 held for sale**

Company name	Initial balance	Positive changes	Negative changes	Revaluations	Depreciation / Impairment	Final inventory 31/12/2019
CONSORZIO MARINA DI PORTISCO	10	-	-	-	-	10
I.T.S INFORMATION TECHNOLOGY	300	-	-	-	-	300
IP PORTO ROMANO SRL	74	-	-	-	-	74
MARINA D'ARECHI	13,769	-	-	-	247	13,522
NEW CEFALU'	-	-	-	-	-	-
SALERNO SVILUPPO	77	23	-	-	-	100
TRIESTE NAVIGANDO SRL	50	-	-	3	-	53
Total other companies	14,279	23	-	3	(247)	14,058

Annex A.8

Non-current assets and asset groups held for sale

Annual changes in financial assets available for sale

Company name	Initial balance	Increases	Decreases	Final balance
CALPARK	12	-	- 12	-
CALU in bankruptcy proceedings	-	-	-	-
CALZATURIFICIO DI LUZZI in bankruptcy	2	-	- 2	-
PATTO TERR. A T.C.	-	-	-	-
POLLINO SVILUPPO	1	-	- 1	-
PROTEKOS	-	-	-	-
Total for item 40	15	0	(15)	-



Agenzia nazionale per l'attrazione
degli investimenti e lo sviluppo d'impresa SpA

Certification of the consolidated financial statements pursuant to Article 81-ter of CONSOB Regulation 11971 of 14 May 1999 as amended

1. The undersigned Domenico Arcuri as Managing Director and Daniele Pasqualini in his capacity as Financial Reporting Manager for Agenzia nazionale per l'attrazione degli investimenti e lo sviluppo d'impresa S.p.A. hereby certify, also taking into account the provisions of Article 154-bis, paragraphs 3 and 4, of Italian Legislative Decree no. 58 dated 24 February 1998:
 - suitability in relation to the characteristics of the Group and
 - effective application of the administrative and accounting procedures for the preparation of the consolidated financial statements as at 31/12/2019.

2. In this regard, during the 2019 financial year, the following significant aspects emerged:
 - 2.1. Invitalia Ventures SGR: with a directive of 20/2/2019, the Italian Ministry of Economic Development authorised the sale of 70% of the equity held in Invitalia Venture SGR by Invitalia to Cassa Depositi e Prestiti SpA.
On 29 March 2019, the Agency's Board of Directors formalised the sales proposal regarding 70% of the shareholding stake held in Invitalia Ventures to Cassa Depositi e Prestiti SpA, as established under the law.
The sale was completed on 5 August 2019, and Invitalia S.p.A. transferred 70% of the share capital of Invitalia Ventures SGR S.p.A. to Cassa Depositi e Prestiti S.p.A.
 - 2.2. Italia Turismo: on 30 May 2019, the Agency's Board of Directors assessed the offers received to acquire a majority of the assets owned by the subsidiary, deeming that presented by the investor Human Company to be the best from an economic point of view and in terms of the scope of interest.
On 11 July 2019, Invitalia and Human Company signed an agreement to govern the terms and conditions of the entire transaction. The sale has not yet been completed.
 - 2.3. The suitability of the administrative and accounting procedures for the preparation of the consolidated financial statements as at 31 December 2019 has been verified by assessing the internal control system. This assessment was carried out taking into consideration the criteria established in the "Internal Controls - Integrated Framework" model issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
 - 2.4. During the course of 2019, the Financial Reporting Manager for the Agenzia nazionale per l'attrazione degli investimenti e lo sviluppo d'impresa S.p.A. verified the suitability and effective application of the existing administrative and accounting procedures, with reference to the internal financial reporting control system.

3. We further certify that:
 - 3.1. The consolidated financial statements for the Agenzia nazionale per l'attrazione degli investimenti e lo sviluppo d'impresa S.p.A. as at 31 December 2019:
 - 3.1.1. are prepared according to the International Financial Reporting Standards (IFRS) and the International Accounting Standards (MS) issued by the International Standards Board (IASB) and the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC);
 - 3.1.2. in the preparation of the consolidated financial statements, we adopted the compilation format and rules compliant with the Bank of Italy Governor's decree of 22 December 2017 to facilitate a more correct comparison with the data of the

- previous year, also considering that the company is a financial intermediary pursuant to Article 114 of the TUB [Testo Unico Bancario - the Italian Consolidated Law on Banking];
- 3.1.3. are aligned with the results of the accounting books and records;
 - 3.1.4. are suitable to provide a truthful and correct representation of the equity, economic and financial situation of the issuer and of the group of companies included in the scope of consolidation.
- 3.2. The directors' report includes a reliable analysis of the performance and results of operations, as well as the situation of the issuer and the group of companies included in the consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Note that, in application of accounting standard IAS 10, the section "Subsequent events" in the Report on Operations provides ample information regarding the healthcare crisis caused by COVID-19. Also note that the crisis did not lead to any changes to the balances found in the Financial Statements at 31 December 2019, given that the event itself and its relative consequences arose after the reporting date and did not create any uncertainties regarding the ability of the Agency and its subsidiaries to continue to operate as going concerns.

Rome, 28 May 2020

Managing Director

Domenico Arcuri

Financial Reporting Manager

Daniele Pasqualini

**STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL
STATEMENTS OF GRUPPO AGENZIA NAZIONALE PER L'ATTRAZIONE DEGLI
INVESTIMENTI E LO SVILUPPO D'IMPRESA S.P.A. AT 31 DECEMBER 2019**

Dear Shareholder,

We have reviewed the draft consolidated financial statements for the Agenzia Nazionale per l'Attrazione degli Investimenti e lo Sviluppo d'Impresa S.p.A. Group and the report on operations at 31 December 2019 approved by the Board of Directors on 28 May 2020 at the same meeting the Statutory Financial Statements as at 31 December 2019 were approved, asking the Managing Director to make any additions or adjustments arising during the discussion as well as any other formal changes and/or additions which became necessary. On 3 July, the Board of Statutory Auditors received the complete documentation for the financial statements.

Today, the independent auditing firm issued its report, the certification of compliance pursuant to Italian Legislative Decree 254/2016 and the Additional Report pursuant to Article 11 of Regulation 537/EU/2014 in which any fundamental questions which arose during the statutory auditing must be indicated, highlighting any significant flaws found within the internal control system for the financial reporting process.

In the Notes the Financial Statements, the Board of Statutory Auditors notes that the following declarations are made:

– the Financial Statements have been prepared in compliance with the accounting standards issued by the International Accounting Standards Board (IASB) and the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC), approved by the European Commission until 31 December 2018, as required by European Union Regulation no. 1606/2002, implemented in Italy by Legislative Decree 38 of 28 February 2005.

In preparing the Consolidated Financial Statements, we observed the compilation format and rules set forth in the Bank of Italy Governor's Decree "Instructions for the preparation of financial statements and reports of financial intermediaries".

In this regard, please noted that the Agency was exempted by the MEF [Italian Ministry of Economy and Finance] decree dated 10 October 2012 from the application of the regulation

pursuant to Title V of the Consolidated Law on Banking (Testo Unico Bancario or TUB, for short), as it is subject to other forms of equivalent supervision (MEF, Court of Auditors). This exemption does not change the company's standing as a "Financial Intermediary" and, consequently, does not affect the governance of the consolidated financial statements as previously indicated and applied continuously over time. The foregoing is stated also on the basis of a *pro veritate* legal opinion issued by a qualified professional. Nonetheless, to provide continuity in its reporting, the Company continued to use the preparation criteria pursuant to Title V of the TUB, as established through a decree of the Italian Ministry of Economy and Finance, even if it is not subject to these regulations.

The Board of Statutory Auditors acknowledges that in the Certification of the annual financial statements, issued pursuant to Article 81-*ter* of CONSOB Regulation no. 11971 of 14 May 1999 as amended, issued on 28 May 2019 by the Managing Director and the Financial Reporting Manager, also taking into account the provisions of Article 154-*bis*, paragraphs 3 and 4 of Italian Legislative Decree no. 58 of 24 February 1998:

- suitability in relation to the characteristics of the Group;
- effective application of the administrative and accounting procedures for the preparation of the consolidated financial statements as at 31/12/2019.

Additionally, in the same document, it is certified that the annual financial statements for the Agenzia nazionale per l'attrazione degli investimenti e lo sviluppo d'impresa S.p.A. as at 31 December 2019:

- were prepared in accordance with the IFRS and IAS issued by the IASB and the relative interpretations issued by IFRIC;
- in the preparation of the consolidated financial statements, the "compilation format and rules compliant with the Bank of Italy Governor's decree" were adopted to facilitate a more correct comparison with the data of the previous year, also considering that the company is a financial intermediary pursuant to Article 114 of the TUB;
- are aligned with the results of the accounting books and records;
- are suitable for the provision of a truthful and correct representation of the equity, economic and financial situation of the issuer and of the group of companies included in the consolidation.

The same certification also acknowledges the following aspects worthy of note:

- Invitalia Ventures SGR: with a directive of 20/2/2019, the Italian Ministry of Economic Development authorised the sale of 70% of the equity held in Invitalia Venture SGR by Invitalia to Cassa Depositi e Prestiti SpA. On 29 March 2019, the Agency's Board of Directors formalised the sales proposal regarding 70% of the shareholding stake held in Invitalia Ventures to Cassa Depositi e Prestiti SpA, as established under the law. The sale was completed on 5 August 2019, and Invitalia S.p.A. transferred 70% of the share capital of Invitalia Ventures SGR S.p.A. to Cassa Depositi e Prestiti S.p.A.
- Italia Turismo: on 30 May 2019, the Agency's Board of Directors assessed the offers received to acquire a majority of the assets owned by the subsidiary, deeming the offer submitted by the investor Human Company to be the best from an economic point of view and in terms of the scope of interest. On 11 July 2019, Invitalia and Human Company signed an agreement to govern the terms and conditions of the entire operation. The sale has not yet been completed.
- the suitability of the administrative and accounting procedures for the preparation of the consolidated financial statements as at 31 December 2019 has been verified by assessing the internal control system. This assessment was carried out taking into consideration the criteria established in the "Internal Controls - Integrated Framework" model issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- during the course of 2019, the Financial Reporting Manager for the Agenzia nazionale per l'attrazione degli investimenti e lo sviluppo d'impresa S.p.A. verified the suitability and effective application of the existing administrative and accounting procedures, with reference to the internal financial reporting control system.

In accordance with the applicable rules on such matters, the activities of the Board of Statutory Auditors involved verifying the accuracy and suitability of the information contained in the documents making up the consolidated financial statements for the year ended on 31 December 2019, given that a legal audit of the accounts was delegated to the independent external auditing firm PricewaterhouseCoopers S.p.A. which is responsible for issuing a specific report.

Our review was carried out according to the Rules of Conduct of the Board of Statutory Auditors issued by the National Council of Chartered Accountants and Accounting Experts and the indications provided by the Bank of Italy concerning corporate controls and the activities of the

Boards of Statutory Auditors of registered companies pursuant to Article 107 of the TUB, in the special register of financial companies.

With regard to the financial statements of the investee companies, no direct control was carried out by the Board of Statutory Auditors as this falls under the responsibility of the respective control bodies. The Board of Statutory Auditors recommends prompt adoption of the Group Accounting Manual, currently being prepared.

The Board of Statutory Auditors acknowledges that the Explanatory Notes illustrate the consolidation principles and the applied measurement criteria.

The documentation examined and the information obtained did not show deviations from the rules that govern the preparation of the consolidated financial statements. It notes that the Directors' Report on Operations contains adequate information on the activities carried out and the foreseeable outlook for the company.

In the future, the Board of Statutory Auditors recommends that additional information be included, relative to Group companies other than Banca del Mezzogiorno, in the section of the report on operations prepared pursuant to Article 123-*bis*, paragraph 2, letter b of the Consolidated Law on Finance (TUF).

The Board of Statutory Auditors also acknowledges that the Directors' Report accompanying the Consolidated Financial Statements includes the Declaration of Non-financial Nature pursuant to Italian Legislative Decree no. 254 of 2016.

With reference to the Audit Report for the Consolidated Financial Statements as at 31 December 2019 for Invitalia SpA issued today by the independent auditing firm PricewaterhouseCoopers, the Board of Statutory Auditors notes that this document indicates that:

- an audit was performed on the consolidated financial statements of the Group Agenzia Nazionale per l'Attrazione degli Investimenti e lo Sviluppo d'Impresa, consisting of the balance sheet as at 31 December 2019, the comprehensive profit and loss account, the statement of changes in shareholders' equity, the cash flow statement for the year ended on that date and the notes to the financial statements which also include a summary of the most significant accounting principles applied.

- the consolidated financial statements provide a truthful and correct representation of the financial position of the Group at 31 December 2019, of the financial result and cash flows for the year ended on that date in accordance with the IFRS adapted by the European Union as well as the provisions issued in implementation of Article 9 of Italian Legislative Decree no. 38/2005 and Article 43 of Italian Legislative Decree no. 136/2015.

Additionally, the Independent External Auditors certified that,

"The Directors' Report and certain specific information contained in the Report on corporate governance and ownership structure are consistent with the consolidated financial statements of the Group as at 31 December 2019 and are prepared in compliance with the law". With regard to the checks carried out on the consolidated financial statements, the Independent External Auditors did not report any anomalies to the Board of Statutory Auditors worthy of note.

Instead, in their report, they indicated the key aspects of the audit activity that were most significant in the consolidated financial statements for the year under review, which we provide here below:

- 1) measurement of the loans to customers from Banca del Mezzogiorno-MedioCredito Centrale Spa for loans measured at amortised cost;
- 2) measurement of non-current assets and asset groups held for sale.

Additionally, with regard to the checks carried out on the financial statements, the Independent External Auditors did not report any anomalies to the Board of Statutory Auditors worthy of note.

With reference to the declaration referenced in Article 14, par. 2, point e of Italian Legislative Decree 39/2010, issued on the basis of the knowledge and understanding of the company and the relative context acquired during the audit, the External Auditors indicated they had nothing to report.

Conclusions

In light of the foregoing and the information acquired throughout the year from the Administration and the External Auditors, the consolidated financial statements as a whole correctly express the financial position and the economic result of the Group for the year ended 31 December 2019 in compliance with the rules governing the consolidated financial statements.

The Board of Statutory Auditors issues this report for the purposes of the law.

Rome, 06 July 2020

THE AUDITORS

Ivano Strizzolo
Paola Noce
Sofia Paternostro

Chair
Standing Auditor
Standing Auditor

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Independent Auditing Firm Report

*pursuant to Article 14 of Italian Legislative Decree no. 39 dated 27 January 2010,
and Article 10 of Regulation (EU) no. 537/2014*

***Agenzia nazionale per l'attrazione degli investimenti e lo
sviluppo d'impresa SpA***

Consolidated financial statements at 31 December 2019



Independent Auditing Firm Report

pursuant to Article 14 of Italian Legislative Decree no. 39 dated 27 January 2010, and Article 10 of Regulation (EU) no. 537/2014

To the Shareholder of Agenzia nazionale per l'attrazione degli investimenti e lo sviluppo d'impresa SpA

Report on the audit of the consolidated financial statements

Opinion

We performed an audit of the consolidated financial statements of Agenzia nazionale per l'attrazione degli investimenti e lo sviluppo d'impresa SpA Group (hereinafter also the "Group"), consisting of the balance sheet as at 31 December 2019, the comprehensive profit and loss account, the statement of changes in shareholders' equity, the cash flow statement for the year ended on that date and the notes to the financial statements which also include a summary of the most significant accounting principles applied.

In our opinion, the consolidated financial statements provide a truthful and correct representation of the financial position of the Group at 31 December 2019, of the financial result and cash flows for the year ended on that date in accordance with the International Financial Reporting Standards adapted by the European Union as well as the provisions issued in implementation of Article 9 of Italian Legislative Decree no. 38/2005 and Article 43 of Italian Legislative Decree no. 136/2015.

Basic elements of opinion

The audit was carried out in accordance with the international standards on auditing (ISA Italia). Our responsibilities under these standards are further described in the section of this report titled *Responsibility of the independent auditor for the audit of the consolidated financial statements*. We are an independent entity with respect to Agenzia nazionale per l'attrazione degli investimenti e lo sviluppo d'impresa SpA (hereinafter also "the Company" or "Invitalia") in compliance with the rules and principles on ethics and independence applicable to the auditing of financial statements under the Italian legal system. We believe we have acquired sufficient and appropriate documentary evidence on which to base our opinion.

Key aspects of the audit

PricewaterhouseCoopers SpA

Registered and administrative offices: Milan, Italy 20149, Via Monte Rosa 91 Tel. +39 0277851 Fax +39 027785240 Share Capital € 6,890,000.00, fully paid in, Tax ID, VAT and Milan Business Register no. 12979880155 Registered under no. 119644 in the Register of Independent Auditors Other Offices: **Ancona** 60131, Via Sandro Totti 1 Tel. 0712132311 **Bari** 70122, Via Abate Gimma 72 Tel. 0805640211 - **Bergamo** 24121, Largo Edotti 5 Tel. 035229691 - **Bologna** 40126, Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25121, Viale Duca d'Aosta 28 Tel. 0303697501 - **Catania** 95129, Corso Italia 302 Tel. 0957532311 - **Florence** 50121, Viale Gramsci 15 Tel. 0552482811 - **Genoa** 16121, Piazza Piccapietra 9 Tel. 01029041 - **Naples** 80121, Via dei Mille 16 Tel. 08136181 - **Padua** 35138, Via Vicenza 4 Tel. 049873481 - **Palermo** 90141, Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121, Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127, Piazza Ettore Trailo 8 Tel. 0854545711 **Rome** 00154, Largo Fochetti 29 Tel. 06570251 - **Turin** 10122, Corso Palestra 10 Tel. 011556771 - **Trento** 38122, Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100, Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125, Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100, Via Poscolle 43 Tel. 043225789 - **Varese** 21100, Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135, Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100, Piazza Pontelandolfo 9 Tel. 0444393311



The key aspects of the audit are those that, in our professional opinion, were most significant in the audit of the consolidated financial statements for the year under review. These aspects have been dealt with by us during the audit and in the formation of our opinion on the consolidated financial statements as a whole. Therefore, we do not express a separate opinion on these aspects.

Key aspects**Auditing procedures in response to key aspects**

Measurement of loans to customers measured at amortised cost with reference to the subsidiary Banca del Mezzogiorno— MedioCredito Centrale SpA

Notes to the Financial Statements: i) Part A Accounting policies -A.2 - Main Items of the Financial Statements - “Financial assets measured at amortised cost”.

ii) Part B - Information on the Statement of Financial Position - Section 4 -Financial assets measured at amortised cost - Item 40.

iii) Part C - Information on the Statement of Profit and Loss - Section 8 - Net value adjustments/write-backs for credit risk - Item 130.

Part D - Section 3 - Information on risks and related hedging policies.

Loans to customers claimed by Banca del Mezzogiorno—MedioCredito Centrale SpA classified under the item “Financial assets measured at amortised cost”, as at 31 December 2019 amounted to EUR 1,559.9 million, corresponding to approximately 35% of total consolidated assets. The related net value of receivables adjusted for impairment according to the statement of profit and loss at 31 December 2019 amounted to EUR 15.9 million.

In carrying out the audit, we took into consideration internal controls significant to the preparation of the financial statements in order to determine the auditing procedures appropriate for the circumstances. In particular, in order to guide this key aspect, we worked to understand and evaluate the design of the relevant checks in terms of monitoring, classifying and measuring loans and verifying the operational efficacy of these checks.

With assistance from experts in our network, special attention was dedicated to understanding and verifying the appropriateness of policies, procedures and models used to measure **SICR** and for **Staging**, to determine **ECL** both collectively and analytically and the methods used to determine and estimate the main parameters used in the context of the models as defined.

More specifically, for loans classified as unimpaired (Stage 1 and Stage 2), in addition to verifying proper application of the measurement criteria defined, specific checks were performed with regards to the determination and application of the main estimate parameters in terms of the models utilised, as well as with regards to the completeness and accuracy of the databases used to calculate ECL.



Write-downs of loans to customers represents the best estimate, formulated by the Bank and Group Management, of the losses inherent in the loan portfolio at the balance sheet date on the basis of the applicable accounting standards. These write-downs are calculated on an analytical basis for individually significant impaired credit positions (Stage 3), and on a collective basis for all other positions grouped under homogeneous categories (Stages 1 and 2).

When measuring these loans special attention was paid with reference to our auditing activities, taking into account the significance of the book value. Viewed another way, measurement processes and methods inevitably involve a high degree of professional judgement and require complex estimate processes involving numerous variables. Use of significant assumptions impacts in particular, in addition to verifications for **SICR (Significant Increase in Credit Risk)** and **Staging**, the determination of hypotheses and input data for **ECL (Expected Credit Loss)** models and, for loans measured analytically (Stage 3), the determination of future expected cash flows and the relative time frames, as well as the realisable value of any guarantees.

Additionally, we selected a sample group of loans and verified these were reasonably classified among non-impaired loans on the basis of information available regarding the status of the debtor and other useful information, whether internal or external.

With reference to impaired loans (Stage 3), specific analysis was done with regards to the reasonableness of assumptions underlying recovery hypotheses as defined.

In particular, to assess the reasonableness of conclusions reached by directors with regards to measurement of loans, while taking into account, among other things, classification in the financial statements based on the categories established in the applicable regulatory framework for financial and regulatory disclosures, we selected a sample group of impaired loans measured analytically and verified the reasonableness of the assumptions made with reference to identifying and quantifying future expected cash flows from collection activities, the measurement of guarantees supporting these exposures and estimates of collection times.

Finally, we verified the disclosures included in the consolidated financial statements as at 31 December 2019.

Measurement of non-current assets and asset groups held for sale

Notes to the financial statements: i) Part A Accounting policies – A.2 – Part related to the main financial statement items – Non-current assets and asset groups held for sale ii) Part B Information on the balance sheet – Section 11 – Not current assets and asset groups held for sale – Item 110.

As part of our audit activities, we performed the following main tasks, in order to address this key aspect, also with the support of evaluation experts belonging to the PwC network.

The item Non-current Assets and asset groups held for sale as at 31 December 2019 amounted to approximately € 263 million (approximately € 191 million net of the Liabilities associated with assets held for sale), equal to approximately 6% of total assets. This amount includes parts of asset groups held for sale under the reorganisation plan drawn up in compliance with the 2007 Government Budget Law and the subsequent Directive of the Italian Ministry of Economic Development dated 27 March 2007 and the Invitalia 2017-2019 Business Plan approved by the Italian Ministry of Economy and Finance and the Ministry of Economic Development in December 2016.

These assets must be measured at the lower of their carrying amount and their fair value net of disposal costs.

Therefore, in consideration of the significance of the amounts recorded in the financial statements, of the complexity and naturally subjective nature of the fair value estimation process, we paid particular attention to the analysis of these valuations.

We conducted an appraisal and measurement of the procedures implemented by the Management for the determination of the fair value, net of sales costs, for the sale of the assets in question. For this operation the Management was also supported by external consultants who were experts in such appraisals.

We reviewed the hypotheses and assumptions underlying the appraisal models adopted by Management for the determination of the fair value of these assets net of sales costs.

We performed sensitivity analyses in relation to the significant assumptions adopted by the Management in the recoverability assessments described in the previous point.

We analysed the subsequent events and read the corporate books, in order to identify any developments in the asset disposal procedures that may have warranted inclusion in the financial statements.

Finally, we verified the disclosures included in the consolidated financial statements as at 31 December 2019.

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 provide a truthful and correct representation in accordance with the International Financial Reporting Standards adopted by the European Union as well as the provisions issued in implementation of Article 9 of Italian Legislative Decree no. 38/2005 and Article 43 of Italian Legislative Decree no. 136/2015 and, within the terms established by law, for that part of internal control deemed necessary to allow the preparation of a financial statement that does not contain significant errors due to fraud or unintentional behaviour or events.

The directors are responsible for assessing the company's ability to continue operating as a going concern and, in the preparation of the financial statements, for the suitability of the going concern assumption, as well as providing adequate information on the matter. Directors adopt the going concern presumption in the drafting of the consolidated financial statements, unless they have assessed that the conditions exist for the liquidation of the parent company Agenzia nazionale per l'attrazione degli investimenti e lo sviluppo d'impresa SpA or for the interruption of the activity or have no realistic alternatives to these choices. The Board of Statutory Auditors is responsible for supervising the process of preparing the Group's financial information, within the terms established by law.



The independent auditor's responsibility for auditing the consolidated financial statements

Our goal is to achieve reasonable assurance that the financial statements as a whole do not contain significant errors, due to fraud or unintentional behaviour or events, and to issue of an audit report that includes our opinion. Reasonable assurance means a high level of assuredness which, however, does not guarantee that an audit carried out in accordance with (ISA Italia) international auditing standards will always identify a significant error, should it exist. Errors can result from fraud or unintentional behaviour or events and are considered significant if it can reasonably be expected that they, individually or as a whole, can influence the economic decisions made by users on the basis of the consolidated financial statements.

During the audit conducted in accordance with international auditing standards (ISA Italia), we have exercised professional judgement and professional scepticism throughout the audit. Moreover:

- we have identified and measured the risks of significant errors in the consolidated financial statement due to fraud or unintentional behaviour or events. We have defined and carried out audit procedures in response to these risks. We have acquired sufficient and appropriate audit evidence on which to base our opinion. The risk of not identifying a significant error due to fraud is higher than the risk of not identifying a significant error deriving from unintentional behaviour or events, since fraud can imply the existence of collusion, falsification, intentional omission, misleading representation or forced actions in the exercise of internal control;
- we appraised the internal control framework relevant for auditing purposes in order to define suitable audit procedures in the circumstances and not to express an opinion on the effectiveness of the internal control of the Group;
- we assessed the appropriateness of the adopted accounting principles and the reasonableness of accounting estimates made by the directors, including the related disclosure;
- we have come to a conclusion on the applicability of the directors' going concern assumption and, based on the audit evidence, on the possible existence of significant uncertainty regarding events or circumstances which may give rise to significant doubts on the Group's ability to continue operating as a going concern. In the presence of significant uncertainty, it is our duty to call attention to the related financial statement disclosures in the audit report, or, if such disclosures prove to be inadequate, to reflect this fact in the formulation of our opinion. Our conclusions are based on the audit evidence obtained up to the date of this report. However, subsequent events or circumstances may result in the Group ceasing to operate as a going concern;
- we have assessed the presentation, the structure and the content of the consolidated financial statements as a whole, including the report, and whether the consolidated financial statements represent the underlying transactions and events in order to provide a correct representation;



- we have obtained sufficient and appropriate audit evidence on the financial information of the companies or of the various economic activities carried out within the Group to express an opinion on the consolidated financial statements. We are responsible for the management, supervision and execution of the Group's financial audit. We are exclusively responsible for the audit opinion on the consolidated financial statements.

We have notified the persons in charge of corporate governance, identified at an appropriate level as required by ISA Italia standards, concerning, among other aspects, the audit's scope and timing schedules and the significant results which emerged, including any significant internal control defects identified in the course of the audit.

We have also provided the governance supervisors with a statement, confirming that we have complied with the rules and principles on ethics and independence applicable in the Italian legal system and that we have notified them of any situation that may reasonably have an effect on our independence and, where applicable, the relevant safeguard measures adopted.

Among the aspects notified to the governance supervisors, we identified those that were most relevant to the financial audit for the year in question, which therefore constituted the key aspects of the audit itself. We have described these aspects in the audit report.

Other information disclosed pursuant to Article 10 of Regulation (EU) 537/2014

On 13 July 2011, the shareholders' meeting of Agenzia nazionale per l'attrazione degli investimenti e lo sviluppo d'impresa SpA conferred on us the task of auditing the financial statements of the Company for the financial years from 2011 to 2019.

We declare that no services other than those pertinent to auditing, forbidden pursuant to Article 5. par. 1 of Regulation (EU) 537/2014, have been provided and that we have remained independent of the Company in the performance of the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is in line with that indicated in the supplementary report to the board of statutory auditors, in its function as the internal control and auditing committee, prepared pursuant to Article 11 of the aforementioned regulation.

Report on other legal and regulatory provisions

Opinion pursuant to Article 14, par. 2, point (e) of Italian Legislative Decree 39/2010 and Article 123-bis, par. 4 of Italian Legislative Decree 58/1998

The directors of Agenzia nazionale per l'attrazione degli investimenti e lo sviluppo d'impresa SpA are responsible for the preparation of the directors' report and the report on corporate governance and ownership structure of Agenzia nazionale per l'attrazione degli investimenti e lo sviluppo d'impresa as at 31 December 2019, including their consistency with the related consolidated financial statements and their compliance with the law.

We have carried out the procedures indicated in the auditing standard (SA Italia) no. 720B in order to express an opinion on the consistency of the management report and some specific information contained in the report on corporate governance and ownership structure indicated in Article 123-bis, par. 4 of Italian Legislative Decree 58/1998, with the consolidated financial statements of Agenzia nazionale per l'attrazione degli investimenti e lo sviluppo d'impresa as at 31 December 2019 and their compliance with the law, as well as to issue a declaration on any significant errors.



In our opinion, the directors' report and certain specific information contained in the aforementioned corporate governance and ownership structure report are consistent with the consolidated financial statements of Agenzia nazionale per l'attrazione degli investimenti e lo sviluppo d'impresa as at 31 December 2019 and are drafted in accordance with the law.

With reference to the declaration referenced in Article 14, par. 2, point e of Italian Legislative Decree 39/2010, issued on the basis of the knowledge and understanding of the company and the relative context acquired during the audit, we have not nothing to report.

Declaration pursuant to Article 4 of the Consob Regulation implementing Italian Legislative Decree no. 254 of 30 December 2016

The directors of Agenzia nazionale per l'attrazione degli investimenti e lo sviluppo d'impresa SpA are responsible for the preparation of the non-financial declaration pursuant to Italian Legislative Decree no. 254 of 30 December 2016.

We verified the approval of the Non-Financial Statement by the Directors.

Pursuant to Article 3, par.10 of Italian Legislative Decree no. 254 of 30 December 2016, this declaration is the subject of a separate certificate of conformity on our part.

Rome, 06 July 2020

PricewaterhouseCoopers SpA

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Signed electronically by: LUCA BONVINO
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06/07/2020 10:39:49

Luca Bonvino
(Independent Auditor)



**AGENZIA NAZIONALE PER L'ATTRAZIONE DEGLI
INVESTIMENTI E LO SVILUPPO D'IMPRESA SpA**

**INDEPENDENT AUDITING FIRM'S REPORT ON THE
CONSOLIDATED DECLARATION OF A NON-FINANCIAL
NATURE PURSUANT TO ARTICLE 3, PARAGRAPH 10,
ITALIAN LEGISLATIVE DECREE 254/2016 AND ARTICLE 5 OF
THE CONSOB REGULATION ADOPTED WITH RESOLUTION
20267 OF JANUARY 2018**

YEAR ENDING AT 31 DECEMBER 2019



Independent Auditing Firm's Report on the Consolidated Non-Financial Statement

pursuant to Article 3, paragraph 10, Italian Legislative Decree 254/2016 and Article 5 of the CONSOB Regulation adopted with Resolution 20267 of January 2018

To the Board of Directors of the Agenzia nazionale per l'attrazione degli investimenti e lo sviluppo d'impresa SpA

Pursuant to Article 3, paragraph 10 of Italian Legislative Decree 254 of 30 December 2016 (hereafter, the "Decree") and Article 5 of the CONSOB Regulation 20267/2018, we have been appointed for a limited assurance engagement regarding the consolidated non-financial statement for the Agenzia nazionale per l'attrazione degli investimenti e lo sviluppo d'impresa SpA and its subsidiaries (hereafter, the "Group") for the year ending on 31 December 2019, prepared pursuant to Article 4 of the Decree and presented in a specific section of the Report on Operations approved by the Board of Directors on 28 May 2020 (hereafter, "NFS").

Responsibilities of the Directors and the Board of Statutory Auditors for the NFS

The Directors are responsible for preparing the NFS in compliance with that required under Articles 3 and 4 of the Decree and the GRI-Sustainability Reporting Standards as defined in 2016 (hereafter, "GRI Standards"), indicated in the "Measuring our performance" section of the NFS, identified by these as the reporting standard, with reference to the selection of GRI Standards reported in the document.

The Directors are also responsible, to the extent established under the law, for the portion of internal control deemed necessary by them to ensure preparation of a NFS which does not contain significant errors due to fraud or unintentional actions or events.

The Directors are also responsible for identifying the content of the NFS in the context of the aspects mentioned in Article 3, paragraph 1 of the Decree, taking into account the Group's characteristics and business and to the extent necessary to ensure understanding of the Group's activities, its performance, its results and the impacts produced by the same.

Additionally, the Directors are responsible for defining the company model used to manage and organise the Group's activities as well as, with reference to the aspects identified and reported in the NFS, the policies implemented by the Group and used to identify and manage the risks it generates or is subject to.

The Board of Statutory Auditors is responsible for monitoring, within the terms established under the law, compliance with the provisions established in the Decree.

PricewaterhouseCoopers SpA

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Independence of the independent auditing firm and quality control

We are independent, in compliance with the standards for ethics and independence contained in the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, based on fundamental standards of integrity, objectivity, professional competence and diligence, confidentiality and professional behaviour. Our auditing firm applies International Standard on Quality Control 1 (ISQC Italy 1) and, consequently, maintains a quality control system which includes documented directives and procedures on compliance with ethical standards, professional standards and applicable provisions of the law and regulations.

Responsibilities of the independent auditing firm

On the basis of the procedures carried out, we are responsible for expressing a conclusion on the compliance of the NFS with the Decree and the GRI Standards. Our work was carried out in accordance with that established in the standard "International Standard on Assurance Engagements ISAE 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information" (hereafter "ISAE 3000 Revised"), issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance appointments. This standard requires the planning and execution of procedures in order to acquire a level of limited certainty that the NFS does not contain significant errors. Therefore, our audit involved an amount of work less than that needed to carry out a full audit, in accordance with ISAE 3000 Revised ("reasonable assurance engagement") and, consequently, does not allow us to be certain we have become aware of all the significant facts and circumstances which could be identified after performance of that type of audit.

The procedures carried out relative to the NFS were based on our professional judgement and included interviews, mainly with the personnel of the company responsible for preparing the information presented in the NFS, as well as analysis of documents, recalculations and other procedures with the aim of acquiring evidence deemed useful.

In particular, we carried out the following procedures:

1. analysis of relevant aspects with regards to the Group's activities and characteristics reported on in the NFS, in order to assess the reasonableness of the selection process followed in light of that established in Article 3 of the Decree and bearing in mind the reporting standard used;
2. analysis and assessment of the criteria used to identify the scope of consolidation, in order to determine compliance with that established in the Decree;
3. comprehension of the following aspects:
 - company model used to manage and organise the Group's activities, with reference to management of the aspects indicated under Article 3 of the Decree;
 - policies practised by the company linked to the aspects indicated under Article 3 of the Decree, results achieved and the relative key performance benchmarks;
 - main risks, either generated or suffered relative to the aspects indicated under Article 3 of the Decree. Additionally, relative to these aspects comparisons were made with the information contained in the NFS and the verifications described in point 4, letter a) below were performed;

4. comprehension of the processes underlying the creation, identification and management of significant qualitative and quantitative information included in the NFS. In particular, we interviewed and spoke with administrative personnel from Agenzia nazionale per l'attrazione degli investimenti e lo sviluppo d'impresa SpA (for both Invitalia and Infratel Italia SpA) and with the personnel of the subsidiary MedioCredito Centrale SpA. We also carried out limited checks on documents, in order to obtain information about the processes and procedures which support the collection, aggregation, processing and transmission of data and information of a non-financial nature to the department responsible for preparing the

Additionally, for significant information, taking into account the activities and characteristics

- of the Agenzia nazionale per l'attrazione degli investimenti e lo sviluppo d'impresa SpA in its role as parent company,
 - a) with reference to the qualitative information contained in the NFS, and in particular the company model, policies implemented and main risks, we carried out interviews and acquired support documents to verify consistency with available evidence;
 - b) with reference to quantitative information, we carried out both analytical procedures and limited checks on a sample basis to ascertain proper aggregation of data;
- for the subsidiaries MedioCredito Centrale SpA and Infratel Italia SpA, selected on the basis of their activities and their contributions to the consolidated performance benchmarks, we performed additional checks during the course of which we spoke with managers and acquired documents to verify proper application of procedures and calculation methods used for benchmarks.

Conclusions

On the basis of the work performed, no elements came to our attention which would indicate that the NFS of the Group Agenzia nazionale per l'attrazione degli investimenti e lo sviluppo d'impresa S.p.A. for the year ending at 31 December 2019 was not prepared, in all of its significant aspects, in compliance with that required under Articles 3 and 4 of the Decree and with reference to the selection of GRI Standards contained within it.

Rome, 06 July 2020

PricewaterhouseCoopers SpA

[handwritten signature]
Luca Bonvino
(Independent Auditor)

[handwritten signature]
Paolo Bersani
(Proxy)

Signed electronically by: LUCA BONVINO
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Date: 06/07/2020 17:11:07