

CONSOLIDATED  
FINANCIAL  
STATEMENTS

as at 31.12.2023

## ADMINISTRATIVE AND CONTROL BODIES

### BOARD OF DIRECTORS

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<b>Chairman</b>	Rocco SABELLI
<b>Chief Executive Officer</b>	Bernardo MATTARELLA
<b>Directors</b>	Claudia COLAIACOMO Carmela D'AMATO Anna LAMBIASE

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### BOARD OF STATUTORY AUDITORS

<b>Chairman</b>	Mauro ZANIN
<b>Statutory Auditors</b>	Antonella BIENTINESI Cristiano MACCAGNANI
<b>Deputy Auditors</b>	Maria Letizia GAMBA Marco CANZANELLA

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<b>APPOINTED MANAGER</b>	Domenico TUDINI
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<b>SUPERVISING MAGISTRATE OF THE COURT OF ACCOUNTS</b>	Vittorio REALI
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<b>AUDITING FIRM</b>	Deloitte & Touche S.p.A.
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# REPORT ON OPERATIONS





## PREAMBLE

Dear Shareholder,

the 2023 consolidated financial statements consolidated financial statements closed with a positive result for the Group of € 12,004,000.

The Invitalia Group operates under the mandate of the Government to increase the Country's competitiveness, specifically in the South, and contribute to the country's economic growth and improvement, by offering its competencies in the fields of incentive management, strategic planning and public investment acceleration, and by working as Central Purchasing Agency and supporting the attraction of foreign investments, to enhance local potential. Moreover, the Agency facilitates access to credit for SMEs, contributes to reducing the existing digital gap by extending access to fast Internet connection by citizens, businesses and institutions, promotes energy transition and the environmental evolution of the Italian steel industry, manages and divests non-strategic real estate shares and assets for tourist purposes.

The Group also helps all Public Administrations in pursuing investment and expenditure objectives connected to the National Resilience and Recovery Plan (NRRP).

## MACROECONOMIC CONTEXT

Over the last three years, after a fall in 2020, Italy returned to grow at a higher rate than that of the Union. The GDP dynamic was mainly supported by domestic demand with a relevant role played by investments. Year 2023 was characterized by a marked slowdown in activity in the advanced economies as a whole and a stagnation in the volume of international trade. The major European economies showed uneven trends: the GDP increased by 2.5% in Spain, by 0.9% in Italy (compared to 4% in 2022) and by 0.7% in France, while Germany recorded a slowdown. The growth slowdown in Italy was certainly affected by weaker consumption demand by households. After two years of intense growth, investments slowed down, although maintaining positive trends across all components. The trade balance, which had shown a deficit of more than € 30 billion in 2022 due to soaring energy prices, returned to a surplus of € 34.5 billion in 2023 due to improved terms of trade, a sharp reduction in imports and substantial stability in the value of exports. However, the preliminary estimates for Q1 of 2024 show moderate economic growth in Italy. In recent years, economic growth was accompanied by good labour market trend: in 2023 the employment rate has continued to grow at a slightly slower rate than that of the previous year (+2.1%) despite the slowdown in the economic activity. The first data of 2024 confirms this positive trend. Moreover, increase in the employment rate over the last year was mainly ascribable to permanent employment contracts. Starting from 2021, Italy, as other advanced countries, faced the price increase mainly caused by imported raw materials. The inflationary episode, which was extraordinary in its magnitude, had different effects at sector level on company margins. As for households, also given that nominal salaries could not keep pace with the fast inflationary increase, price increase resulted in a reduced purchasing power, mostly affecting poorer segments of the population, due to more pronounced increases in the prices of primary goods, such as food and energy. Overall, over the last two years, households have maintained the same consumption levels by reducing their propensity to save, which almost doubled in 2020. Starting from 2023, we note the first recovery signs for contractual salaries, showing a higher growth compared to that of inflation.

In this period, the Italian economy's structure has gradually adapted to the changes of the competitive scenario and, more recently, to the impacts of digital transitions. Despite the use of complex

technologies - such as AI - and the dissemination of digital skills are still affected by delays and critical issues, the productive system and the Public Administration showed significant progress in adopting and using information and communication technologies. The digitisation of the economic system, favoured by the incentive policies implemented over the last years, had an acceleration due to the need to quickly rearrange the work activities during the pandemic and will be further strengthened by NRRP investments.

Over the last twenty years, Italy has defended its positioning on international goods markets despite the competitive framework posed by emerging economies, and has managed to absorb the effects of the loss of export weight of many supply chains through changes in trade specialisation. Far less positive was the service performance, where the most intense added-value activities related to knowledge remain relatively underdeveloped. This has contributed to weaken the economic trend and increase the foreign dependence of the production system.

Such macroeconomic context is, however, surrounded by high uncertainty with predominantly downward-oriented growth risks. The geopolitical context still remains one of the main instability factors from which new price increase for raw materials and the deterioration of confidence on behalf of households and investors emerged, these non-negligible risks are also connected with the evolution of the global economic activity which may be affected to a greater extent by the issues of Chinese economy and uncertainty connected to international tensions. The international tensions, such as the war in Ukraine, had a direct impact on the energy market and an indirect one on global economy, including the Italian one. The slowdown in global economic growth could pose a danger for the Italian economy, given that the Country is closely integrated in the global economy.

To summarise, the main geopolitical risks which may affect the Italian economy include:

**Financial instability:** The European Central Bank suggests financial institutions to implement higher monitoring and to prepare solid emergency plans.

**International conflicts:** the escalation of conflicts, such as that between Israel and Hamas, can have significant impacts on energy, inflation and the monetary policy. Tensions between the US and China, political uncertainty and wars, as in Ukraine, are key factors.

**Risks for businesses:** The businesses exposed to markets subject to a geopolitical risk may face a higher probability of insolvency, lower share prices and higher financing costs.

As for Italy, the 2023 macroeconomic context may be summarised as follows:

1. **GDP growth:** in 2023, Italy recorded a GDP growth equal to +0.9%, with a projected growth slightly higher than 0.8% for 2024.
2. **Inflation:** the inflation rate was estimated at 5.9% in 2023, with a projected decline to 2.7% in 2024.
3. **Household consumption:** household consumption dragged the growth in 2023, with an increase of +1.5% compared to 2022.
4. **Labour market:** the labour market proved to be solid, with a projected unemployment rate slightly higher than 7% in 2024 and a peak of employed that reached an all-time high in August 2023, approximately 23.6 million.
5. **Monetary policy:** The European Central Bank maintained a restrictive monetary policy, with high interest rates that influenced the cost of debt for households and businesses.
6. **National Resilience and Recovery Plan (NRRP):** the NRRP was considered as an important tool for growth, including in the medium-short term, with simulations showing the importance of partial use of funds.



## THE ROLE OF THE INVITALIA GROUP

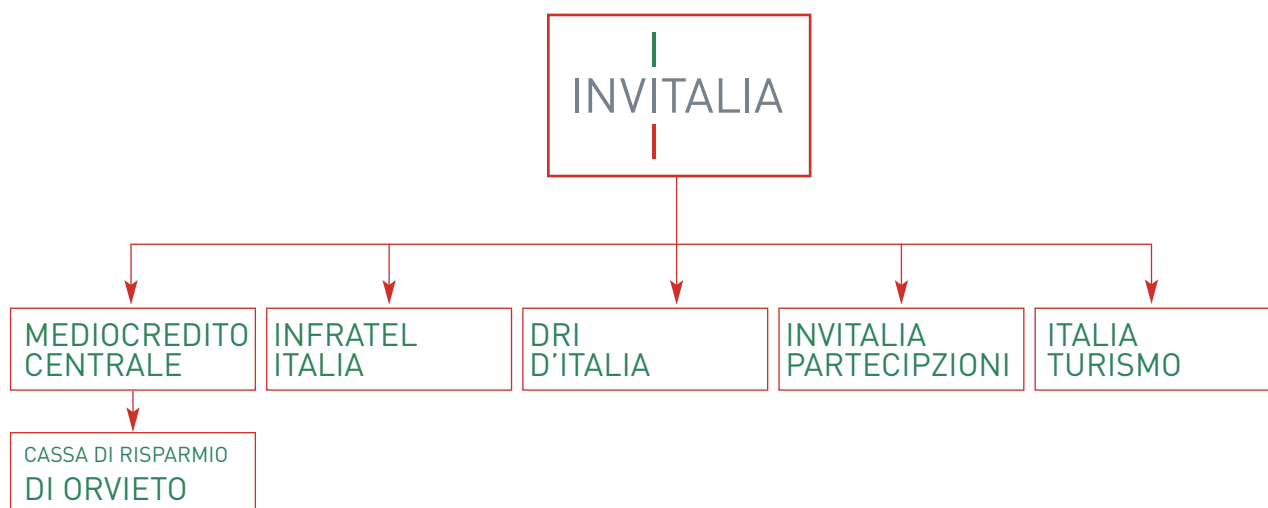
The Group works to favour the Country's economic and social development by integrating the economic, social and environmental dimension of each project in favour of businesses, people and communities. This commitment led to effective results and effects, including budgetary results and the assessment of undertaken actions.

The activity is carried out both through personal means and the use of financial resources made available to the company by the central Public Administration for specific purposes on which the Group essentially acts with the responsibility of the agent without, therefore, any direct impact on its own assets. Given such financial resources, the Group allocates non-repayable contributions and subsidised financing, may acquire direct equity investments or equity investments through the establishment and management of targeted investment funds, and may be called to directly make territorial interventions of strategic importance.

Moreover, by means of agreements, carries out an important administrative, technical and judicial support activity in allocating subsidies on behalf of the Public Administrations: activity that, except for the related service revenues, is not reflected in the budget in terms of resources made available to the beneficiaries, since the deliberation and disbursement phase is exogenous to the company.

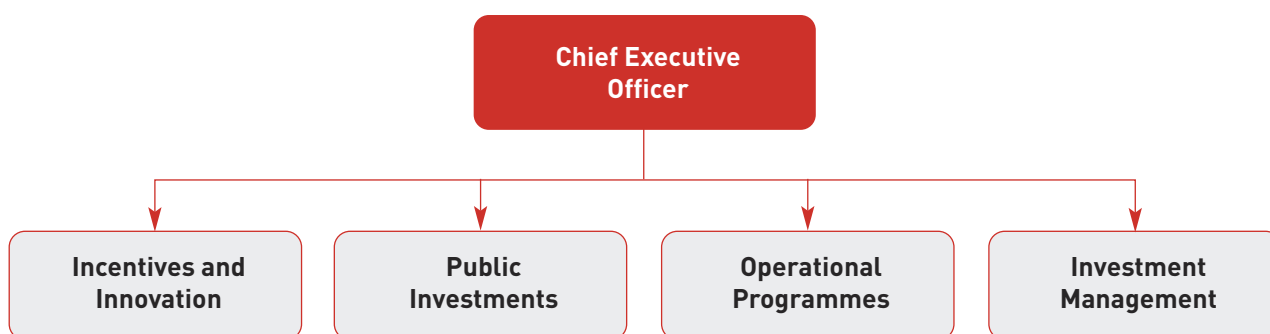
The scope of the consolidated equity investments includes three strategic companies, Mediocredito Centrale, Cassa di Risparmio di Orvieto, Infratel Italia and two companies, Invitalia Partecipazioni and Italia Turismo, which manage Group assets to be relocated on the market.

The equity investment in DRI d'Italia is not, as indicated by IFRS 10, a subsidiary and therefore not included in the Group's consolidated financial statements as it was acquired with third-party funds and therefore does not qualify as an equity instrument in the strict sense (see in particular what is indicated in Part A - Section 4 - Accounting treatment defined for equity investments acquired with public grants/third-party funds of the Notes to the Financial Statements).



## GROUP ACTIVITIES AND COMPOSITION

### THE PARENT COMPANY



The Agency runs its operations through Organizational Units (hereinafter also 'OU'), of which four-line units:

**Incentives and Innovation** ensures the planning, management, implementation and impact assessment on incentives and tools supporting development and innovation processes for Italian and foreign businesses, to promote the growth and competitiveness of the national economy.

**Public Investments** ensures the promotion and management of projects and programmes for the implementation of public investments by working in collaboration with institutions to support their implementing capacity, also in relation to the NRRP. It is a Central Contracting Authority, Contracting Station and Implementing Authority for strategic interventions for development and territorial cohesion.

**Operational Programmes** ensures technical assistance to Administrations for the development, management and implementation of Community and National Operational Programmes, to strengthen their administrative capacity also through process simplification and digitisation.

**Investment Management** ensures the management of specific funds made available by the Government to foster the growth in size and/or revitalisation of operating companies through equity investment and/or financing; moreover, it ensures coordination of acquired equity investments and supports the attraction and steering of foreign investments.

Results achieved in 2023 by the Agency			
<b>75,708</b> Supported Businesses	<b>22,466 € mln</b> Activated Investments	<b>5,550 € mln</b> Granted Subsidies	<b>30,802</b> Jobs created or maintained
<b>135</b> Awarded Tender Procedures	<b>8,693 € mln</b> Value of Awarded Tender Procedures		<b>90 € mln</b> Value of Resources managed in the programmes

The Agency reconfirmed its role as a resource catalyst to support the production system through financial aid obtained based on laws or administrative provisions. As far as activated investments are concerned, there is an +27% increase, equal to € 4.8 billion, compared to 2022. As for granted subsidies, there is an improvement of 984 € million (+22%) compared to 2022.

Invitalia, through its OU Incentives and Innovation, also continued offering training, promotion and tutoring activities on portfolio incentives, with specific reference to those allocated to start-ups and new businesses. The OU Public Investments, on the other hand, contributed to accelerating the implementation of strategic actions for territorial cohesion and economic growth, improving the quality of projects and the expenditure performance, identifying the most effective procedures and solutions to meet the needs of the administrations. In 2023, tenders worth € 8.7 billion were awarded on behalf of administrations from national and EU resources.

Over the year, the Agency, as a partner of Public Administrations community and national resources for development purposes, supported multi-year plans for € 88 billion through the OU Operational Programmes and for € 2 Bl through the OU Public Investments. The operations include the planning and management of community Structural Funds, the National Resilience and Recovery Plan and the national Cohesion Policy tools.

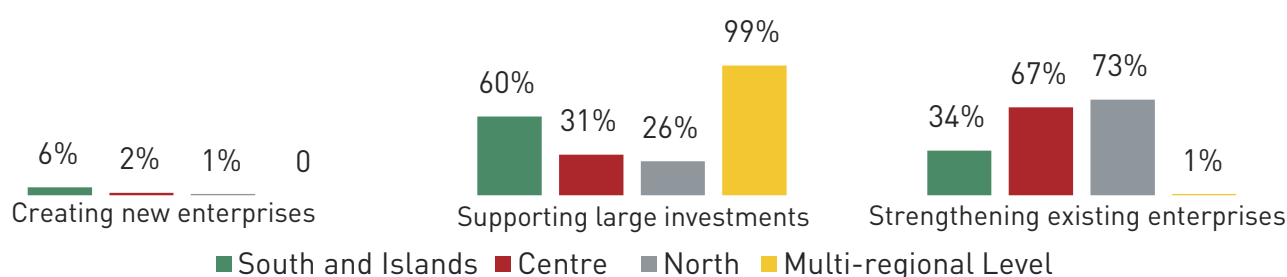
### Incentives and Innovation

Over 2023, the 'Incentives and Innovation' OU launched investments for a total of € 20.8 billion, of which € 9.2 billion in Major Investments, about € 0.5 billion for the creation of new businesses and € 11.1 billion in measures directed to strengthening the companies for which the Agency only carries out the activity of legal technical support of the disbursing public administrations; 44% of the interventions were carried out in the North of Italy, 28% in the South.

As far as sectors are concerned, 54% of investments was activated for the Italian manufacturing sector and 14% in the ICT sector. Geographically speaking, 44% of the investments were activated in the North, 28% in the South and Islands, 17% in the centre of Italy and the remaining part at a multi-regional level.

The main activities of the OU fall under three headings: supporting large investments, creating new enterprises and strengthening existing enterprises.

#### ACTIVATED INVESTMENTS DIVIDED BY INTERVENTION AREA



**Supporting large investments:** this is done by means of Contratti di Sviluppo (hereinafter also referred to as 'CDS') which favour the implementation of business, tourist and environmental plans.

Results achieved in 2023 - Supporting Large Investments			
216	9,228 € mln	2,473 € mln	17,234
Financed Large Investments	Activated Investments	Granted Subsidies	Jobs created or maintained

Compared to 2022, great momentum was recorded for the following:

- the number of large investments financed with a net increase of 63 (+41%);
- the value of investments activated with an increase of € 7,391 million (+402%);
- the value of facilities granted with an increase of € 1,801 million (+268%).

The minimum investment required is € 20 million, which is reduced to € 7.5 million for projects for the processing of agricultural products and for tourism projects located in inland areas of the country, i.e. involving the recovery of disused structures. A fast-track procedure for Contratti di Sviluppo is envisaged for large-scale strategic projects with a significant impact on the production system.

Through the Contratti di Sviluppo, and in a complementary manner to them, further incentives have been activated to support companies making investments linked to the main strategic value chains in the areas of sustainable mobility, technological innovation, energy transition, and the development

of agrifood logistics. Interventions must be in line with the objectives of the NRRP.

A specific budget of the CDS also allows the acquisition of minority shareholdings and the issuing of guarantees to certain companies benefiting from the measure.

**Creating new enterprises:** supports the creation of new enterprises, with a focus on start-ups of innovative initiatives and spinoffs from research that have business potential.

	Achievements in 2023 in the creation of new enterprises			
	<b>4,220</b> Supported Businesses	<b>473 € mln</b> Activated Investments	<b>419 € mln</b> Granted Subsidies	<b>11,347</b> Jobs created

Activated investments (€ 473 million) in 2023 relate to the following measures:

- 44% of activated investments refer to the Resto al Sud incentive, which supports the establishment and development of new entrepreneurial and freelance activities mainly in southern regions. The funds allocated amount to € 1.25 billion. The incentive covers up to 100% of eligible expenses through a non-repayable grant (up to 50 %) and a bank loan (up to 50 %), guaranteed by the Fondo di Garanzia per le PMI, the interest on which is fully covered by the measures;
- the incentive ON-Oltre Nuove imprese a tasso zero (ON-Beyond new businesses at zero interest) accounted for 29% of activated investments. The subsidies are valid throughout Italy and provide a mix of zero-interest loans and outright grants for business projects with expenditure of up to € 3 million;
- the remaining 27% consists mainly of Cultura Crea, Fondo Impresa Femminile, SelfiEmployment.

**Strengthening of existing enterprises:** this is part of those initiatives in which Invitalia exclusively provides technical-legal support to PAs, through the revitalisation of areas affected by industrial crisis, support for employment, and promotion of innovation.

	Results achieved in 2023 - strengthening of existing businesses			
	<b>68,086</b> Supported Businesses	<b>11,171 € mln</b> Activated Investments	<b>1,921 € mln</b> Granted Subsidies	<b>2,221</b> Jobs created or maintained

In 2023, 68% of the investments activated related to the measure Beni Strumentali - Nuova Sabatini, which is aimed at micro, small and medium-sized enterprises located throughout the country and operating in all economic sectors; it provides facilities for access to credit for the purchase of new machinery, plant and equipment.

During 2023, concessions continued for the Investimenti Sostenibili 4.0 measure to support new innovative and sustainable business investments. During 2023, a new call for tenders was launched with a budget of € 400 million, for which 803 applications were submitted.

Invitalia also supported MIMIT in the management of activities for the disbursement of the Ecobonus, an incentive for more sustainable mobility as indicated in the National Integrated Energy Plan in the framework of the Agenda 2020 objectives, which provides subsidies for the purchase of low-emission vehicles. During 2023, 145,261 applications were submitted and 159,814<sup>1</sup> bonuses disbursed.

<sup>1</sup> The number also includes bonuses disbursed on applications submitted in the previous period.

## Public Investments

The OU supports public administrations to accelerate the implementation of public investments. It is the Central Contracting Authority and Implementing Authority for strategic interventions for development and territorial cohesion, such as, for example, the Contratti Istituzionali di Sviluppo (hereinafter also referred to as 'CIS'). In particular, the following CISs are active in 2023: former prison Santo Stefano Ventotene, Matera, Capitanata, Molise, Rome-Scuole Verdi, Naples, Palermo and Calabria Volare.

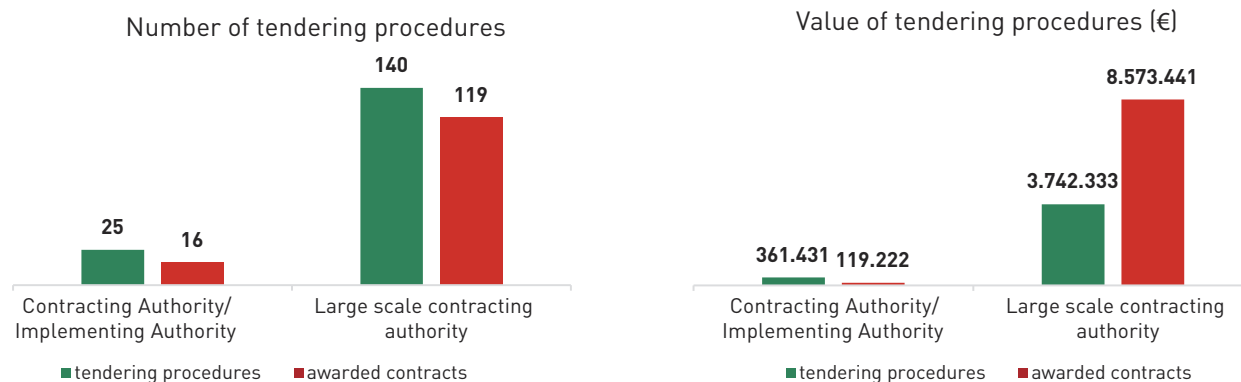
It is qualified by law to provide technical-operational support for all phases of the public investment cycle, including the definition and implementation (awarding and execution), monitoring and evaluation of interventions, including through possible actions to strengthen administrative capacity.

During 2023, in order to accelerate the realisation of NRRP investments, the OU promoted - in collaboration with the MEF, the Administrations that own the NRRP measures, and ANCI - centralised, aggregated and flexible awarding procedures, such as Framework Agreements.

Through Public Investments, Invitalia has become a qualified and structured partner of central and territorial public administrations to facilitate the implementation of investments.



During 2023, the OU launched 165 tendering procedures and awarded 135 of them with a value of approximately € 8.7 billion<sup>2</sup>, an increase of € 3.7 billion (+75%) compared to 2022.



35% of the value of tenders awarded is accounted for by the Health Framework Agreement related to Mission 6 of the NRRP, which envisages reforms and investments aimed at aligning services with patients' care needs in every area of the country. A significant portion of the resources is earmarked for improving infrastructural and technological equipment, promoting research and innovation, and developing technical, digital, and managerial skills of personnel.

21% of the value of the tenders awarded is represented by the Framework Agreement IUP - Integrated Urban Plans, the NRRP investment that aims to improve the suburbs of the Metropolitan Cities through the creation of new services for citizens and the upgrading of logistical infrastructures, thus transforming the most vulnerable areas into smart cities and sustainable realities.

The OU continued its support to the central administrations responsible for the NRRP interventions thanks to the agreement signed with the MEF-RGS.

<sup>2</sup> The value also includes procedures awarded as a result of tenders launched during 2022.

In 2023, 18 central Administrations were supported, ensuring transversal support in 4 lines of action:

- public procurement;
- management of facilitation measures in favour of enterprises;
- programme management services, in particular for managing public notices and assisting in the preliminary investigation and assessment of investment project applications;
- other initiatives to support and assist the Mission Units in monitoring, controlling and reporting on investments.

During 2023, the OU continued to implement the Environmental Remediation and Urban Regeneration Programme for the Bagnoli area. In the former Eternit area, which covers about 16 hectares, reclamation was completed in 2023 with an investment of € 23.8 million, and the reclamation of the Sports Park area began. For all other land reclamation works, projects have been completed and approved and contractors have been identified to carry out the work.

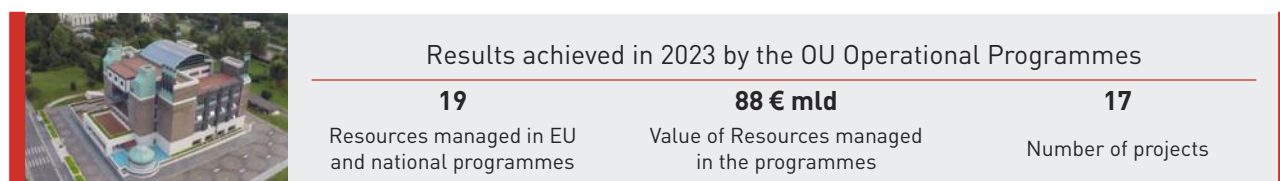
For the marine remediation, necessary to restore bathing activities at the Bagnoli Bay, the final design and pilot tests have been completed. The Environmental Impact Assessment (EIA) procedure on the final project was started in August 2023. For all Infrastructures (water network, roads and streets, lighting and TLC networks) the final design was completed, and the EIA procedure was started in August 2023.

In January 2024, the Agreement for the electrification of the site was signed between Invitalia, the Commissioner, Terna and E-distribuzione, which envisages the construction of a Primary Transformation Cabin (from high voltage to medium voltage) and the supply and distribution line infrastructure in the area.

In April 2024, the Ministry of the Environment and Energy Security approved the proposal to reshape the interventions envisaged in the Programme Agreement of 3 March 2020 to give priority coverage to ground clean-up interventions. Moreover, Article 14 of Decree Law Coesione (Decree Law 60/2024) earmarked funding of € 1.2 billion to implement the interventions included in the Programme for Environmental Remediation and Urban Regeneration (PRARU) of the Bagnoli-Coroglio area.

## Operational Programmes

The Operational Programmes Unit operates as a partner of the Public Administrations, which manage EU and national development programmes, both with respect to programmes and the management of incentives.



In 2023, resources managed in EU and national programmes assisted by Invitalia increased by € 37 billion (+73%) compared to 2022. In particular, the OU has supported 13 central Administrations, Mission Units (UdM) and NRRP Coordination Offices, in developing and implementing management and control systems and, in general, strengthened the skills and competencies of the administrations in relation to the launch of monitoring, reporting, and implementation processes, and helped with compliance and system audits;

Another important activity supported during the year by the OU concerned accompanying the closure of the programmes of the 2014-2020 programming cycle. In particular, the OU supported the MIMIT on the Enterprise and Competitiveness Programme (PON IC), the MLPS on the FEAD Fund Programme, and the Regional Administrations on the ROPs under delegation. The activity included the identification, on the basis of EU rules, of the project pool for closure and the verification of the

total absorption of the allocated financial envelope, also through the selection of possible additional initiatives to be included in the closure, control and certification of expenditure. The activities implemented ensured the optimal management of both the EU programmes and the national financial basins, which are complementary to the EU ones.

In view of the technical support already provided to MIMIT in relation to the PON IC 2014-2020 and the possibility, provided by the Regulations, to support the start of the new programming cycle with the resources of the programme, the OU accompanied the Administration in the negotiation phase and provided support in the drafting of the 'Research, Innovation and Competitiveness for the Green and Digital Transition' 2021-2027 NFP (NFP RIC). Currently, the OU supports the Administration in the launch of the operational instrumentation by adapting and implementing the systems for the effective and efficient management, monitoring, surveillance, control and reporting of the procedures already activated and in the process of being activated.

Moreover, a consolidation of the support role for the NRRP coordination structures of some Ministries (UdM) and of the Prime Minister's Office is envisaged, as well as a strengthening of the role of the UO, also in terms of responsibilities, through projects that attribute to the Agency the role of Implementing Party of interventions or the delegation for the implementation of technical-specialist services.



96% of the investments activated (€ 1,499 million, 90% of which were concentrated in the Centre-North) are linked to the facilities provided by the NRRP's IPCEI calls, while 2% (€ 37 million) to the Hydrogen Cluster - M2C2I3.5.

In 2023, there was a trend of growth by client and in particular for:

- Ministry of Enterprise and Made in Italy (MIMIT) for the purpose of Technical Assistance to the NRRP Mission Unit: the Ministry entrusted PO with technical assistance and specialised support for the implementation of the NRRP measures under MIMIT;
- Ministry of Labour and Social Policies (MLPS) for the purpose of Technical Assistance Specialist Support to the Ministry: the Ministry has entrusted PO with technical assistance and support for the implementation and monitoring of interventions financed by the NRRP Inclusion and Poverty Alleviation 2021-2027 and for the NRRP interventions for the social inclusion of fragile and vulnerable subjects;
- Extraordinary Government Commissioners for the purposes of reconstruction in territories affected by natural disasters: technical and operational support was provided for the implementation of interventions in territories affected by floods (Emilia Romagna, Tuscany, Marche, Calabria), which led to the Agency being entrusted with some of the measures included in the programme, and new conventions were signed for technical assistance activities for the Extraordinary Commissioners.

### ACTIVATED INVESTMENTS



In the course of 2024 the Operational Programmes Unit, in addition to carrying out the various support activities for the Administrations, envisages the activation of new support projects for the 2021-2027 programming, both with reference to the National and Regional Programmes financed through European structural funds, and for assistance to the programming instruments financed by national resources (in particular the Fund for Development and Cohesion).

## **Investment Management**

The UO manages investment funds aimed at fostering the growth and/or revitalisation of enterprises, such as the 'Cresci al Sud' and 'Salvaguardia Imprese' funds.

### ***Fondo Cresci al Sud***

It was established by the 2020 Budget Law, with a total endowment of € 250 million (€ 150 million for 2020 and € 100 million for 2021). It supports the growth in size and competitiveness of SMEs in the Mezzogiorno (South of Italy) through the acquisition of stakes, mainly minority stakes, in the risk capital of SMEs with registered offices and operations in the 8 southern regions.

In the course of 2023, 6 equity investments (Fare Spot, Recupero Etico sostenibile, E-Globe, Edil San Felice, Xenia Hotellerie Solutions and Simone) were acquired with the Fund's resources and accounted for in the memorandum accounts for approximately € 18.6 million.

These transactions, together with the two equity investments acquired in 2022 (Lirsa and Tesi) and one in 2021 (Italian Cool Design), result in a total paid-in by Invitalia of € 35.2 million.

There are 15 transactions under investigation as at 31.12.2023.

### ***Fondo Salvaguardia Imprese***

The Fund was established by Article 43 of Decree Law 34/2020 and has an initial endowment of € 300 million, subsequently supplemented with an additional € 50 million in the second half of 2022. Invitalia is the managing entity of the Fund. The purpose is to promote the relaunch of companies in trouble, also with the involvement of private individuals who, through co-investment operations, guarantee the continuity of companies that, due to their importance and history, represent the productive fabric of the country and the 'made in Italy' worldwide.

During 2023, three equity investments were acquired with the Fund's resources and recorded in the memorandum accounts (Bellotti, Snaidero and Pernigotti) and two follow-on, i.e. further capital increases were carried out in favour of two companies already in the portfolio in 2022 (Canepa and Ceramica Dolomite). In addition, non-repayable grants were provided to support employment levels in favour of a portfolio company (Walcor). These operations resulted in a total of € 27.23 million paid by Invitalia.

These operations, together with the 3 shareholdings acquired in 2021 (Sicamb, Corneliani and Canepa) and the 7 shareholdings acquired in 2022 (SALP, Niche Fusina Rolled Products, Walcor, Ceramica Dolomite, BTX, Titagarh Firema and Conceria del Chienti) result in a total paid-up by Invitalia of € 97.54 million.

There are 10 transactions under investigation as at 31.12.2023.

### ***Investment Attraction***

Attracting foreign investment places Invitalia in a central position as a recognised player in processing bids by industrial sector of reference and accompanying investors. The year 2023 saw the entry into operation of the CAIE Technical Secretariat, i.e. the Foreign Investment Attraction Committee, which brings together representatives of the various ministries (MIMIT, MAECI, MEF, Ministry of Public Administration), as well as the Conference of Regions and Autonomous Provinces, interested in the action aimed at encouraging the establishment of foreign companies in our country.

Under a special agreement signed with MIMIT, Invitalia provides technical-specialist assistance to the CAIE Technical Secretariat, in all its areas of intervention.

In 2023, 252 leads, i.e. accompanying activities, were managed and 28 successfully closed. The economic countervalue is € 813 million with an employment impact of more than 1,300 workers.



## **BANKS OF THE GROUP**

### **Mediocredito Centrale S.p.A.**

As at 31.12.2023 MCC holds 96.8% of the share capital of BdM Banca (formerly Banca Popolare di Bari) and 85.32% of Cassa di Risparmio di Orvieto and exercises management and coordination for both as the parent company of the MCC Banking Group.

A banking institute that develops synergies with the offer of incentives to businesses and to promote policies for growth. It operates mainly to support investment and development in the South.

Its main objectives are:

- facilitate SMEs' access to credit;
- promote synergies between credit policies and development initiatives;
- strengthen public interventions in strategic or crisis-hit areas.

MedioCredito Centrale manages:

- Fondo di Garanzia, aimed at small and medium-sized enterprises and professionals who face difficulties in obtaining bank loans;
- Fondo per la crescita sostenibile, intended for strategic R&D projects to strengthen the country's competitiveness.

In 2023, the Bank continued its activities to support SMEs in southern Italy by providing loans and managing public guarantee funds, in synergy with Invitalia, in order to support growth and competitiveness.

In January 2023, a three-year Plan of Initiatives was resolved in order to foster the gradual integration of climate and environmental risks into business strategies, the risk management framework and Disclosure, in line with the Bank of Italy's supervisory expectations.

On 28 February 2023, the Bank's Board of Directors resolved, as a result of the outcome of the capital adequacy control activities, to grant MCC in favour of the subsidiary BdM Banca (hereinafter also referred to as 'BdM') an unsecured subordinated loan of € 60 million that can be included in the Tier 2 capital of the subsidiary BdM. This transaction was necessary to ensure an adequate capital buffer against the regulatory minimum Total Capital Ratio of 10.5%. As at 31 December 2023, BdM Banca's Total Capital Ratio was 12.77%, of which 1.64% was attributable to the subordinated loan granted by MCC.

In November 2023, Mediocredito Centrale formally notified Invitalia of its decision not to renew its option to join the tax consolidation scheme for the three-year period 2024 - 2026. The non-renewal is functional to the re-attribution to the bank of the tax losses contributed to the consolidation and their use at an individual level.

On 28 November, the Board of Directors approved the Securitisation Transaction by the banks of the Group, in order to raise adequate financial resources for funding needs; in execution of the first phase of the Transaction, finalised by the end of the year, a loan portfolio of approximately € 700 million was securitised, of which 50.1% originated by MCC and 49.9% originated by BdM, sold to the SPV MCC Group SME S.r.l., against the issuance by the latter of senior notes for € 488 million and junior notes for approximately € 220 million. The portion of senior notes corresponding to the portfolio securitised by MCC was subscribed by a third-party investor, thus generating liquidity of € 244 million; while the senior tranche corresponding to the portfolio sold by BdM was subscribed by BdM itself. The junior securities were fully subscribed by the originators MCC and BdM for their respective portions; therefore, the transaction does not transfer the substantial risk of the underlying receivables to third parties and, therefore, in accordance with IFRS 9 on derecognition, the receivables subject to the transaction remain recognised under the relevant technical forms of assets, while the additional funding of € 244 million corresponding only to the portion of securities subscribed by third-party investors is recognised under liabilities.

In December 2023, MCC, in order to contain the incidence of impaired loans, carried out a transaction to sell the bank's NPE loans to the Keystone Fund, managed by Kryalos SGR, in exchange for the subscription of shares in the acquiring Fund for a value equal to the sale price of the loans. The portfolio of loans sold amounted to € 8.7 million, against a total gross book value (GBV) at the transaction's reference date (30 June 2023) of approximately € 16 million. Having taken into account the adjusting provisions existing at the reference date, to cover the transferred receivables, as well as a liquidity discount in the estimate of the fair value of the Fund at the date of initial recognition, the sale transaction resulted in the recognition of a positive economic effect of approximately € 3.3 million in item 100 a) of 'Gains (losses) on disposal or repurchase of a) financial assets valued at amortised cost'. The units of the Keystone NPL Fund are recognised as financial assets valued at fair value through profit or loss in the amount of € 8.7 million (balance sheet value € 7.8 million).

As part of the process of harmonising the identities of the banks forming part of the Group, in order to strengthen their strategic positioning at local, regional and national level, from 2 August 2023 'Banca Popolare di Bari S.p.A.' officially became 'BdM Banca S.p.A.' (abbreviated as 'BdM S.p.A.'). The Group's new visual identity has been operational since 15 January 2024.

On 21 December 2023, MCC centralised the operations of BdM Banca and Cassa di Risparmio di Orvieto related to the following areas: internal audit, compliance controls (anti-money laundering and data protection), risk control, administration and budget, finance, planning and control, corporate, procurement, business continuity, organisation, PMO, facility management and industrial relations.

Following guidance from the European Securities and Markets Authority (ESMA), the Bank assessed the impact of rising interest rates on refinancing operations and any associated financial risks. The positive effect on net interest income resulting from the recent monetary tightening is mainly attributable to the structural characteristics of the banking book, in particular the composition by type of rate of the loan portfolio and the significance of deposits. As at 31 December 2023, the on-demand variable-rate portion of assets increased to 70%, while liabilities at variable rates remained substantially stable at 44%. Overall, there is an increased exposure of net interest income to the risk of falling rates, which is expected next summer, and specific actions are being considered to offset this exposure.

MCC's balance sheet closed on 31.12.2023 with a profit of € 20.2 million (€ 19.6 million as at 31.12.2022) and shareholders' equity of € 892.8 million (€ 855.6 million as at 31.12.2022). Net interest and other banking income of € 96 million increased significantly (+25%), mainly as a result of the improvement in net interest income due to the rise in interest rates (€ 41.9 million +24%), as well as the increase in net commissions (€ 51.4 million +23%), mostly related to the management of subsidies (+20%). Operating expenses, amounting to € 62 million, increased (+34%), mainly due to higher personnel and administrative expenses (+15%), as well as higher provisions for risks.

The net result, amounting to about € 20 million, remained largely positive, also benefiting from the decrease in the tax burden (-50% compared to 2022).

As at 31.12.2023, loans to customers amounted to € 2,678 million (€ 2,677 million as at 31.12.2022), comprising gross loans of € 2,733 million - of which performing, stage 1 and 2 amounting to 2,655 million (€ 2,685 million as at 31.12.2022) and adjustment provisions of € 55 million - of which € 30 million related to impaired loans and € 25 million to performing loans - (€ 59 million as at 31.12.2022). Loans to customers include securities issued by corporate counterparties (basket bonds and minibonds) amounting to € 281.1 million (gross value € 286.7 million and adjustment provisions of € 5.6 million).

MCC contributes to this consolidated figure with net impaired loans to customers amounting to € 49.1 million (€ 23.4 million in 2022), against a gross value of € 78.8 million (€ 50.6 million in 2022), with a coverage ratio of 37.7% (53.8% in 2022). Loans classified as non-performing amounted to € 8.5 million (0.3% of loans to customers), with a coverage of 60.2%, Probable Defaults amounted to €

38.6 million (1.5% of loans to customers), with a coverage of 29.9 and impaired past due exposures amounted to € 2 million, with a coverage of 16%.

Shareholders' equity as at 31 December 2023 consisted of share capital - comprising 40,901,738 ordinary shares with a value of € 5 each for a total of € 204.5 million - the legal reserve and other reserves totalling € 681.4 million (€ 661.8 as at 31. 12.2022), from the negative Securities valuation reserves in the amount of € 13.3 million (€ 30.3 million as at 31.12.2022) and from profit for the period in the amount of € 20.2 million (€ 19.6 million as at 31.12.2022).

As at 31.12.2023 MCC holds 96.82% of the share capital of BdM Banca (formerly Banca Popolare di Bari) and 85.32% of Cassa di Risparmio di Orvieto and exercises management and coordination for both as the parent company of the MCC Banking Group

The two commercial banks controlled by MCC achieved an aggregate positive result of € 17.7 million compared to a loss of € 42.4 million in the previous year. In particular, BdM Banca ended its first financial year with a positive closing balance since the end of extraordinary administration, with a positive result of € 9.9 million (compared to a loss of € 45.3 million as at 31 December 2022), and Cassa di Risparmio di Orvieto recorded a profit of € 7.8 million (compared to € 2.6 million as at 31 December 2022).

As regards BdM Banca, net interest and other banking income amounted to € 300.30 million, an increase of 20.3% compared to 31 December 2022, essentially as a result of the growth in net interest income (€ 197.21 million vs € 147.13 million in 2022) partly offset by a drop in net commissions (€ 100.46 million vs € 105.60 million in 2022, -4.9%). Considering Net Value Adjustments/Reversals for Credit Risk, equal to € 44.81 million (vs. € 45.49 million in the comparative figure, -1.5%), the Net Result from Financial Operations presents, as at 31 December 2023, a book value of € 255.67 million, up 25.3% compared to the year 2022 (€ 203.98 million). Operating Expenses recorded a decrease of 4.1%, from € 260.85 million to € 250.07 million as at 31 December 2023, almost attributable to the decrease in Net Provisions for Risks and Charges (€ 10.07 million as at 31 December 2023 vs. € 42.09 million as at 31 December 2022 -76.1%), mitigated by an increase in Staff Expenses, which amounted to € 148.60 million (€ 127.01 million as at 31 December 2022, +17.0%). The positive effect of accrued taxes (€ 4.26 million), added to the gross profit (€ 5.62 million), determines the net profit for 2023 of € 9.9 million.

With reference to CRO, net interest and other banking income shows an increase, compared to the previous period (€ 55.66 million vs. € 46.41 million as at 31 December 2022), as a result of the growth in net interest income (+35.6%), thanks also to the growth in net loans to customers, and in financial income and charges (€ +1.1 million), partially offset by lower net commissions (-6.6%). Net Financial Result amounted to € 47.79 million (€ 35.81 million as at 31 December 2022, +33.5%), reflecting lower Net Value Adjustments for credit risk (€ 7.88 million vs. € 10.60 million in the comparative figure, -25.7%). Operating expenses rose from € 31.94 million in 2022 to € 36.09 million as at 31 December 2023 (+13.0%). The negative effect of the taxes for the period (€ 3.89 million), decreasing the gross profit (€ 11.70 million), determines the aforementioned Net Profit for the year 2023 of € 7.8 million.

On 19 March 2024, the Bank's Board of Directors approved the Business Plan and Funding Plan for the period 2024-2027. The Plan envisages an increase in loans to customers, an increase in direct deposits, an acceleration in the derisking process and the development of a level of Group capitalisation with a Total Capital Ratio of over 15% in 2027; the Funding Plan identifies the forms of coverage of requirements, through actions aimed at ensuring that regulatory requirements are met, satisfying the need for cost-effectiveness and diversification of sources.

Company name	2023	2022	Δ	
<b>Mediocredito Centrale S.p.A.</b>	Stake held (%)	100%	100%	-
	Share capital (€/000)	204,509	204,509	-
	Total assets (€/000)	4,825,237	4,523,770	301,467
	Shareholders' equity (€/000)	892,826	855,610	37,216
	Intermediation margin (€/000)	96,248	77,192	19,056
	Result for the year (€/000)	20,245	19,601	644

### **Cassa di Risparmio Di Orvieto S.p.A.**

Mediocredito Centrale acquired, with its own funds, direct control of Cassa di Risparmio di Orvieto at the end of 2022 and therefore this company is also controlled, albeit indirectly, by Invitalia. Cassa di Risparmio di Orvieto, founded in 1852, operates with a network of 41 branches located in a vast area covering the neighbouring provinces of Terni and Perugia (Umbria), Rome and Viterbo (Lazio), and Pistoia (Tuscany).

The 2023 financial year closed with a net profit of € 7.81 million (an increase of € 5.2 million compared to 2022). More specifically, gross profit shows an increase, compared to the previous period (€ 55.66 million vs. € 46.41 million in 2022), as a result of the trend in net interest income (+35.6%), thanks also to the growth in net loans to customers, and in financial income and charges (€ +1.1 million), partially offset by lower net commissions (-6.6%).

Net income from financial operations amounted to € 79 million (vs 35.81 million in 2022) due to both the improvement in net banking income and lower adjustments for credit risk (€ 7.88 million vs € 10.60 million in the comparative figure).

Operating expenses rose from € 31.94 million in 2022 to € 36.09 million in 2023 (+13%), equal to € 4.15 million.

Operating profit, at € 7.81 million, as anticipated, remains optimistic despite the significant increase in the tax burden (from € 1.3 million in 2022 to € 3.9 million).

Performing net loans to customers contributed € 1,151.4 million (€ 1,060.8 million as of 31 December 2022), compared to a gross value of € 1,158.1 million (€ 1,067.2 million as of 31 December 2022), with a coverage ratio of 0.6% (unchanged from 31 December 2022).

The total performing loans to customers are classified as stage 2 and amounted to € 15.35 million (€ 17 million as of 31 December 2022), against which total value adjustments of € 0.1 million were allocated.

Net impaired loans to customers contributed € 24.2 million (€ 31.7 million in 2022), against a gross value of € 53.7 million (€ 56.2 million in 2022), with a coverage ratio of 54.8% (43.7% in 2022).

Company name	2023	2022	Δ	
<b>Cassa di Risparmio di Orvieto S.p.A.</b>	Stake held by MCC (%)	85.32%	85.32%	-
	Share capital (€/000)	51,015	51,015	-
	Total assets (€/000)	1,439,338	1,523,932	(30,594)
	Shareholders' equity (€/000)	94,451	83,031	11,420
	Intermediation margin (€/000)	55,663	46,407	9,256
	Result for the year (€/000)	7,807	2,608	5,199

## INFRADEL ITALIA S.P.A.

The company works to reduce the digital divide across the country by integrating the development of telecommunications infrastructures that extend citizens', businesses', and institutions' access to fast Internet.

Infratel's main operations aim at:

- mapping market failure areas through periodic contacts with telecommunications operators;
- planning infrastructure interventions avoiding duplication of investments;
- planning infrastructures and networks for ultra-wideband by using existing and available infrastructure in the area and thus optimising investments;
- managing tenders for the construction of infrastructures and evaluating investment projects in the context of the National Broadband Plan and the strategic Ultra Broadband project;
- managing the works realised and maintaining their efficiency over time;
- guaranteeing access to infrastructures to all operators under fair and non-discriminatory conditions.

Below are the main objectives achieved by the company in terms of infrastructure in the territories:

- Piano BUL: 3,397,721 Real Estate Units tested in FTTH; 4,420,368 Real Estate Units connected in FTTH, equal to a completion percentage of 70.03% calculated on the estimated Real Estate Units to finish of the plan equal to 6,311,661; Real Estate Units tested in FWA 410,000; Real Estate Units connected in FWA 1,788,200 equal to a completion percentage of 85.15% on the estimated Real Estate Units to finish of 2,100,000. The BUL plan is scheduled for completion by Q3 2025.
- Piano Italia 1 Giga: there are 494,361 connected house units compared to 886,243 in the contract milestone of December 2023 (calculated on 25% of the total number of Planned interventions).
- Piano Italia 5G: Backhaul 3,342 interventions for innovative high performance mobile networks compared to 3,394 in the contractual target; Densification 152 interventions compared to 139 in the contractual target.
- Piano Scuola Connessa (phase 2): 3,036 connected schools and school sites.
- Piano Sanità Connessa: 441 hospitals and health facilities.
- Piano Wi Fi: 577,918 users with the Wi Fi Italia app; 1,677 municipalities and institutional locations for a total of 6,011 hotspots installed.

Infratel's main area of activity is represented by interventions related to the Broadband infrastructure, a plan that has been substantially completed, and the Piano di Banda Ultra Larga (Ultra-Broadband Plan), which is scheduled for completion during Q3 2025.

The Piano di Banda Ultra Larga (BUL) is being implemented according to two operating models: the Direct Model refers to interventions in which the publicly owned infrastructure is made available to operators in the TLC market for the provision of services to end users, while the Concession Model concerns the design, construction, maintenance, and operation on a fixed-term basis of a publicly owned Ultra Broadband passive network, including through the use of components of already existing infrastructure.

As a result of misalignments found with respect to the real estate units actually present in the territory, the operating plan was remodelled with the removal of 290 municipalities from the BUL plan, which were placed under the activities of the Grey Areas Plan; the new plan envisages the completion of the BUL project in September 2025.

For the delays accrued with respect to the timetable, penalties were contested to the Concessionaire, which are still in litigation before the Court of Rome.

The other areas of activity, which Infratel is dealing with, are the following:

- Piano Voucher PMI: A variable contribution is envisaged to increase the connection speed of SMEs; as of 31 December 2023, there were 437 accredited operators using resources amounting to approximately € 380 million.

- Sistema Informativo Nazionale Federato delle Infrastrutture (National Federated Information System of Infrastructures): a platform for mapping the subsurface and subsurface of the national infrastructure in which 1,018 operators (TLC Operators and Public Utilities) are registered to date.
- Wi-Fi Italia: The project aims to offer a free Wi-Fi network throughout the territory. TIM developed the network and has installed 49,931 hotspots at municipalities, hospitals, schools, and special projects.
- Servizi Digitali: These services refer to Digital Transformation (technological transformation of the production processes of micro, small, and medium-sized enterprises in the manufacturing sector), Digital Entertainment (video games), and the design and management of Artificial Intelligence, Blockchain, and Internet of Things technologies and applications.
- Piano Scuola Connessa (phase 1): Internet connectivity service will be provided to 32,927 schools throughout Italy. To date, 1 Gbit/s connectivity service has been provided to 20,611 schools (64.1% of schools in the plan).
- Reti ultraveloci PNRR (NRRP ultra-fast networks): realisation of ultra-fast fibre optic and 5G networks through the completion of the Piano Scuola Connessa (phase 2) and the realisation of the Italia 1 Giga, Italia 5G, Sanità Connessa and Piano Isole Minori.

The value of production in 2023, up from last year, benefited from the increase in the NRRP contributions against a slight contraction in other revenues. The net result was a positive € 2.87 million.

Company name	2023	2022	Δ
Infratel Italia S.p.A.			
Stake held (%)	100%	100%	-
Share capital (€/000)	8,594	8,594	-
Total assets (€/000)	3,503,261	2,236,228	1,267,033
Shareholders' equity (€/000)	27,276	24,406	2,870
Value of production (€/000)	302,271	290,612	11,659
Result for the year (€/000)	2,870	3,183	(313)

### INVITALIA PARTECIPAZIONI S.P.A.

Invitalia Partecipazioni, a wholly-owned subsidiary of Invitalia, is the Group's special purpose vehicle entrusted with managing the liquidation process of real estate holdings and assets deemed non-strategic as part of the Group's rationalisation.

In July 2022, a framework agreement was signed between Invimit SGR and Invitalia concerning, among other things, the terms for the sale of Invitalia Partecipazioni's real estate assets to the I3 Real Estate Fund managed by Invimit SGR.

At the current state of negotiations, the contribution of the Marcianise incubator and the Terni incubator to the Fund could be envisaged by the first half of 2024. As occurred in 2022 for Italia Turismo, the Fund's shares related to the contribution's value will be simultaneously sold to Invitalia, reducing the debt exposure to the Parent Company.

The financial statements for the year ended 31 December 2023 show a loss of € 3.2 million and shareholders' equity of € 11.8 million.

In 2023, the Extraordinary Shareholders' Meeting adopted measures pursuant to Article 2447 of the Italian Civil Code to address the previous losses, amounting to approximately € 18 million. The meeting resolved to reduce the share capital to zero by € 5 million, contribute € 13 million and reconstitute the share capital to € 5 million through a further contribution from the Shareholder.

In addition, considering the company's structural deficit due to the lack of revenue lines and the effect on the income statement of the onerous debt owed to the Shareholder, the extraordinary shareholders' meeting resolved to pay an additional € 10 million on account of a future share capital increase. Invitalia's contributions took place by utilising part of the outstanding receivables from Invitalia Partecipazioni, for € 28 million.

Company name	2023	2022	Δ	
<b>Invitalia Partecipazioni S.p.A.</b>	Stake held (%)	100%	100%	-
	Share capital (€/000)	5,000	5,000	-
	Total assets (€/000)	47,688	60,784	(13,096)
	Shareholders' equity (€/000)	11,804	(13,073)	24,877
	Value of production (€/000)	1,224	1,748	(524)
	Result for the year (€/000)	(3,196)	(1,976)	(1,220)

## EQUITY INVESTMENTS HELD FOR SALE

These companies are classified as 'Non-current assets and groups of assets held for sale' by IFRS 5 on the subject.

### Italia Turismo S.p.A.

The company was involved in investments in the tourism and hospitality sector; this area was deemed no longer strategic by the Parent Company Invitalia, and therefore, following the guidelines contained in the Plan for Reorganisation and Disposal of Group Assets, activities were started to dispose of the 'non-income' assets remaining in the portfolio following the contribution in 2022 of the income assets to the 'i3 Sviluppo Italia' real estate fund managed by Invimit SGR S.p.A.

These activities concerned the village and land in Pisticci and Siracusa, while activities were carried out for the assets in Sciacca and Simeri Crichi to maintain the necessary technical and administrative conditions to support the building potential and, therefore, for the best valorisation in the subsequent disposal phase. At present, the purchase offers collected on the Pisticci and Siracusa assets are being evaluated.

In addition, during the year, a resolution was passed to cover the prior year's losses, totalling € 89 million, by reducing the capital to € 39 million and simultaneously increasing it to € 49 million, using part of the credit claimed by the shareholder. These operations and the available financial resources ensure the capital and financial conditions necessary to complete the disposal of the remaining assets in the portfolio.

With this in mind, the operational management of the financial year 2023 was focused on safeguarding assets, strict containment of structural costs, and streamlining the services required to manage them.

The financial year 2023 ended with a loss of about € 3.8 million, essentially due to the absence of traditional revenue lines following the sale of operating assets above, write-downs for adjustments to the market value of part of the assets held for sale (€ 1.5 million), provisions for risks on receivables, and for the completion of commitments on existing subdivision plans aimed at maintaining building potential (€ 500 thousand).

Company name	2023	2022	Δ	
<b>Italia Turismo S.p.A.</b>	Stake held (%)	100%	100%	-
	Share capital (€/000)	49,000	128,464	(79,464)
	Total assets (€/000)	55,111	58,912	(3,801)
	Shareholders' equity (€/000)	44,916	38,677	6,239
	Turnover (€/000)	1,099	8,584	(7,485)
	Appropriations and depreciation (€/000)	(1,978)	(18,325)	16,347
	Result for the year (€/000)	(3,762)	(18,792)	15,030

Overall, the asset disposal operation was initiated with Art's approval. 47 of Law 77/2020 and the consequent plan to reorganise and dispose of the Group's assets resulted in the following economic and financial effects on the company in the period 2020- 2023.

Summary	Villages	Development Areas	Lands and Others	Total
Net value as of 31.12.2019	120,402	39,012	27,377	186,791
Value adjustments*	(18,026)	(16,869)	(9,172)	(44,067)
Total disposals	(103,900)	-	(1,250)	(105,150)
Total Other	1,524	3,142	(2,576)	2,090
<b>Net value as of 31.12.2023</b>	<b>-</b>	<b>25,285</b>	<b>14,379</b>	<b>39,664</b>

(\*) the item includes gains/losses on the disposal of

## EQUITY INVESTMENTS SUBJECT TO SIGNIFICANT INFLUENCE

### CDP Venture Capital SGR S.p.A.

Invalitalia holds 30% of the share capital of CDP Venture Capital SGR, while CDP Equity holds the remaining 70%. CDP Equity does not exercise management and coordination over the SGR.

CDP Venture Capital SGR establishes and manages closed-end Alternative Investment Funds (AIFs) reserved for professional investors, each with a duration of between 10 and 15 years depending on the specific investment strategy. Direct investments focus on innovative start-ups and SMEs active in areas and technologies that are strategic for Italy and, in particular, in the following sectors: green transition, space economy, agritech and foodtech, robotics and industry 4.0, life science and healthcare, mobility and logistics, fintech, and digital transition. Indirect investments concern both national and international funds operating in the various sectors and in the various stages of the start-up life cycle.

In 2023, the AMC raised a further € 2,131 million in subscriptions (of which € 1,740 million from MIMIT, € 200 million from CDP Equity S.p.A. and an additional 191 million from other investors, including € 150 million from Simest S.p.A.), bringing total resources under management to € 4,159 million (€ 2,028 million as of 2022). It launched five new funds, bringing the number of funds under management to 17, in addition to co-investment funds.

The CDP Venture Capital funds are the Technology Transfer Fund, Accelerators Fund, Boost Innovation Fund, Relaunch Fund, Italia Venture II Fund—Southern Enterprises Fund, Italia Venture I Fund, Evoluzione Fund, Corporate Partners I Fund (4 sub-funds), Large Ventures Fund, FoF VentureItaly, PiemonteNext Fund (Fund One), Parallel Mobility&Digital Acceleration Fund, Italia Space Venture Fund, and MiSE Co-Investment Fund.

As of 2023, the following funds are also operational: FoF International, Compartment Two of the Piemonte Next Fund, 2 NRRP Fund, MISE Fund 2 and the ToscanaNext Fund (established in December 2023).

In 2023, the Company focused on management activities and the launch of new funds to support start-ups at all stages of their life cycle. With reference to investment activities through the managed funds, during the year, the AMC invested a total of about € 245 million in about 400 initiatives, closing the year with a positive economic result of € 8.5 million, a substantial increase over 2022 (+89%). The result is due to the combined effect of higher management fees (+ € 15 million) mainly attributable to the full implementation of the Funds implemented in 2022, the launch of the new funds in 2023 and other similar income, which brought net banking income to € 41,713 million (€ 26,423 million in 2022, +58%).

From a balance sheet perspective, as at 31 December 2023, the Company had shareholders' equity of € 24.4 million, the positive change in which (+ € 8.5 million compared to 2022) was substantially



attributable to the dynamics of the profit generated during the year, net of the change in valuation reserves. The Company's capitalisation level is adequate in compliance with regulatory requirements (regulatory capital as at 31 December 2023 equal to 330% of the requirement provided for by current regulations).

Company name	2023	2022	Δ	
	Stake held (%)	30%	30%	-
	Share capital (€/000)	2,596	2,596	-
<b>CDP Venture Capital</b>	Total assets (€/000)	40,832	28,199	12,633
<b>SGR S.p.A.</b>	Shareholders' equity (€/000)	24,376	15,848	8,528
	Intermediation margin (€/000)	41,713	26,423	15,290
	Result for the year (€/000)	8,521	4,485	4,035

#### **Istituto della Enciclopedia Italiana fondata da Giovanni Treccani S.p.A.**

The 5.39% equity investment held by Invitalia for a nominal value of € 4.6 million.

In 2023, in addition to continuing the cost rationalisation process, the Treccani Group, in line with the 2023-2027 Business Plan, implemented activities and strategies aimed at long-term diversification by consolidating its presence in the educational publishing market and the world of education; strengthening the use of e-commerce; expanding its presence in digital channels; and internationalising its brand.

As of 31 December 2023, the Institute's turnover amounted to € 5.9 million (€ 9.6 million in 2022), almost entirely deriving from intragroup transactions and contracts. The net result of € 71 thousand (€ 53 thousand in 2022) was a partial increase compared to the previous year.

The Institute's shareholders' equity amounts to € 91 million.

Law 223 of 30 December 2023 granted the Istituto della Enciclopedia Italiana Treccani a stable annual contribution of € 5 million from 2024 in recognition of its public mission.

## EQUITY INVESTMENTS ACQUIRED WITH CONTRIBUTIONS – ON BALANCE

The equity investments falling in this category are also described in the section 'Management of third-party assets - on balance' below and accounted for under item 70. Equity investments are as follows:

### **DRI D'Italia S.p.A.**

As previously mentioned, DRI d'Italia is not, as indicated by IFRS 10, a subsidiary and, therefore, not included in the Group's consolidated financial statements, as it was acquired with targeted public grants and thus does not qualify as an equity instrument in the strict sense.

DRI D'Italia was incorporated in January 2022 to verify the feasibility of plants for producing Direct Reduced Iron (DRI or pre-doped) and, therefore, to proceed with their construction and management.

The company was endowed with a fully paid-up share capital of € 35 million, allocated to Invitalia by the MEF in the implementation of Law 125/21. The capital may be increased, even in several instalments, in terms of the progress of the activities, to € 70 million. The Company is subject to management and coordination by the Agency, which holds 100% of its share capital. However, DRI is not included in the consolidation perimeter of the Parent Company, considering the investment as residual equity since it was established in executing specific regulatory provisions and through public resources.

By Law 175/2022, DRI was designated as the implementing party of the decarbonisation process of the Italian steel sector. As a consequence, up to € 1 billion from the NRRP funds was allocated for the use of hydrogen in carbon-intensive sectors.

Following the EU - ECOFIN Council execution decision of 8 December 2023, through which the revision of Italy's NRRP was approved, which cancelled the € 1 billion financial allocation (in relation to the measure earmarked for the 'use of hydrogen in hard-to-abate sectors', which was scheduled to be completed by June 2026), Decree Law 19 of 2 March 2024 intervened, refinancing the measure for € 1 billion over the 2024-2029 period. Subsequently, during the sitting of 11 April 2024, the Budget, Treasury and Planning Commission (V) of the Chamber of Deputies approved Amendment 1.111 to Decree Law 19/2024, which identifies the company DRI d'Italia as the recipient of the refinancing above.

The 2023 Budget was drafted on a going-concern basis, taking into account

- The equity capital, capable of guaranteeing self-coverage;
- Assets capable of guaranteeing self-coverage ratio;
- The liquid assets, capable of covering current needs for the next 12 months;
- The strategic plan for the period up to 2027, approved by the board of directors on 13 November 2023;
- The mission, defined by Law 175/2022, designates DRI as the implementer of the decarbonisation process of the Italian steel sector and the refinancing of the measure with Decree Law 19/2024.

Shareholders' equity at year-end amounted to € 28.3 million, considering the net loss of € 4.2 million and the loss carried forward of € 2.5 million from the previous year.

The plan, which concerns the development of the DRI project, was comprehensively reconsidered considering the corporate events of ADIH, which was placed under extraordinary administration. In addition, discussions are underway with the MEF concerning Invitalia's role in the transaction.

Below are the main figures from the company's statutory financial statements:

Company name	2023	2022	Δ
Stake held (%)	100%	100%	-
Share capital (€/000)	35,000	35,000	-
<b>DRI d'Italia S.p.A.</b>			
Total assets (€/000)	31,288	34,411	(3,123)
Shareholders' equity (€/000)	28,273	32,496	(4,223)
Value of production (€/000)	642	-	642
Result for the year (€/000)	(4,222)	(2,504)	(1,718)

### Acciaierie d'Italia Holding S.p.A. (ADIH)

On the Government's instructions and with the aim of launching a new phase of eco-sustainable development of the former Ilva plant in Taranto, Invitalia signed an investment agreement with the Arcelor Mittal group in December 2020 for the acquisition of a minority stake in AM InvestCo Italy S.p.A. In the execution of the agreement, in April 2021, Invitalia acquired the 38% corporate stake (with voting rights equal to 50%) through subscription of ordinary shares for an amount of € 400 million in AM InvestCo Italy S.p.A., the company that is the lessee of Ilva's business branches in AS. Following this transaction, the name of AM InvestCo Italy was changed to Acciaierie d'Italia Holding S.p.A. (hereinafter ADIH), with the ArcelorMittal Group holding the remaining 62%. The co-investment agreement, signed with the Arcelor Mittal Group, provided for Invitalia to grant certain guarantees and counter-guarantees in favour of ADIH and its subsidiaries in proportion to the share capital held.

The lease agreement for the ex-Ilva business units, which had been extended from 31 May 2022, expired on 31 May 2024.

On 15 February 2023, the ADIH shareholders supported the Company's equity in the amount of € 750 million by means of a shareholder loan on account of a future capital increase, of which € 680 million was paid by Invitalia and € 70 million by ArcelorMittal by means of conversion of receivables in the same amount.

On 3 March 2023, ADIH entered into two loan agreements for future share capital increase, one in favour of the subsidiary Acciaierie d'Italia S.p.A. for € 630 million and one in favour of ADI Energia S.r.l. for € 50 million, to allocate to the operating companies, the capital support resources consistent with management needs, mainly aimed at paying debts for energy supplies as well as for the increase in charges resulting from the Russia - Ukraine war crisis.

The lack of proprietary assets (as the former Ilva in Receivership owns the plants) and the expected termination of the lease agreement on 31 May 2024 jeopardised access to bank credit. Therefore, in November 2023, the Company detailed its financial needs, taking into account both its working capital requirements and investment requirements, aimed at ramping up production to 4.5 million tonnes, accelerating investments in decarbonisation in 2024 and the purchase of assets from the former Ilva in Receivership.

As a result, shareholders were called upon at the end of November 2023 to grant another shareholder loan for a future capital increase in the total amount of € 1.320 billion. However, despite lengthy proceedings at the shareholders' meeting and repeated attempts, the shareholders did not agree on the financial support to be provided to the company.

As of the survey date, no balance sheet figures for 2023 were available.

### **ReiThera S.r.l.**

Invitalia, pursuant to Article 34 of Decree-Law 104 of 14.08.2020, holds 27% of ReiThera's shareholding. In February 2021, a Development Agreement was signed between the Ministry of Economic Development (now MiMIT) and Invitalia, together with ReiThera, to support the industrial development programme in the pharmaceutical sector at the production plant in Castel Romano (RM). Following the Court of Auditors' decision to withhold approval and the consequent registration of the Development Agreement Decree, the Company reshaped its business plan.

In 2023, the recorded production value was € 26.3 million (€ 25.6 million in 2022, +3%), and actions were implemented to monitor fixed costs, achieving a level of efficiency that guaranteed an increase in margins compared to the previous year. Net profit amounted to € 2.2 million, a clear recovery from the negative result of the last year (€ -4.5 million in 2022).

The expressions of interest received for the acquisition of the company's share package have not yet materialised into a final offer, although discussions are still ongoing, which confirm the value of the shareholding.

### **Toscana Life Science Sviluppo S.r.l.**

Invitalia, pursuant to Article 34 of Decree-Law 104 of 14.08.2020, holds 30% in TLS-Sviluppo. The company's business purpose is to carry out research, development, production and marketing of biotechnological and biomedical products for the diagnosis, prophylaxis (including vaccines) and treatment of diseases of various origins, with particular interest in bacterial and viral diseases and, in particular, the SARS-CoV-2 pandemic emergency.

At the date of reporting, the Draft Annual Report 2023 has not yet been submitted to the Shareholders' Meeting for approval; however, in the prospective assessment of the going concern assumption, uncertainties have emerged, including the significant cash flow uncertainty also already highlighted during the approval of the Annual Report 2022. The Company needs support measures that can sustain the financial commitments of the next 12 months; therefore, it is complex to anticipate and forecast the future evolution of operations. In any case, a further write-down of the equity investment was made considering the loss of its lasting value.

## **EQUITY INVESTMENTS ACQUIRED WITH ADMINISTERED FUNDS - OFF-BALANCE**

Investments acquired with funds administered on behalf of the State (Contratti di Sviluppo) were Industria Italiana Autobus S.p.A. (42.76%) and Sider Alloys Italia S.p.A. (20.33%). Unlike those described above, these equity investments are accounted for in memorandum accounts, as the necessary funds were not received by the Company as direct contributions.

### **Industria Italiana Autobus S.p.A.**

The 2023 result shows a loss of € 63 million (€ -47.8 million in 2022). The critical situation, which has been ongoing for some time, continued throughout 2023, with production delays accumulated in the previous year, supply chain problems, and financial tensions. The shareholders Leonardo and Invitalia tried to defuse these tensions with substantial financial support, which in 2023 guaranteed financing of about € 84 million.

During 2023, the shareholders intervened twice on the company's assets. In March, all three shareholders, each for his share in the company, recapitalised the company in order to cover the losses incurred in 2022. After this recapitalisation, the share capital amounted to € 24.1 million. In November, on the other hand, the shareholders Leonardo and Invitalia alone, in anticipation of the 2023 losses, resolved to convert financial receivables into a capital contribution for € 41.9 million, 59.88% guaranteed by Invitalia (€ 25.1 million) and 40.12% by Leonardo (€ 16.8 million). In addition, the shareholders also resolved to convert additional financial receivables amounting to € 2.3 million, of which € 1.4 million were guaranteed by Invitalia and € 0.9 million by Leonardo, into payments for a future capital increase.

The Agency has carefully carried out all the preliminary activities and monitoring of the investee, considering how complex and problematic the situation was, also taking into account the criticalities in the supply chain of the sector and the concrete prospects of economic-financial sustainability, however, on the basis of MIMIT's indications, a solution was sought through the recourse to an industrial partner with the requirements (know-how, size and credibility) that would guarantee such sustainability, improving, in the meantime, as far as possible, the management of the company in order to make it more attractive.

The first significant results were recorded regarding the improvement of production capacity and the reduction of risks related to the non-delivery of buses (and the enforcement of the relative guarantees). Meanwhile, a partner search process was managed as best as possible, which produced only one real proposal, confirming the difficulties of this type of industry in this productive economic context.

The M&A process of the Company, which started in the second half of 2022, at the date of the survey, is at its final determinations, which foresees, as a condition precedent, the authorisation of MIMIT.

### **Sider Alloys Italia S.p.A.**

Invitalia's investment aimed to reactivate and relaunch the ex-Alcoa industrial complex, located in the Portovesme industrial area of the Portoscuso municipality (SU), which produces primary aluminium (the only producer in Italy).

In July 2023, the Management Board approved the 2023-2027 Business Plan, subject to an Independent Business Review (IBR), which recognised cost increases and delays attributable to initially unforeseen authorisation paths (environmental requests by the Region of Sardinia), the supply of the electricity contract (Enel), the impact of the Covid 19 pandemic, and the Russia-Ukraine conflict. A senior loan is envisaged to cover the plan's financial requirements, whose preliminary procedure is continuing.

While waiting for the process above to be completed, the Company represented the need for a new liquidity injection very quickly to complete and bring profitability to the investments mainly related to the billet production line. This would make it possible to realise the production line's independent, albeit limited, profitability. A dedicated loan is currently being verified with the banking system. A credit line of € 160 million guaranteed by Sace is currently being negotiated. Pending the granting of the loan, the company has taken steps to obtain a further loan of € 7 million, on which Invitalia is expected to issue a guarantee against the funds of the Contratti di Sviluppo.

The draft financial statements for 2023 have not yet been submitted to the Shareholders.

## COMMENTS ON THE INCOME STATEMENT AND BALANCE SHEET

### RECLASSIFIED INCOME STATEMENT

The reclassified Income Statement is presented below:

*Amounts in €/thousand*

Reclassified Income Statement	2023	2022	Delta
Income from services and other income	589,502	505,223	84,279
Net financial income	78,582	19,823	58,759
Value of operational production	668,084	525,046	143,038
External and operating costs	(329,121)	(313,459)	(15,662)
Value added	338,963	211,587	127,376
Staff costs	249,863	188,716	61,147
EBITDA	89,1	22,871	66,229
Amortisation, depreciation and provisions	(21,594)	(9,928)	(11,666)
Result from equity investments	(3,191)	1,348	(4,539)
Operating result	64,315	14,291	50,024
Result from assets held for sale and net non-recurring charges	(36,861)	(30,553)	(6,308)
Gross result	27,454	(16,262)	43,716
Income Taxes	(14,283)	(14,819)	536
Profit (loss) for the year attributable to minority interests	1,167	-	1,167
<b>Net result</b>	<b>12,004</b>	<b>(31,081)</b>	<b>43,085</b>

The Group's financial results in 2023 showed a significant improvement over the previous year (€ +43 million) due to the Group's improved operating performance, particularly in the banking segment. The financial year 2023 closed with a profit of € 12 million.

At € 668 million, value of operational production increased by € 143 million compared to the previous year. Of this increase, € 84 million was generated by Income from Services, and € 59 million by Net Financial Income, of which € 36 million was attributable to the consolidation of Cassa di Risparmio di Orvieto.

The EBITDA of € 89 million increased by € 66 million over the previous year, essentially due to the results of the parent company and the banking centre.

Result from assets held for sale and net non-recurring charges totalled € -37 million due to write-downs and provisions on receivables.

### Reconciliation of statutory and consolidated result

The reconciliation between the statutory and consolidated results is shown below:

*Amounts in €/thousand*

	2023	2022
<b>Statutory result</b>	<b>12,306</b>	<b>(50,415)</b>
Operating profit of subsidiaries	24,164	1,463
Reversal of separate financial statement valuations	(23,004)	17,666
Net effect of subsidiaries	1,16	19,129
IAS 19 Adjustments	(294)	0
Elimination of intercompany transactions and other adjusting entries	(1)	205
<b>Group consolidated result</b>	<b>13,171</b>	<b>(31,081)</b>
Result pertaining to third parties	1,167	0
<b>Result pertaining to the Parent Company</b>	<b>12,004</b>	<b>(31,081)</b>

## STATEMENT OF ASSETS AND LIABILITIES

The Statement of Assets and Liabilities is presented below:

Amounts in €/thousand

	2023	2022	differenza
<b>Uses:</b>			
Cash Flows	452,539	236,821	215,718
Net working capital (deferred liquidity - current liabilities)	5,489,938	3,713,986	1,775,952
Assets held for sale	72,73	78,305	(5,575)
Net equity investments	487,576	897,978	(410,402)
Financial fixed assets	1,255,144	1,338,174	(83,03)
Technical fixed assets	482,873	410,265	72,608
<b>Total</b>	<b>8,240,800</b>	<b>6,675,529</b>	<b>1,565,271</b>
<b>Financed by:</b>			
Net equity	843,148	803,388	39,76
<i>of which third parties</i>	<i>13,885</i>	<i>12,188</i>	<i>1,697</i>
Third-party funds under management	2,102,600	782,669	1,319,931
Grants	1,448,131	1,215,650	232,481
TFR	11,529	10,734	795
Provision for risks	43,525	49,229	(5,704)
Loans	3,791,867	3,813,860	(21,993)
<b>Total</b>	<b>8,240,800</b>	<b>6,675,529</b>	<b>1,565,271</b>

Total assets increased significantly over the previous year, with a positive change in absolute value of over € 1.5 billion. Over 70% of assets comprise net working capital and immediate liquidity, while financial fixed assets accounted for 15% of the total (down € 83 million from the previous year). This composition mainly reflects the contribution of the banking subsidiaries in the consolidated balance sheet, whose assets, given their nature, are structurally based on these items.

Net working capital increased year-on-year by a good € 1.7 billion. This was largely due to the advances disbursed by Infratel to economic operators who are beneficiaries of the NRRP subsidies of the '1 GIGA Plan' and '5 G Italy Plan'. Fixed assets increased by € 72 million, of which more than 70% was attributable to Infratel and related to the acquisition of IRU rights.

Over 53% of total liabilities are covered by equity and third-party funds under management, made available by the shareholder in grants or earmarked funds entrusted under management. The remaining liabilities comprise medium/long-term loans, referring mainly to banking institutions and, to a lesser extent, to the Parent Company.

Overall, other changes in the consolidated balance sheet are limited.

### Reconciliation of statutory and consolidated result

The reconciliation between statutory and consolidated shareholders' equity is shown below:

Amounts in €/thousand

	2023	
<b>Net equity - statutory</b>		<b>846,68</b>
Net equity - subsidiary companies	1,068,063	
Reversal of value of investments in separate financial statements	(1,071,710)	
Net effect of subsidiaries		(3,647)
Elimination of intercompany transactions and other adjusting entries		115
<b>Net equity - consolidated</b>		<b>843,148</b>
Net equity attributable to minority interests		(13,885)
<b>Net equity attributable to the Group</b>		<b>829,263</b>

## ACTIVITIES CARRIED OUT WITH THIRD-PARTY RESOURCES

As mentioned above, the Group also operates with financial resources made available by the Public Administration. In exchange for these resources, the Group provides non-repayable grants and subsidised loans, intervenes in the share capital of companies, and carries out interventions in strategic territory. The following section then describes the activities carried out with third-party resources by each Group company.

### INVITALIA

As mentioned above, the Group also operates with financial resources made available by the Public Administration. In exchange for these resources, the Group provides non-repayable grants and subsidised loans, intervenes in companies' share capital, and carries out interventions in strategic territory.

The financial resources entrusted to the Agency over the years for its many activities, net of repayments, as of 31.12.2023, can be quantified at about € 17.2 billion. About € 1.9 billion is recognised in the balance sheet, while the remainder is managed off balance (€ 15.3 billion).

Assets attributable 'strictly speaking' to funds administered on behalf of the state or other public bodies (third-party funds), the management of which is remunerated exclusively by a lump-sum fee (commission) and which are, therefore, in the nature of a mere service, are recognised in the memorandum accounts and are disclosed in the section of the financial statements entitled 'Other information'. On the other hand, revenues and costs of the service provided are included in the income statement.

Conversely, the Agency represents the activities carried out with third-party resources, which entail the assumption of partial or total business risk in the corresponding items of the financial statements, in continuity with what was already done in the companies incorporated in 2000 (e.g. Law 181/89, Tourism Rotation Fund ex Presidential Decree 58/87). This method of recognition has been maintained for all those new measures, assigned over time, connected to legal measures that identify the Agency's activities that are not exclusively attributable to the pure management of funds (e.g., subscription of bonds, acquisition of shareholdings, financing for investments in minority shareholdings, etc.).

The table below summarises the total resources used, net of changes mainly due to adjustments on loans, equity investments and fund shares described below, up to 31.12.2023:

*Amounts in €/million*

	TOTAL 31.12.2023	ON BALANCE	OFF BALANCE		
			Off-Balance Total	Incentives	Legislative Decree 185/00
Grants disbursed	7,957	365	7,592	2,54	5,052
Loans Disbursed	5,096	571	4,525	1,702	2,823
Fund shares	76	29	47	47	-
Equity investments	588	470	118	118	-
<b>TOTAL</b>	<b>13,717</b>	<b>1,435</b>	<b>12,282</b>	<b>4,407</b>	<b>7,875</b>

As of 31 December 2023, the Company had liquid assets of about € 3.8 billion (of which 0.38 on balance; 3.1 Incentives and 0.38 Legislative Decree 185/00) for the various measures.

The residue still to be collected of the overall budget allocated by the various legislative or ministerial measures on active measures amounts to over € 9.5 billion (of which € 5.4 is for Contratti di Sviluppo).



The situation of receivables as of 31.12.2023 arising from the management of activities carried out with third-party funds can be summarised as follows:

*Amounts in €/million*

	TOTAL as at 31.12.2023		ON BALANCE		OFF BALANCE			
					Incentives		Legislative Decree 185/00	
	amount	%	amount	%	amount	%	amount	%
<b>Receivables</b>	<b>3,814</b>	<b>100%</b>	<b>306</b>	<b>100%</b>	<b>1,272</b>	<b>100%</b>	<b>2,236</b>	<b>100%</b>
<i>of which revoked/resolved</i>	2,302	60%	45	15%	99	8%	2,158	97%
<i>of which expired</i>	91	2%	2	1%	34	3%	55	2%

The table reflects the highly critical situation of receivables under Legislative Decree 185/00, which were subject to revocation or termination action for about 97% of the total and are substantially all past due/non-performing (99%). The ratio of substandard/non-performing loans (2,213) to total disbursements under the measure (grants 5,052, loans 2,823, total 7,875) is about 28%. The company is taking steps to obtain the extension of recovery instruments for these credits.

For the other credit positions, the size of the past due and revocations is, at the moment, physiological, even if it should be considered that the incentive measures that determined them, especially those with massive characteristics, were only recently activated.

The ratio of substandard/non-performing loans for 'Incentives' (133) to total disbursements for incentive measures (grants 2,540, loans 1,702, total 4,213) is about 3%.

The ratio of substandard/non-performing loans (€ 47 million) on balance to total loans and grants disbursed against measures on balance (grants 365, loans 571, total 936) is about 5%. Third-party funds that also finance on-balance measures cover any non-recoverability of these loans.

### **Management of third-party funds 'ON BALANCE'**

The total resources used until 31 December 2023 against third-party funds recognised on balance under item 80, 'Other Liabilities', are summarised in the following table:

*Amounts in €/million*

	ON BALANCE
Grants disbursed	365
Loans disbursed	571
Fund shares	29
Equity investments	470
<b>TOTAL</b>	<b>1,435</b>

### **Grants disbursed (€ 365 million)**

The number of contributions granted relates exclusively to Law 181/89 as amended. The law above provided for disbursements (non-repayable grants, subsidised loans, and the assumption of minority shareholdings) in favour of new companies in steel crisis areas (Taranto, Piombino, Terni, etc.). The measure ended in 2015.

### **Loans disbursed (€ 571 million)**

Loans consisted of bonds issued by the SME Fund to subscribe to newly issued bonds or debt securities to encourage capital strengthening and contributing to the financing of medium-sized companies meeting the conditions outlined in Article 2 of the Relaunch Law 77 of 17 July 2020, as well as subsidised loans granted under Law 181/89 for a total of € 259.5 million and loans from the Revolving Fund for Tourism under Presidential Decree 58/87 for € 52.2 million.

### **Fund shares (€ 29 million)**

The amount corresponds to the balance of 31.12.2023 of the Fondo Italia Venture I units, equal to 36% of the € 80 million endowment and adjusted for fair value. The fund invests in the venture capital of innovative start-ups and SMEs. The fund's operations can only take place if there is a simultaneous contribution from independent private investors. The amount is included in the balance sheet under item 20, Financial assets at fair value through profit or loss, and under financial assets in the reclassified balance sheet.

### **Equity Investments (€ 470 million)**

Equity investments in companies, details of which have already been provided in the section 'Investments acquired with contributions - on balance', are broken down as follows:

*Amounts in €/million*

	<b>AMOUNT</b>
MCC (share of BdM Banca)	419
DRI D'Italia S.p.A.	35
Reithera	15
TLS Sviluppo	1
Acciaierie d'Italia Holding (ADIH)	-
Others under Article 181/89	-
<b>TOTAL</b>	<b>470</b>

The ADIH equity investments (38% with 50% voting rights), DRI d'Italia (100%), as well as the MCC capital contribution aimed at the acquisition of 100% of BdM Banca were acquired with the funds of Decree Law 142 of 16 December 2019 converted into Law 5/20. As mentioned above, in 2023, ADIH was written down to zero, as the Receivership was ordered, and the decision of the Court of Milan about the existence of the company's insolvency conditions is currently pending. The reduction in value impacted the Agency's profit and loss account for the portion exceeding the amount of the resources allocated with the decree above for about € 2.9 million.

The equity investments Reithera (27%) and Toscana Life Science Sviluppo (30%) were acquired with the appropriations under Article 34 of Decree-Law 104/20 aimed at research and development and the purchase of vaccines and monoclonal antibodies produced by industries in the sector, also through the acquisition of capital shares at market conditions. Regarding TLS, it should be noted that in 2023, the value of the equity investment was adjusted to take into account the changes in its equity.

Write-downs were also made to receivables and equity investments in bankruptcy proceedings disbursed with funds under Law 181/89.

The amount of equity investments acquired with third-party funds is classified under balance sheet item 70 equity investments and the corresponding item in the Reclassified Balance Sheet.

### **Management of Third-Party Funds 'OFF BALANCE' - Incentives**

The management of third-party funds Off Balance is represented by distinguishing the situation of the most recent measures - hereinafter referred to as 'Incentives' - entrusted to the Agency (with a seniority quantifiable on average over five years) concerning that deriving from Legislative Decree 185/00, a regulation to which more than 60% of the off-balance-sheet investments refer, and whose disbursement operations were substantially exhausted before 2010.

The total resources used until 31 December 2023 against third-party funds recognised off balance, which are reflected in Part D of the Notes to the Financial Statements, are summarised in the following table:

Amounts in €/million

	OFF BALANCE		
	Off-Balance Total	Incentives	Legislative Decree 185/00
Grants disbursed	7,592	2,54	5,052
Loans disbursed	4,525	1,702	2,823
Fund shares	47	47	-
Equity investments	118	118	-
<b>TOTAL</b>	<b>12,282</b>	<b>4,407</b>	<b>7,875</b>

### Grants disbursed 'Incentives' (€ 2,540 million)

Grants relating to Off Balance Incentives are broken down as follows:

Amounts in €/million

Incentives	Grants	
	Total disbursed	Total Revocations
Contratti di Sviluppo	1,289	(8)
Resto al Sud	354	(13)
Investimenti sostenibili 4.0	204	-
Inv. Innovativi Asse III	151	-
Brevetti +	77	(2)
Cura Italia	68	(3)
Voucher Inn. Manag.	61	-
Other minors	336	(3)
<b>TOTAL</b>	<b>2,54</b>	<b>(29)</b>
<b>Total net of revocations</b>		<b>2,511</b>

The number of revocations represents only 1% of the grants disbursed, which reflects that many of the massive measures, usually those most exposed to the risk of revocation/contest, are relatively recent.

This item is reflected in Part D of the notes to the accounts (in which the situation of off-balance measures is described) for the portion of grants disbursed during the year.

### Loans disbursed 'Incentives' (€ 1,702 million)

Loans relating to Off Balance Incentives are broken down as follows:

Amounts in €/million

Incentives	Loans	
	Total disbursed	Total Revocations
Contratti di Sviluppo	804	(20)
Inv. Innovativi Asse III	205	0
Smart & Start Italia	152	(16)
Fondo Grandi imprese	133	(19)
Nuova 181	143	-
POI Efficienza Energetica	69	-
Selfiemployment	43	(17)
Other minors	153	(10)
<b>TOTAL</b>	<b>1,702</b>	<b>(82)</b>
<b>Total net of revocations</b>		<b>1,62</b>

This item is reflected in Part D of the notes to the accounts (in which the situation of Off Balance measures is described) for the portion of loans disbursed during the year.

### **Fund shares (€ 47 million)**

The fund units are represented for the entire amount by units of the Fondo Italia Venture II, adjusted for fair value:

	Real estate investment. shares	
	Total disbursed	Total write-downs
<b>Incentives</b>		
Fondo ITALIA VENTURE II	67	(20)
<b>TOTAL</b>	<b>67</b>	<b>(20)</b>
<b>Total net of write-downs</b>		<b>47</b>

The fund has an endowment of € 150 million, all subscribed by Invitalia, and its objective is to support and develop start-ups and SMEs in southern Italy. The Fondo Italia Venture II, together with the Italia Venture I Fund (registered on balance as the legislative measure allocating funds for this activity - Ministerial Decree 29/1/2015 Official Gazette no. 112 of 16/5/2015- defines the transfer as 'financing', unlike the Fondo Italia Venture II registered off balance as it is a 'fund management') are managed by CDP Venture SGR, which was initially 100% owned by Invitalia and then, with the 2019 Stability Law, transferred 70% of its capital to Cassa Depositi e Prestiti S.p.A.

The shares paid in during the year amounted to € 12 million.

### **Equity investments 'Incentives' (€ 118 million)**

The off-balance-sheet item includes equity investments totalling € 118 million, of which Industria Italiana Autobus (42.76%) and Sider Alloys (20.33%) acquired with funds from the Contratti di Sviluppo for € 16 million, five equity investments from the Fondo Cresci al Sud for € 29 million, and ten equity investments from the Fondo Salvaguardia Imprese for € 73 million.

*Amounts in €/million*

	Equity investments	
	Total disbursed	Total write-downs
<b>Incentives</b>		
Fondo Salvaguardia Imprese	73	-
Contratti di Sviluppo	60	(44)
Fondo Cresci al Sud	29	-
<b>TOTAL</b>	<b>162</b>	<b>(44)</b>
<b>Totale al netto delle svalutazioni</b>		<b>118</b>

During 2023, investments were made in new equity investments and/or capital increases in 12 companies for a total of € 74 million and write-downs of € 37 million were made, broken down by measure as follows:

*Amounts in €/million*

	Equity investments	
	Total disbursed	Total write-downs
<b>Incentives</b>		
Fondo Salvaguardia Imprese	23	
Contratti di Sviluppo	38	(37)
Fondo Cresci al Sud	13	
<b>TOTAL</b>	<b>74</b>	<b>(37)</b>
<b>Total net of write-downs</b>		<b>37</b>

### **Cash flow 'Incentives'**

Receipts from the State and other public entities on 'Incentives' measures in 2023 amount to € 1.6 billion and are broken down as follows:

*Amounts in €/million*

<b>INCENTIVES</b>	<b>AMOUNTS</b>
Contratti di Sviluppo	623
Investimenti sostenibili 4.0	263
Nito	151
PNC Sisma	135
FETS	100
Resto al Sud	85
Smart & Start Italia	70
Investimenti Innovativi Asse III	49
IFIT Misura M1C3	30
Nuova 181	30
Others	72
<b>TOTAL</b>	<b>1,608</b>

Below are some brief notes on the main measures that in 2023 recorded receipts from the PA of earmarked funds:

- Contratti di Sviluppo, identified as a new facilitating formula intended to support significant investments, were established by the Interministerial Decree of 24 September 2010 in implementation of Article 43 of Decree-Law 112 of 25 June 2008, converted with amendments by Law 133 of 6 August 2008.
- Investimenti sostenibili 4.0 is a measure to support business investments that favour SMEs' technological and digital transformation. Invitalia is the managing entity of the incentive, promoted by the Ministry of Economic Development (Ministerial Decree of 10 February 2022) and aimed at the entire national territory.
- The Resto al Sud measure was established by Decree Law 91 of 20 June 2017 and aims to incentivise the creation of new Enterprises, mainly in the South. The Measure finances the purchase of machinery, plant and equipment, IT systems, and facilities' adaptation and restructuring.
- The Investimenti Innovativi Measure established by Ministerial Decree 09 March 2018 aims to support innovative investment programmes that increase the efficiency or flexibility of economic activity. It is aimed at micro, small, and medium-sized enterprises intending to carry out innovative investments at production units located in less developed regions (Basilicata, Calabria, Campania, Puglia, and Sicily).
- The Fondo efficienza energetica, provided for by Article 15 of Decree Law 102/2014 implementing Directive 2012/27/EU, is governed by the MISE Decree of 22 December 2017. It is one of the energy efficiency measures the country has adopted to achieve the energy-saving targets indicated in the National Energy Strategy (SEN).

Approximately € 1,085 million was used, of which € 74 million in equity investments and € 999 million in loans and grants, broken down as follows:

*Amounts in €/million*

<b>INCENTIVES</b>	<b>LOANS</b>	<b>GRANTS</b>	<b>TOTAL</b>
Contratti di Sviluppo	51	217	268
Investimenti sostenibili 4.0	-	204	204
Resto al Sud	-	129	129
Investimenti Innovativi Asse III	59	46	105
Fondo Grandi Imprese	42	-	42
Nuova 181	27	13	40
Smart & Start Italia	30	5	35
Nito	23	4	27
Bonus Fiere	-	25	25
Cultura Crea	4	15	19
Brevetti +	-	19	19
Others	36	50	86
<b>TOTAL</b>	<b>272</b>	<b>727</b>	<b>999</b>

Particularly significant is the remaining liquidity as of 31.12.2023 in the dedicated 'Incentives' accounts of € 3.1 billion, which breaks down as follows:

*Amounts in €/million*

<b>INCENTIVES</b>	<b>AMOUNTS</b>
Contratti di Sviluppo	897
Nito	296
Fondo Grandi Imprese	276
Fondo Efficienza Energetica	252
Fondo Salvaguardia Imprese	247
Investimenti Innovativi Asse III	145
PNC Sisma	135
Voucher Innovazione manageriale	109
FETS	100
Smart & Start Italia	88
Nuova 181	75
Investimenti sostenibili 4.0	57
Others	433
<b>TOTAL</b>	<b>3,110</b>

## “Off-balance-sheet” management of third-party assets – Legislative Decree 185/00

The non-repayable grants disbursed regarding this measure, including the revoked grants (amounting to € 440 million in non-repayable grants), amounted to € 5,052 million.

Loans deriving from Legislative Decree 185/00 amount to about € 2.8 billion and are highly pulverised and overdue.

The number of receivables outstanding as of 31 December 2023 related to over 50,000 positions with a seniority of often more than ten years, and for the most part, they were, in fact, unrecoverable. These credits of € 2.236 billion are derived from revocations for € 1.08 billion (including revocations of the non-recoverable fund for € 440 million), from resolutions for € 770.6 million, from past due credits for € 359.9 million and to be past due for € 23.1 million.

For years, the size and difficulties of managing this phenomenon have burdened the Agency, forcing it to carry out highly onerous activities with little or no recovery.

Direct recovery activities, with the consequent initiation of lengthy, costly, and in many cases unproductive legal disputes, have been joined by activities carried out through the Inland Revenue, which is also characterised by poor returns. Moreover, in many cases, legal provisions or agreements within the framework of the Ministry’s guidelines have led to partial write-offs and new deferrals, often also not respected with the consequent re-establishment of the *ex-ante* situation and the restarting of disputes.

In 2023, since this measure is essentially no longer active, no further funds were received; instead, a change in receivables of € 45.5 million was recorded, mainly due to write-offs (€ 42 million). Actual collections amounted to € 35.5 million.

## MEDIOCREDITO CENTRALE

The main fund MCC administered on behalf of the state is the Fondo di Garanzia.

In 2023, the Fondo di Garanzia per le PMI slowed down compared to 2022, which in the first half of the year was still conditioned by the application of the emergency regulations under the Covid Temporary Framework. In 2023, 238,411 applications were received (-15.6% compared to 2022), while 235,893 transactions were admitted to the guarantee (-16.7% compared to 2022), for a financing volume of € 46.2 billion (-13.9% compared to 2022) and a guaranteed amount of € 34.8 billion (-16.9% compared to 2022).

In 2023, resources amounting to € 6.8 billion were paid out, of which:

- € 3.1 billion under Decree-Law 104 of 14 August 2020 to cover expected losses in connection with guarantees granted in 2020;
- € 1.0 billion under Budget Law 2021 to cover expected losses in connection with guarantees granted in 2021;
- € 725.0 billion under the 2019 Budget Law to cover expected losses in relation to guarantees granted until 2023;
- € 720.0 billion under the Budget Act 2023 to cover expected losses in relation to guarantees granted in 2023;
- € 1,040.8 million from REACT EU programme resources;
- € 48.7 million referring to resources of the National Operational Programme ‘Enterprise and Competitiveness’ ERDF 2014- 2020, under the MiSE decree in agreement with the MEF of 13 March 2017;
- € 30.0 million from the Special Section dedicated to the granting of guarantees on bond portfolios under Decree-Law 73 of 25 May 2021, Art.15;
- € 70.8 million from the resources of the ERDF Regional Operational Programme 2014-2020 Sicily;
- € 14.5 million from the resources of the ERDF Regional Operational Programme 2014-2020 Basilicata;

- € 7.9 million from the Cassa Depositi e Prestiti Special Section 'Subsection Confidi' and 'Subsection Professional Funds';
- € 7.0 million from the resources of the ERDF Regional Operational Programme 2014-2020 Calabria;
- € 5.0 million from the resources of the ERDF Regional Operational Programme 2014-2020 Abruzzo;
- € 6.5 million from the Special Section to support access to credit for women's enterprises of the Presidency of the Council of Ministers - Equal Opportunities Department;
- € 5.0 million from the resources of the ERDF Regional Operational Programme 2014-2020 Liguria;
- € 5.0 million from the resources of the ERDF Regional Operational Programme 2014-2020 Valle d'Aosta;
- € 3.6 million from the resources of the ERDF Regional Operational Programme 2014-2020 Emilia-Romagna;
- € 2.5 million from the resources of the 2014-2020 ERDF Regional Operational Programme Friuli-Venezia Giulia;
- € 18.0 million from the resources of the ERDF Regional Operational Programme 2021-2027 Piemonte;
- € 20.0 million from the resources of the ERDF Regional Operational Programme 2021-2027 Veneto.

In 2023, under Article 1 of Law 147 of 27 December 2013, published in the Official Gazette 302 of 27 December 2013, as amended and supplemented, aimed at fostering the processes of dimensional growth and strengthening the capital solidity of Confidi, € 32.5 million was paid from the Fund's resources, including the related charges for the measure's technical assistance activities.

Please see Part D of the Notes to the Financial Statements for the management of additional third-party funds.

## INFRATEL

The third-party funds under management at Infratel amounted to € 1,515 million, which increased by € 970 million, mainly due to the advancement of NRRP projects: Italia 1 Gbps, Italia 5G, Sanità Connessa, Scuola Connessa and Isole Minori.

The following table specifies the changes during the year:

*Amounts in €/thousand*

Description	Balance as at 31.12.2023	Balance as at 31.12.2022	Delta
FSC BUL	25,076	62,587	(37,511)
VOUCHER 1 - Famiglie	(1,754)	9,528	(11,282)
VOUCHER 2 - Imprese	11,479	13,937	(2,458)
Virgo Project	60,301	60	-
Blockchain Project	45	15,09	29,91
NRRP Project - Italia 1 Gbps	1,043,016	280,5	762,516
NRRP Project - Italia 5G	325,771	111,619	214,152
NRRP Project - Sanità Connessa	33,505	33,505	-
NRRP Project - Scuola Connessa	17,779	17,779	-
NRRP Project - Isole Minori	6,05	-	6,05
NRRP Project - Interessi netti su cc dedicati	2,092	281	1,811
Contributi modello B e C	7,15	629	6,521
<b>Total</b>	<b>1,515,224</b>	<b>545,515</b>	<b>969,709</b>



The NRRP is divided into the following operational plans:

- Italia a 1 Giga Plan received financial disbursements from the MEF through the Mission Unit of the DTD for € 1,043 million;
- Italia 5G Plan received financial disbursements from the MEF through the Mission Unit of the DTD for € 326 million;
- Sanità connessa Plan received financial disbursements from the MEF through the Mission Unit of the DTD for € 34 million;
- Scuola connessa Plan received financial disbursements from the MEF through the Mission Unit of the DTD for € 18 million;
- Isole Minori Plan received financial disbursements from the MEF through the Mission Unit of the DTD for € 6 million.

The 'Blockchain' item, amounting to € 45 million, represents the 'Fund for the development of artificial intelligence, Blockchain and Internet of Things technologies and applications'.

The 'Contributi modello B e C' refer to the sums disbursed by MIMIT and earmarked for the disbursement of contributions to telecommunications operators for the construction of broadband (Model B) and ultra-wideband (Model C) infrastructures, net of the sums already disbursed to beneficiaries.

Sureties issued in favour of municipalities, provinces, various entities, and suppliers to guarantee the proper performance of the Framework Agreement, fibre optic network infrastructure works, and state-owned concessions are recognised 'off balance,' as specified in Part D of the notes to the financial statements.

These commitments underwent a net change of € 23,989,000, of which € 24,271,000 decreased due to maturity, and € 283,000 increased due to the activation of new sureties to guarantee state-owned concessions of the NRRP project Isole Minori.

## PEOPLE-CENTERED APPROACH

### HR MANAGEMENT AND DEVELOPMENT

As of 31 December 2023, the Parent Company's human resources amounted to 2,912, compared to 2,354 as of 31 December 2022: there was a net increase of 558 resources, due to a total of 957 new hires, of which 12 from group companies, and 399 terminations. The increase in the workforce is due to the higher number of employees (+637 resources), only partially offset by the decrease in the number of non-standard employees (-79). The change during the year includes changes in contractual qualification, which affected 42 resources.

#### Staff movement in the year 2023 – Invitalia.

	Managers	Middle Managers	Employees	Total staff	Atypical*	Total
<b>Headcount at 31.12.2022</b>	<b>47</b>	<b>228</b>	<b>1,824</b>	<b>2,099</b>	<b>255</b>	<b>2,354</b>
<b>Incoming</b>	<b>3</b>	<b>55</b>	<b>850</b>	<b>908</b>	<b>91</b>	<b>999</b>
- from other Group companies	1	5	6	12	-	12
- change of qualification	1	41	-	42	-	42
- other	1	9	844	854	91	945
<b>Outgoing</b>	<b>2</b>	<b>8</b>	<b>261</b>	<b>271</b>	<b>170</b>	<b>441</b>
- to other Group companies	-	-	-	-	-	-
- change of qualification	-	1	41	42	-	42
- other	2	7	220	229	170	399
<b>Headcount at 31.12.2023</b>	<b>48</b>	<b>275</b>	<b>2,413</b>	<b>2,736</b>	<b>176</b>	<b>2,912</b>

\*collaborators, temporary staff, interns

In 2023, workforce management actions were oriented towards a better allocation of internal resources to revenue-generating orders and the acquisition from the market of the skills necessary to carry out the activities required by the orders in the portfolio, particularly those with highly technical content.

The stabilisation policy for fixed-term contracts was intensified, transforming 352 resources in the Parent Company into permanent contracts.

Regarding employees, 866 new hires, including 12 contract acquisitions from Group companies, derived 92% from requirements for line activities and 8% from strengthening governance and support areas.

Personnel leaving the Parent Company amounted to 229 and were mainly the result of 145 resignations, in addition to natural expirations of fixed-term contracts and retirements. The 145 resignations, amounting to 5.2% of the previous year-end figure (2,759), represent a rate that is in any case not critical, also due to the prevalent concentration of resignations on resources with fixed-term contracts (99 out of 145) and resources employed at an operational level (138 resources at level 3-4). This does not determine a significant depletion of consolidated skills.

As far as the other Group companies are concerned (Infratel, Invitalia Partecipazioni, Mediocredito Centrale and Cassa di Risparmio di Orvieto), changes in employees are shown in the following table:

#### Staff movement in the year 2023 - other Group companies

	Managers	Middle Managers	Employees	Total staff	Atypical*	Total
<b>Headcount at 31.12.2022</b>	<b>21</b>	<b>317</b>	<b>626</b>	<b>964</b>	<b>29</b>	<b>993</b>
<b>Incoming</b>	<b>5</b>	<b>24</b>	<b>141</b>	<b>170</b>	<b>16</b>	<b>190</b>
- from other Group companies	-	-	-	-	-	-
- change of qualification	-	8	-	8	-	12
- other	5	16	141	162	16	178
<b>Outgoing</b>	<b>4</b>	<b>19</b>	<b>74</b>	<b>97</b>	<b>15</b>	<b>112</b>
- from other Group companies	1	4	3	8	-	8
- change of qualification	-	-	8	8	-	8
- other	3	15	63	81	15	96
<b>Headcount at 31.12.2023</b>	<b>22</b>	<b>322</b>	<b>693</b>	<b>1,037</b>	<b>30</b>	<b>1,067</b>

\*collaborators, temporary staff, interns

Staff movement at other Group companies were mainly influenced by the increase in the net workforce of Infratel Italia (+104 units) due to the increased activity on the NRRP programme of Mediocredito Centrale (+53 units) due to the need to strengthen the structure with specific professional skills, of IP (+1 unit), and of CRO (+12 units).

### **TRADE UNION RELATIONS**

The following company agreements were signed in 2023:

- Minutes of Agreement Application Ipca Index 2023 with retroactive effect of salary adjustments to April 2023;
- Minutes of Leave Agreement 2023, which introduced greater flexibility in the use of leave without summer company closure, subject to compliance with regulatory provisions;
- Minutes of Agreement minimum contractual adjustment 2023 based on the Ipca index for the year 2023;
- Minutes of Agreement on temporary modification of the overtime limit 2023 with an increase in the overtime limit limited to the year 2023;
- Minutes of agreement on temporary modification of incoming working hours 2023, expanding the flexibility of incoming working hours on an experimental basis for the year 2023;
- Minutes of agreement production bonus 2023.

In addition, company agreements concerning teleworking, agile working and flexibility of incoming working hours were extended until December 2024.

At the end of the year, work began on renewing the Invitalia Group's national collective labour agreement. The progress of the trade union negotiations bodes well for a rapid closure.

The negotiating approach is being conducted to:

- identify instruments that maximise the relationship between the value perceived by People and the company's cost;
- increase flexibility institutes in the provision of work services following the logic of people sustainability & engagement;
- expand health protection formulas in terms of prevention/wellness and diagnostics extended to the family unit.

## FINANCIAL MANAGEMENT AND RELEVANT RISKS

Currently, Invitalia's financial management has maintained a prudent profile. After years of economic stimulus and negative market rates, there has been a steady increase in monetary rates since mid-2022. The end of the global pandemic has left inefficiencies in the distribution chains of production factors with bottlenecks in the supply of strategic materials; adding to this the escalation of global geopolitical crises and regional war scenarios, we have the picture of factors that have accelerated the rise in inflation rates, putting the resilience of global gross domestic product growth to the test. In the United States, as in Europe, restrictive monetary policies have been implemented to contain inflation. US rates reached 5.50 % in 2023, while the ECB raised its reference rate by as much as 2 points to 4.5 % in Europe. Monetary rates are currently considered to have peaked, with the Euribor rate rising by almost 3 points during 2023 to 3.90% in December.

EURIBOR 3m	2018	2019	2020	2021	2022	2023
As at 31.12	-0.32	-0.36	-0.43	-0.55	2.14	3.91
Yearly average	-0.32	-0.36	-0.43	-0.55	0.34	3.43

Core inflation estimates see rates halved year-on-year, with levels still above 5% but with two-year expectations of a return within the 2% target. The ECB's policy is geared towards maintaining current rate levels for at least 9 months with expectations of marginal rate reductions in the second half of 2024. The monetary rate curve on maturities longer than one year thus shrank significantly during 2023, consistent with expectations of monetary policy easing.

Government bonds performed in line with policy expectations: yields on maturities within a year rose in the first half of 2023, remaining above 3%, while yields on all other maturities moved down significantly in the last three months.

BTP 5Y	2018	2019	2020	2021	2022	2023
As at 31.12	1.84	0.6	-0.1	0.45	3.94	3.07
Yearly average	1.69	1.03	0.14	0.14	2.43	3.71

### Financial management in Invitalia

As mentioned above, in 2023, the Company's financial management conformed to the principles of prudent resource allocation reflected in the current management mandate granted by the Board of Directors and the indications inferred from market trends.

Available liquid assets, after a long phase of gradual stock reduction, increased in the last quarter of 2023 thanks to an appreciable increase in collections. At the end of the year, net cash under management increased by 25% compared to the previous year (net of the Invimit fund position) and amounted to € 181,585 million.

The composition of the asset allocation at year-end was as follows:

*Amounts in €/million*

Trading securities	5,06
HTC securities	127,134
Overnight Deposits and Ordinary CCs	142,73
Investment Policies	9,627
Financing Repurchase Agreements	(72,966)
Loans payable	(30,000)
<b>TOTAL</b>	<b>181,585</b>

The figure shows a reduction of about 15% in Held to Collect securities held to maturity to profit from the coupon yield offered due to the redemption of specific issues. The return of this segment made an appreciable contribution to management performance of more than € 4 million. The marginal

position in conservative balanced mutual funds, amounting to about 3% of total assets at the beginning of the year, was disposed of in the second half of the year, generating income of about € 567,000.

The position in investment policies, equal to about 20% of the asset allocation at the beginning of 2023, was reduced to about 3% at the end of the year. This sub-fund, useful for stabilising returns in periods of low or invariant rates, was in fact no longer consistent with a market situation with rapidly rising rates and the reduced available liquidity that characterised most of the year and exposed the Company to increasing costs for financing positions.

In the first part of 2023, extensive use was made of short-term financing through repurchase agreements, given the reduced liquidation flow of existing receivables, with average coverage of positions through short-term financing amounting to one-third of outstanding financial investments. The trend was reversed during the second half of the year, when collections of invoices issued grew significantly, also thanks to advance payment transactions, after guarantees had been issued in favour of customers towards the end of the year. For this reason, at the end of the year, available liquidity on the accounts grew from 12% of total assets a year earlier to 49%. This increase in cash flow made it possible to opt for the temporary postponement of the renewal of maturing repurchase agreements during the first months of 2024.

The availability of several lines of credit with leading institutions and the possibility of short-term securities financing through repurchase agreements make the company's liquidity risk extremely low, even in stress test scenarios. Credit risk is considerably mitigated given the high standing of the investments: the creditworthiness of Held to Collect securities is, in fact, mostly made up of government securities, and in any case of primary domestic issuers. Lastly, the interest rate risk is contained, given that the entire securities portfolio is segregated in the Held to Collect segment held for the long term in order to collect coupon flows.

### **Medium-term loans**

In November 2022, the company issued a Social Bond for € 350 million maturing on 14 November 2025. In the second half of 2023, a bridging loan of € 30 million was entered into to partially cover the financial requirements generated by the purchase of the former Italsider area of Bagnoli for the purpose of land reclamation and redevelopment. This purchase constituted an obligation arising from Decree Law 133 of 2014 (under Article 33) and which assigned to Invitalia the activities for the reclamation of Bagnoli and was finalised in 2023 with the settlement of a long dispute with the previous owner and others. This bridging loan was extinguished following the stipulation of a pooled green loan at the beginning of 2024 with Invitalia in the amount of € 68 million. To complete the transaction, the issuance of a new Prime Minister's Decree regulating the valuation of the acquisition compendium still remains.

Financial expenses increased in 2023 as a result of the company's new issue in November 2022, placed with a coupon of 5.25% compared to 1.4% of the previous issue dated July 2017. Financial expenses consequently increased from the previous € 5 million to € 18 million annually.

## LITIGATION

### PARENT COMPANY LITIGATION

The Parent Company's litigation is mainly composed of active civil law cases related to the compulsory recovery of credit deriving from the facilitation measures managed by the Parent Company.

In continuity with the previous year, the Parent has also resorted to credit recovery pursuant to the MEF Decree published in the Official Gazette of 07.03.2008, which allows it to comply with the obligation to provide for the recovery of credit accrued for the beneficiaries of the measure under Legislative Decree 185/2000 according to economic criteria through the Agenzia delle Entrate - Riscossione.

As of today, there is a physiological and marginal labour dispute appropriately balanced in the provisions.

Below is a breakdown of the main disputes payable that present a possible or remote risk and for which, therefore, in accordance with international accounting standards, no provision has been made:

#### **Arbitration proceedings filed by ArcelorMittal and Acciaierie d'Italia Holding against Invitalia**

On 10 December 2020, ArcelorMittal Italy Holding (AMIH), ArcelorMittal SA (AMSA) and Invitalia signed an Investment and Shareholders' Agreement whereby, inter alia, the latter undertook to subscribe and pay, in two tranches and for an amount up to € 1,105,000,000, a capital increase of Acciaierie d'Italia Holding (formerly AM InvestCo Italy S.p.A.). On the basis of the Agreement, Invitalia had committed to subscribe and pay the first capital increase within the fifth working day after obtaining the European clearance under the EC Merger Regulation 139/2004 on the control of concentrations between undertakings. This condition was fulfilled on 28 January 2021. Therefore, the payment of the first capital increase should have been made by 5 February 2021, the day on which ADIH's extraordinary shareholders' meeting was actually held to approve the capital increase in favour of Invitalia. The deadline was then consensually extended until 26 February 2021.

In the event of a delay in the subscription and payment of the first capital increase, the Agreement provides, inter alia, that 'shall accrue and be due from Invitalia to the Company' AM InvestCo Italy S.p.A. (now ADIH) 'Default Interest from the date of the Company's written request until the date of actual full performance', to be calculated on the basis of 'a rate equal to 6-month EURIBOR plus 750 (seven hundred and fifty) basis points (bps)'.

Invitalia did not subscribe to the first capital increase on 5 February or within the further terms granted to it, as it had not received the relevant funding from the Ministry of Economy and Finance.

AM InvestCo Italy S.p.A. requested the payment of the Default Interest and in March 2021, a mediation procedure was commenced before the International Centre for ADR of the International Chamber of Commerce ('Mediation'), as provided for by the Agreement, in order to attempt to reach an amicable settlement of the dispute.

Pending the Mediation, on 14 April 2021, Invitalia, having acquired the availability of the relevant sums from the Ministry of Economy and Finance, subscribed and paid the first capital increase without paying the default interest; therefore, the Mediation continued only with respect to the payment of such interest on the sum of € 400,000,000 at a rate equal to 6-month EURIBOR plus 750 basis points, for a total of € 3,365,698.63.

The mediation procedure having failed, and the Parties having failed to reach an agreement, on 17/5/2021 AMSA, AMIH and ADIH filed the arbitration proceedings by invoking the arbitration clause set forth in the Co-Investment Agreement.

In the arbitration proceedings, the counterparties requested the condemnation of Invitalia S.p.A. to pay default interest of € 3,365,698.63, plus legal interest from the date of the claim, due to the delay (of 45 days) in 2021 in subscribing and releasing the € 400 million capital increase in Acciaierie d'Italia Holding S.p.A.

Invitalia S.p.A. was also requested to pay the costs and fees of the Arbitration Board and defence costs.

Invitalia S.p.A. denies any default, even if only negligent, contesting the existence of the prerequisites for the application of default interest: this is because the payment was made immediately after receiving the necessary funding from the Ministry of Economy and Finance.

There is no liability of Invitalia S.p.A., since the Co-investment Agreement of 2020, in execution of which the payment had to be made, had to be implemented in compliance with the provisions of regulatory provisions and ministerial acts.

Invitalia S.p.A. consequently requested, with the rejection of the opposing requests, the payment of costs and fees, but a negative decision was reached for Invitalia of the Arbitral Award against which an appeal was filed on both procedural and substantive grounds mentioned above.

Recently, an order was obtained to suspend the enforceability of the arbitral award by the Court of Appeal competent to decide on the proposed appeal.

The latter circumstance, together with the substantive reasons already expounded in the award and reiterated in the appeal, determine the only possible riskiness of the liability.

**Fincalabra** – an action is pending before the Court of Rome for damages for contractual liability and image damages in connection with the divestment of the regional shareholdings in the territorial companies formerly held by Sviluppo Italia. The claim for damages amounts to approximately € 2.5 million. At the hearing for clarification of the conclusions of 02.02.2021, the case was retained for decision. The case is still pending. The case was ex officio adjourned to 5 June 2024, at 10.40 a.m., for the statement of conclusions.

**Consorzio Stabile Sinergica** – the status of the litigation is determining the quantum debeatur in compliance with sentence 608 of 24 June 2021 (CGA), between the ‘Single Extraordinary Commissioner for the coordination and implementation of the measures to comply with the sentences of the Court of Justice of the European Union (case c-565/10 and case c-85) regarding the collection, sewerage and purification of waste water’, Invitalia and Consorzio Stabile Sinergica. In relation to the provisions of the aforementioned judgement, Invitalia is obliged to compensate, in equivalent terms, Consorzio Stabile Sinergica due to the failure to take over the contract for the works for the ‘‘Construction of the sewerage system for sewage water serving the Tonnarella, Trasmazzaro area and connection to the existing network of the Lungomare Mazzini - Municipality of Mazara del Vallo (TP) - INTERVENTO ID 33505’’.

The determination shall also consider the sharing of the payment with the other parties to the administrative process (i.e. Consorzio Stabile Sinergica and the Commissioner).

**Minerva Restauri** – following judgement 8148 of 6 December 2021, with which the Council of State upheld the appeal brought by Minerva Restauri (the company second in the ranking list), in addition to the takeover, Invitalia has also been ordered to pay compensation for the non-performance of the works carried out. That sum must be quantified in accordance with the procedure outlined in the judgement itself, on the basis of which any aliunde perceptum and the state of the works must be verified.

**Teseco 2** – on 23.03.2018, Teseco S.r.l. in composition with creditors, in its own name and as agent of the temporary association of companies (ATI) with Gesteco SpA, sued the Agency to obtain recognition of the total amount receivable of approximately € 3.9 million by way of consideration deriving from the public tender already called by IAP for the reclamation of the former Nissometal Industrial Area located in Contrada Panuzzi in Agro di Nissoria (Enna). It was to be decided in 2023. It is not possible to express a precise estimate of the risk of the Agency losing the case. In 2023 the position was settled through a settlement agreement.

**Teseco 3** – on 06.02.2019, Teseco served Invitalia with an injunction order for approximately € 600,000 as interest to be paid by Invitalia for late payment of two invoices issued by Teseco itself for the reclamation service of the Smeb Area of Messina. Invitalia filed an appeal against this order before the Court of Pisa, proposing that the third party concerned, i.e., the Region of Sicily, be summoned.

Finally, it should be noted that, in November 2022, the disputes on the transfer of ownership of the areas and the responsibility for their reclamation, which were pending before the Court of Appeal of Naples, were settled with a "final" settlement between all the claimants involved (Bagnoli Futura, Fintecna, the Municipality of Naples, Amco, etc.). In particular, the judgement in opposition to the appraisal carried out by the Agenzia del Demanio on the value of the real estate compendium ended with the determination of the price at € 68 million, which the Agency settled in May 2023, after offsetting with creditor relationships for the settlement of disputes relating to the responsibility for the reclamation. In 2023 the position was settled through a settlement agreement.

## **INFRATEL LEGAL DISPUTES**

### *Legal disputes related to contracted works*

Infratel is party to a large and minute litigation arising from claims for damages brought by private parties for accidents occurring on roads affected by excavation works contracted out to third parties. In this regard, it should be noted that there are specific contractual guarantees that the contractors have provided in favour of Infratel Italia with the signing of the Framework Agreements. Such guarantees consist in the indemnity that each contractor or temporary joint venture has undertaken to provide in favour of Infratel Italia under the terms of the Framework Agreement with reference to: i) all direct and indirect damages that may arise from the performance of the works and/or the materials used as well as from the late or incorrect restoration of the state of the sites affected by the worksites; ii) any claim for compensation made by third parties or entities by way of judicial or extrajudicial proceedings for any reason whatsoever arising from or in connection with the performance of the Framework Agreement.

For these reasons, in the event of losing the case in court, the related costs should not be definitively borne by Infratel Italia by virtue of the indemnity obligation incumbent upon the contractors.

The validity of the aforementioned indemnity obligation has so far been recognised in almost all judgements, with the exception of a case defined with a ruling of the Court of Caltanissetta that Infratel Italia, precisely for this reason, decided to appeal before the Court of Appeal of Caltanissetta, for which, after an initial postponement, the hearing for the clarification of the conclusions was held on 30.11.2023. A ruling is expected in the course of the year.

In the context of these proceedings, we report a case in which the guarantee provided by the contractors may not be operative: Litigation instituted by the Municipality of Ripatransone concerning a claim for damages amounting to € 260,000.00.

Infratel was sued by the Municipality of Ripatransone for damages arising from a road collapse that occurred in December 2013. Considering that the present lawsuit was preceded by a preventive technical assessment, on the outcome of which the court-appointed expert considered the collapse to be attributable solely to the works contracted out by Infratel, that the reference temporary joint venture was not summoned to appear before the court due to its being subject to the extraordinary administration procedure, that the Groupama Ass.ni S.p.A. was in any event summoned to appear before the court in order to be held harmless by the latter in the event of a sentence of compensation for damages and that the latter remained contumacious, the risk of losing the case is to be qualified as probable. Judgement 485/2023 of 15 June 2023 of the Court of Fermo sentenced Infratel to compensate the municipality of Ripatransone in the amount of € 52,500 inclusive of lot, expenses and preventive technical assessment. Infratel has filed an appeal against the above-mentioned judgement with the Court of Appeal of Ancona; the judgement is in progress and a hearing has been scheduled for 2 April 2025 for the definition of the conclusions.

Lastly, for the sake of completeness, it should be noted that Infratel Italia has been cited as civilly liable in the criminal proceeding in which one of its former works directors is a defendant, with a claim for damages quantified at € 6 million. In this regard, it should be noted that the sentence of the Court of Cagliari issued in January 2022, acquitting the defendant of the crimes charged, averted the danger of a joint and several convictions of the company in its legal capacity as civilly liable for the criminal conduct of its former employee.



The Court of Auditors - Regional Public Prosecutor's Office for Sardinia - in October 2022 requested the documentation of Infratel Italia's civil action for damages, for the purpose of assessing the filing of a liability action for fiscal damage against the defendants in the proceedings.

*Administrative litigation related to Infratel's tenders*

All of the numerous disputes relating to tenders tendered by Infratel Italia since 2005 have been settled by judicial rulings in favour of Infratel Italia.

As of 2016, Infratel Italia has carried out the following three restricted tender procedures according to the new so-called 'concession' model:

- a. BUL 1. Invitation to Tender published in the Official Gazette of the Italian Republic (GURI) 5th Special Series - Public Contracts no. 63 of 03/06/2016, for the award of a concession for the construction, maintenance and operation of the publicly owned Ultralarge Bandwidth passive network in the white areas of the territory of the Regions of Abruzzo and Molise, Emilia-Romagna, Lombardy, Tuscany and Veneto;
- b. BUL 2. Invitation to tender published in the Official Gazette of the Italian Republic 5th Special Series - Public Contracts no. 91 of 8 August 2016, for the award of a concession for the construction, maintenance and operation of the publicly owned Ultralarge Bandwidth passive network in the white areas of the territory of the Regions: Piedmont, Valle D'Aosta, Liguria, Autonomous Province of Trento, Marche, Umbria, Lazio, Campania, Basilicata, Sicily and Friuli-Venezia Giulia;
- c. BUL 3. Invitation to tender published in the Official Gazette of the Italian Republic 5th Special Series - no. 46 of 20-04-2018 for the award of a concession for the construction and management of a passive Ultralarge Bandwidth infrastructure in the white areas of the territory of the Regions: Calabria, Puglia and Sardinia.

The first two procedures were affected by significant litigation, mainly promoted by the dominant operator TIM. The defence in these cases has been entrusted to the law firm Orrick.

The cases currently pending consist of:

- no. 2 appeals pending before the Regional Administrative Court of Lazio and concerning the decision to award the Concession to Open Fiber for Lots no. 3 and 5 (BUL 1), for which declarations of supervening lack of interest were filed by TIM on 19/07/2022 and rulings declaring the extinction are awaited;
- the trials for Lots 1, 2 and 4 have been declared extinct by judgement: 17386/2022 for Lot 1, 00875/2023 for Lot 2 and 17375/2022 for Lot 4.

There are no pending cases for BUL 2 and BUL 3.

From a procedural point of view, the appeal proceedings concerning Open Fiber's admission decision for Lots Nos. 1-2-3-4 and 5 (BUL 1) were suspended on 19 October 2017 for a preliminary reference to the Court of Justice of the European Union, which was referred by the Court of Appeal with Order no. 5621/2017.

The same appeal judgements brought by TIM against the judgements of the Lazio Regional Administrative Court of Admission were declared extinct for failure to resume after the judgement of the Court of Justice in July 2019.

On 27 June 2022, Fastweb, with regard to judgement J.R. 2678/2017 (for the annulment of Agcom opinion no. 43317 of 2 August 2016, concerning the approval, pursuant to Resolution 120/16/cons, of the prices of wholesale access services to ultra-wideband infrastructures receiving public funding) filed a petition to set a hearing pursuant to Article 82 of the Italian Code of Criminal Procedure; the hearing has not yet been set.

During the year, three other administrative appeals were notified, which are summarised below:

- Terna S.p.A. v. Municipality of Palermo and against Infratel - Appeal to the Regional Administrative Court of Sicily for the annulment of Resolution 262 of 28 November 2022 of the Municipality of Palermo's Council, concerning 'Policy. Interference between public land concessions for

commercial activities and the construction of the 'New Tram Lines of the City of Palermo and appurtenant car parks - Conditions of temporary permanence'.

CASE STATUS: Awaiting the setting of the hearing on the merits.

- Ruco Maria Antonietta v. MIMIT Infratel and Regione Umbria - Appeal to the TAR Umbria requesting an order to MIMIT, Infratel and Regione Umbria to provide broadband network coverage for the residential units Vocabolo Cunicchio 47, 47/A and Strada della Ripa 41

CASE STATUS: The hearing on the merits has not yet been set.

- Hermes S.r.l. v. MIMIT and Infratel - Action brought before the Lazio Regional Administrative Court by Hermes S.r.l. against the Ministry of Enterprise and Industry and against Infratel in connection with the call for tenders relating to 'research, development and innovation projects to be implemented in Italy in strategic areas for the development of artificial intelligence, blockchain and the Internet of Things'.

CASE STATUS: Awaiting the setting of the hearing on the merits.

The status of administrative appeals notified during 2022, pending during 2023, is summarised below:

- Fastweb/ Infratel - Appeal to the Regional Administrative Court of Lazio by Fastweb for the annulment of the Notice published in GURI 5th Special Series - Public Contracts no. 15 of 4.02.2022 and of all the acts of the open procedure pursuant to Articles 28 and 60 of Legislative Decree 50/2016 as amended and supplemented for the provision of ultra-wideband connectivity services at public health service facilities on the Italian territory, including the supply and installation of the access network and operation and maintenance services.

CASE STATUS: Fastweb served on 02.11.2022 notice of withdrawal of the appeal against the annulment of the tender. Awaiting ruling of extinction of judgement.

- Fastweb/ Infratel - Fastweb's appeal to the Regional Administrative Court for the annulment of the call for tenders published in GURI 5th Special Series - Public Contracts no. 15 of 4.02.2022 and of all acts of the open procedure pursuant to Articles 28 and 60 of Legislative Decree 50/2016 as amended and supplemented for the provision of ultra-wideband Internet connectivity services at schools in Italy, including the supply and installation of the access network and operation and maintenance services.

CASE STATUS: Fastweb served on 02.11.2022 notice of withdrawal of the appeal against the annulment of the tender. Awaiting ruling of extinction of judgement.

- Fastweb/ Infratel Italia - Fastweb's appeal to the Regional Administrative Court (TAR) in Lazio against the awarding of lots 5, 7 and 8 of the schools tender

CASE STATUS Fastweb notifies on 02.11.2022 deed of withdrawal of appeal against awarding of Appeal to TAR by Fastweb against awarding of lots 5, 7 and 8 schools tender. Awaiting ruling of extinction of judgement. Rulings of 23.11.2022 declare the judgements regarding lots 5, 7 and 8 of the schools tender extinct

- Vodafone/ Infratel Italia and others - Appeal to the TAR Lazio against the awarding of lots 1, 2, 7 and 8 of the schools tender and lots 2 and 4 of the healthcare tender.

CASE STATUS - Vodafone notifies on 14.11.2022 notice of withdrawal of the appeals against the award of lots 1, 2, 7 and 8 of the tender for schools and lots 2 and 4 of the tender for healthcare. Rulings of 06.12.2022 declaring the judgements regarding lots 2 and 4 of the healthcare tender extinct; Rulings of 29.12.2022 declaring the judgements regarding lots 1, 2, 7 and 8 of the schools tender extinct.

- TIM/Infratel Italia - Appeal to the Regional Administrative Court of Lazio for the annulment of the specifications, clarifications and acts of the tender notice published in GURI 5th Special Series - Public Contracts no. 15 of 4.02.2022 and all acts of the open procedure pursuant to Articles 28 and 60 of Legislative Decree 50/2016 as amended and supplemented for the supply of ultra-wideband connectivity services at public health service facilities in Italy, including the supply and installation of the access network and management and maintenance services.

CASE STATUS: TIM notifies on 26.10.2022 notice of withdrawal of appeal against the annulment

of the tender. Ruling of 26.10.2022 acknowledges that the appeal is no longer admissible due to lack of interest.

- TIM/Infratel Italia - Appeal to the Regional Administrative Tribunal for the annulment of the specifications, clarifications and acts of the tender published in GURI 5th Special Series - Public Contracts no. 15 of 4.02.2022 and of all acts of the open procedure pursuant to Articles 28 and 60 of Legislative Decree 50/2016 as amended and supplemented for the provision of ultra-wideband Internet connectivity services at schools in Italy, including the supply and installation of the access network and operation and maintenance services.

CASE STATUS: TIM notifies on 26.10.2022 notice of withdrawal of appeal against the annulment of the tender. Ruling of 26.10.2022 acknowledges that the appeal is no longer admissible due to lack of interest.

- Retelit Digital Service S.p.A. v Infratel Italia S.p.A. Action brought before the Regional Administrative Court of Trento and Bolzano - Sezione Trento e Bolzano - by Retelit Digital Service S.p.A. for the annulment of the award (and subsequent inherent and connected acts) of the tender relating to lot No 15 'Italia 1 Giga' Plan, called by Infratel Italia S.p.A, for the 'granting of public contributions for the financing of investment projects for the construction of new telecommunications infrastructure and related access equipment capable of providing services with a capacity of at least 1 Gbit/s 3 in download and 200 Mbit/s in upload in the territory of the autonomous provinces of Trento and Bolzano.

CASE STATUS: By Order 190/2022, dated 10 November 2022, the Trento Regional Administrative Court declared its lack of territorial jurisdiction. Judgement resumed at the Regional Administrative Court of Lazio on 25 November 2022. Notification to Infratel on 08.01.2024 of the waiver of the appeal against the awarding of Lot 15 under the Italia 1 Giga plan.

- Retelit Digital Service S.p.A v Infratel Italia S.p.A.: Appeal to the Regional Administrative Tribunal by Retelit Digital Service S.p.A. for the annulment of the awarding of Lot 1 (Lombardy, Piedmont, Valle d'Aosta) of the tender for the concession of public grants under the 'Italia 5G' plan for the construction of fibre-optic site relocations.

CASE STATUS: Notified to Infratel on 08.01.2024 the waiver of the appeal against the award of Lot 1 within the scope of the Italia 5G plan.

- Retelit Digital Service S.p.A v Infratel Italia S.p.A. Appeal to the Regional Administrative Court by Retelit Digital Service S.p.A. for the annulment of the award of Lot 2 (Veneto, Friuli-Venezia Giulia, p.a. Trento, p.a. Bolzano) of the tender for the grant of public subsidies under the 'Italia 5G' plan for the construction of fibre optic links to sites.

CASE STATUS: Notified to Infratel on 08.01.2024 the waiver of the appeal against the award of Lot 2 within the scope of the Italia 5G plan.

- Terna S.p.A. Municipality of Palermo and Infratel Italia: Proceedings brought before the Regional Administrative Court of Sicily (CGA) by Terna S.p.A. against the Municipality of Palermo and against Infratel Italia for the annulment of the Palermo Regional Administrative Court's decision 2511/2022.

CASE STATUS: Hearing scheduled on 23.05.2023. The Palermo Regional Administrative Court's decision 587/2023 upheld Terna's appeal, also in favour of the respondents in adhesion, against the decision of the Regional Administrative Court of Sicily, establishing that the expenses for the work of relocating underground utilities are to be borne by the municipality and not by the managing entities.

### *Labour Litigation*

With regard to labour disputes, two cases were settled in 2023, for which an appeal was filed in the same year (which was resolved with a rejection ruling in April 2024 in one of the two cases). In addition, three new first instance disputes were filed in 2023, which are also still pending. Therefore, there are currently no litigations leading to an uncovered risk assessment.

### *Extraordinary Appeal to the Head of State*

Infratel Italia, together with the *Agenzia nazionale per l'attrazione degli investimenti e lo sviluppo d'impresa*, filed an Extraordinary Appeal to the Head of State, notified on 16 June 2017, against the D.D.'s of 11 November 2016, 17 February 2017 and 31 May 2017, by which the MISE (now MIMIT) censured the resolution to distribute to the *Agenzia nazionale per l'attrazione degli investimenti e lo sviluppo d'impresa* the profits accrued by Infratel Italia for the financial years 2013, 2014 and 2015. These profits were resolved but not yet paid to the Parent Company, also due to the alleged need to redetermine the amounts payable to Infratel Italia as coverage of the management requirements, based on the periodic reports referred to in the agreement in place, for the expansion and deployment of broadband, on which the MISE (now MIMIT) has withheld the sums in question. The dispute concerns the allocation of the profits, while Infratel Italia's ability to make profits is not at issue.

This dispute was settled by Presidential Decree of 10 January 2020, which declared the partial inadmissibility due to the lateness of the notification, in the part in which the above-mentioned measures and acts are challenged insofar as they reduce the amount of the operating profits earned by Infratel Italia in the years 2013 2014 and 2015 and distributed to its sole shareholder Invitalia. The same Presidential Decree of 10 January 2020 also declared the appeal inadmissible due to lack of interest where the ministerial note prot. no. 12473 of 17 February 2017 is challenged, insofar as it requests 'the accounting reacquisition to the balance sheet of DGSCERP Report XLIV Report- 9 Infratel of the "Broadband Programme Reserve" amounting to € 3,628,336.00, given the non-proposal nature of such note, which in itself is not capable of negatively affecting the legal sphere of the applicants.

Infratel Italia also filed in January 2019, together with the *Agenzia nazionale per l'attrazione degli investimenti e lo sviluppo d'impresa*, a further Extraordinary Appeal to the Head of State against the Decree of 28 September 2018 by which the MISE (now MIMIT) withheld the 2016 budgetary profits.

In the period following the institution of the proceedings instituted with the above-mentioned Extraordinary Appeals, for the sole purpose of overcoming the disagreement on the accounting of the profits earned by the Company from activities other than those governed by the Programme Agreement, Infratel Italia and the *Agenzia nazionale per l'attrazione degli investimenti e lo sviluppo d'impresa* entered into an interlocution aimed at adjusting and supplementing the rules contained in the Programme Agreement of 20 October 2015. The discussion between the parties ended with the stipulation, in October 2020, of the new Programme Agreement in which, in Article 12, the discipline of the revenues deriving from the activity of Infratel Italia was thus formulated in an even more explicit manner than before, in order to overcome the misunderstandings generated by the wording of the previous Programme Agreement. The new Programme Agreement, therefore, was entered into with a reconnaissance and non-innovative purpose with respect to the previous rules on the treatment of profits, with a view to overcoming the disagreements that had arisen on this point between the parties and avoiding the emergence of new disputes.

In view of the signing of the new Programme Agreement, the waiver of the Extraordinary Appeal to the Head of State is being formalised.

Therefore, the dispute can be considered as in the process of being resolved; it should be noted that, due to its nature, even an unfavourable outcome of the pending litigation would not have had any economic impact, as it would have led to a reclassification of certain items in the balance sheet.

### *Litigation before the Civil Court of Rome related to penalties applied by Infratel Italia*

Three disputes relating to penalties applied by Infratel Italia are currently pending before the Civil Court of Rome, two of which were initiated by the licensee Open Fiber in 2022 (later merged into a single lawsuit as better described below) and the third by Fastweb in January 2023 within the scope of the 'Scuola Connessa Plan (Connected School), Phase 1'. These are:

- a first dispute, instituted by the licensee Open Fiber against the grantor Infratel Italia with a writ of summons dated 6 July 2022, to request: (1) primarily, to ascertain and declare the nullity of Article 33 - entitled 'Penalties' - of the concession agreements; (2) alternatively, to ascertain and declare that the penalties applied by Infratel Italia are manifestly excessive and, as a result, to reduce them to equity pursuant to Article 1384 of the Italian Civil Code. Infratel Italia appeared

before the court with a counter-claim filed on 21 November 2022. Next hearing: 08.04.2024 for admission of evidence.

- a second dispute, instituted by the licensee Open Fiber against the grantor Infratel Italia by means of a writ of summons dated 28 October 2022, requesting: (1) principally, to find and declare the invalidity of Article 33 - entitled 'Penalties' - of the concession agreements; (2) also principally, declare that Infratel Italia's claim in respect of the invoices charged, by way of penalties, as from 6 July 2022 is unfounded, and any future invoices charged under the same heading (3) in the alternative, find and declare that the penalties applied by Infratel Italia are manifestly excessive and accordingly reduce them to equity pursuant to Article 1384 of the Italian Civil Code. Infratel Italia appeared before the court with a counter-claim filed on 31 January 2023. Next hearing: 08.04.2024 for admission of evidence.

The above-mentioned two disputes with the licensee Open Fiber were joined in a single judgement.

- a third dispute, initiated by Fastweb against Infratel Italia with a writ of summons dated 16 January 2023, requesting: (1) principally, to ascertain and declare that the contested contractual breaches do not exist and, as a result, to ascertain and declare that the penalties imposed by Infratel Italia in connection with the framework agreements relating to Lots 3 and 5 of the 'Connected School Plan, Phase 1' are unlawful, and, as a result, to declare that nothing is owed by Fastweb to Infratel Italia by way of penalty (2) again principally, to order Infratel Italia to repay to Fastweb the sum of € 3,480,000 paid by the plaintiff by way of penalties, plus interest and revaluation at the legal rate from the date of the court request to the actual settlement; (3) in the alternative, to ascertain and declare the manifest excessiveness of the penalties applied by Infratel Italia and, as a result, reduce the overall penalties imposed on an equitable basis; (4) again in the alternative, to order Infratel Italia to repay Fastweb the sum of € 3,480,000 or, in the alternative, € 3,182,460 or the different amount to be established by the Court following the reduction on an equitable basis, because paid to date by the plaintiff by way of excess penalties, plus interest and revaluation at the legal rate from the date of the court order to the actual settlement. Infratel Italia appeared in court with an appearance filed on 19 April 2023. Next hearing: 25.03.2024 for admission of evidence.

## **MEDIOCREDITO CENTRALE LEGAL DISPUTES**

The legal disputes for which specific provisions have been set aside relate to four disputes with customers. In addition, there are a number of disputes with customers for which no provision has been made, as there is currently no known or probable expectation of a negative outcome.

In addition, with reference to a tax dispute, which, as a result of what was agreed with the contractual counterparties as part of extraordinary transactions (demerger or sale of business units, sale of legal relationships en bloc), finalised between 1 July 2008 and 1 September 2010 with UniCredit Group companies, would have been the responsibility of the latter, it should be noted that it was declared extinct by a decree of the Court of Cassation in March 2022.

Lastly, in relation to the subsidies managed by the Bank on behalf of the Public Administrations, there are various disputes for which no provisions have been made, as any adverse outcomes are the responsibility of the Public Administrations and will therefore be borne out of the funds under management.

### *Information on contingent liabilities*

By a deed served on 23 June 2021, Tradinvest S.r.l. sued, inter alia, BdM Banca S.p.A. and Mediocredito Centrale S.p.A. before the Court of Bari, acting in its capacity as assignee of litigious receivables assigned to it by Eurowind Orta Nova S.r.l., requesting that the defendant banks be ordered, jointly and severally, to repay the sum of € 9.1 million in respect of a loan agreement granted in pool to Eurowind Orta Nova S.r.l. In this regard, MCC duly appeared before the Court within the terms of the law, fully contesting the grounds of the opposing claims. Dissolving the reserve taken at the hearing of 18.10.23, the Judge ordered the performance of an accounting technical consultancy (both in relation to the loan relationship and in relation to the shares and bonds issued by BdM Banca

S.p.A.). The case, therefore, was adjourned for the swearing in of the expert witness, to 12 June 2024. With a deed served on 23 December 2022, Società Italiana per Condotte d'Acqua S.p.A. in Amministrazione Straordinaria, in the person of the extraordinary commissioners, sued Mediocredito Centrale S.p.A. and other natural persons and legal entities (altogether, about 50 subjects), for the alleged responsibilities of the aforesaid subjects, in the worsening of the company's state of crisis, which was then formally declared insolvent. With reference to MCC, the matter originates from a loan of € 15 million, granted by the Bank to Società Italiana per Condotte d'Acqua S.p.A. in 2016 - i.e. before the same was admitted, in 2018, to the Extraordinary Administration procedure pursuant to Article 2, par. 2, Decree Law 347/2003.

For the sake of completeness, it should be noted that - in relation to the position in question - a litigation promoted by the Commissioners is already pending, aimed at the declaration of ineffectiveness and consequent revocation of the payments made to MCC. Briefly, for the purposes of the present proceedings, the Company is suing the defendants in order to have them condemned - jointly and severally - to pay compensation for the damage caused by them for various reasons. Specifically, it is alleged that MCC (and the other defendant banks) were aware of the Company's state of crisis as at 1 January 2016 and that they, in the course of opening and maintaining credit facilities in favour of the Company, contributed to the Company's bankruptcy. The first appearance hearing was set for 22 April 2024.

With reference to both of the aforementioned disputes - as part of the assessments carried out in accordance with the current internal policy on the management of disputes - the Bank has deemed that, at present, the conditions required by IAS 37 to formulate a provision do not exist.

## **CASSA DI RISPARMIO DI ORVIETO LEGAL DISPUTES**

As at the reporting date of these financial statements, there were no judicial and arbitration proceedings pending pursuant to Article 806 et seq. of the Italian Civil Code, the outcome of which could significantly affect the Cassa's financial position and results of operations.

It should be noted that Cassa has availed itself of the option granted by IAS 37, par. 92, not to provide detailed information on the provisions set aside in the financial statements for individual risks if such information could seriously prejudice and/or weaken its position in litigation and/or potential settlements. In particular, outstanding disputes essentially refer to:

- Compound interest and usury;
- shares of the former Banca Popolare di Bari S.C.p.A. (now BdM Banca S.p.A.) placed with customers.

In these proceedings, the main objections raised against Cassa's actions concern:

- the alleged nullity of the framework agreement (and of the individual investment transactions), pursuant to Article 23 of Legislative Decree 58 of 24 February 1998 (Consolidated Law on Financial Intermediation - 'TUF'), due to the lack of written form of the framework agreement;
- the alleged breach of disclosure obligations with regard to the characteristics, risk profiles and degree of liquidity of the shares of (the former) Banca Popolare di Bari;
- the alleged erroneous profiling of customers and the alleged behavioural violations by Cassa with regard to the adequacy/appropriateness assessments of investments in Banca Popolare di Bari securities in relation to the risk profile of customers;
- (in limited cases) the alleged defects of consent (fraud, error) vitiating the same contractual relationships and the investment transactions concluded;
- the alleged breach of chronological order in the execution of orders to sell shares of (the former) Banca Popolare di Bari given by the respective shareholders;
- (in limited cases) the alleged liability of (the former) Banca Popolare di Bari pursuant to Article 94(7) of the Consolidated Law on Finance (TUF).

In this regard, the Cassa, taking into account the development of the aforementioned disputes, has

provisions to cover them based on the best estimate of the provision pursuant to IAS 37 at the reporting date.

With reference to the transactions of non-recourse assignment of NPLs loans, carried out by Cassa in 2017 and 2018, claims were received, pursuant to the respective assignment agreements, from the assignees, who, as part of the management of recovery activities, contested to Cassa certain contractual defaults inherent to the assigned relationships.

All the claims put forward have been formally objected to by the Cassa. The assignment agreements provide that, if the parties do not reach a fair and satisfactory settlement of the claims, the disputes will be resolved through arbitration by (three) arbitrators appointed in accordance with the regulations. In relation to the non-recourse sale transaction finalised in 2018, the claims asserted by the transferee party were settled amicably between the parties during the fourth quarter of 2023, generating no negative impact on the 2023 income statement by virtue of the existing provisions to guard against them.

## GOVERNANCE OF THE PARENT COMPANY

### SHAREHOLDER AND CORPORATE BODIES

Invitalia is the National Agency for Inward Investment Attraction and Economic Development, an 'in-house company', whose shares are 100% owned by the **Ministry of Economy and Finance (MEF)**, which exercises its rights in agreement with the Ministry of Enterprise and Made in Italy (MIMIT), which has policy-making and control functions for the Agency.

<b>BOARD OF DIRECTORS</b>	
Chair	Rocco SABELLI
Chief Executive Officer	Bernardo MATTARELLA
Directors	Claudia COLAIACOMO Carmela D'AMATO Anna LAMBIASE
<b>BOARD OF STATUTORY AUDITORS</b>	
Chair	Mauro ZANIN
Statutory Auditors	Antonella BIENTINESI Cristiano MACCAGNANI
Deputy Auditors	Marco CANZANELLA Maria Letizia GAMBA
<b>Supervising Magistrate of the Court of Auditors</b>	Vittorio Raeli
<b>AUDITING FIRM</b>	Deloitte & Touche S.p.A

The governance model adopted by the Agency is the ordinary one, also known as the traditional one, and provides for the presence of a Board of Directors and Board of Statutory Auditors; the statutory auditing activities are entrusted to the Independent Auditors.

This system is considered the most suitable to ensure the efficiency of management, the effectiveness of controls and the sound and prudent management of the Group, as well as being characterised by a clear separation of the administrative body and the control body, functional to the most efficient exercise of their respective functions.

The exercise of the strategic supervision function is entrusted to the Board of Directors in all Group companies. The exercise of the management function is attributed to a Managing Director, while in CRO it is attributed to the same Board of Directors shared with the General Manager and in Italy Tourism to a sole Director.

Internal governance is structured so as to provide for:

- an adequate dialectic between corporate bodies, corporate structures and management within each Group Company and towards the Parent Company;
- a complete clarification of the role of the corporate bodies of each Group company and a balanced distribution of tasks and responsibilities among them and vis-à-vis the Parent Company's corporate bodies.

The Parent Company has promoted a tendency of homogeneity of the respective organisational models, functional to the best exercise of management and coordination activities in respect of the same. In exercising this management and coordination activity in respect of Subsidiaries, the Parent Company adopts the procedures and issues the provisions that these Companies must observe with a view to efficient management and effective controls. The Parent Company's specific powers are



exercised within the framework of the general guidelines defined by the Board of Directors with the coordination of the Chief Executive Officer, who makes use of the various company structures to perform the functions of management, coordination and control of the Group Companies. Appropriate regulations and policies also govern the flow of information to Invitalia's corporate bodies, in order to make the Parent Company's activities efficient.

The competencies of the individual corporate bodies are described in the section 'Report on Corporate Governance and Ownership Structures' later in this report.

## REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

The following report describes the main features of the risk management and internal control systems related to the financial reporting process (Article 123-bis, second par., letter b) of the Consolidated Law on Finance).

The governance model adopted by the Agency is the ordinary one, also known as the traditional one, and provides for the presence of a Board of Directors and Board of Statutory Auditors; the statutory auditing activities are entrusted to the Auditing Firm.

The responsibilities of the individual corporate bodies are summarised below:

**The Shareholders' Meetings** have the task of passing resolutions in ordinary session on the matters provided for by the Civil Code.

The **Board of Directors** has the broadest powers for the ordinary and extraordinary administration of the Company. Since it is an 'in house' company, it is subject by law to similar control by MIMIT, consequently some specific resolutions of the Board of Directors are subject to authorisation by the supervising Ministry.

The **chairpersons**, appointed by the Shareholders' Meetings, are vested with the powers to supervise internal control activities and handle external institutional relations. Furthermore, the Chairperson does not hold any other management position within the organisation.

The **Managing Directors**, appointed by the BoD, are vested with all powers of ordinary and extraordinary administration, without prejudice to the matters reserved by law and the Articles of Association to the Shareholders' Meeting, the Chairman and the BoD. They ensure, among other things, that the organisational, administrative and accounting structure is appropriate to the nature and size of the company and report to the BoD and the Board of Statutory Auditors on the general performance of operations and the outlook, as well as on the most significant transactions.

The **Boards of Statutory Auditors** oversee compliance with the law and the Articles of Association, compliance with the principles of proper administration and, in particular, the adequacy of the organisational, administrative and accounting structure adopted by the companies.

The activity of **statutory auditing** is entrusted to a specialised company listed in the appropriate register, appointed by the Shareholders' Meetings on the basis of a reasoned proposal by the Boards of Statutory Auditors.

Finally, the Parent Company is subject to the control of the Court of Auditors exercised through a delegated magistrate who attends the meetings of the Corporate Bodies, who has appointed Vittorio Raeli as his delegate.

The Board of Directors is supported by two internal committees of an advisory nature that draw up opinions on issues within their remit:

- **Appointments and Remuneration Committee:** with regard to appointments within the Board's competence and remuneration policies for Directors and company executives with top management responsibilities;

- **Risks and Related Parties Committee:** in order to the company's risk management system as well as the assessment of related party transactions.

Pursuant to Article 2 of the Decree of the Minister of Economic Development of 4 May 2018, the National Agency for the Attraction of Investments and Enterprise Development S.p.A. and, through it, its subsidiaries, submit the following acts to the Ministry of Economic Development for prior approval:

- a) the management forecast document referred to in Article 1, par. 460 of Law 296/2006 and any update thereof;
- b) the appointment of directors if not chosen among the directors and managers of the Agency;
- c) proposals for the removal of directors, if not chosen from among the Agency's directors and managers;
- d) proposals for significant amendments to the companies' statutes;
- e) proposals for the appointment and removal of liquidators, if not chosen from among the directors and managers of the Agency;
- f) all other acts for which the Reorganisation and Divestment Plan and the relevant ministerial decree of approval of 31 July 2007 require prior approval.

## INTERNAL CONTROL SYSTEM

The Parent Company has adopted an Organisational, Management and Control Model to comply with Legislative Decree 231/2001, aimed at exempting the company from administrative liability in the event of certain offences committed by directors or employees in the performance of their duties.

The adaptation process, extended to all Group companies, took place through the definition of the aforementioned Model, which consists of a series of documents:

### Code of Ethics

Invalitalia and its subsidiaries, in fulfilment of the mission assigned to it by the Government, pursue the achievement of its objectives through a corporate action carried out in compliance with legality and the fundamental rights of the individual, based on clear and transparent rules.

The Group's Code of Ethics identifies the corporate values and highlights the set of rights and duties of all those who, in any capacity, operate within the Group, indicating the rules of conduct to be observed with respect to all stakeholders.

Invalitalia's personnel, in the performance of their duties, ensure the quality of services, the prevention of corruption phenomena, and compliance with the duties of diligence, loyalty, impartiality and exclusive service to the care of the public interest.

### Organisation, Management and Control Model

The internal control system is the set of rules, procedures and organisational structures aimed at allowing, through a process of identification, measurement, management and monitoring of the main risks, a sound, correct and coherent management of the company in accordance with its objectives. In fact, an effective internal control system, in addition to safeguarding the company's assets, helps to ensure the efficiency and effectiveness of company operations, the reliability of accounting and management data and compliance with laws and regulations. This system is subject to verification and updating over time in order to constantly guarantee its suitability and to oversee the main risk areas of the company's activities, in relation to the typical nature of its operating sectors and organisational configuration, also in relation to any legislative and regulatory changes.

The basic lines of the internal control system and the organisational structure have been defined to ensure that tasks and responsibilities are clearly and appropriately allocated, with particular regard to delegation mechanisms.

The Model was prepared in accordance with the dictates of the Legislative Decree and on the basis of the guidelines drawn up by Confindustria and describes:

- basic principles and objectives;
- tasks of the Supervisory Board;
- methods of dissemination and application of the contents on the Parent Company and Group Companies;
- offences and related disciplinary system;
- organisational procedures and control protocols, drawn up on the basis of the mapping of risk areas and aimed at ensuring adequate preventive supervision.

In accordance with Legislative Decree 231/2001, the Board of Directors has:

- approved and adopted the Model as an expression of the Company's Governing Body;
- established the Supervisory Board (SB), composed of two external members with high levels of professionalism, and an internal member. The Supervisory Board has the task of ensuring the effectiveness, verifying compliance and ensuring that the Model itself is updated, was renewed on 30.03.2023, will remain in office for three years and may be revoked if the necessary requirements are no longer met.

The main players in Invitalia's Internal Control and Risk Management System are the Board of Directors, the Board of Statutory Auditors, the Supervisory Board, the Auditing Company, the Head of the Internal Auditing Function, the Manager in charge of drafting the corporate accounting documents, the Anti-Corruption Prevention Officer and the Anti-Money Laundering Officer, each in the performance of their respective roles and tasks in terms of control.

The Internal Auditing function is entrusted with the task of carrying out systematic interventions, including inspections, for the Parent Company and the Group's companies, concerning the correct performance of corporate verification processes, in accordance with the provisions of the Integrated Organisation, Management and Control Model.

Following the mapping of risk areas, control systems were identified, in line with the provisions of the Organisation, Management and Control Model, also aimed at preventing bribery offences and managing the related risk.

The Head of Corruption Prevention, appointed by the Board of Directors, is responsible for the following activities:

- drafting and preparing the proposal of the Prevention of Corruption and Transparency Plan (PPCT) on an annual basis;
- verifying the effective implementation of the PPCT and its suitability, proposing its amendment in the event of ascertained significant violations or in the event of changes in the organisation or in the activities performed;
- monitoring the implementation of and compliance with the protocols and measures set out in 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 provided for, in the offices/departments responsible for carrying out the activities in the scope of which the risk of corruption offences being committed is higher;
- promoting, in agreement with the SB, the dissemination and knowledge of the Model and the Code of Ethics;
- managing communication channels for reporting unlawful and/or suspicious conduct and/or conduct that is not in line with the determinations/protocols established by the Code of Ethics and Model 231;
- managing anomalies, violations found, or reports received, also through appropriate channels of cooperation/communication with the Supervisory Body, with the activation of specific inspections;
- reporting annually on its activities to the Chairperson and to the Managing Director, in fulfilment

of the communication obligations to the Board of Directors, or in all cases in which it deems it appropriate.

Following Law 262/2005 'Law on Savings', the Parent Company has defined rules and methods for the establishment and maintenance of the Internal Control System on Financial Reporting (ICFR) in order to comply with the regulations in force for companies in the field.

The model adopted by the Parent Company is the 'Internal Control - Integrated Framework' framework published in May 2013 by the Committee of Sponsoring Organisations of the Treadway Commission (COSO), the components of which represent the benchmark against which the ICFR was established, assessed and constantly updated.

The objective of the ICFR System is to ensure the reliability, accuracy, dependability and timeliness of financial reporting. The main stages of the system are:

- identification of risks on financial reporting: this phase involves the analysis of the most relevant corporate processes in terms of their potential impact on the Parent Company's financial reporting. Here, the possible risks of both error and fraud that could potentially affect financial reporting are analysed and included;
- identification of controls against identified risks: based on the analysis of the financial reporting process, the controls envisaged by the process itself are identified in order to ensure compliance with the relevant risk mitigation, containment and cancellation objectives;
- evaluation of the controls against the identified risks on a periodic basis;
- verification of the effectiveness of the controls against the identified risks.

Consequently, the Parent Company has included, within the scope of the Internal Control System, those processes that are upstream from the preparation of the financial statements and, in particular, those concerning the activities performed by the various functions of the Organisation that generate data and/or information used in the process of preparing accounting documents.

The Manager in charge, on the basis of the powers defined by the articles of association:

- prepares a written statement that certifies the correspondence with the documentary results, books and accounting records of the acts and communications of the company disclosed to the market and relating to accounting information, including interim reports, when provided for;
- prepares, in concert with the Organisation, Planning and PMO function, appropriate administrative-accounting procedures for the preparation of the annual financial statements and, where applicable, the consolidated financial statements, as well as any other communication concerning economic-financial information;
- prepares a specific certification (to be attached to the financial statements and consolidated financial statements and issued jointly with the Chief Executive Officer in compliance with the format approved by Consob) concerning:
  - the adequacy and effective application of administrative-accounting procedures during the period to which the documents refer;
  - the compliance of the documents with the applicable international accounting standards;
  - the correspondence of the documents with the results of the books and accounting records;
  - the suitability of the documents to provide a true and fair representation of the equity, economic and financial situation of the issuer and the group of companies included in the consolidation;
  - the report on operations, for both the annual financial statements and the consolidated financial statements, and in particular that it includes a reliable analysis of the performance and results of operations, as well as the situation of the issuer and the set of companies included in the consolidation, together with a description of the main risks and uncertainties to which the Company is exposed.

The attestation process pursuant to Article 154-bis of the Consolidated Law on Finance is divided into the following phases:

- definition or updating of the scope;
- line monitoring on the adequacy of administrative and accounting procedures; these activities are performed by the Chief Financial Officer Function;
- independent monitoring of the actual application of administrative-accounting procedures (phases I and II), carried out by a person not in hierarchical line with the units responsible for implementing the controls themselves and, therefore, by Internal Auditing;
- assessment of any problems detected and certification.

The process, broken down into the above-mentioned phases, is repeated on an annual basis, in order to comply with the certification obligations on the annual financial statements and the consolidated financial statements set forth in par. 5 of Article 154-bis of the Consolidated Law on Finance.

Depending on the timing of the monitoring activities on the actual application and the need to detect possible problems and/or anomalies in time and promptly identify the relevant corrective actions, two moments of sharing are identified, which are expressed in the presentation by the Internal Auditing Function to the Executive in Charge of Financial Reporting of the:

- interim report on the monitoring activity, illustrating the progress of the activities and the summary of the problems encountered at the date;
- final report on monitoring activities, following the annual closing activities and aimed at the annual attestations pursuant to par. 5, which includes the summary of any anomalies or problems detected and other information supporting the assessment of the adequacy and effective application of administrative and accounting procedures.

The Parent Company adopts an integrated and widespread risk management and control system at various levels of the organisational and corporate structure. In order to ensure the safeguarding of corporate assets, shareholder protection, as well as transparency and integrity of conduct.

Invitalia has adopted a procedure for transactions with interests of directors, statutory auditors and strategic managers, and transactions with related parties.

### **Main characteristics of the existing Internal Control and Risk Management System in relation to the financial reporting process, pursuant to Article 123-bis, par. 2, letter b), TUF**

The main risks, identified according to the nature of the risk itself, are described below: strategic, financial, compliance and operational risks.

To tackle all the above-mentioned risks, Invitalia adopts the system of control procedures set out in the Organisation, Management and Control Model and Code of Ethics, reinforced by the adoption of the Prevention of Corruption and Transparency Plan (PPCT) drawn up pursuant to Law 190/2012.

The Internal Audit function is entrusted with the task of carrying out systematic interventions, including inspections, to verify the correct performance of corporate processes.

In Group companies, control activities are carried out at all hierarchical and functional levels of the organisational structure. All corporate structures are committed, in relation to their specific levels of responsibility and assigned tasks, to exercising controls over the processes and operational activities falling within their competence.

In particular, for companies that perform banking activities (MCC and CRO), control activities are performed at all hierarchical and functional levels of the organisational structure. All corporate structures are committed, in relation to their specific levels of responsibility and assigned tasks, to exercising controls over the processes and operational activities falling within their competence. The results of the controls then flow into an articulated system of reporting and information flows that has as its final recipients the Supervisory Authority, the governing, management and control Bodies, based on the periodicity and content established by external and internal regulations and according to the competences of each Body.

The control levels are divided as follows:

- line controls (so-called 'first-level controls'), aimed at ensuring the proper performance of operations, carried out by the operating structures themselves (e.g. hierarchical, systematic and sample-based controls), also through units dedicated exclusively to control tasks that report to the heads of the operating structures; as far as possible, they are incorporated into IT procedures;
- risk and compliance controls (so-called 'second-tier controls'), under which the second-tier control functions (Anti-Money Laundering; Compliance; Risk Management; ICT and security risk control function) are brought together to ensure, inter alia, the proper implementation of the risk management process; compliance with the operating limits assigned to the various structures; the compliance of company operations with regulations, including self-regulatory ones; and the monitoring and control of ICT and security risks, as well as the verification of the adherence of ICT operations to the system for managing them;
- Internal Audit or Internal Auditing (so-called 'third level controls'), aimed at identifying violations of procedures and regulations as well as periodically assessing the completeness, adequacy, functionality (in terms of efficiency and effectiveness) and reliability of the Internal Control System and of the information system (ICT Audit), with a predetermined frequency depending on the nature and intensity of the risks.

Each Group Company shall adopt an Internal Control System consistent with the Group's strategy and policy on controls in compliance with the indications received from the Parent Company.

With effect from 21 December 2023, the MCC Group has adopted an organisational model of the Internal Control System that provides for the centralisation at the Parent Company of the second level (Compliance, Anti-Money Laundering, Risk Management) and third level (Internal Audit) Corporate Control Functions (FAC) on the basis of specific intragroup outsourcing agreements.

### **Risk Management**

Invitalia has equipped itself with an internal control and risk management system, integrated and disseminated at the various levels of the organisational and corporate structure, which reinforces awareness of the risks to which the Agency is potentially exposed, in order to promote their efficient management in accordance with criteria based on prudence and good governance. This system consists of the set of rules, procedures and organisational structures aimed at ensuring, through an effective and efficient process of identification, monitoring and management of the main risks, the sustainable success of the Company.

In the context of the company's internal control system, the Enterprise Risk Management (ERM) process is aimed at ensuring that informed (risk-informed) decisions are made by management, through risk assessment and analysis with an integrated vision, guaranteeing i) the alignment of risk to company strategies, ii) the safeguarding of both physical and logical (data, information) company assets, iii) the efficiency and effectiveness of company processes, and iv) compliance with laws and regulations, as well as with the company's bylaws and internal procedures.

Invitalia's ERM model, inspired by international best practices, makes use of a methodological and competence system that relies on criteria that ensure the consistency of assessments, adequate support for key decision-making processes, and adequate reporting to management and supervisory bodies.

The Chief Risk Officer (CRO), reporting directly to the CEO, ensures the integrated management of corporate risks, consistent with the Risk Appetite Framework defined by the Board of Directors, and supports the business through the definition, updating and development of methodologies, metrics and operational tools for the proper measurement and management of risks. The CRO periodically reviews the ERM model on the basis of the evolution of the internal context (organisational, governance and process changes) and external context (regulations, reference frameworks, best practices) with the contribution of the corporate organisational units involved in the Risk Management process.

The ERM process is continuous and dynamic and consists of the following phases:

1. definition of the Risk Model and Risk Appetite, approved by Invitalia's Board of Directors;
2. performance of Risk Assessment, based on quantitative and/or qualitative assessments and periodically updated in order to take into account any organisational changes, processes or trends in the level of risk assumed;
3. treatment of risks, identifying the best strategy to be implemented according to the balance between implementation costs and expected benefits;
4. formalisation and periodic reporting of Risk Assessment results to senior management and control bodies;
5. periodic and ad hoc monitoring of risks, including through the use of specific indicators aimed at identifying changes in the level of exposure to risks.

As far as banking companies are concerned, the Mediocredito Centrale Group (MCC) has adopted its own organisational structure and internal regulations on Risk Management, in compliance with the regulatory provisions applicable to a financial institution.

### REMUNERATION OF EXECUTIVE DIRECTORS

The Board of Directors, having heard the opinion of the Board of Statutory Auditors, determines the amount of the remuneration, pursuant to Article 2389, par. 3, of the Italian Civil Code, of the Chairman and the Managing Director.

Pursuant to the Articles of Association, it is forbidden to pay attendance fees to members of the Board of Directors and Statutory Auditors, and there is a limit on the amount of remuneration that may be paid to members of committees with advisory or proposal functions set up within the Board, where necessary.

With reference to the year under review, the following fees were paid to the Board of Directors in office:

- the remuneration pursuant to Article 2389, par. 1, of the Italian Civil Code for the Board Members and the Chairman of the Board of Directors was established by the Shareholders' Meeting at the meeting of 06.07.2022 as follows:

<b>Chair</b>	<b>Annual remuneration, term of office as Chairman</b>
Remuneration for office	50,000.00
<b>Chief Executive Officer</b>	<b>Annual remuneration, term of office as Director</b>
Remuneration for office	25,000.00

- In the meeting of 8 July 2022, the Board of Directors, following the decisions of the Shareholders' Meeting, conferred powers on the matters authorised by the Shareholders' Meeting on the Chairman, Engineer Rocco Sabelli, and appointed Mr. Bernardo Mattarella as Chief Executive Officer, granting him the relevant powers;
- the Board of Directors in its meeting of 5 August 2022, in consideration of the delegated powers conferred, resolved - in addition to that resolved by the Shareholders' Meeting for the remuneration pursuant to Article 2389, par. 1, of the Italian Civil Code; - to establish for the Chairperson a remuneration of the administration relationship pursuant to Article 2389, par. 3, of the Italian Civil Code in the amount of € 50,000 gross per year, and for the Chief Executive Officer - in addition to the pertinent executive remuneration - a remuneration of the administration relationship pursuant to Article 2389, par. 3, of the Italian Civil Code in the amount of a fixed part equal to € 160,000 gross per year (which for the year under review concerns nine twelfths) and a variable part equal to 50% of the fixed part.

The CEO, in fact, had declared that he would waive the remuneration of the directorship pursuant to Article 2389, par. 3 of the Italian Civil Code as long as he retained his position as CEO of Mediocredito Centrale - Banca del Mezzogiorno. At its meeting of 30 March 2023, the Board, in consideration of

the imminent replacement and the fact that both offices had been fully completed during the period, deemed the waiver formulated at the time to have been superseded.

At its meeting of 5 August 2022, the Board of Directors resolved to establish the following Committees:

- Appointments and Remuneration Committee, chaired by Claudia Colaiacomo;
- Risks and Related Parties Committee, chaired by Carmela D'Amato.

The aforementioned Committees are composed of non-executive directors.

Pursuant to the fourth par. of Article 16 of the Articles of Association, each member of the Committees was paid a gross annual fee of € 7,500.

The total gross annual emoluments paid to Mr. Mattarella, for the position of General Manager are equal to € 586,100 - in addition to the variable parts (the latter possibly to be paid to an extent correlated to the achievement of predefined objectives, determined by the Board of Directors on the proposal of the Appointments and Remuneration Committee).



## SUBSEQUENT EVENTS

Significant events that occurred after the balance sheet date of the consolidated companies are reported below.

### Strategic Plan

The Minister of Enterprise and Made in Italy (MIMIT), having obtained the agreement of the central governmental administrations, which have provided for the Agency's entrustment (Article 2, par. 2, MISE Ministerial Decree of 4 May 2018) and approved the Agency's Strategic Plan, which constitutes Invitalia's 'Foresight Document' pursuant to Article 1, par. 460 of Law 296 of 2006, in a communication dated 19 March 2024.

### Bagnoli

The Government has allocated public financing for the implementation of the Bagnoli site reclamation-infrastructure-regeneration programme for a total amount of approximately € 1,700 million, of which € 1,218 million allocated under Article 14 of Decree-Law 60 of 7 May 2024 'Further urgent provisions on cohesion policies' published in the Official Gazette no. 105 of 7 May 2024.

### DRI D'Italia S.p.A.

By Law 175/2022, DRI was designated as the implementing party of the decarbonisation process of the Italian steel sector, with the consequent allocation of resources of up to € 1 billion from the NRRP funds for the use of hydrogen in carbon-intensive sectors. Following the EU - ECOFIN Council execution decision of 8 December 2023, through which the revision of Italy's NRRP was approved, which cancelled the € 1 billion financial allocation (in relation to the measure earmarked for the 'use of hydrogen in hard-to-abate sectors', which was scheduled to be completed by June 2026), Decree Law 19 of 2 March 2024 intervened, refinancing the measure for € 1 billion over the 2024-2029 period.

### Acciaierie d'Italia Holding S.p.A. (ADIH)

As previously mentioned, in November 2023, the Company detailed its financial needs, taking into account both working capital requirements and investment requirements, aimed at a production ramp-up to 4.5 million tonnes, an acceleration of investments in decarbonisation in 2024, and the purchase of assets from ex-Ilva in extraordinary administration (hereinafter 'AS').

The lack of proprietary assets (the plants being owned by the ex-Ilva in AS) and the planned termination of the lease agreement on 31 May 2024, jeopardised access to bank credit, so the Shareholders were called upon to grant another shareholder loan for a future capital increase in the total amount of € 1.320 billion, but despite lengthy meeting proceedings and repeated attempts, the Shareholders did not reach an agreement on the financial support to be provided to the company.

Therefore, as at 20 February 2024 Acciaierie d'Italia S.p.A. was admitted to extraordinary administration pursuant to Decree Law 4 of 18 January 2024 (amending Decree Law 347 of 23 December 2003), with subsequent extension of the extraordinary administration procedure also to AdI Tubiforma, AdI Energia, AdI Servizi Marittimi, and AdI Socova. Lastly, it should be noted that, by decree of the Minister of Enterprise and Made in Italy and at the request of the Commissioners of ADI, extraordinary administration was ordered for ADIH, and that the Court of Milan's ruling on the existence of the conditions for the company's insolvency is currently pending.

In the first months of 2024, following the financial crisis of the group and the consequent non-payment of the obligations undertaken, certain guarantees and counter-guarantees granted by Invitalia in favour of ADIH and its subsidiaries were enforced, in proportion to the share capital held under the co-investment agreement signed with the Arcelor Mittal group. More in detail:

- with regard to the Performance Bond in favour of Banca Intesa San Paolo, on 6 March 2024, Invitalia paid, as a first tranche, the sum of € 8,517,869.90 in favour of AMSA;
- on 26 March 2024, it paid to AMSA the total sum of € 13,051,817.25;
- on 23 May, it paid, again in favour of AMSA, the sum of € 13,945,234.04;
- finally, on 30 May 2024, a novation settlement agreement was reached with ENI, aimed at obtaining a deferred payment to 28 June 2024 of the amount of € 28,319,671.72 linked to the guarantee provided against gas supplies.

These guarantees had been granted by Invitalia as a consequence of the signing of the investment agreement with the Arcelor Mittal Group which took place at the indication of the Government using the contributions received in application of Article 1 of Decree Law 142 of 16 December 2019. Consistently, the Company took action by immediately bringing to the attention of the MEF the amounts already paid and to be paid, against the enforced guarantees were immediately brought to the attention of the MEF, in order to identify the most suitable modalities of reimbursement of the same, considering the particular nature of the acquisition of the shareholding occurred in implementation of the legal provision (Decree Law 142/2021).

Discussions have been initiated with the MEF for the use of resources already at Invitalia's disposal to cover all charges related to the guarantees and counter-guarantees issued in the interest of ADIH.

### **Infratel**

Regarding the disputes between Infratel and Open Fiber for the implementation of the BUL plan, on 02.05.2024, a Technical Advisory Board (CCT) was formed, as provided for by the new Tenders Code, consisting of representatives appointed by both companies, whose determinations will be in the nature of an arbitration award pursuant to Article 808 ter of the Italian Criminal Code.

On 09 May 2024, the parties jointly notified the CCT of two technical questions concerning the 'increase in the cost of materials or whether the same can be qualified as a force majeure event and, therefore, whether it can be dealt with within the rebalancing procedure of the Financial Economic Plan' and 'reduction of the price due to the Licensee, proportional to the lower number of Real Estate Units actually covered'.

At its meeting of 29 May 2024, the CCT expressed a favourable opinion on both questions: unanimously for the first, with the consequent probable rebalancing of the Economic and Financial Plan, and by a majority for the second with the important clarification that of the costs of the greater size of the network compared to the estimate for the entire value of the work, nothing is required or may be considered due to O.F., which assumed and continues to assume the risk of the contract, which is far greater than the amount ascertained in the above-mentioned dispute. Also with regard to this second point, the CCT held that the conditions existed to provide for the deduction within the scope of the procedure for the rebalancing of the Economic and Financial Plan of the offer.

It should be pointed out that the decisions of the CCT, which constitute the prerequisite and are preparatory to the procedure of rebalancing the Economic and Financial Plan of the offer, in any case would not have had any direct economic-equity effects on the subsidiary Infratel S.p.A., since these costs do not constitute a direct risk for the company.

### **Business and Funding Plans - MCC**

On 19 March 2024, the MCC Board of Directors approved the Group's Business Plan and Funding Plan for the period 2024-2027.

- The Business Plan confirms the MCC Banking Group's mission to support businesses, with particular attention to those in the South of Italy, the focus on credit, flanked by additional services and products, the continuation of a path of alignment with ESG objectives and operating models, economic and capital sustainability, investment support for the twin transition and the acceleration of the growth path of commercial banks, alongside families and businesses in their reference territories.
- While the Group's Funding Plan outlines forms of coverage for incremental needs, which include new unsecured bond issues, securitisation transactions and interbank funding. These actions aim to ensure compliance with regulatory requirements, in terms of operational and structural liquidity, while meeting the needs of cost-effectiveness and diversification of sources.

For the other consolidated companies, no corporate events occurred that would have a significant impact on the results of operations and financial position.

## FORESEEABLE EVOLUTION OF OPERATIONS

The outlook for the world economy in 2024 is for a moderate slowdown in real growth and further progress in the disinflation process. Monetary policies are expected to be loosened in the major advanced countries. The markets are already anticipating a very aggressive path of reduction of US and European official rates: in the case of the European Central Bank, forward rates incorporate a reduction of up to 75 basis points already in the first half of the year, rising to 100-125 basis points by the end of the year.

The aggravation of tensions in the Middle East region, as well as the prolongation of the conflict in Ukraine, could however disturb the orderly development of these trends by increasing, price volatility and weakening the climate of confidence.

For the Italian economy, consensus forecasts place average annual GDP growth at around 0.6%-0.7%.

The global economic and political context remains characterised by challenges with a significant impact on the Italian System:

- conflicts in Ukraine and the Middle East have an impact on price levels and the semiconductor crisis continues to generate tensions in many supply chains;
- demand for credit is still weak, given the difficulty in accessing credit due to rising interest rates and the perception of risk due to the geopolitical scenario.

The current context outlined above calls for reflection with respect to the main challenges that the country will have to face and on which Invitalia will be called upon to make its contribution: the ecological transition, the modernisation of the PA and its reform, and the consequent acceleration of the NRRP spending programmes.

Within the NRRP, about € 90 billion are earmarked for ecological transition and sustainable mobility with the aim, among other things, of coordinating measures to achieve the goal of de-carbonisation by 2050. Within the framework of measures for the Protection of Land and Water Resources (M2C4 - € 9.87 billion), the NRRP allocates € 5.4 billion to the sustainable management of water resources throughout the cycle, with the aim of improving the environmental quality of marine and inland waters. These are fundamental resources to initiate a profound infrastructural and management renewal.

Among the challenges of the coming years, the modernisation of the PA and its reform, supported by almost € 10 billion in total allocated by the NRRP, integrates several objectives: digitalisation, increasing human capital through new hires and training, and the simplification of administrative processes. The digitisation of the Italian PA suffers from a lack of investment in ICT, despite the acceleration of the last two years. Among the main obstacles to digitisation, all categories of authorities report skills and training deficits. Although the health emergency has led to a general improvement in the supply and familiarity with on-line public services, there remains a significant gap with the EU average in the use of services by citizens, especially for the less educated.

In addition to the new challenges, for the next few years the Agency will continue to operate within its perimeter of competence, specifically in the activities of programme management, contracting station and central purchasing body, and implementer of complex interventions, focusing its attention and expertise on the rescue activities of areas and companies in crisis in order to concretely implement the programmes approved by the CIPE for the redevelopment of supply and contrasting industrial delocalisation. The public investment programmes already underway in the NRRP and in the new 2021-2027 programming period see Invitalia as a protagonist and accelerator both in expenditure programmes and in its consolidated capacity to strengthen the public administration in supporting such commitments.

The Agency will turn its efforts to supporting the strengthening of partnerships with all Administrations for activities ranging from the programming, management and monitoring of financial resources to the management of calls for tenders to local authorities and enterprises, including: Ministry of the Interior, Ministry of Health, Ministry of Labour and Social Policies, Ministry of the Environment and

Energy Security, Ministry of University and Research, Department for Economic Policy Planning and Coordination (DIPE), Ministry of Infrastructure and Transport, Ministry of Agriculture, Food Sovereignty and Forestry, Ministry of Tourism, Commissioners for Reconstruction.

Lastly, the National Agency is called upon to cooperate effectively with the spending administrations in implementing the actions of the NRRP and the related Complementary Plan and their implementation modalities for the reference administrations for the benefit of the implementing structures.

In this context, and within the current framework outlined, Invitalia will continue to operate by implementing all the support measures envisaged, providing support in every area in which the Agency will be called upon to operate, considering its consolidated experience in supporting public administrations with particular regard to the implementation of the investments envisaged in the NRRP.

The following is expected for 2024:

- a solid growth in the Value of Production (+ € 28.5 million, + 12.1% compared to 2023) determined both by the intensification of activities on orders in the portfolio and by the scouting of new opportunities;
- a substantial stability of the workforce and a slight containment of overhead labour costs achievable through a more efficient allocation of resources, despite the forecasts of contractual adjustments and recognition of the IPCA;
- an increase in operating expenses caused by inflationary phenomena, an increase in IT services and investments in personnel training;
- a significant improvement in the results of subsidiaries, with particular reference to the Mediocredito Centrale Group due to the increase in net interest income;
- an increase in net profit in line with budget forecasts.

For more details on the main business developments, please refer to the chapters commenting on economic and financial results and risk factors.

# CONSOLIDATED FINANCIAL STATEMENT





## BALANCE SHEET ASSETS

Items		2023	2022
10.	CASH AND CASH EQUIVALENTS	447,479	223,465
20.	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	150,344	172,716
	a) financial assets held for trading	5,06	13,356
	b) financial assets designated at fair value	-	-
	c) other financial assets mandatorily measured at fair value	145,284	159,36
30.	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	1,109,860	1,178,814
40.	FINANCIAL ASSETS MEASURED AT AMORTISED COST	6,553,951	5,575,663
	a) Loans to banks	1,270,532	1,064,022
	b) Loans to financial companies	346,184	320,056
	c) Loans to customers	4,937,235	4,191,585
50.	HEDGING DERIVATIVES	30,5	26,93
60.	CHANGES IN FAIR VALUE OF PORTFOLIO HEDGED ITEMS (+/-)	-	-
70.	EQUITY INVESTMENTS	487,576	897,978
80.	PROPERTY, PLANT AND EQUIPMENT	308,153	289,849
90.	INTANGIBLE ASSETS	228,511	171,883
	of which:	-	-
	- goodwill	-	-
	- other intangible assets	228,511	171,883
100.	TAX ASSETS	59,431	79,538
	a) current	17,446	17,55
	b) deferred	41,985	61,988
110.	NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	77,331	84,59
120.	OTHER ASSETS	1,661,454	842,78
<b>TOTAL</b>		<b>11,114,590</b>	<b>9,544,206</b>

## BALANCE SHEET LIABILITIES

Items		2023	2022
10.	FINANCIAL LIABILITIES MEASURED AT AMORTISED COST	5,556,457	5,259,487
	a) payables	4,646,430	4,405,412
	b) securities issued	910,027	854,075
20.	FINANCIAL LIABILITIES HELD FOR TRADING	-	-
30.	FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE	-	-
40.	HEDGING DERIVATIVES	11,736	20,675
50.	FAIR VALUE CHANGE OF FINANCIAL LIABILITIES IN HEDGED PORTFOLIOS (+/-)	-	-
60.	TAX LIABILITIES	6,852	4,983
	a) current	5,547	3,964
	b) deferred	1,305	1,019
70.	LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE	4,601	6,285
80.	OTHER LIABILITIES	4,636,742	3,389,425
90.	EMPLOYEE TERMINATION INDEMNITIES	11,529	10,734
100.	PROVISIONS FOR RISKS AND CHARGES	43,525	49,229
	a) commitments and guarantees provided	1,674	2,576
	b) pensions and similar obligations	3,381	3,363
	c) other provisions for risks and charges	38,47	43,29
110.	CAPITAL	836,384	836,384
120.	TREASURY SHARES (-)	-	-
130.	EQUITY INSTRUMENTS	-	-
140.	ADDITIONAL PAID-IN CAPITAL	-	-
150.	RESERVES	(1,971)	20,317
160.	VALUATION RESERVES	(17,154)	(34,42)
170.	PROFIT (LOSS) FOR THE YEAR (+/-)	12,004	(31,081)
180.	MINORITY SHAREHOLDERS EQUITY (+/-)	13,885	12,188
<b>Total</b>		<b>11,114,590</b>	<b>9,544,206</b>



## INCOME STATEMENT

Items	2023	2022
10. INTEREST AND SIMILAR INCOME	198,852	61,927
of which: interest calculated using the effective interest method	190,479	60,201
20. INTEREST EXPENSES AND SIMILAR EXPENSE	(132,216)	(34,704)
<b>30. NET INTEREST INCOME</b>	<b>66,636</b>	<b>27,223</b>
40. FEE AND COMMISSION INCOME	532,122	470,865
50. FEE AND COMMISSION EXPENSE	(264,36)	(258,17)
<b>60. NET COMMISSIONS INCOME</b>	<b>267,762</b>	<b>212,695</b>
70. DIVIDENDS AND SIMILAR INCOME	310	9
80. NET RESULT FROM TRADING ACTIVITIES	804	(2,179)
90. NET RESULT FROM HEDGING ACTIVITIES	(494)	553
100. PROFIT (LOSS) ON DISPOSAL OR REPURCHASE OF:	4,752	1.052
a) financial assets measured at amortised cost	4,752	90
b) financial assets measured at fair value through other comprehensive income	-	962
c) financial liabilities	-	-
110. NET RESULT OF OTHER FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)	6,574	(6,835)
a) financial assets and liabilities designated at fair value	-	-
b) other financial assets mandatorily measured at fair value	6,574	(6,835)
<b>120. NET INTEREST AND OTHER BANKING INCOME</b>	<b>346,344</b>	<b>232,518</b>
130. NET LOSSES/RECOVERIES FOR CREDIT RISKS ASSOCIATED WITH:	(29,002)	(4,107)
a) financial assets measured at amortised cost	(28,993)	(4,141)
b) financial assets measured at fair value with impact on comprehensive income	(9)	34
140. PROFITS/LOSSES FROM CONTRACTUAL CHANGES WITHOUT DERECOGNITION	(16)	(12)
<b>150. NET INCOME OF FINANCIAL ACTIVITIES</b>	<b>317,326</b>	<b>228,399</b>
160. ADMINISTRATIVE EXPENSES:	(314,624)	(244,005)
a) personnel expenses	(249,863)	(188,716)
b) other administrative expenses	(64,761)	(55,289)
170. NET PROVISIONS FOR RISKS AND CHARGES	(2,255)	(8,49)
a) commitments for guarantees given	552	1,533
b) other net provisions	(2,807)	(10,023)
180. NET ADJUSTMENTS TO PROPERTY, PLANT AND EQUIPMENT	(26,449)	(21,992)
190. NET ADJUSTMENTS TO INTANGIBLE ASSETS	(20,546)	(13,337)
200. OTHER OPERATING INCOME/EXPENSES	82,781	59,759
<b>210. OPERATING EXPENSES</b>	<b>(281,093)</b>	<b>(228,065)</b>
220. PROFIT (LOSS) ON EQUITY INVESTMENTS	(3,191)	1,348
230. NET RESULT OF FAIR VALUE MEASUREMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS	-	-
240. GOODWILL VALUE ADJUSTMENTS	-	-
250. PROFIT (LOSS) ON DISPOSAL OF INVESTMENTS	8	-
<b>260. PROFIT (LOSS) ON CONTINUING OPERATIONS BEFORE TAXES</b>	<b>33,05</b>	<b>1,682</b>
270. INCOME TAX FOR THE YEAR FROM CONTINUING OPERATIONS	(14,283)	(14,819)
<b>280. PROFIT (LOSS) ON CONTINUING OPERATIONS AFTER TAXES</b>	<b>18,767</b>	<b>(13,137)</b>
290. PROFIT (LOSS) ON DISCONTINUED OPERATIONS AFTER TAXES	(5,596)	(17,944)
<b>300. PROFIT (LOSS) OF THE YEAR</b>	<b>13,171</b>	<b>(31,081)</b>
<b>310. MINORITY PROFIT (LOSS) OF THE YEAR</b>	<b>(1,167)</b>	<b>-</b>
<b>320. PARENT COMPANY'S PROFIT (LOSS) OF THE YEAR</b>	<b>12,004</b>	<b>(31,081)</b>

## STATEMENT OF OTHER COMPREHENSIVE INCOME

Items	2023	2022
<b>10. Net profit (loss) for the year</b>	<b>13,171</b>	<b>(31,081)</b>
<b>Other comprehensive income after tax not reclassified to profit or loss</b>	<b>(167)</b>	<b>(3,198)</b>
20. Equity instruments designated at fair value through other comprehensive income	22	(4,253)
30. Financial liabilities designated at fair value with impact on profit or loss (changes in own creditworthiness)	-	-
40. Hedges of equity securities designated at fair value with impact on comprehensive income	-	-
50. Property, plant and equipment	-	-
60. Intangible assets	-	-
70. Defined benefit plans	(189)	1,055
80. Non-current assets and disposal groups held for sale	-	-
90. Portion of valuation reserves from investments valued at equity method	-	-
<b>Other comprehensive income after tax not reclassified to profit or loss</b>	<b>20,666</b>	<b>(26,043)</b>
100. Foreign investments hedging	-	-
110. Foreign exchange differences	-	-
120. Cash flow hedging	-	-
130. Hedging instruments (non-designated items)	-	-
140. Financial assets (other than equity securities) measured at fair value through other comprehensive income	20,666	(26,043)
150. Non-current assets and disposal groups held for sale	-	-
160. Part of valuation reserves from investments valued at equity method	-	-
<b>170. Total other comprehensive income after tax</b>	<b>20,499</b>	<b>(29,241)</b>
<b>180. Comprehensive income (Item 10+170)</b>	<b>33,670</b>	<b>(60,221)</b>
190. Minority consolidated other comprehensive income	1,683	(781)
<b>200. Parent company's Consolidated other comprehensive income</b>	<b>31,987</b>	<b>(59,440)</b>

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY 31/12/2021 - 31/12/2022														
	Balance as at 31/12/2021	Change in opening balances	Balance as at 01/01/2022	Allocation of previous year's result		Changes in reserves	Changes during the year						Group shareholders' equity at 31/12/2022	Minority shareholders' equity at 31/12/2022
				Reserves	Dividends and other allocations		Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Other changes	Overall income for the year 31/12/2022		
Capital	836,384	-	836,384	-	-	-	-	-	-	-	-	-	836,384	-
Additional paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserves	(44,478)	-	(44,478)	84,452	-	(19,657)	-	-	-	-	-	-	20,317	-
- of profits	(25,004)	-	(25,004)	84,452	-	672	-	-	-	-	-	-	60,12	-
- others	(19,474)	-	(19,474)	-	-	(20,329)	-	-	-	-	-	-	(39,803)	-
- of which Art. 47 of Decree Law 19/5/2020	(22,197)	-	(22,197)	-	-	-	-	-	-	-	-	-	(31,851)	-
Valuation reserves	(2,662)	-	(2,662)	-	-	(2,618)	-	-	-	-	-	-	(34,42)	-
Profit (loss) for the year	84,452	-	84,452	(84,452)	-	-	-	-	-	-	-	-	(31,081)	-
<b>Total shareholders' net equity</b>	<b>873,696</b>	-	<b>873,696</b>	-	-	<b>(22,275)</b>	-	-	-	-	-	-	<b>791,2</b>	-
<b>Minority shareholder's equity</b>	<b>(6)</b>	-	<b>(6)</b>	-	-	<b>12,975</b>	-	-	-	-	-	-	<b>12,188</b>	-

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY 31/12/2022 - 31/12/2023															
	Balance as at 31/12/2022	Change in opening balances	Balance as at 01/01/2023	Allocation of previous year's result		Changes in reserves	Changes during the year						Group shareholders' equity at 31/12/2023	Minority shareholders' equity at 31/12/2023	
				Reserves	Dividends and other allocations		Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Other changes	Overall income for the year 31/12/2023			
Capital	836,384	-	836,384	-	-	-	-	-	-	-	-	-	836,384	-	
Additional paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Reserves	19,506	-	19,506	(31,081)	-	9,604	-	-	-	-	-	-	(1,971)	-	
- of profits	60,12	-	60,12	(31,081)	-	(16,064)	-	-	-	-	-	-	12,975	-	
- others	(40,614)	-	(40,614)	-	-	25,668	-	-	-	-	-	-	(14,946)	-	
- of which Art. 47 of Decree Law 19/5/2020	(31,851)	-	(31,851)	-	-	31,851	-	-	-	-	-	-	-	-	
Valuation reserves	(33,609)	-	(33,609)	-	-	(3,528)	-	-	-	-	-	-	19,983	-	
Profit (loss) for the year	(31,081)	-	(31,081)	31,081	-	-	-	-	-	-	-	-	12,004	-	
<b>Total shareholders' net equity</b>	<b>791,2</b>	-	<b>791,2</b>	-	-	<b>6,076</b>	-	-	-	-	-	-	<b>829,263</b>	-	
<b>Minority shareholder's equity</b>	<b>12,188</b>	-	<b>12,188</b>	-	-	-	-	-	-	-	-	-	<b>1,683</b>	-	
															<b>13,885</b>

## CASH FLOW STATEMENT (INDIRECT METHOD)

A. OPERATING ACTIVITIES	Amount	
	2023	2022
<b>1. Cash flow from operations</b>	76,904	71,948
- result for the year (+/-)	12,004	(31,081)
- capital gains/losses on financial assets held for trading and on other assets/liabilities at fair value through profit and loss (-/+)	(5,989)	8,709
- capital gains/losses on hedges (-/+)	494	(553)
- net losses/recoveries for credit risk (+/-)	28,254	14,52
- net value adjustments/reversals on property, plant and equipment and on intangible fixed assets (+/-)	46,905	37,136
- net provisions for risks and charges and other costs/revenues (+/-)	(24,057)	(3,723)
- taxes and tax credit not liquidated (+/-)	13,362	16,285
- net value adjustments/write-backs of discontinued operations after tax effects (-/+)	5,515	31,738
- other adjustments (+/-)	416	(1,083)
<b>2. Cash generated/absorbed by financial assets</b>	<b>(910,506)</b>	<b>(856,485)</b>
- financial assets held for trading	8,296	3,763
- financial assets at fair value	-	-
- other financial assets mandatorily measured at fair value	19	9,55
- financial assets measured at fair value through other comprehensive income	85,722	(180,426)
- financial assets measured at amortised cost	(214,494)	(174,385)
- other assets	(809,03)	(514,987)
<b>3. Cash generated/absorbed by financial liabilities</b>	<b>1,165,591</b>	<b>711,11</b>
- financial liabilities measured at amortised cost	304,037	141,925
- due to banks	-	-
- due to financial companies	(37,052)	(2,497)
- due to clients	-	-
- financial liabilities measured at amortised cost	-	-
- financial liabilities held for trading	-	-
- financial liabilities designated at fair value	-	-
- other liabilities	898,606	571,682
<b>Net cash generated/absorbed by operating activities</b>	<b>331,989</b>	<b>(73,427)</b>
<b>B. INVESTING ACTIVITIES</b>		
<b>1. Cash generated by</b>	-	<b>20</b>
- sales of equity investments	-	-
- dividends received on equity investments	-	-
- sales of property, plant and equipment	-	20
- sales of intangible assets	-	-
- sales of business units	-	-
<b>2. Cash absorbed by</b>	<b>(117,975)</b>	<b>(164,963)</b>
- purchases of equity investments	(42)	(59,938)
- purchases of property, plant and equipment	(40,758)	(1,98)
- purchases of intangible assets	(77,175)	(103,045)
- purchases of subsidiaries and business units	-	-
<b>Net cash generated/absorbed by investing activities</b>	<b>(117,975)</b>	<b>(164,943)</b>
<b>C. FUNDING ACTIVITIES</b>		
- issues/purchases of own shares	10,000	26,999
- issues/purchases of equity instruments	-	-
- dividend distribution and other purposes	-	-
- sale/purchase of third-party control	-	-
<b>Net liquidity generated/absorbed by funding activities</b>	<b>10,000</b>	<b>26,999</b>
<b>NET CASH GENERATED/ABSORBED DURING THE YEAR</b>	<b>224,014</b>	<b>(211,371)</b>

Key: (+) generated (-) absorbed

## RECONCILIATION

Balance sheet items	Amount	
	2023	2022
Cash and cash equivalents at beginning of year	223,465	434,836
Total net liquidity generated/absorbed during the year	224,014	(211,371)
Cash and cash equivalents: effect of change in exchange rates	-	-
Cash and cash equivalents at year-end	447,479	223,465



# NOTES TO THE FINANCIAL STATEMENTS







## PART A - ACCOUNTING POLICIES

### A.1 GENERAL SECTION

#### SECTION 1 - DECLARATION OF COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

These Consolidated Financial Statements have been prepared in accordance with the accounting standards issued by the International Accounting Standards Board (IASB) and the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC), endorsed by the European Commission until 31 December 2023, as provided for by European Union Regulation 1606/2002 implemented in Italy by Legislative Decree 38 of 28 February 2005.

In this regard, applying the provisions of par. 20 of IAS 1, the Directors indicate that they:

- believe that the financial statements present fairly the financial position, results of operations and cash flows of the Company;
- have complied with the applicable IFRS.

In preparing the consolidated financial statements, the formats and compilation rules set forth in the Bank of Italy Governor's Order of 17 November 2022 'The Financial Statements of IFRS Intermediaries other than Banking Intermediaries' (hereinafter the Instructions) have been observed.

In this regard, it should be noted that the Agency was exempted by a decree of the MEF of 10 October 2012 from the application of the rules under Title V of the T.U.B. (Consolidated Law on Banking), as it is subject to other equivalent forms of supervision (MEF, Court of Auditors). This exemption does not change its nature as a 'Financial Intermediary' and, consequently, has no impact on the rules governing financial statements previously indicated and applied with continuity over time.

In particular, for the purposes of preparing its financial statements, recourse to the Instructions was deemed by Invitalia to be the preferable solution, the result of a specific choice rather than an obligation: in fact, the obligation to have recourse to the Instructions of the Bank of Italy for the preparation of financial statements is borne exclusively by the entities listed in par. 1.1. of the same Instructions. Since Invitalia's name does not appear on the aforementioned list, it has the option, not the obligation, to prepare its financial statements in accordance with the aforementioned Instructions. It is, however, obliged to use IAS/IFRS as an issuer of listed debt securities. This approach was also confirmed by a legal opinion *pro veritate* issued by a qualified professional.

#### Article 47 of Decree Law of 19 May 2020

During the 2020 financial year, a specific legal provision intervened to regulate certain accounting profiles related to the disposal of real estate by the Agenzia Nazionale per l'attrazione degli investimenti e lo sviluppo d'impresa S.p.A. – Invitalia. In particular, Article 47 of Decree-Law 77 of 19 May 2020 converted by Law 77 of 17 July 2020 (the so-called 'Relaunch Decree'), which provides as follows: *'In order to ensure the full and effective performance of the company's mission and the achievement of the objectives set forth in the business plan and in the regulations in force, Invitalia S.p.A. is authorised to record exclusively in its balance sheet accounts any decreases resulting from the real estate rationalisation and divestment operations carried out, including through newly established companies or companies under public control, including indirectly. The provisions of Article 1, par. 461, last sentence of Law No 296 of 27 December 2006 apply to the reorganisation and transfer operations.'*

This article regulates certain accounting profiles related to property divestment operations by Invitalia in order to ensure the full and effective performance of the company's mission and the achievement of the objectives set forth in the business plan and in the regulations in force, providing for the

recognition of the effects of such operations in the statement of comprehensive income instead of in the income statement. This business plan, formulated and approved by the parent company Invitalia S.p.A. and the MISE (now MIMIT), having a Group-wide scope, indicates actions to be implemented by both Invitalia and its subsidiaries Italia Turismo S.p.A. and Invitalia Partecipazioni S.p.A., and is also binding on these subsidiaries, which own most of the assets being reorganised.

In this context, Invitalia entered into an agreement with Investimenti Immobiliari Italiani SGR S.p.A. - subject to numerous amendments and additions (the last of which took place on 21 April 2023) both of the perimeter of the assets included in the aforementioned agreement and of the time frame of reference - also controlled, like Invitalia, by the MEF, which defined all the main areas of the overall real estate rationalisation and disposal operation. This perimeter is composed of assets mostly held by the wholly-owned subsidiaries Italia Turismo and Invitalia Partecipazioni S.p.A.

In the preparation of the financial statements following the entry into force of the aforesaid regulations, having found the prerequisites of the exceptional circumstances set forth in par. 19 of IAS 1, we proceeded, limited to the aspects and for the reasons described above, to depart from the accounting standards issued by the International Accounting Standards Board (IASB), and the relative interpretations of the International Financial Reporting Interpretations Committee (IFRIC), endorsed by the European Commission, as provided for by European Union Regulation 1606/2002, implemented in Italy by Legislative Decree 38 of 28 February 2005.

In particular, pending the completion of these real estate rationalisation and disposal operations, these accounting methods described above have been used:

- in the consolidated and separate financial statements: for write-downs arising from the alignment of the book value to the market value net of selling costs, if lower, of the real estate assets included in the aforementioned real estate transactions, in accordance with IFRS 5;
- in the separate financial statements only: for the impairment loss arising from the alignment of the carrying amount to the market value net of costs to sell in respect of the investment classified under IFRS 5, limited to the component of this impairment loss arising from the alignment of the carrying amount to the market value, if lower, of the real estate assets included in the aforementioned real estate transaction held by this investee;
- in the separate financial statements only: for the recognition of impairment in accordance with IAS 36 in respect of the equity investment not classified under IFRS 5, limited to the component arising from the alignment of the carrying amount to the market value, if lower, of the real estate assets included in the above-mentioned real estate transaction held by this investee.

In this regard, Invitalia requested and obtained an authoritative opinion, with the support of which it concluded that:

- there is no incompatibility between the provisions of Article 47 of the Relaunch Decree and the EU source governing IAS/IFRS, which allows exceptions in very exceptional cases;
- article 47 of the Relaunch Decree represents a regulatory typification of an exceptional case, such as to justify the non-application of the ordinary IAS/IFRS rule on the subject of the representation in the financial statements of decreases in the value of real estate generated as a result of the rationalisation operation provided for by the business plan with which the specific legislation on the subject is implemented;
- from an accounting point of view, the loss of value attributable to the real estate compendium that is about to be sold, given its nature, in an IAS/IFRS financial statement should first be entered among the 'other components of the statement of comprehensive income' and then be recorded as a reduction of shareholders' equity.

In preparing the consolidated financial statements as at 31 December 2023, the Company has not made any departures from international accounting standards.

## IFRS accounting standards, amendments and interpretations applied as of 1<sup>st</sup> January 2023

The following IFRS accounting standards, amendments and interpretations have been applied for the first time by the Company as at 1 January 2023:

- On 18 May 2017, the IASB published **IFRS 17 - Insurance Contracts** which is intended to replace IFRS 4 - Insurance Contracts. The standard has been applied with effect from 1 January 2023. The objective of the new standard is to ensure that an entity provides relevant information that fairly represents the rights and obligations arising from insurance contracts issued. The adoption of this standard and the related amendment had no impact on the company's financial statements.
- On 7 May 2021, the IASB published an amendment entitled '**Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction**'. The document clarifies how deferred taxes are to be accounted for on certain transactions that may generate assets and liabilities of the same amount at the date of initial recognition, such as leases and decommissioning obligations. The amendments were applied as at 1 January 2023. The adoption of this amendment had no impact on the company's financial statements.
- On 12 February 2021, the IASB published two amendments entitled '**Disclosure of Accounting Policies—Amendments to IAS 1 and IFRS Practice Statement 2**' and '**Definition of Accounting Estimates—Amendments to IAS 8**'. The amendments to IAS 1 require an entity to disclose material information about the accounting policies applied by the Group. The amendments are intended to improve disclosure about the accounting policies applied by the Group so as to provide more useful information to investors and other primary users of financial statements and to help companies distinguish changes in accounting estimates from changes in accounting policy. The amendments were applied as at 1 January 2023. The adoption of these amendments had no impact on the company's financial statements.
- On 23 May 2023, the IASB published an amendment entitled '**Amendments to IAS 12 Income Taxes: International Tax Reform – Pillar Two Model Rules**'. The document introduces a temporary exception to the recognition and disclosure requirements for deferred tax assets and liabilities related to the Pillar Two Model Rules (which are effective in Italy as at 31 December 2023, but applicable as at 1 January 2024) and provides specific disclosure requirements for entities affected by the related International Tax Reform. The document envisages the immediate application of the temporary exception, while the disclosure requirements are applicable only to annual financial statements beginning on or after 1 January 2023, but not to interim financial statements with a closing date prior to 31 December 2023.

## Accounting principles, amendments and interpretations IFRS endorsed by the European Union, not yet mandatorily applicable and not early adopted at 31 December 2023

The following IFRS accounting standards, amendments and interpretations have been endorsed by the European Union but are not yet mandatorily applicable and have not been early adopted by the Company as at 31 December 2023:

- On 23 January 2020, the IASB published an amendment entitled '**Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current**' and on 31 October 2022 published an amendment entitled '**Amendments to IAS 1 Presentation of Financial Statements: Non-Current Liabilities with Covenants**'. The purpose of these amendments is to clarify how to classify payables and other short-term or long-term liabilities. In addition, the amendments also improve the disclosures that an entity must provide when its right to defer settlement of a liability for at least twelve months is subject to compliance with certain parameters (i.e. covenants). The amendments become effective on 1 January 2024; however, earlier application is permitted. The directors do not expect a material effect in the Company's financial statements from the adoption of this amendment.
- On 22 September 2022, the IASB published an amendment entitled '**Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback**'. The document requires the seller-lessee to

measure the lease liability arising from a sale and leaseback transaction in a way that does not recognise income or loss that relates to the retained right of use. The amendments will apply from 1 January 2024, but earlier application is permitted. The directors do not expect a material effect in the Company's financial statements from the adoption of this amendment.

### **IFRS accounting standards, amendments and interpretations not yet approved by the European Union as at 31 December 2023**

At the date of this document, the competent bodies of the European Union have not yet completed the endorsement process necessary for the adoption of the amendments and standards described below.

- On 25 May 2023, the IASB published an amendment entitled '**Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements**'. The document requires an entity to provide additional disclosures about reverse factoring arrangements that enable users of financial statements to evaluate how supplier finance arrangements may affect the entity's liabilities and cash flows and to understand the effect of those arrangements on the entity's exposure to liquidity risk. The amendments will apply from 1 January 2024, but earlier application is permitted. The directors do not expect a material effect in the Company's financial statements from the adoption of this amendment.
- On 15 August 2023, the IASB issued an amendment entitled '**Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability**'. The document requires an entity to apply a consistent methodology for determining whether one currency can be translated into another and, when this is not possible, how to determine the exchange rate to be used and the disclosures to be made in the notes to the financial statements. The amendment will apply from 1 January 2025, but earlier application is permitted. The directors do not expect a material effect in the Company's financial statements from the adoption of this amendment.
- On 30 January 2014, the IASB issued **IFRS 14 - Regulatory Deferral Accounts**, which allows only first-time adopters of IFRSs to continue to recognise amounts relating to rate-regulated activities ('Rate Regulation Activities') under their previous adopted accounting policies. As the Company is not a first-time adopter, this standard is not applicable.

## SECTION 2 - GENERAL PRINCIPLES OF PREPARATION

The Consolidated Financial Statements are prepared in accordance with the general principles referred to in the 'Systematic Framework' (Framework) for the preparation and presentation of financial statements. Accordingly, the financial statements are prepared in accordance with the accrual basis of accounting and on the assumption of a going concern. The general principles of relevance and materiality of information and the prevalence of substance over form have been taken into account in the preparation. Each material class of similar items is presented separately in the financial statements. Items of a dissimilar nature or purpose are presented separately unless they are immaterial. Assets and liabilities, income and expenses are not offset except where this is expressly required or permitted by a standard or an interpretation.

In preparing the financial statements as at 31 December 2023, account was also taken, to the extent applicable, of:

- ESMA's Public statement 32-193237008-1793 of 25 October 2023 'European common enforcement priorities for 2023 annual financial reports' and Consob's Communiqué of 27 October 2023;
- the indications of ESMA, which, on 13 May 2022, published the Public Statement 'Implications of Russia's invasion of Ukraine on half-yearly financial reports', regarding the accounting effects of the Russia-Ukraine conflict on financial reporting.

The financial statements consist of the balance sheet, income statement, statement of comprehensive income, statement of changes in shareholders' equity, cash flow statement and notes to the financial statements, and are accompanied by the directors' Report on Operations.

In addition to the balances for the current year, the financial statements and the tables in the notes to the financial statements also present the corresponding comparative figures for the previous year.

Unless otherwise indicated, the tables in the notes to the financial statements are drawn up in thousands of euro, as for the financial statements mentioned above.

In accordance with Article 5 of Legislative Decree 38/2005, the Consolidated Financial Statements are prepared using the euro as the accounting currency.

These Consolidated Financial Statements were approved by the Board of Directors on 06.06.2024.

No exceptions to the application of IAS/IFRS have been made with the exception of the aforementioned exception to the application of these standards used by the Group as provided for by Article 47 of Decree-Law 77 of 19 May 2020 converted by Law 77 of 17 July 2020.

The following documents were taken into account for interpretation purposes and for application support:

- Conceptual framework for financial reporting;
- Implementation Guidance and Basis for Conclusions;
- SIC/IFRIC interpretation documents;
- Interpretation documents on the application of IFRS in Italy prepared by the Italian Accounting Body (OIC);
- Documents issued by the EBA, ESMA and Consob on the application of specific IFRS provisions.

The following general principles dictated by IAS 1 - 'Presentation of Financial Statements' have been observed in the preparation of these financial statements:

- Going concern: in the analyses performed, it was assessed that the Group will continue to operate as a going concern for the foreseeable future, considering all available information on a medium-term scenario. Furthermore, the equity and financial structure and operating performance do not present any symptoms that could lead to uncertainties at this specific point and, consequently, the financial statements have been prepared on a going concern basis;
- Accrual basis: operating events are recognised in Invitalia's accounts and financial statements (with the exception of cash flow information) at the time they accrue and regardless of their mon-

etary manifestation, and costs and revenues are recognised in the income statement on the basis of the correlation criterion;

- **Materiality and aggregation:** all items containing assets, liabilities, costs and revenues with similar nature and characteristics are presented separately in the financial statements, unless they are immaterial;
- **Offsetting:** no offsetting has been made between assets and liabilities, income and expenses, except where expressly required or permitted by Bank of Italy instructions, an accounting standard or an interpretation;
- **Periodicity of reporting:** Invitalia prepares these financial statements, presenting the related disclosures, on an annual basis, and with respect to past financial years there have been no changes with respect to the closing date of its financial year, which continues to be 31 December of each year;
- **Comparative information:** comparative information is presented for two consecutive financial years (the current and the previous one). This comparative information, both referring to the closing date of the financial year, is provided for each of the individual documents making up the financial statements, including the related notes.

### **SECTION 3 – SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD**

Subsequent to the reporting date and until the date of approval of the financial statements by the Board of Directors on 6 June 2024, no events have occurred that would cause and adjustment to the Company's results of operations and financial position, as required by IAS 10 par. 10.

Referring also to the section 'Subsequent Events' of the Report on Operations, the following events in particular should be noted:

#### **Strategic Plan**

The Minister of Enterprise and Made in Italy (MIMIT), having obtained the agreement of the central governmental administrations, which have provided for the Agency's entrustment (Article 2, par. 2, MISE Ministerial Decree of 4 May 2018) and approved the Agency's Strategic Plan, which constitutes Invitalia's 'Foresight Document' pursuant to Article 1, par. 460 of Law 296 of 2006, in a communication dated 19 March 2024.

#### **Bagnoli**

The Government has allocated public financing for the implementation of the Bagnoli site reclamation-infrastructure-regeneration programme for a total amount of approximately € 1,700 million, of which € 1,218 million allocated under Article 14 of Decree-Law 60 of 7 May 2024 'Further urgent provisions on cohesion policies' published in the Official Gazette no. 105 of 7 May 2024.

#### **DRI D'Italia S.p.A.**

By Law 175/2022, DRI was designated as the implementing party of the decarbonisation process of the Italian steel sector, with the consequent allocation of resources of up to € 1 billion from the NRRP funds for the use of hydrogen in carbon-intensive sectors. Following the EU - ECOFIN Council execution decision of 8 December 2023, through which the revision of Italy's NRRP was approved, which cancelled the € 1 billion financial allocation (in relation to the measure earmarked for the 'use of hydrogen in hard-to-abate sectors', which was scheduled to be completed by June 2026), Decree Law 19 of 2 March 2024 intervened, refinancing the measure for € 1 billion over the 2024-2029 period.

#### **Acciaierie d'Italia Holding S.p.A. (ADIH)**

As previously mentioned, in November 2023, the Company detailed its financial needs, taking into account both working capital requirements and investment requirements, aimed at a production ramp-up to 4.5 million tonnes, an acceleration of investments in decarbonisation in 2024, and the purchase of assets from ex-Ilva in extraordinary administration (hereinafter 'AS').

The lack of proprietary assets (the plants being owned by the ex-Ilva in AS) and the planned termination of the lease agreement on 31 May 2024, jeopardised access to bank credit, so the Shareholders were called upon to grant another shareholder loan for a future capital increase in the total amount of € 1.320 billion, but despite lengthy meeting proceedings and repeated attempts, the Shareholders did not reach an agreement on the financial support to be provided to the company.

Therefore, as at 20 February 2024 Acciaierie d'Italia S.p.A. was admitted to extraordinary administration pursuant to Decree Law 4 of 18 January 2024 (amending Decree Law 347 of 23 December 2003), with subsequent extension of the extraordinary administration procedure also to AdI Tubiforma, AdI Energia, AdI Servizi Marittimi, and AdI Socova. Lastly, it should be noted that, by decree of the Minister of Enterprise and Made in Italy and at the request of the Commissioners of ADI, extraordinary administration was ordered for ADIH, and that the Court of Milan's ruling on the existence of the conditions for the company's insolvency is currently pending.

In the first months of 2024, following the financial crisis of the group and the consequent non-payment of the obligations undertaken, certain guarantees and counter-guarantees granted by Invitalia in favour of ADIH and its subsidiaries were enforced, in proportion to the share capital held under the co-investment agreement signed with the Arcelor Mittal group.

More in detail:

- with regard to the Performance Bond in favour of Banca Intesa San Paolo, on 6 March 2024, Invitalia paid, as a first tranche, the sum of € 8,517,869.90 in favour of AMSA;
- on 26 March 2024, it paid to AMSA the total sum of € 13,051,817.25;
- on 23 May, it paid, again in favour of AMSA, the sum of € 13,945,234.04;
- finally, on 30 May 2024, a novation settlement agreement was reached with ENI, aimed at obtaining a deferred payment to 28 June 2024 of the amount of € 28,319,671.72 linked to the guarantee provided against gas supplies.

These guarantees had been granted by Invitalia as a consequence of the signing of the investment agreement with the Arcelor Mittal Group which took place at the indication of the Government using the contributions received in application of Article 1 of Decree Law 142 of 16 December 2019. Consistently, the Company took action by immediately bringing to the attention of the MEF the amounts already paid and to be paid, against the enforced guarantees were immediately brought to the attention of the MEF, in order to identify the most suitable modalities of reimbursement of the same, considering the particular nature of the acquisition of the shareholding occurred in implementation of the legal provision (Decree Law 142/2021).

Discussions have been initiated with the MEF for the use of resources already at Invitalia's disposal to cover all charges related to the guarantees and counter-guarantees issued in the interest of ADIH.

### **Infratel Italia S.p.A.**

With reference to the disputes between Infratel and Open Fiber for the realisation of the BUL plan, on 02.05.2024, a Technical Advisory Board (CCT) was established, as provided for by the new Tenders Code, made up of representatives appointed by both companies, whose determinations shall be in the nature of an arbitration award pursuant to Article 808 ter of the Italian Criminal Code.

On 09.05.2024, the parties jointly notified the CCT of two technical questions concerning 'increase in material costs, or whether the same can be qualified as a force majeure event and, therefore, whether it can be dealt with within the rebalancing procedure of the Economic and Financial Plan' and 'reduction of the price due to the Concessionaire, proportional to the lower number of Real Estate Units actually covered'.

The CCT in its meeting of 29.05.24 expressed itself favourably on both questions: unanimously for the first one, with the consequent need to rebalance the Economic and Financial Plan, and by a majority for the second one with the important clarification that of the costs of the increased size of the network compared to the budgeted the entire value of the work, nothing is demanded or can be considered due to O.F. which assumed and continues to assume the risk of the contract, which is far greater than what has been ascertained in the aforementioned dispute.

Also with regard to this second point, the CCT held that the conditions existed to provide for the deduction within the scope of the procedure for the rebalancing of the Economic and Financial Plan of the offer.

It should be pointed out that the decisions of the CCT, which constitute the prerequisite and are preparatory to the procedure of rebalancing the Economic and Financial Plan of the offer, in any case would not have had any direct economic-equity effects on the subsidiary Infratel Italia SpA, as these costs do not constitute a direct risk for the company

### **Business and Funding Plans - MCC**

On 19 March 2024, the Board of Directors of MCC approved the Business Plan and the Group Funding Plan for the period 2024-2027.

- The Business Plan confirms the MCC Banking Group's mission to support businesses, with particular attention to those in the South of Italy, the focus on credit, flanked by additional services and products, the continuation of a path of alignment with ESG objectives and operating models, economic and capital sustainability, investment support for the twin transition and the acceleration of the growth path of commercial banks, alongside families and businesses in their reference territories.
- While the Group's Funding Plan outlines forms of coverage for incremental needs, which include new unsecured bond issues, securitisation transactions and interbank funding. These actions aim to ensure compliance with regulatory requirements, in terms of operational and structural liquidity, while meeting the needs of cost-effectiveness and diversification of sources.

## **SECTION 4 - OTHER ASPECTS**

### **Application of Article 1 of Italian Law Decree No. 142 dated 16 December 2019**

Article 1 of Italian Law Decree No. 142 dated 16 December 2019, as amended by Decree Law 104 of 14 August 2020 and Decree Law 103 of 20 July 2021 converted into Law 125 of 16 September 2021, provides:

Article 1 Recapitalisation of Mediocredito Centrale - Banca del Mezzogiorno S.p.A

1. With one or more decrees of the Minister of Economy and Finance, grants are assigned in favour of the National Agency for Inward Investment Attraction and Economic Development S.p.A. - Invitalia, capital grants, up to a maximum total amount of € 900 million for the year 2020, aimed at strengthening its assets by means of capital contributions in favour of Mediocredito Centrale Banca del Mezzogiorno S.p. A in order for it to promote, according to market logic, criteria and conditions, the development of financial and investment activities, also in support of enterprises and employment in Southern Italy, to be carried out through financial transactions, including through the acquisition of equity interests in the capital of banking and financial companies, as a rule joint-stock companies, and with a view to further possible transactions for the rationalisation of such shareholdings or aimed at strategic initiatives, to be implemented through financial transactions, including direct or indirect participation in the capital, in support of enterprises and employment, including in the South of Italy.
- 1-bis.** As from the date of entry into force of the law converting this decree, Mediocredito Centrale Banca del Mezzogiorno S.p.A. or the company referred to in par. 2, in the event of its establishment, shall report on a four-monthly basis to the competent parliamentary committees on the performance of the financial operations referred to in par. 1, also with reference to the financial profiles and to the trend of employment levels, and shall also submit to the Houses of Parliament, by 31 January of each year, starting from the year 2021, an annual report on the same financial operations carried out in the previous year. At the time of the possible establishment of the company referred to in par. 2, the Minister of Economy and Finance shall submit to the Chambers a report on the choices made, the consequent actions and the planned programmes.



**1-ter.** National Agency for Inward Investment and Economic Development S.p.A. - Invitalia is authorised to underwrite further capital contributions and to provide shareholder account financing, up to a maximum limit of € 705,000,000, to ensure the continuity of the production operations of the Taranto steel plant of ILVA S.p.A., qualified as a plant of national strategic interest pursuant to Article 3, par. 1, of Decree-Law 207 of 3 December 2012, converted, with amendments, by Law 231 of 24 December 2012. The agreements signed by the National Agency for Inward Investment Attraction and Economic Development S.p.A. - Invitalia pursuant to the previous period shall be included among the financial transactions, including direct or indirect equity participation, in support of enterprises and employment, including in the South of Italy, referred to in par. 1 of this Article. The costs referred to in this Paragraph shall be covered, for the amount of € 705,000,000, through the use of the resources available in the residual account referred to in Article 202, Par. 1 of Decree-Law 34 of 19 May 2020, converted, with amendments, by Law 77 of 17 July 2020. The provisions of Article 34-bis of Law 196 of 31 December 2009 shall apply to the resources referred to in the preceding period. The Minister of Economy and Finance is, to this end, authorised to make, by his own decrees the necessary budgetary variations, also in the residual account.

**1-quater.** The National Agency for Inward Investment and Economic Development S.p.A. - Invitalia is authorised to set up a company for the purpose of carrying out feasibility studies, from an industrial, environmental, economic and financial point of view, aimed at the construction and management of a plant for the production of pre-doped - direct reduced iron. The company referred to in the first period shall not be subject to the provisions of the Consolidated Text on publicly owned companies, referred to in Legislative Decree 175 of 19 August 2016. The share capital of the company referred to in the first sentence shall be determined within the maximum limit of € 70,000,000, fully subscribed and paid up by the Agenzia nazionale per l'attrazione degli investimenti e lo sviluppo d'impresa S.p.A.- Invitalia, also in several instalments, in relation to the progress of the feasibility analyses functional to the construction and management of a plant for the production of pre-diduct - direct reduced iron. The costs referred to in the third sentence, amounting to € 70,000,000 for the year 2021, shall be covered by the resources referred to in par. 1. One or more decrees of the Minister of Economy and Finance shall provide for the allocation, in favour of the Agenzia nazionale per l'attrazione degli investimenti e lo sviluppo d'impresa S.p.A.- Invitalia, of the amount, up to € 70,000,000, for the subscription and payment, also in several instalments, of the share capital of the company referred to in the first sentence).

2. Following the initiatives taken by the bank in the implementation of par. 1, by decree of the Minister of the Economy and Finance in agreement with the Minister of Economic Development, the bank may be demerged and a new company may be established, to which the assets and shareholdings acquired in accordance with par. 1 shall be assigned. The shares representing the entire share capital of the company are assigned, without consideration, to the Ministry of Economy and Finance.
3. The provisions of Legislative Decree 175 of 19 August 2016 do not apply to the newly incorporated company referred to in the preceding paragraph. The regulations on the requirements of honourableness, professionalism and autonomy of the directors provided for by the Consolidated Law on Banking and Credit, referred to in Legislative Decree 385 of 1 September 1993, remain unaffected. The Board of Directors of the company is appointed by the Minister of Economy and Finance in agreement with the Minister of Economic Development.
4. All acts and operations carried out for the implementation of the preceding paragraphs shall be exempt from direct and indirect taxation.
5. Any resources referred to in par. 1 that are no longer necessary for the purposes set forth in this decree shall be quantified by decree of the Minister of Economy and Finance and transferred, also by means of payment to the State budget and subsequent reallocation to the expenditure, to the chapter of origin.

In compliance with and execution of the provisions of the aforementioned Decree Law 142/2019, as subsequently amended, Invitalia provided:

- on 24.06.2020 to make a capital contribution of € 430 million to the subsidiary Mediocredito Centrale for the latter to subscribe a capital increase in favour of Banca Popolare di Bari;
- on 14/04/2021 it subscribed the capital increase of AM InvestCo Italy SpA, the company that is the lessee of the business branches of Ilva under extraordinary administration, for an amount of € 400 million;
- on 25/01/2022 to set up the company DRI D'Italia with an initial share capital of € 35 million for the construction and management of a plant for the production of pre-doped - direct reduced iron.

For the purposes of the accounting classification of the contribution received Invitalia, with the support of a technical-legal opinion prepared for that purpose, considered that:

- 1) the 'capital contribution' received should be treated in accordance with the provisions of IAS 20 par. 24 on grants, and that it should be recognised as deferred income related to the grant received in exchange for the increase in the value of the equity investment resulting from the capital contribution/capital increase made by Invitalia in favour of Mediocredito Centrale Spa, AM InvestCo Italy S.p.A. and DRI d'Italia Spa, respectively;
- 2) the amounts that Invitalia has allocated or will be called upon to allocate in favour of Mediocredito Centrale Spa, AM InvestCo Italy S.p.A. and DRI d'Italia S.p.A. have been/will be recognised as an increase in the investee companies' equity as 'capital contributions/capital increases', as provided for by Article 1 of Decree Law 142/2019;
- 3) in the hypothesis of the application of the demerger with the establishment of a new company in accordance with the provisions of Article 1, par. 2 of Decree Law 142/2019, the assets and equity investments acquired pursuant to par. 1 of the aforementioned provision shall also include, for the principle of space-time continuity of management, the assets and/or liabilities generated by such assets and equity investments in the time between the acquisition referred to in par. 1 and the demerger referred to in par. 2;
- 4) any costs or losses in excess of the amount of the capital contributions received pursuant to Article 1, par. 1 of Decree Law 142/2019 - in light of the role of mandatory attributed to Invitalia by law - would not entail an obligation for Invitalia to support the company in difficulty.

In the light of all the above, these contributions were treated as described below:

- Invitalia recognised the contribution received as a balancing entry under Other Liabilities called 'Allocation art. 1 par. 1 of the Decree Law 142 of 16/12/19' in accordance with the above provision of the law that defined the payment to Invitalia as 'capital contributions' and then, once the payment was made to the subsidiary Mediocredito Centrale S.p.A. and the investees AM InvestCo Italy S.p.A. and DRI d'Italia S.p.A., to increase the value of the equity investment in MCC or to recognise the equity investment in AM InvestCo Italy and DRI d'Italia S.p.A. in its assets;
- On the other hand, only the subsidiary MCC, recognised the payment received as a balancing entry under Shareholders' Equity in accordance with the above provision of the regulation that defined the payment to MCC as a capital contribution.

Said classification of the contribution received implied that there was no 'control' relationship, in terms of the application of the notion of 'control' under IFRS 10, between Invitalia on the one hand and BdM Banca S.p.A., AM InvestCo Italy S.p.A. and DRI d'Italia S.p.A. on the other. This conclusion derives from the consideration that Invitalia, having recognised the capital contribution under the item Other Liabilities and accounting for the related costs incurred on the basis of the so-called income approach provided for by IAS 20, which therefore aims to neutralise the costs/revenues recorded in the income statement, is not exposed to the 'rights to variable returns arising from the relationship with the entities invested in' and therefore, in the absence of such exposure to variable returns, does not meet the requirements to consider a controlling relationship with BDM Banca, AM InvestCo Italy S.p.A. and DRI d'Italia S.p.a. As a result, Invitalia does not consolidate BDM Banca, AM InvestCo Italy S.p.A. and DRI d'Italia S.p.A. in its consolidated financial statements.

### **Accounting treatment defined for equity investments acquired with government grants/third party funds**

In light of what has been reported above on the accounting treatment of grants received pursuant to Art. 1 of Decree Law 142 of 16 December 2019, Invitalia has defined a specific accounting policy for the accounting treatment of all equity investments acquired with public grants that can be classified in accordance with the provisions of Accounting Standard IAS 20, considering that these equity investments, although presenting the characteristics envisaged for an equity instrument (IAS 32:11), could not fall within the scope of application of the international accounting standards that specifically govern the accounting treatment of equity instruments (IFRS 9, IAS 27 and IAS 28 and IFRS 11). In particular, it was considered, also on the basis of a technical opinion prepared for this purpose, that these equity investments were acquired by Invitalia in execution of specific regulatory provisions and through the use of public or third-party resources allocated to the company. In addition, with reference to the equity investments acquired with public grants, such regulatory provisions provide specific rights to the grantor of the grant/fund and specific obligations to Invitalia, so that, in substance, Invitalia is not attributed either the economic effects typical of an equity instrument (dividends, write-downs, etc.) - as is the case for any equity instrument (whether minority or even joint control, or even joint control and control), which therefore represents *'a residual interest in the assets of the entity after deducting all of its liabilities'* - nor the power to take specific actions typical of ownership (for example, the sale of the shareholding acquired through the grants received), despite having legal title to the shares representing the share capital of a company. Given the specific nature of the context just described, Invitalia has adopted a specific accounting policy for the recognition and measurement of equity investments acquired through the disbursement of a grant.

The initial recognition and subsequent valuation of such equity investments are at cost at the settlement date, including any expenses or income directly attributable to the transaction.

At each balance sheet or interim reporting date, the presence or absence of impairment of equity investments is verified. The recognition of such evidence is based on the existence of qualitative and quantitative indicators illustrated below. In the presence of these indicators, an impairment test is carried out in accordance with the provisions of IAS 36, aimed at estimating the recoverable value of the equity investment and comparing it with its book value, in order to determine whether value adjustments should be recognised. With particular reference to those equity investments whose individual carrying value was deemed not relevant - in accordance with the provisions of International Accounting Standard IAS 1:7 - Shareholders' Equity is used as the method to determine the recoverable value of the equity investment - as it approximates the fair value calculated with a simple equity method - to be compared with the book value of the same in order to determine the recognition of any impairment.

As indicated above, at each annual or interim reporting date, the presence of specific qualitative and quantitative indicators is assessed, such as:

- the achievement of negative economic results or, in any case, a significant deviation from budget targets (or from multi-year plans);
- significant financial difficulties of the investee company;
- likelihood of the investee company declaring bankruptcy or being subject to other financial restructuring procedures;
- the distribution of a dividend greater than the profit for the period and existing profit reserves;
- the distribution of a dividend by the investee company greater than the profit in the statement of comprehensive income (or comprehensive income for financial companies) in the year in which it declares it.

The equity investments affected by this accounting treatment, for the purposes of both the separate and consolidated financial statements, are as follows:

1. Mediocredito Centrale Banca del Mezzogiorno S.p.A limited to the portion related to the acquisition of the equity investment in BDM Banca S.p.A.;
2. Equity Investments in Acciaierie d'Italia Holding S.p.A.;
3. Equity investment in Reithera S.r.l.;

4. Equity investment in TLS Sviluppo S.r.l.;
5. Equity Investments in DRI d'Italia S.p.A.;
6. Equity Investments acquired pursuant to Law 181/89 (CMS S.r.l. in bankruptcy, Ela S.p.A., Elimirad Service S.r.l. in liquidation, Fonderie S.p.A. in bankruptcy, Gustavo De Negri & ZA.MA. S.r.l., Jonica Impianti S.r.l., Peritas S.r.l., PRO.S.IT. S.r.l. in bankruptcy, Sicalp S.r.l. in bankruptcy, SIE- Società Ittica Europea under extraordinary administration, Simpe S.p.A. in bankruptcy, Sural S.p.A. in bankruptcy, Tekla S.r.l. Ex Mexall Sistemi).

#### **Accounting treatment ISA-ISMEA payment**

During 2003, Law 350 provided for the transfer of the financial resources of Sviluppo Italia S.p.A. (now Invitalia) to ISA (now ISMEA), which took over the functions previously performed by Invitalia itself.

In compliance with the provisions of the aforementioned Law 350, Decree Law 203 of 30 September 2005 provided, in Article 10 'Transfer of assets from Sviluppo Italia S.p.A. to ISA S.p.A. (now ISMEA)' and in particular par. 5 that Sviluppo Italia S.p.A. itself *'is authorised to enter in its balance sheet accounts exclusively the decreases resulting from the transfer of the assets referred to in par. 1'*.

Within this context, ISMEA called Invitalia before the Court of Rome requesting that the plaintiff's right to receive a credit of approximately € 15.5 million plus interest from SECI S.p.A. (now Eridiana Sadam S.p.A.) and Finbieticola S.p.A., deriving from the transfer of the shares of Zuccherificio Castiglione S.p.A., be ascertained.

In summary, ISMEA's reasons underlying this request lie in its assessment of the inclusion of this receivable (rectius crediti) in the perimeter of assets subject to transfer under the aforementioned rules. These receivables, in the meantime, have been collected and therefore transformed into cash.

In light of the following considerations:

- both parties have the same public nature;
- the transfer of assets from Invitalia to ISMEA (in the form of a transfer for the symbolic value of € 1) took place pursuant to a law of the State and therefore not at arm's length;
- this transfer (i.e. sale without consideration) represents a transaction between two entities subject to common control.

In the financial year ended 31 December 2022, Invitalia recognised a specific equity reserve against the payment made with reference to the event described above.

#### **Disclosure of risks, uncertainties and other potential impacts of climate change**

In preparing the annual financial report as at 31 December 2023, companies are required to consider what is requested by ESMA in its recommendation of October 2021 ('European common enforcement priorities for 2021 annual financial reports'), which, among other things, pays particular attention to the issue of risks related to climate change, insofar as the effects of such risks may be significant. The Company, also in its capacity as parent company of the Invitalia Group, is aware of the importance of identifying, assessing, preventing and reducing potential environmental and climate change-related risks, i.e. those connected with direct impacts such as the use of energy resources (renewable and non-renewable sources), greenhouse gas emissions, the production of waste and its disposal, the consumption of raw materials instrumental to its business (paper and toner), and the violation of environmental and sector regulations. At the European level, the Action Plan for Financing Sustainable Growth places particular emphasis on the systemic importance of the banking/financial sector in enabling the transition to a low-carbon system and a climate-resilient economy. The banking sector is involved in potential indirect climate-related risks to the extent that its financing and investments are directed towards economic activities that contribute to climate change (e.g. in terms of greenhouse gas emissions). The banking sector as a whole can take a proactive role in promoting the transition to a low-carbon and climate-resilient economy by increasing awareness of its role in the transition by incorporating an assessment of the potential climate change impacts related to the lending and investment policies implemented.

As required by IAS 1, par. 7, the requirements for determining the materiality of financial information must also be considered when assessing the disclosure to be provided on climate risks. In this

context, the IASB's Practice Statement Making Materiality Judgements states that, in assessing whether information is material or not, companies should consider both quantitative and qualitative factors, as well as the interaction between them.

Specifically, climate risks could represent potential indicators of possible impairment of assets.

For this reason, when performing impairment testing activities, the guidance provided by sector authorities on financial reporting profiles related to risks, uncertainties, estimates, assumptions and valuations, as well as difficulties related to the possible impact that climate risks may have on the entities under analysis, must also be considered. Where potentially relevant, climate change factors have been taken into account, mainly through considerations and/or sensitivity analyses on the variables determining recoverable value.

With reference to 31 December 2022, for the purposes of determining the ECL on performing loans, Invitalia updated the macroeconomic scenarios used at year-end 2021 without including ESG components, mainly in consideration of the public nature of the significant majority of the counterparties in place.

For details, please refer to the Consolidated Non-Financial Statement (DCNF), prepared at Group level.

Below are the main areas of focus analysed for the purposes of preparing the financial statements; detailed information on strategies, objectives and risk management policies, as well as the economic and financial situation, are more fully described in the specific sections of the Report on Operations and/or Notes to the Financial Statements referred to below.

With regard to management and business aspects, please refer to what is described in the specific section of the Report on Operations.

### **Possible repercussions of the macroeconomic context**

The Chief Risk Officer and Chief Lending Officer functions of Mediocredito Centrale, also involving the competent structures of the subsidiary Cassa di Risparmio di Orvieto, carried out an assessment of the potential impacts on the Banks' loan portfolio, defining a methodological approach that, in consideration of the continuation of the conflict between Russia and Ukraine, the conflict in the Middle East and the trend of the economic situation, led to the adoption of measures aimed at a proactive management of potential risks and interventions on the determination of provisioning. These interventions resulted from a significant single name assessment activity conducted on counterparties included in the clusters identified following the start of the conflict and subsequently updated and supplemented to take into account the expansion of potential indirect effects. Without prejudice, therefore, to the operational indications that were introduced in 2022 with the aim of adopting instruments for the prudent assumption and management of risks, both when granting new credit facilities and when reviewing and/or managing existing exposures, the single name screenings conducted allowed the process of intercepting the perimeter of counterparties potentially at risk to be further directed. In particular, in order to assess the potential impact of the current geopolitical crisis and the trend of the economic situation on the current and prospective situation of companies on the Group's credit portfolio, in-depth analyses were conducted as provided for by the so-called 'Phase 2' of the evaluation process begun in the first half of 2022, proceeding with sensitivity analysis activities using simulative instruments aimed at verifying the resilience of the company's economic/financial conditions in the presence of an adverse economic scenario.

On the counterparties for which the sensitivity analysis conducted showed, at the end of the stress exercise, that they were placed in the highest risk range, targeted management actions were, on the one hand, envisaged that they be included in the monitoring lists for proactive risk management and, on the other hand a management overlay was applied for the purposes of determining the provisioning at 31 December 2023, which provided for the allocation of the ECL lifetime regardless of the staging allocation, resulting in a higher provisioning of € 3 million on cash exposures, almost entirely attributable to positions in MCC's portfolio.

With regard to the other Group companies, the results of the assessment determined that there were no material exposures to the countries involved in the conflict.

## Information on going concern

Following the provisions of Joint Bank of Italy/Consob/Isvap Document No. 2 of 6 February 2009 on the subject of disclosures on going concern, in compliance with the requirements for the same subject in IAS 1 Revised and following the recommendations indicated over time by ESMA, the parent company carried out an assessment of the Group's ability to continue to operate as a going concern in the foreseeable future, taking into account all available information on a medium-term scenario. In particular, in making the assessments, account was taken of the particular macroeconomic context made uncertain by the currently foreseeable effects related to the evolution of the Russian-Ukrainian and Israeli-Palestinian conflicts, and still conditioned by high inflation rates and accentuated fluctuations in commodity prices and the related repercussions on the national economy and, therefore, on the Group's business. Considering the risks and uncertainties associated with the current macroeconomic context and based on the best information available at the date of preparation of these Financial Statements, it is reasonable to expect that the Group, also considering the positive results achieved in 2023, will continue to operate in the foreseeable future; moreover, the equity, financial and economic structure, as also represented in the Directors' Report, do not present any symptoms that could lead to uncertainties on this specific point and, consequently, the Financial Statements have been prepared on the assumption that the Group will continue to operate as a going concern.

## Risks and uncertainties related to the use of estimates

The preparation of the Financial Statements requires the use of estimates and assumptions that may affect the amounts recognised in the balance sheet and income statement and the disclosure of contingent assets and liabilities.

The estimates and associated assumptions are based on the use of available management information and subjective judgements also based on historical experience.

By their nature, the estimates and assumptions used may vary from year to year and, therefore, it cannot be excluded that in subsequent years the actual values recognised in the financial statements may differ, even significantly, as a result of changes in the subjective assessments used.

The main cases for which the use of subjective assessments by management is most required are:

- the quantification of impairment losses on receivables, securities, equity investments and, in general, other financial assets;
- quantification of provisions for risks and charges (determined on the basis of the estimated outlays required to fulfil obligations for which it is considered probable that resources will have to be used);
- quantification of the provision for severance indemnities, the company pension fund and other benefits due to employees (determined on the estimate of the present value of the obligations referring to probable disbursements that are discounted considering financial aspects - interest rates - assumed salary trends, turnover rates and demographic data);
- deferred tax assets (the recognition of items related to deferred tax assets is based on the valuation that in future years, Group companies other than the parent company will generate taxable income in amounts such that it is probable that future taxes to be paid on such income will allow for the full absorption of deferred tax assets);
- the use of valuation models to determine the fair value of financial instruments not listed on active markets;
- the determination of fair value for the valuation of additional non-current assets and groups of assets held for sale. In this regard, it should be noted that the estimate of market value is particularly sensitive to changes in the key variables used to determine it (cash flows, discount rate, etc.). Given the conflicts in progress and the uncertainties related to their evolution, as well as any further impact from the particular macroeconomic context, it is not possible to exclude variations in the assumptions and valuation models adopted by Invitalia to estimate these assets. Any fluctuations, even marginal, in the cash flows taken as a basis by the model and/or in the

variables of the models used, may have an impact on the estimated values, which is why the company constantly monitors the evolution of these variables;

It follows, therefore, that the assessment of risk is mainly linked to the evolution of the national and international socio-economic context, as well as to the trend of the financial markets, which have consequent repercussions on the trend of rates, price fluctuations, actuarial bases and, more generally, on the creditworthiness of counter-parties.

The Russian-Ukrainian conflict, the conflict in the Middle East and the current macroeconomic context did not reveal any risks previously not considered by the Group, as the phenomena encountered are part of cases already mapped and subject to monitoring. Please refer to Part D of the Notes to the Financial Statements and the Report on Operations for a more exhaustive discussion of the risks to which the Group is exposed.

### **Disclosure of Article 8 of the Taxonomy Regulation**

The EU Regulation 2020/852 (the so-called 'Taxonomy'), which is part of the European Union's initiatives in favour of sustainable finance, aims to provide investors and the market with a common language of sustainability metrics that can guarantee comparability between operators, reduce the risks of greenwashing and increase the quantity and quality of information on the environmental and social impacts of business, thus favouring more responsible investment decisions. To date, the Taxonomy is focused on the identification of economic activities considered environmentally sustainable, defined as those economic activities that contribute substantially to the achievement of at least one of the following environmental objectives, provided that they do not cause significant damage to any of the other environmental objectives and are carried out in compliance with minimum safeguards:

- climate change mitigation;
- adaptation to climate change;
- sustainable use and protection of water and marine resources;
- transition to a circular economy;
- prevention and control of pollution;
- protection of ecosystems and biodiversity.

For further details, please refer to the Consolidated Non-Financial Statement (DCNF), prepared at Invitalia Group level.

### **Reclassification of comparative data**

It should be noted that, in the comparative consolidated income statement as at 31 December 2022, for the sake of clarity, the differential interest on the hedging derivatives of the MCC Subsidiary was reclassified in the amount of € 7,873 thousand from the item interest income to the item interest expense.

## SECTION 5 - SCOPE AND METHODS OF CONSOLIDATION

The Consolidated Financial Statements include the Financial Statements of the National Agency for Inward Investment Attraction and Economic Development S.p.A. and its direct or indirect Subsidiaries. The scope of consolidation is defined with reference to the provisions of IFRS 10, 11 and IAS 28. In accordance with these principles, companies over which the Parent Company directly or indirectly exercises the power to determine financial and management policies are considered subsidiaries. Subsidiaries are consolidated on a line-by-line basis. Consolidation runs from the date on which the control relationship begins and until the date on which it ceases.

The values of the financial statements as at 31 December 2023 of the Group Companies consolidated on a line-by-line basis have been appropriately adjusted to align them with the accounting principles of the Parent Company.

In the consolidation using the line-by-line method, the assets and liabilities, as well as income and expenses of the consolidated companies are included in the consolidated financial statements, after fully eliminating intercompany receivables, payables, revenues and expenses, with the exception of those deemed immaterial in the context of the consolidated financial statements according to the general criteria of materiality and relevance.

The elements of assets and liabilities are those resulting from the financial statements approved by the Boards of Directors and/or Shareholders' Meetings of the Companies. The portion of shareholders' equity and the portion of the consolidated result pertaining to minority interests are accounted for as a separate item in the consolidated balance sheet and income statement. Appropriate consolidation adjustments are made in order to represent the Group's accounting information as if it were a single entity.

Controlling equity investments held for sale are consolidated on a line-by-line basis and shown separately in the consolidated balance sheet as a disposal group under items 110 of assets and 80 of liabilities, respectively.

Equity investments subject to significant influence are consolidated using the equity method, the main ones being CDP Venture Capital S.p.A. and Istituto della Enciclopedia Treccani S.p.A.

Equity investments acquired with third-party funds, which, as better described below, are not included in the scope of consolidation.

### 1. Exclusive equity investments in subsidiaries

The wholly-owned companies are as follows:

Company	Head Office	Registered Office	Type of transaction	Participating Company	% Ownership	% Available votes
<b>Equity investments</b>						
INFRATEL ITALIA S.P.A.	Rome	Rome	(1)	INVITALIA S.P.A.	100.00%	100.00%
INVITALIA PARTECIPAZIONI S.P.A.	Rome	Rome	(1)	INVITALIA S.P.A.	100.00%	100.00%
MEDIOCREDITO CENTRALE S.P.A.	Rome	Rome	(1)	INVITALIA S.P.A.	100.00%	100.00%
Cassa di Risparmio di Orvieto S.p.A.	Orvieto (TR)	Orvieto (TR)	(1)	MEDIOCREDITO CENTRALE S.P.A.	85.32%	85.32%
<b>Assets held for sale</b>						
ITALIA TURISMO S.P.A.	Rome	Rome	(1)	INVITALIA S.P.A.	100.00%	100.00%

(1) Majority of voting rights at the Ordinary Shareholders' Meeting

### 2. Valuations and assumptions relative to the determination of the consolidation area

IFRS 10 regulates consolidated financial statements and defines the criteria for identifying the scope of consolidation. According to this standard, control of a company can only occur when the following elements are present:



- Power to direct the relevant activities of the investee;
- Exposure or the right to variable returns from the transaction with the entity being invested in;
- Ability to exercise power over the investee entity to affect the amount of its returns.

The three elements described above must be present simultaneously in order to identify a situation of control.

The companies DRI d'Italia S.p.A. and BdM Banca, even though they are respectively wholly owned and, through the subsidiary MCC, 96.83% owned, are not consolidated because the economic effects of their operations are not passed on to Invitalia and consequently they are excluded from the Group, as better specified below. Likewise, the companies Acciaierie d'Italia Holding S.p.A., Reithera S.r.l., TLS Sviluppo S.r.l., and all the equity investments acquired pursuant to Law 181/89 are not consolidated using the equity method for the same reasons (for further details see the following paragraphs Section 5 - Other Aspects - 'Application of Article 1 of Decree Law 142 of 16 December 2019' and 'Accounting treatment defined for equity investments acquired with public/third-party contributions').

### **3. Equity investments in subsidiaries controlled exclusively with significant non-controlling interest**

There are no investments in wholly-owned subsidiaries with significant non-controlling interests, except for the investment in Cassa di Risparmio di Orvieto, which is owned by non-controlling interests for a percentage of 14.68%.

### **4. Significant restrictions**

There are no significant restrictions to be reported under para. 13 of IFRS 12. In particular, there are no legal, contractual or regulatory restrictions on the Parent Company's ability to access or utilise the group's assets and settle its liabilities. There are also no minority interest protection rights that would significantly limit the entity's ability to access or use the assets and settle the liabilities of the group.

## A.2 SECTION RELATED TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS

Setout below is information on accounting policies considered relevant, as well as all other information considered by management to be useful in understanding the financial statement disclosures, in accordance with IAS 1 Presentation of Financial Statements.

The presentation of the accounting standards adopted is made with reference to the recognition, classification, measurement and derecognition of the various asset and liability items.

### CASH AND CASH EQUIVALENTS

Cash and cash equivalents are recorded at nominal value and include cash values, i.e., those values that meet the requirements of being available on demand or very short-term, of being in good standing and of having no collection costs.

### FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

#### Classification Criteria

Financial assets other than those classified as financial assets measure at fair value through profit or loss and Financial assets measured at amortised cost are classified in this category. In particular:

- i Financial assets held for trading, essentially consisting of debt and equity securities and the positive value of derivative contracts held for trading purposes;
- ii Financial assets mandatorily measured at fair value, represented by financial assets that do not meet the requirements for measurement at amortised cost or fair value with an impact on comprehensive income. These are financial assets whose contractual terms are not represented solely by payments of principal and interest on the principal amount to be repaid (so-called 'SPPI test' not passed) or which are not held as part of a business model whose objective is the holding of assets for the purpose of collecting contractual cash flows ('Hold to Collect' business model) or whose objective is achieved both by collecting contractual cash flows and by selling financial assets ('Hold to Collect and Sell' business model);
- iii Financial assets designated at fair value, i.e., financial assets so defined upon initial recognition and where the conditions exist. In relation to financial assets, an entity may irrevocably designate a financial asset as measured at fair value through profit or loss if, and only if, doing so eliminates or significantly reduces a measurement inconsistency.

This item includes debt securities and loans that are included in an Other -Trading business model or that do not pass the SPPI test, including portions of syndicated loans underwritten that, from inception, are held for sale and that are not attributable to a Hold to Collect and Sell business model. This item also includes equity instruments - not qualifying as control, connection and joint control - held for trading purposes or for which no designation at fair value with impact on comprehensive income was made upon initial recognition. Also recognised under this item are UCITS units. For the UCITS category, given the structure of the instrument and the respective units, the SPPI test fails by definition, resulting in a single classification under FVTPL.

Another case which, due to the intrinsic characteristics of the underlying investment instruments, is represented by capitalisation policies. Such instruments in the same way as UCITS units, presenting an objective difficulty in the preparation of a look-through approach, fail the SPPI test. For this reason, they must be accounted for within the item 'Financial assets measured at fair value through profit or loss'. Specifically, the fair value is the value of the policy communicated periodically in the statement sent by the insurance company. This value corresponds to the premium plus the returns generated by the separate management net of the commission component.

Derivative contracts - recognised as financial assets held for trading - are reported as assets if the fair value is positive and as liabilities if the fair value is negative.

Derivatives also include those embedded in complex financial instruments - where the host contract is not a financial asset falling within the scope of IFRS 9 - which are recognised separately because:

- Their economic characteristics and risks are not closely related to the characteristics of the underlying contract;
- The embedded instruments, even if separated, meet the definition of a derivative;
- The hybrid instruments to which they belong are not measured at fair value with the related changes recognised in the Income Statement.

According to the general rules of IFRS 9 on reclassification of financial assets (with the exception of equity securities, for which no reclassification is permitted), reclassifications to other categories of financial assets are not permitted unless the entity changes its business model for managing financial assets.

### **Recognition criteria**

Initial recognition of financial assets takes place on the settlement date for debt securities, equity securities and loans and on the subscription date for derivative contracts.

Upon initial recognition, financial assets measured at fair value through profit or loss are recognised at fair value, without considering transaction costs or income directly attributable to the instrument.

### **Valuation Criteria**

Subsequent to initial recognition, financial assets measured at fair value through profit or loss are measured at fair value. The effects of applying this criterion are recognised in the income statement under item 80. Net result from trading activities 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 or loss' in the case of instruments designated at fair value or other financial assets mandatorily measured at fair value. On the other hand, interest income accrued during the year on these assets is recognised under item 10. Interest Income and Similar Income in the Income Statement.

### **Derecognition Criteria**

Financial assets are derecognised only if the sale has resulted in the substantial transfer of all risks and rewards associated with the assets.

## **FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVTOCI)**

### **Classification Criteria**

This item includes financial assets that meet both of the following conditions:

- the financial asset is held according to a business model whose objective is both to collect the contractually agreed cash flows and to sell them ('Hold to Collect and Sell' business model), and
- the contractual terms of the financial asset provide for cash flows at certain dates represented solely by payments of principal and interest on the principal amount to be repaid (the 'SPPI test' passed).

This item also includes equity instruments, not held for trading purposes, for which the option to designate them at fair value with impact on comprehensive income was exercised upon initial recognition.

Reclassifications to other categories of financial assets are not permitted unless the entity changes its business model for managing financial assets. In such cases, which are expected to be highly infrequent, financial assets may be reclassified into one of the other two categories provided for by IFRS 9 (Financial Assets Measured at Amortised Cost or Financial Assets Measured at Fair Value through Profit or Loss). The transfer value is the fair value at the time of reclassification and the effects of reclassification operate prospectively from the date of reclassification. In the case of reclassification from this category to the amortised cost category, the cumulative gain (loss) recognised in the valuation reserve is adjusted against the fair value of the financial asset at the date of reclassification. In the case of reclassification to the fair value category with impact on profit or loss, the cumulative gain (loss) previously recognised in the valuation reserve is reclassified from equity to profit or loss.

### **Recognition criteria**

Financial assets are initially recognised on the settlement date for debt and equity securities and on the disbursement date for loans. Upon initial recognition, assets are recognised at fair value, including transaction costs or income directly attributable to the instrument itself.

### **Valuation Criteria**

Subsequent to initial recognition, assets classified at fair value with an impact on comprehensive income are measured at fair value, with the impact of the application of amortised cost and the effects of impairment recognised in the income statement, while other gains or losses arising from a change in fair value are recognised in a specific equity reserve, without going through the income statement, until the financial asset is derecognised. Upon total or partial derecognition, the cumulative gain or loss in the valuation reserve is reversed, in whole or in part, to the income statement.

Equity instruments classified in this category are measured at fair value and the amounts recognised as a balancing entry in equity (Statement of Comprehensive Income) are not subsequently transferred to the Income Statement, even in the event of disposal. The only component of these equities that is recognised in profit or loss is the related dividends.

Financial assets measured at fair value with an impact on comprehensive income are subject to the test of significant increase in credit risk (impairment) required by IFRS 9, with the consequent recognition of a value adjustment in the income statement to cover expected losses. More specifically, on instruments classified as stage 1 (i.e. on financial assets at the time of origination, if not impaired, and on instruments for which there has not been a significant increase in credit risk with respect to the date of initial recognition), an expected loss is recognised at the date of initial recognition and at each subsequent reporting date within a time horizon of one year. Conversely, for instruments classified as stage 2 (performing assets for which there has been a significant increase in credit risk since initial recognition) and stage 3 (impaired exposures), an expected loss is recognised for the entire remaining life of the financial instrument.

### **Derecognition Criteria**

Financial assets measured at fair value with an impact on comprehensive income are derecognised when the right to receive their cash flows expires or if they are sold, and only if the sale has resulted in the substantial transfer of all risks and rewards associated with the assets. Conversely, if a material portion of the risks and rewards associated with the transferred financial assets have been retained, they continue to be recognised in the balance sheet, even if legal title to the assets has been effectively transferred.

In the event that it is not possible to ascertain the substantial transfer of risks and rewards, the financial assets are derecognised if no control has been retained over them. Otherwise, the preservation, even in part, of this control entails retaining the assets in the balance sheet to the extent of the residual involvement, measured by the exposure to changes in the value of the transferred assets and to changes in their cash flows.

## FINANCIAL ASSETS MEASURED AT AMORTISED COST

### Classification Criteria

This category includes financial assets (particularly loans and debt securities) that meet both of the following conditions:

- the financial asset is held according to a business model whose objective is achieved through the collection of contractual cash flows ('Hold to Collect' business model);
- the contractual terms of the financial asset provide, at certain dates, for cash flows represented solely by payments of principal and interest on the principal amount to be repaid (the 'SPPI test' passed).

According to the general rules of IFRS 9 on the reclassification of financial assets, reclassifications to other categories of financial assets are not permitted unless the entity changes its business model for managing financial assets.

This item includes loans granted on funds provided by the State or other public entities and intended for particular lending operations provided for and regulated by specific laws ('loans with third-party funds under administration' under Law 181/89), in that interest accrues on the same and related funds, respectively, in favour of and at the expense of the intermediary, and loans granted against funds provided by the State ('loans with third-party funds under administration' pursuant to Article 6 of Law 64 of 1/03/86 - Tourism Revolving Fund) in that the risk of default is borne by the intermediary.

### Recognition criteria

Initial recognition of financial assets takes place on the settlement date. Upon initial recognition, financial assets classified in this category are recognised at fair value, including any directly attributable costs and income.

In particular, the initial recognition of a loan takes place on the date the contract is signed, which normally coincides with the date of disbursement. If this coincides with the date of disbursement, a commitment to disburse funds is recognised when the contract is signed, which closes on the date of disbursement of the loan.

The loan is recognised on the basis of its fair value, equal to the amount disbursed, or subscription price, including costs/income directly attributable to the individual loan and determinable from the origin of the transaction, even if settled at a later date. Costs which, despite having the aforementioned characteristics, are reimbursed by the debtor counterparty or qualify as normal internal administrative costs are excluded.

### Valuation Criteria

Subsequent to initial recognition, financial assets are measured at amortised cost using the effective interest rate method with interest income recognised in item 10. Interest Income and Similar Income in the Income Statement.

The amortised cost method is not used for assets - measured at historical cost - whose short duration makes the effect of applying the discounting logic negligible for those without a defined maturity.

Financial assets belonging to this category, regardless of their technical form, must be subject to impairment testing, with the related effects recognised in income statement item 130. Net impairment losses/reversals for credit risk related to (a) financial assets measured at amortised cost.

Gains or losses realised on the sale of such assets are recognised in income statement item 100. Gains or losses on disposal or repurchase of (a) financial assets measured at amortised cost.

### Derecognition Criteria

Financial assets are derecognised when the right to receive their cash flows expires or upon disposal, only if the disposal resulted in the substantial transfer of all risks and rewards associated with the assets. Conversely, if a material portion of the risks and rewards associated with the transferred financial assets have been retained, they continue to be recognised in the financial statements, even if, legally, title to the assets has been effectively transferred.

If the substantial transfer of risks and rewards cannot be ascertained, the financial assets are

derecognised if no control is retained over them. Otherwise, the preservation, even in part, of this control entails retaining the assets in the balance sheet to the extent of the residual involvement, measured by the exposure to changes in the value of the transferred assets and to changes in their cash flows.

### **Impairment**

The measurement of Impairment makes it possible to measure the extent of adjustments to impaired positions, dependent on the deterioration of creditworthiness after the initial recognition of the financial asset and at the various balance sheet dates until the maturity of the transaction.

According to IFRS 9, the measurement of expected losses on the performing portfolio (Stage 1 and Stage 2) falling within the scope of the Impairment calculation must consider cash shortfalls, default probabilities and the time value of money. The evaluation of the expected loss may take place over different time horizons depending on the evolution registered for the creditworthiness associated with the position and therefore depending on the Stage of allocation:

12-month expected losses for transactions allocated in Stage 1: these are the losses resulting from possible default events that may occur over a 12-month time horizon from the reporting date;

lifetime expected losses for Stage 2 allocated transactions: are the losses resulting from all possible default events that may occur over the expected remaining life of the financial instrument.

The expected lifetime loss is defined as the sum of losses resulting from default events that may affect the credit relationship or financial instrument over a multi-period time horizon (spanning its entire remaining life).

Following the Standard's guidance, once the instruments have been classified into different stages, if the transaction has been classified into Stage 1, the expected loss assessment using the formula described above will be limited to the annual time horizon; for relationships allocated to Stage 2, on the other hand, the expected loss assessment using the formula described above will be carried out considering the entire residual (lifetime) life of the instrument.

With regard to the new impairment model introduced by IFRS 9, a different approach was considered for the subsidiaries operating in the Banking sector (Mediocredito Centrale S.p.A and Cassa di Risparmio di Orvieto) and other Group companies.

In particular, Invitalia and all the subsidiaries other than Mediocredito Centrale S.p.A and Cassa di Risparmio di Orvieto have defined the parameters and rules for the correct allocation of performing exposures to stage 1 or stage 2 and non-performing exposures to stage 3 on the basis of the definition of default adopted by the Group companies, set out below.

Invitalia first considers in default all positions for which legal recovery actions have commenced. In addition, other default criteria are defined based on the number of days past due, which have been calibrated differently for trade receivables and for financial receivables as indicated above.

With reference to trade receivables, in addition to the rule defined above and based on the commencement of legal recovery actions, in order to distinguish the performing portfolio from the non-performing portfolio, Invitalia has also established the following default definition rules calibrated on the basis of the characteristics of its own portfolio of trade receivables and according to its own reference context:

- invoices to be issued that are more than 360 days past due, with respect to the date they were sent to the buyer, are considered 'impaired' with the consequent need to perform an analytical type of write-down;
- receivables for the valuation of assets sent to the BU that are overdue by more than 450 days, compared to the date they were sent to the BU, are considered 'impaired' with the consequent need to make an analytical type write-down;
- receivables for the valuation of residual assets and inventories due from counterparties of the Public Administration that are overdue by more than 720 days are considered 'impaired' with the consequent need to make an analytical type write-down;

- receivables for residual assets and inventories from non-public administration counterparties that are overdue by more than 360 days are considered 'impaired' with the consequent need to make an analytical type write-down;
- for invoices already issued to counterparties in the public administration, the New DoD was adopted, for which the threshold of impairment was set at 180 days, with the consequent need to make an analytical type of write-down.

These thresholds defined for trade receivables derive from internal company assessments and benchmarks observed on similar realities to those of Invitalia.

As far as financial receivables are concerned, in addition to the rule indicated above and based on the initiation of legal recovery actions, all receivables with a past due amount exceeding 90 days are generally considered to be in default.

### **Staging rules for trade receivables**

For trade receivables and contract assets (with or without a significant financial component) the simplified approach set out in the Standard is applied; based on this approach, there is no need to distinguish the performing portfolio between Stage 1 and Stage 2, with the expected loss always being calculated on a lifetime basis.

For the purposes of defining the value of provisions, a distinction is therefore made only between the performing portfolio, which will be subject to the simplified approach described above, and the non-performing portfolio identified on the basis of the definition of default defined above for trade receivables.

### **Staging rules for financial receivables**

With reference to financial receivables, in order to assess the significant increase in credit risk (SICR), and therefore to define the criteria for moving from stage 1 to stage 2, consistently with what is permitted by the Standard, the company:

- does not adopt quantitative SICR criteria based on a comparison of credit risk indicators (ratings or PDs) observed at the reporting date and at the origination date due to the unavailability of historical information that is reasonable and sustainable 'without undue cost or effort';
- adopts the methodological simplification (so-called 'practical expedient') based on the so-called 'rebuttable presumption', according to which it is assumed that loans are significantly impaired when they are more than 30 days past due (Ref. IFRS9 5.5.11);
- with reference to all the other potential qualitative elements envisaged by the Standard in par. B5.5.17 (see Appendix A.1) and usable for the purposes of defining the criteria for passing to Stage 2, on the basis of the evaluations carried out, the only criterion currently identified, taking into consideration the information available 'without undue cost or effort', is that of the number of days continuously past due.

The stage allocation of performing financial receivables is therefore currently based solely on the criterion of continuous days past due and, consistent with the company's definition of default on its financial receivables' portfolio, the following criteria are adopted:

- receivables with less than 30 days past due are allocated to stage 1;
- receivables with an overdue portion between 30 and 90 days are allocated to stage 2;
- receivables considered non-performing based on the definition of default previously defined for financial receivables are allocated to stage 3.

With reference to the **subsidiaries operating in the banking sector** (Mediocredito Centrale and Cassa di Risparmio di Orvieto), after initial recognition, the financial assets in question are measured at amortised cost, using the effective interest rate method. In these terms, the asset is recognised in the financial statements at an amount equal to its initial recognition value less principal repayments, plus or minus accumulated amortisation and adjusted for any provision to cover losses. The effective interest rate is the rate that equals the present value of the future cash flows of the asset, for principal and interest, to the amount disbursed including costs/income attributable to the financial asset. This

method of accounting, using a financial logic, allows the economic effect of costs/income directly attributable to a financial asset to be distributed over its expected residual life.

The amortised cost method is not used for assets - measured at historical cost - whose short duration makes the effect of applying the discounting logic negligible, for those without a defined maturity and for revocable loans.

The calculation of expected credit risk impairment is closely linked to the inclusion of the instruments in question in one of the three stages (credit risk stages) envisaged by IFRS 9, where stage 1 includes performing financial assets for which there has not been a significant increase in credit risk, stage 2 includes financial assets that, while still performing, have experienced a significant increase in credit risk, and stage 3 includes impaired financial assets (impaired past-due, probable default and non-performing).

Value adjustments are therefore recognised in the Income Statement:

- at initial recognition, in an amount equal to the expected loss at 12 months;
- at the time of the subsequent valuation of the asset, if the credit risk has not significantly increased with respect to initial recognition, in relation to changes in the amount of adjustments for expected losses over the following twelve months (stage 1);
- at the time of the subsequent valuation of the asset, where the credit risk has increased significantly since initial recognition (i.e. moving to stage 2), in relation to the recognition of value adjustments for expected losses over the remaining contractual life of the asset;
- at the time of the subsequent valuation of the asset, where - after there has been a significant increase in credit risk with respect to initial recognition - the 'materiality' of this increase has then ceased to exist, in relation to the adjustment of cumulative value adjustments to take into account the passage from an expected loss over the entire residual life of the instrument ('lifetime') to one at twelve months (return to stage 1).

The financial assets in question, if performing, are subjected to an assessment, aimed at defining the value adjustments to be recognised in the financial statements, at the level of the individual loan relationship, according to the risk parameters represented by probability of default (PD), loss given default (LGD) and exposure at default (EAD), in order to take into account the provisions of IFRS 9.

If, in addition to a significant increase in credit risk, there is also objective evidence of impairment (transition to stage 3), the amount of the loss is measured as the difference between the carrying amount of the asset - classified as 'impaired', like all other transaction with the same counterparty - and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the loss, to be recognised in the Income Statement, is defined on the basis of an analytical valuation process or determined by homogeneous categories and, therefore, attributed analytically to each position and takes into account, as detailed in the section '**Method of determining impairment losses**', forward-looking information and possible alternative recovery scenarios.

Impaired assets include financial instruments that have been attributed the status of non-performing, probable default or past-due/overdrawn for more than 90 days according to Bank of Italy rules, consistent with IAS/IFRS and European Supervisory regulations.

The expected cash flows take into account the expected recovery times and the presumed realisable value of any guarantees.

If the reasons for the impairment loss are removed as a result of an event occurring after the impairment was recognised, reversals of impairment losses are recognised in the income statement. The reversal may not exceed the amortised cost that the financial instrument would have had in the absence of previous adjustments.

Write-backs related to the passage of time are recognised in net interest income.

In some cases, during the life of financial assets under review and, in particular, loans, the original contractual terms are subject to subsequent modification by the parties to the contract. When, during the life of an instrument, the contractual terms are subject to modification, it is necessary to determine whether the original asset should continue to be recognised in the balance sheet or whether, on the contrary, the original instrument should be derecognised and a new financial instrument should be recognised.



In general, changes in a financial asset lead to its derecognition and the recognition of a new asset when they are 'material'. The assessment of the 'materiality' of the change must be made by considering both qualitative and quantitative elements. Such (qualitative-quantitative) analyses are aimed at defining the 'substantiality' of contractual changes made to a financial asset and should therefore consider the purposes for which the changes were made, i.e:

- a) renegotiations for commercial reasons and concessions due to financial difficulties of the counterparty. The former, aimed at 'retaining' the customer, involve a debtor who is not in a situation of financial difficulty. Included in this category are all renegotiation transactions that are aimed at adjusting the onerousness of the debt to market conditions. Such transactions entail a change in the original terms of the contract, usually requested by the debtor, that relates to aspects connected to the onerousness of the debt, with a consequent economic benefit for the debtor. As a general rule, it is considered that whenever the bank carries out a renegotiation in order to avoid losing its customer, such renegotiation must be considered as substantial since, if it were not carried out, the customer would be able to obtain financing from another intermediary and the bank would suffer a decrease in expected future revenues. The second, carried out for 'credit risk reasons' (forbearance measures), are attributable to the bank's attempt to maximise the cash flow recovery of the original loan. The underlying risks and rewards, after modification, are normally not substantially transferred and, consequently, the accounting representation that provides the most relevant information for the reader of the financial statements is that made through 'modification accounting' - which implies the recognition in the income statement of the difference between the book value and the present value of the modified cash flows discounted at the original interest rate - and not through derecognition;
- a) For the presence of specific objective elements ('triggers') affecting the characteristics and/or contractual flows of the financial instrument (such as, for example, a change in currency or a change in the type of risk to which one is exposed, when correlated to equity and commodity parameters), which are considered to lead to derecognition in consideration of their impact (expected to be significant) on the original contractual flows.

With regard to impaired financial assets (stage 3) acquired as part of a business combination, they are identified on initial recognition as impaired acquired or originated financial assets (so-called 'POCI') and are subject to a special treatment with regard to the impairment process. In addition, on financial assets qualified as POCI, a credit-adjusted effective interest rate is calculated at the date of initial recognition (so-called 'credit-adjusted effective interest rate'), for the identification of which it is necessary to include initial expected losses in the cash flow estimates. For the application of amortised cost, and the consequent calculation of interest, this credit-adjusted effective interest rate is therefore applied.

Finally, with reference to impaired and non-impaired loans resulting from business combinations, the difference between the initial recognition value and the previous book value at the acquired entity is divided into two components: one related to the lower recoverable flows estimated when determining the fair value, which therefore discount the expected credit losses over the entire residual duration, and the other related to the discounting of these lower recoverable flows. It should be noted that the reversal effect of the discounting (relative to the estimated recoverable flows attributed to the impaired loans at the time of the PPA) is accounted for, pro rata temporis, among interest income so as to integrate the contractual interest rate with the higher yield deriving from the lower value attributed to the recoverable flows.

## OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

IAS 32 regulates the criteria for offsetting financial assets and liabilities. Specifically, the company may present the net balance in its balance sheet when the following conditions are simultaneously met:

- I) the company has a legal right to offset the amounts recognised in the accounts;
- II) the company intends to settle the net balance or realise the asset and settle the liability at the same time.

Therefore, net settlement is possible when any offsetting is capable of reflecting the future cash flows that the company expects to obtain from the settlement of two or more separate financial instruments. When an entity has the right as well as the intention to receive or pay a single net amount, it has in effect a single financial asset or financial liability. In other cases, financial assets and financial liabilities are presented separately from each other, consistent with their characteristics as a resource or an obligation for the entity.

## HEDGING TRANSACTIONS

The Group avails itself of the option, provided for at the time of the introduction of IFRS 9, to continue to fully apply the provisions of the previous accounting standard IAS 39 on hedge accounting (in the carved out version endorsed by the European Commission) for each type of hedge.

### Classification Criteria

Risk hedging transactions are designed to face risks connected with changes in market value, or in future cash flows referable to a specific item or group of items, such as to have potential effects on the income statement. The type of hedge used by the Group is the fair value hedge and its objective is to hedge the exposure to changes in the fair value (attributable to the various types of risk) of recognised assets and liabilities or portions thereof, groups of assets/liabilities, firm commitments and portfolios of financial assets and liabilities, as permitted by IAS 39 endorsed by the European Commission.

### Recognition criteria

Hedging derivatives, like all derivatives, are initially recognised and subsequently measured at fair value.

### Valuation Criteria

In the case of fair value hedges, the change in fair value of the hedged item is offset against the change in fair value of the hedging instrument. This offsetting is recognised through the recognition in the Income Statement of changes in value, referring both to the hedged instrument (as regards changes produced by the underlying risk factor) and to the hedging instrument. Any difference, representing the partial ineffectiveness of the hedge, consequently constitutes the net economic effect. The derivative instrument is designated as a hedge if there is formalised 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 its life. The effectiveness of the hedge depends on the extent to which changes in the fair value of the hedged item are offset by changes in the fair value of the hedging instrument. Therefore, effectiveness is assessed by comparing these changes, taking into account the intent of the company at the time the hedge was implemented. Accounting effectiveness occurs when changes in the fair value of the hedging instrument almost entirely neutralise the changes in the hedged item for the hedged risk element, i.e. within the limits set by the 80% - 125% range (the Dollar offset method).

The assessment of effectiveness is carried out at each balance sheet, or, interim reporting. If the tests do not confirm the effectiveness of the hedge, hedge accounting is discontinued at that time; the derivative contract is reclassified as a trading instrument and the hedged financial instrument regains the valuation criterion corresponding to its balance sheet classification. IAS 39 allows the object of fair value hedging to be identified not only in a single financial asset or liability, but also in a monetary amount, derived from a multiplicity of financial assets and liabilities (or portions thereof),

so that a set of derivative contracts can be used to reduce the fair value fluctuations of the hedged instruments, as market interest rates change (so-called generic hedging or macrohedging). Net amounts arising from the mismatch of assets and liabilities cannot be the subject of generic hedging. Similar to specific fair value hedges (microhedging), a generic hedge is considered highly effective if, both at inception and during its life, changes in the fair value of the hedged monetary amount are offset by changes in the fair value of the hedging derivatives, and if the actual results are within the range required by IAS 39. In accordance with the instructions issued by the Bank of Italy for the preparation of banks' financial statements, the adjustment of the value of financial assets/liabilities subject to macro-hedging is recognised in item 60 of Assets and item 50 of Liabilities, with a balancing entry in item 90 of the Income Statement.

## **EQUITY INVESTMENTS**

This item includes interests held in associates (as defined by IAS 28) and investments in subsidiaries and associates, acquired with government/third-party contributions, the accounting treatment of which is described below.

Associates are companies in which the parent company directly or indirectly holds at least 20% of the voting rights or in which, even with a lower proportion of voting rights, significant influence is recognised, defined as the power to participate in determining financial and operating policies, without having control or joint control.

Investments are initially recognised at cost, at the settlement date, including costs or income directly attributable to the transaction. At each balance sheet or interim reporting date, the presence or absence of impairment of equity investments is verified.

In the presence of the aforementioned indicators, an impairment test is performed in accordance with the provisions of IAS 36 to estimate the recoverable value of the equity investment and to compare it with the book value of the same in order to determine whether value adjustments should be recognised.

At each balance sheet or interim reporting date, specific qualitative and quantitative indicators are assessed.

If the recoverable amount is lower than the balance sheet value, the difference is charged to the income statement. If the reasons for the write-down no longer apply, the respective write-backs are made, which must be recognised in the income statement up to the amount of the previous write-down.

Therefore, the reduction of the previously recognised loss against the reversal of an impairment loss may not exceed the carrying amount that would have existed had no loss been recognised previously. Both write-downs and reversals are recognised in the income statement item 'Gains (losses) on equity investments'. When the financial asset is sold with transfer of all associated risks and rewards, it is derecognised.

### **Equity investments in associated companies**

In these financial statements, the valuation criterion for investments in associates, as permitted by IAS 27 par. 10 c, is the equity method described in IAS 28.

The equity method is applied retroactively from the date of acquisition of the investment, taking into account the initial difference between acquisition cost and the corresponding fraction of the investee's equity at the date of acquisition.

In the presence of indicators such as significant financial difficulties of the investee company, the likelihood that the investee company will declare bankruptcy or be subject to other financial restructuring procedures, the distribution of a dividend greater than the profit for the period and existing profit reserves, the distribution of a dividend by the investee company greater than the profit in the statement of comprehensive income (or comprehensive income for financial companies) in the

year in which it declares it, an impairment test is performed in accordance with the provisions of IAS 36 to estimate the recoverable amount of the investment and to compare it with its carrying amount in order to determine whether impairment losses should be recognised, taking into account the initial difference between the acquisition cost and the corresponding fraction of the investee's equity at the acquisition date.

In the years following the acquisition, adjustments are made to annually update the effects of the initial difference between the acquisition cost and the carrying amount of the investee, recognising a corresponding change in the carrying amount of the investment in the income statement.

Company dividends are recognised when the right to receive the dividend is established and are recorded as a reduction in the carrying amount of the investment. Under the equity method, the investment is initially recognised in accordance with IAS 28 and the carrying amount is increased or decreased to recognise the investor's share of the investee's profit or loss realised after the acquisition date. The investor's share of the investee's profit (loss) for the year is recognised as a balancing entry in the income statement.

An investment is accounted for using the equity method from the moment it falls within the definition of a subsidiary and an associate. Upon acquisition of the investment, any difference between the cost of the investment and the investor's share of the net fair value of the investee's assets and liabilities is accounted for as follows:

- goodwill is included in the carrying amount of the investment. Amortisation of this goodwill is not permitted;
- any excess of the interest in the net fair value of the investee's assets and liabilities over the cost of the investment is included as income in the period in which the investment is acquired.

Appropriate adjustments must also be made to the investee's post-acquisition results to take into account depreciation of depreciable assets based on their fair values at the date of acquisition, impairment losses for goodwill or property, plant and equipment, and other items that make up the fair value at the time of acquisition. If there is a negative equity of the investee, after the investment is written off, further losses are accrued and recognised as liabilities/provisions for risks and charges only to the extent that the parent company has incurred legal or constructive obligations or made payments on behalf of the investee.

If the investee subsequently realises profits, the parent company will recognise its share of the profits only after it has matched its share of unrecognised losses.

### **Equity investments acquired with government grants/third-party funds**

This category includes equity investments acquired with public grants/third-party funds. In light of what was previously reported in relation to the accounting treatment of contributions received in application of Art. 1 of Decree Law 142 of 16 December 2019, (see previous paragraph 'Part A - ACCOUNTING POLICIES Section 4 - Other aspects - Application of Art. 1 of Decree Law 142' of 16 December 2019), Invitalia has defined a specific accounting policy for the accounting treatment of all participations acquired with public grants/third-party funds that can be classified in accordance with the provisions of Accounting Standard IAS 20, considering that these participations, although formally presenting the characteristics envisaged for an equity instrument (IAS 32:11), could not fall within the scope of application of the international accounting standards that specifically govern the accounting treatment of equity instruments (IFRS 9, IAS 27 and IAS 28 and IFRS 11). In particular, it was considered, also on the basis of a technical opinion prepared for this purpose, that these equity investments are acquired in execution of specific regulatory provisions and through the use of public or third-party resources. These regulatory provisions provide for specific rights for the party making the contribution/third-party fund and specific obligations on the part of the Agency with respect to the equity investments acquired with public contributions/third-party funds, which in substance do not attribute to Invitalia either the economic effects typical of an equity instrument (dividends, write-downs, etc.) - as any equity instrument (whether minority or even joint control and control), which

therefore represents 'a residual interest in the assets of the entity after deducting all of its liabilities' - nor the power to take specific actions typical of ownership (e.g., the sale of the shareholding acquired through the contributions received/funds of third parties), despite having the legal ownership of the shares representing the share capital of a company. Taking into account the specificity of the context just described, the Agency has adopted a specific accounting policy for the recognition and measurement of participations acquired by means of a contribution/third-party funds.

The initial recognition and subsequent valuation of these participations are made at cost, at the settlement date, including costs or income directly attributable to the transaction. At each balance sheet or interim reporting date, the presence or absence of impairment of equity investments is verified. The recognition of such evidence is based on the existence of qualitative and quantitative indicators illustrated below. In the presence of these indicators, an impairment test is carried out in accordance with the provisions of IAS 36, aimed at estimating the recoverable value of the equity investment and comparing it with its book value, in order to determine whether value adjustments should be recognised. With particular reference to those equity investments whose individual carrying value was deemed not relevant - in accordance with the provisions of International Accounting Standard IAS 1:7 - Shareholders' Equity is used as the method to determine the recoverable value of the equity investment - as it approximates the fair value calculated with a simple equity method - to be compared with the book value of the same in order to determine the recognition of any impairment. As indicated above, at each balance sheet date, or interim situations, the presence of specific qualitative and quantitative indicators is assessed, such as:

- the achievement of negative economic results or, in any case, a significant deviation from budget targets (or from multi-year plans);
- significant financial difficulties of the investee company;
- likelihood of the investee company declaring bankruptcy or being subject to other financial restructuring procedures;
- the distribution of a dividend greater than the profit for the period and existing profit reserves;
- the distribution of a dividend by the investee company greater than the profit in the statement of comprehensive income (or comprehensive income for financial companies) in the year in which it declares it.

The equity investments affected by this accounting treatment, for the purposes of both the separate and consolidated financial statements, are as follows:

1. Mediocredito Centrale S.p.A. limited to the portion of equity allocated to the purchase of the investment in BDM Banca S.p.A.;
2. Equity Investment in Acciaierie d'Italia Holding S.p.A.;
3. Equity investment in Reithera S.r.l.;
4. Equity investment in TLS Sviluppo S.r.l.;
5. Equity Investment in DRI d'Italia S.p.A.;
6. Equity investments acquired pursuant to Law 181/89 (CMS S.r.l. in bankruptcy, Ela S.p.A. in bankruptcy, Elimirad Service S.r.l. in liquidation, Fonderie S.p.A. in bankruptcy, Gustavo De Negri & ZA.MA. S.r.l., Jonica Impianti S.r.l., Peritas S.r.l., PRO.S.IT. S.r.l. in bankruptcy, Sicalp S.r.l. in bankruptcy, SIE- Società Ittica Europea in extraordinary administration, Simpe S.p.A. in bankruptcy, Sural S.p.A. in bankruptcy, Tekla S.r.l. Ex Mexall Sistemi).

With regard to the companies acquired with third-party funds for which the Agency is identified as a mere managing entity, they are recognised under 'Commitments' and not under 'Equity Investments', as these are facilitating measures for which the Agency is exclusively responsible for the implementation envisaged by the same measures.

### **Equity investments held for sale**

For these equity investments, please refer to what is more fully described in the section below entitled 'Non-current Assets and Groups of Assets held for Sale'.

## PROPERTY, PLANT AND EQUIPMENT

### Classification Criteria

The item includes land, buildings, furniture, plant and equipment. Property, plant and equipment are initially recognised at cost, which includes, in addition to the purchase price, any accessory charges directly attributable to the purchase and commissioning of the asset. Extraordinary maintenance costs that result in an increase in future economic benefits are recognised as an increase in the value of the assets, while other ordinary maintenance costs are recognised in the income statement.

The item also includes renovation costs of buildings not owned that are capitalised in consideration of the fact that, for the duration of the contract that allows for their use (lease, commodity loan, concession, etc.), the user company has control over the assets and can derive future economic benefits from them.

In application of the new accounting standard IFRS 16, Property, plant and equipment also includes rights of use acquired through leasing and related to the use of a tangible asset for lessees.

### Recognition criteria

The item property, plant and equipment is initially recognised at purchase cost including any directly attributable accessory charges. The cost is increased by any costs subsequently incurred to improve, replace a part or perform extraordinary maintenance that will increase future economic benefits. Ordinary maintenance costs are charged directly to the income statement. Under IFRS 16, leases are accounted for using the right-of-use model, whereby, at the inception date, the lessee has a financial obligation to make payments due to the lessor to compensate for its right to use the underlying asset during the lease term. When the asset is made available to the lessee for its use (initial date), the lessee recognises both the liability and the asset consisting of the right of use.

### Valuation Criteria

The item property, plant and equipment is measured at cost less any depreciation and impairment losses. The depreciable amount is represented by the cost of the assets (or the restated net value if the valuation method used is restatement) less the residual value at the end of the depreciation process, if significant. Buildings are depreciated by an amount deemed appropriate to represent the depreciation of the assets over time as a result of their use, taking into account extraordinary maintenance costs, which are added to the value of the assets.

Renovation costs of non-owned real estate are depreciated over a period not exceeding the duration of the use contract.

If there is any indication that an asset may be impaired, the carrying value of the asset is compared with its recoverable value. Any adjustments are recognised in the income statement.

If the reasons that led to the recognition of the loss cease to exist, a write-back is made, which may not exceed the value that the asset would have had, net of calculated depreciation, in the absence of previous impairment losses. With regard to assets consisting of right-of-use rights, accounted for under IFRS 16, these are measured using the cost model under IAS 16 Property, Plant and Equipment; in this case, the assets are subsequently depreciated over the term of the lease agreements.

### Derecognition Criteria

The item property, plant and equipment is derecognised on disposal or when the asset is retired from use and no future economic benefits are expected from its disposal.

The positive or negative balance of value adjustments and reversals relating to property, plant and equipment held for functional use or investment purposes or constituting inventories of property, plant and equipment measured in accordance with IAS 2, including those relating to assets acquired under finance leases, must be recognised in the income statement within item 180. Net value adjustments/write-backs on Property, plant and equipment.

In addition, with regard to property, plant and equipment measured at fair value for functional use, for investment purposes and inventories, the positive or negative balance between write-downs and

revaluations must be recognised in the income statement under item 230. Net result of fair value measurement of tangible and intangible assets.

## **INTANGIBLE ASSETS**

### **Classification Criteria**

Intangible assets are recognised as such if they are identifiable and arise from legal or contractual rights. Intangible assets also include goodwill, which represents the positive difference between the acquisition cost and the fair value of assets and liabilities attributable to an acquired company.

### **Recognition and measurement Criteria**

Intangible assets are recognised at cost, adjusted for any incidental expenses, only if it is probable that the future economic benefits attributable to the asset will flow to the company and if the cost of the asset can be measured reliably. Otherwise, the cost of the intangible asset is recognised in the income statement in the period in which it is incurred.

In summary, the following conditions must be met for an intangible asset to be recognised:

- a. The cost of the asset can be reliably determined.
- b. The asset is capable of producing future economic benefits for the company.

Intangible assets must be recognised:

- i At purchase cost, if purchased from third parties or performed on the basis of contracts (contract work in progress). This cost includes directly attributable ancillary charges (e.g. installation and testing costs, notary fees, registration fees, any non-deductible VAT) and reduced for any trade discounts. If payment for an intangible asset is deferred beyond the normal terms of deferral, 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 interest expense over the life of the debt;
- ii The direct cost of production, if constructed in-house: the cost of personnel employed in the implementation of the intangible asset may contribute to the direct cost of production, especially with reference to the typical activity of the group, if it is easily calculable and adequately demonstrable (e.g. through the preparation of special reports or timesheets); other recognisable costs may relate to professional fees incurred directly in bringing the asset to its working condition, and also costs for verifying whether the asset is functioning properly;
- iii With regard to intangible assets acquired by way of enjoyment (by way of a licence for use), only the initial 'one-off' payment, if any, may be capitalised. Periodic payments (fees, royalties, etc.), on the other hand, are considered costs for the financial year. In certain circumstances, an intangible asset may be acquired in whole or in part without incurring a charge by means of a government grant. This may occur where a government transfers or allocates intangible assets such as licences to operate radio stations, import licences, quotas or rights to access other scarce resources. The asset received and the contribution are recognised at a nominal value.

For assets with a finite useful life, the cost is amortised on a straight-line basis or on a declining balance determined by the inflow of expected economic benefits from the asset. On the other hand, assets with an indefinite useful life are not subject to systematic amortisation.

If there is any indication that an asset may be impaired, the asset's recoverable amount is estimated. The amount of the loss, recognised in the Income Statement, is equal to the difference between the asset's carrying amount and its recoverable amount.

The balance, whether positive or negative, of value adjustments and reversals relating to intangible assets, other than goodwill, including those relating to assets acquired under finance leases and assets granted under operating leases, must be recognised in the Income Statement under item 190. Net impairment losses/reversals of impairment losses on intangible assets.

In addition, with regard to intangible assets measured at fair value, the positive or negative balance between write-downs and revaluations must be recognised in the income statement under item 230. Net result of fair value measurement of tangible and intangible assets.

## **Derecognition Criteria**

An intangible asset is derecognised on disposal or when future economic benefits are no longer expected.

## **NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE**

The separate disclosure of 'Non-current assets (or 'disposal groups') held for sale' and associated liabilities in the liability item 'Associated liabilities held for sale' meets the need for more transparent disclosure for the reader of the financial statements. Current assets, on the other hand, may only be classified under 'Non-current assets held for sale' if they are part of or form part of a Disposal Group. An 'asset group' is a collection of directly associated assets and liabilities, such as cash generating units, that are intended to be disposed of through a sale, or otherwise, in a single transaction. In the case of groups of assets, separate recognition of assets and liabilities in the balance sheet is required, without the possibility of offsetting the two positions. The measurement principles set out below do not apply to deferred tax assets, assets related to employee benefits and financial assets within the scope of IFRS 9, whether held for sale as individual assets or included in a Disposal Group. Conversely, the classification methods apply indiscriminately to all non-current and current assets (when included in a Disposal Group) that are 'held for sale', as well as the related liabilities.

Held-for-sale Assets are measured at the lower of carrying amount and fair value less costs to sell, and presented separately and distinctly in the balance sheet.

The following assets can be classified as Assets held for sale:

- I. Individual non-current assets (non-current assets);
- II. Group of only assets or group of assets and liabilities (disposal group);
- III. Discontinued operations.
- IV. A discontinued operation is a part of a business (e.g. a line of business) that is classified as held for sale and:
  - represents an important line of business or geographical area of activity;
  - is part of a coordinated plan to dispose of a line of business or geographical area of activity,
  - is a subsidiary acquired exclusively for the purpose of resale.

### **Classification of assets held for sale**

Classification as an asset held for sale may be made if the following conditions are met:

- The carrying amount is recovered primarily through sale rather than through operating use;
- The sale is highly probable.
- The sale is considered highly probable if:
  - Management is committed to the sale through a sales plan and a buyer identification programme;
  - The sale price is reasonable in relation to the current fair value;
  - The sale must occur within one year from the date of reclassification;
  - Activities to complete the plan indicate that it is unlikely that significant changes will be made to the sale plan or that the plan will be withdrawn.

The extension of the above one-year period to complete the sale does not preclude classification as 'Assets held for sale' if the delay is caused by events and circumstances beyond management's control and there is sufficient evidence that management will remain committed to its plan to sell.

If the period for sale extends beyond one year, classification as an asset held for sale shall be maintained in the following cases:

- i. Management is committed to the plan of sale but expects that others, not the buyer, will impose conditions on the sale that will increase the period for sale;
- ii. There is a binding commitment to purchase but the buyer or others unexpectedly impose new conditions on the sale;
- iii. During the initial one-year period circumstances arise which were previously considered unlikely and which extend the period of the sale.



The requirements set out above must be met at the balance sheet date: any assets (or 'Groups of assets') that meet these requirements after the balance sheet date, but prior to the approval of the balance sheet, will only give rise to a disclosure requirement similar to that in the first year in which an asset is classified as an 'asset held for sale'.

This item, within the company, includes the non-strategic equity investments that have been put up for sale or started to be disposed of; these assets, due to both the group's operating characteristics and the peculiarities of the assets being disposed of (related to the timing of disposal or liquidation), may, depending on the specific case, be classified and maintained in this item regardless of the timing of liquidation/disposal.

### **Measurement of assets held for sale**

Assets held for sale must be measured at the lower of carrying amount and fair value less costs to sell. Where the sale extends beyond one year, selling costs must be measured at present value. Any increase in the present value of selling costs, which results from the passage of time, must be charged to the income statement as a finance cost.

The carrying amount of Assets held for sale must be determined immediately prior to their classification, considering the IFRS/IAS applied up to that time. At the end of the reporting period (or interim reporting period), the carrying amount so determined must be aligned, if lower, with the fair value less costs to sell of the asset held for sale, recognising an impairment loss. In the case of a cash-generating unit, the impairment loss must be recognised as a reduction in the carrying amount of any allocated goodwill, and subsequently as a reduction in the carrying amount of other assets in proportion to their respective carrying amounts.

Capital gains in excess of accumulated impairment losses may not be recognised.

Assets held for sale should not be depreciated from the time they are classified as such.

Assets held for sale that are part of a business combination must be measured only at fair value less costs to sell.

Reductions in fair value less costs to sell resulting from the classification are recognised in the income statement as impairment losses, while any reversals of impairment losses resulting from increases in fair value less costs to sell may only be recognised to the extent of previously recognised impairment losses.

If the conditions for classification as an asset held for sale are no longer met, the related assets must be measured at the lower of:

- i. The carrying amount prior to classification as an asset held for sale adjusted for any depreciation or revaluation that would have been recognised had the classification not been made, and
- ii. The value recoverable through use.

Adjustments to the carrying amount resulting from the cessation of classification as held-for-sale assets must be recognised in profit or loss under capital gains and losses relating to continuing operations.

### **Representation of assets held for sale in the Financial Statements**

Assets held for sale must be presented separately in the statement of financial position, without adjusting comparative information, in accordance with the following criteria:

- i. Non-current assets must be presented as current assets on a separate line;
- ii. Assets and liabilities of an Assets held for sale must be presented as current assets and liabilities in a single separate line without the possibility of offsetting;
- iii. Cost and revenue components recognised in other comprehensive income that relate to a non-current asset or to the assets and liabilities of an asset held for sale shall be presented separately.

Investments in subsidiaries and joint ventures held for sale are not excluded from consolidation but must be reported in the statement of financial position on separate lines, showing the total assets and liabilities of the subsidiary, measured at the lower of carrying amount and fair value less costs to sell.

For discontinued operations only, a single amount arising from:

- Gains and losses after tax realised in the period of destination on sale and in all previous periods presented;
- Gains and losses after tax arising from fair value adjustments and from the sale.

In addition, the following must be disclosed in the notes to the financial statements:

- I. The amount of income, expenses, profit or loss before tax;
- II. The amount of income tax;
- III. The amount of after-tax income and losses from fair value adjustment and disposal.

The amount of cash flows from operating and financing activities of the discontinued operation must be reported separately in the cash flow statement.

The balance, whether positive or negative, of income (interest, dividends, etc.) and expenses (interest expense, depreciation, etc.) relating to groups of assets and associated liabilities held for sale, net of related current and deferred taxation, must be recognised in the income statement within item 290. Profit (Loss) from discontinued operations after tax.

## **OTHER ASSETS**

This item includes assets that cannot be allocated to other balance sheet assets. They include, inter alia, receivables related to the provision of activities and services, other than financial activities and services as defined by the T.U.B. (consolidated Banking Act) and the T.U.F. (Consolidated Law on Finance), tax items other than those recognised under 'Tax assets', as well as accrued income other than those to be capitalised on the related financial assets.

Also included under this item are improvements and incremental expenses incurred on third-party assets other than those attributable to 'Property, plant and equipment' as well as any inventories of assets as defined in IAS 2, excluding those classified as inventories of property, plant and equipment. Receivables and debt securities disbursed from funds administered on behalf of the State or other public entities, the management of which is remunerated solely with a lump-sum fee (commission) and which are, therefore, in the nature of a mere service, are recognised under this item.

## **FINANCIAL LIABILITIES MEASURED AT AMORTISED COST**

### **Classification Criteria**

Payables to banks, payables to customers and Outstanding securities include the various forms of funding. Also included are payables recognised by the company as lessee under finance leases.

### **Recognition criteria**

Initial recognition of these financial liabilities takes place on the date the contract is entered into, which normally coincides with the time of receipt of the sums collected or the issue of the debt securities. Initial recognition is based on the fair value of the liabilities, which is normally equal to the amount collected or the issue price, plus any additional costs/income directly attributable to the individual funding transaction. Internal administrative costs are excluded.

### **Valuation Criteria**

After initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method.

Exceptions are short-term liabilities, for which the time factor is negligible, which remain recognised at the amount received.

### **Derecognition Criteria**

Financial liabilities are derecognised when they expire or are extinguished. Derecognition also occurs when previously issued bonds are repurchased. The difference between the carrying amount of the liability and the amount paid to purchase it is recognised in the income statement. The placing of own

securities on the market after their repurchase is considered a new issue and is recognised at the new placement price.

In the event of the repurchase of own financial liabilities, the positive or negative balance of gains and losses must be recognised within item 100. Gains/losses on disposal or repurchase of c) financial liabilities.

## **OTHER LIABILITIES**

Other liabilities include cash security deposits received from third parties and tax liabilities due in more than one year.

Other liabilities include short-term payables to third parties of a different nature; other types of payables (e.g. social security payables, payables to employees for wages and salaries to be paid; payables for collections received on behalf of third parties; payables for advances received from customers); accrued expenses and deferred income.

Also for financial instruments on the liability side in the short term for the purpose of measurement/valuation at amortised cost, no discounting of the financial instrument is performed as the effect of the time value of a financial nature is not significant. With reference to payables to personnel, these represent obligations to pay a determined amount at a pre-determined date. They are, therefore, liabilities that are certain in their existence and amount, while those that are probable or based on estimates and actuarial calculations are recognised in the item Employee benefits.

This item includes, in particular, the following types of liabilities:

- i. Amounts due to pension and social security institutions;
- ii. Accrued liabilities and deferred income;
- iii. Advances from suppliers.

Payables represent obligations to pay a specified amount at a specified date. They are, therefore, liabilities that are certain in their existence and amount, while those that are probable or based on estimates are recognised in provisions.

This item also includes interest expense that arises from payables to others both when the accrual period relates to two accounting periods and when the interest is fully accrued at the end of the period.

This item includes liabilities for third-party funds administered on behalf of the State or other public entities, the management of which is in the nature of a mere service and is remunerated exclusively by a lump-sum fee (commission). Amounts made available by public sector entities, for a limited period of time, are also recognised under this item, provided they are at the full disposal of the intermediary and are not interest-bearing.

Payables for third-party funds administered on behalf of the State or other public entities related to concessional measures for which the Agency acts solely as agent are not recognised under this item but recognised as commitments as are the related uses.

Also recognised under this item are public grants received in accordance with the paragraph on 'Public grants' below.

## **GOVERNMENT GRANTS**

IAS 20 requires that government grants should be recognised in the financial statements only if 'there is a reasonable certainty' that:

- i. The entity will comply with the conditions;
- ii. The grants will be received.

Government grants must be accounted for in accordance with the income approach, i.e. they must be recognised as income in the income statement, on a systematic and rational basis, in the periods necessary to match them with the costs to which they relate.

The possibility of crediting public grants directly to equity is excluded; in other words, they are not to be accounted for according to the 'capital system'.

## Types of government grants

IAS 20 provides for the following different types of government grants:

1. **Capital grants/Systems grants:** Government capital grants are defined as 'government grants for the receipt of which it is an essential condition that the enterprise purchase, construct or otherwise acquire fixed assets'. The granting of the contribution is therefore linked to the construction or acquisition (or other forms of acquisition) of tangible and intangible assets, the usefulness of which is long-lasting, i.e. capital goods for the enterprise;

**Accounting treatment:** 'Capital grants' are accounted for on the basis of the 'income approach', i.e. by systematically recognising them in the income statement, with two possible methods of presentation allowed under IAS 20. The first method, known as the 'deferred revenue method', provides for the recognition of the grant as deferred revenue, which must be recognised as income, i.e. as a positive income component, on a systematic and rational basis over the useful life of the asset acquired or constructed. In essence, following this method, the grant is initially suspended among deferred revenue in the liabilities of the balance sheet, with the portion of the grant not pertaining to the year being deferred to future years through the entry of deferred income. The amount of deferred income will be progressively reduced, until it is reduced to zero, by charging the portion of the grant pertaining to future years to the income statement on the basis of the useful life of the assets. The second method, known as the 'net presentation method', implies the recording of the purchased (or constructed) asset in the balance sheet net of the grant paid for its acquisition. By proceeding in this manner, the grant affects the Income Statement indirectly, through the reduction of the depreciation of the acquired (or constructed) asset. The method chosen by Invitalia to account for this type of grant is the 'deferred income method' within the item 'Other liabilities'. In short, the value of this type of contribution is suspended within Liabilities and gradually released to the income statement within the item 'Other operating income' in proportion to the useful life of the asset in question, thus correlating it to the depreciation of the asset itself.

2. **Operating grants:** Operating grants are a residual category, i.e. all those public grants other than capital grants.

**Accounting treatment:** this type of grants, which are correlated to cost components, must be recognised within the item 'Other Operating Income' and systematically broken down over the various financial years so that the revenues are correlated to the costs they are intended to offset. Consistently with the 'income' criterion, if a grant is related to future costs, it can only be recognised in the income statement in the financial year in which the charge against which the grant is recognised arises. If a grant is made for the purpose of providing financial support to an enterprise, the grant is recognised in the income statement only in the year in which it becomes receivable. Given the characteristics of the parent company, and with specific reference to grants for plant, the related assets may be accounted for according to the assets to which the grant relates; e.g:

- item 40 - Financial assets measured at amortised cost;
- item 70 - Equity investments;
- item 80 - Property, plant and equipment;
- item 110 - Non-current assets and groups of assets held for sale;
- item 120 - Other assets - [Inventories].

The information referred to in par. 125 et seq. of Art. 35 of Decree Law 34 of 30 April 2019 are reported under the individual items on which the grants, subsidies or contributions or without consideration, remuneration or compensation received.

This item also includes the grant received pursuant to Article 1, par. 1 of the Decree Law 14 of 16/12/19 for the accounting treatment of which please refer to 'Section 4 - Other Aspects' of 'Part A1 - General Section' of these notes.

## **EMPLOYEE TERMINATION BENEFITS (EMPLOYEE BENEFITS)**

The liability relating to guaranteed employee benefits paid on or after termination of employment through defined benefit plans, represented by the Employee Severance Indemnity Fund, is recognised in the period in which the right accrues, net of any plan assets and advances paid, and is determined on the basis of actuarial assumptions and recognised on an accrual basis in line with the work services required to obtain the benefits.

The Projected Unit Credit Method is used for discounting purposes. Plan costs are recognised in profit or loss for the period.

Actuarial gains and losses are fully recognised in the period and charged to equity.

The actuarial analysis is performed annually by an independent actuary.

## **PROVISIONS FOR RISKS AND CHARGES**

Allocations to provisions are only made when:

- there is a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are recognised at the value representing the best estimate of the amount the company would pay to settle the obligation or to transfer it to a third party at the balance sheet date. Risks for which the occurrence of a liability is possible are disclosed in the notes to the accounts or in the management report without making any provision. If the effect of discounting is significant, 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 risks specific to the liabilities. When discounting is performed, the increase in the provision due to the passage of time is recognised as a finance cost.

## **CURRENT AND DEFERRED TAXES**

The effects of current and deferred taxes are recognised, calculated in compliance with national tax legislation on an accrual basis, consistently with the way the costs and revenues that generated them are recognised in the financial statements, applying the tax rates in force.

Income taxes are recognised in the income statement, except for those relating 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, prepaid and deferred tax burden.

Deferred tax assets and liabilities are determined 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.

Deferred tax assets and liabilities are recognised:

- the former only if there is a probability of their recovery, assessed on the basis of the company's ability to continuously generate positive taxable income;
- the latter, if any, in any case.

Assets and liabilities recognised for deferred tax assets and liabilities are systematically assessed to take into account any changes in regulations or rates.

Where deferred tax assets and liabilities relate to items affecting the income statement, the balancing entry is income tax. In cases where deferred tax assets and liabilities relate to transactions that directly affected equity without affecting the income statement (such as the valuation of available-for-sale financial instruments or cash flow hedging derivatives), they are recognised with a balancing entry in equity, affecting the relevant specific reserves.

## RECOGNITION OF REVENUES

Revenue is recognised when a customer obtains control of the goods. The identification of the transfer of control is determined on the basis of a five-step analysis model that applies to all revenues from contracts with customers:

- i. Identification of the contract with the customer;
- ii. Identification of performance obligations (i.e. contractual commitments to transfer goods and/or services to the customer);
- iii. Determination of the transaction price;
- iv. Allocation of the transaction price to the identified performance obligations based on the stand-alone selling price of each good or service; and
- v. Recognition of revenue per individual performance obligation when the performance obligation is met.

When entering into each customer contract, the parent company, in relation to the goods or services promised, identifies as a separate obligation each promise to transfer to the customer a good, a service, a series of goods or services, or a combination of goods and services that are distinct. Revenues are measured at the fair value of the consideration receivable, including any variable components, where it is considered highly probable that these will not be paid in the future.

Revenue may be recognised:

- at a specific point in time, when the entity fulfils its obligation to do so by transferring the promised good or service to the customer, or
- over time, as the entity performs its obligation to do so by transferring the promised good or service to the customer.

Revenue is recognised to the extent that its value can be reliably determined, and it is probable that the economic benefits will be achieved by the Group.

Depending on the type of transaction, revenue is recognised on the basis of the specific criteria set out below:

- Provision of services/transfer of goods - these revenues are recognised only if:
    - the parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and have committed to fulfil their respective obligations;
    - the company can identify the rights of each party with respect to the goods or services to be transferred;
    - the company may identify the terms of payment for the goods or services to be transferred;
    - the contract has commercial substance (i.e. the risk, timing or amount of future cash flows are likely to change as a result of the contract);
    - it is probable that the company will receive the consideration to which it is entitled in exchange for the goods or services to be transferred to the customer. In assessing the likelihood of receiving the amount of consideration, the company need only take into account the customer's ability and intention to pay the amount of consideration when it is due. If the consideration is variable, the amount of consideration to which the company will be entitled may be less than the price set out in the contract, because the company may grant the customer a price discount.
- Invitalia basically operates with two different scenarios:
- Contracts for the sale/realisation of goods/services: where the revenue is directly commensurate with the costs incurred, which are reported and approved. In all contracts belonging to this category, the revenue is configured as a reimbursement of costs (cost-based contracts), accounted for in the item 'Commissions receivable' sub-item 5 'services', which includes both fees and contributions for the reimbursement of costs incurred in carrying out activities related to the operating programmes assigned by the competent Administrations. This is the situation in which Invitalia is engaged in the provision of a service mainly using its own labour and providing for the reporting of the same. The valuation of these revenues is, therefore, represented by the external

costs for the acquisition of goods and services, the internal cost of the personnel involved in the realisation of the service, and general expenses calculated as a percentage of direct costs (external and internal);

- Contracts in which the Public Administration acts as 'Delegated Contracting Authority': the Public Administration contracts with Invitalia to tender the implementation of a work or service with a third-party supplier. This is the case in which Invitalia is responsible for carrying out a work or service and supplying it to the client on a 'turnkey' basis. Thus, two types of costs are accounted for:
  - External cost of the supplier awarded the contract (cost passing through Invitalia);
  - Internal cost of personnel involved in the administrative/bureaucratic management of the job order.

In the contracts identified as 'with contracting authority', in which Invitalia acts as 'agent', consisting of the obligation to do in arranging for a third party to provide the specific good or service, pursuant to the new IFRS 15 accounting standard, the component of the contract price relating to the cost of the third-party supplier is no longer recognised as revenue, but is netted with the cost incurred to fulfil the obligation.

Interest - Income is recognised based on the interest accrued on the net value of the related financial assets using the effective interest rate (a rate that exactly discounts estimated future cash flows to the net carrying amount of the asset);

Dividends - These are recognised when the shareholders' right to receive payment is established.

#### **Method of determining impairment losses**

With reference to the subsidiaries operating in the Banking sector, **Mediocredito Centrale and Cassa di Risparmio di Orvieto**, the methods for determining impairment losses are described below.

At each balance sheet date, pursuant to IFRS 9, financial assets other than those measured at fair value with an impact on the Income Statement are subjected to an assessment to determine whether there is any evidence that the carrying value of the assets may not be fully recoverable. A similar analysis is also performed for commitments to disburse funds and for guarantees issued that fall within the scope to be subject to impairment according to IFRS 9. In the event that such evidence exists (so-called 'evidence of impairment'), the financial assets in question - consistently, if any, with all the remaining assets pertaining to the same counterparty - are considered impaired and are included in Stage 3. For these exposures, represented by financial assets classified - pursuant to the reference regulations issued by the Bank of Italy - in the categories of non-performing loans, probable defaults and exposures past due for more than 90 days, value adjustments must be recognised equal to the expected losses over a time horizon equal to their entire residual life.

For financial assets for which there is no evidence of impairment (non-impaired financial instruments), on the other hand, it is necessary to verify whether there are indicators such that the credit risk of the individual transaction is significantly increased with respect to the time of initial recognition. The consequences of this verification, from the point of view of classification (or, more appropriately, staging) and valuation, are as follows:

- where such indicators exist, the financial asset is placed in stage 2. The valuation, in this case, in accordance with the principles of international accounting standards and even in the absence of a manifest impairment loss, provides for the recognition of value adjustments equal to the expected losses over the entire residual life of the financial instrument. These adjustments are subject to review at each subsequent reporting date both to periodically verify their congruity with respect to the constantly updated loss estimates, and to take into account - in the event that the indicators of a 'significantly increased' credit risk cease to exist - the changed forecast horizon for calculating the expected loss;
- where such indicators do not exist, the financial asset is transferred to Stage 1. The valuation, in this case, consistently with the dictates of international accounting standards and even in the absence of manifest impairment, provides for the recognition of expected losses, for the specific financial instrument, over the following twelve months. These adjustments are subject to review

at each subsequent balance sheet date both to periodically verify their congruity with respect to the constantly updated loss estimates, and to take into account - should indicators of a “significantly increased” credit risk arise - the changed forecast horizon for calculating the expected loss.

Considering that at each balance sheet date, the Bank must recognise the amount of the change in lifetime expected loss as an impairment gain or loss in the Income Statement, the model adopted by the Bank for calculating impairment losses on financial assets at the level of individual transactions is as follows:

$$ECL_{t_0} = \sum_{i=1}^N \left( \frac{EAD_{t_i} \cdot mPD_{t_i} \cdot LGD_{t_i}}{(1 + R)^{t_i - 1}} \right)$$

where:

- $EC_{L,t_0}$  = value adjustment calculated at the *reporting date*;
- N = residual life (contractual maturity minus *reporting date*);
- $EAD_{t_i}$  = value of EAD at the future point in time  $t_i$ ;
- $mPD_{t_i}$  = marginal probability of default in  $t_i$ ;
- $LGD_{t_i}$  = value of LGD at the future point in time  $t_i$ ;
- R = discount rate equal to the IRR.

With regard to financial assets classified as stage 1, the calculation formula illustrated above is calculated limited to a time horizon of 1 year (n equal to or less than 12 months), while for financial assets classified as stage 2, the instants indicated in the formula are consistent with the frequency of expected cash flows in the case of a multi-period EAD or with the annual frequency in the case of an amortisation plan with a single repayment at maturity (a so-called bullet).

The level of granularity used to determine the impairment is the individual ratio for the loan portfolio, while for the securities portfolio reference must be made to the individual tranches outstanding. In the case of purchases of several tranches of the same security at different points in time, it is in fact possible that the initial purchase conditions differ (different ratings of the issue or issuer) and it is therefore appropriate to consider <sup>3</sup>purchased tranches, even of the same security, as a separate financial instrument. This implies the need to assess the deterioration of creditworthiness at the level of each individual purchased tranche and the possibility of having to allocate tranches of the same security to different stages.

### Probability of Default (PD)

Pending the consolidation of a portfolio capable of providing robust internal risk evidence, the Bank estimates one-year PDs on its exposures using an external rating model. Specifically, PDs are estimated for each rating class based on a recalibration process that uses the model’s PDs and the average default rate observed on the Group’s portfolio. The input data are subject to quality control and, where appropriate, undergo a normalisation process to ensure the monotonicity of PDs with respect to ratings. Unrated positions are assigned to the rating class with average PD, unless analysis and monitoring reveal a risk profile significantly above average.

To ensure correct application of the accounting standard, PDs are processed in the following steps:

#### 1) PIT adjustment

For the sake of prudence and in view of the volatility of *default* rates observed on the loan portfolio, the PDs of the model’s one-year *provider* (PD 1Y) are recalibrated on the basis of an average decay rate observed on the portfolio (*Central Tendency* - CT). This parameter is updated periodically, based on internally observed risk *trends*, in order to estimate PDs that are as representative as possible of the portfolio’s riskiness;

#### 2) Calculation of forward-looking multi-period PDs

<sup>3</sup>In this document, the term ‘tranche’ refers to a lot of a given ISIN purchased at a specific point in time.



Multi-period PDs are derived from 1Y PDs by means of:

- a) the Merton-Vasicek methodology, which takes as input forward-looking default rate data calculated using proprietary satellite models, for the first 3 years of the curve and,
- b) from the fourth year onwards, with a Markovian approach using a TTC matrix calculated through the historical transition matrices provided by the same provider.

### 3) Determination of Conditional Marginal PDs

From the term structure of the cumulative PDs, the term structures of the marginal and conditional PDs are determined.

#### **Loss Given Default (LGD)**

During 2022, the Parent Company, together with the Group's other LEs, initiated a project for the updated estimation of the LGD parameter, which provided for:

- a) the calculation of the *loss given default* (LGS) value through the use of data on recoveries observed on closed non-performing loans throughout the historical series available to date;
- b) the calculation of the *danger rate* (DR) starting from the observed migrations to non-performing loans and the related *forward-looking* conditioning through proprietary satellite models also developed in 2022

the product of (a) and (b) yields an LGD curve to be applied over the life of the loan.

In relation to the type of guarantee associated with the loan product, the loan portfolio was segmented as follows:

- 1) Unsecured loan (not guaranteed) / Other financing;
- 2) Loan with guarantee from the SME Guarantee Fund (FdG)/SACE;
- 3) Non-residential mortgage loan;
- 4) Residential mortgage loan;
- 5) Factoring.

#### **Exposure at Default (EAD)**

For On Balance positions, Mediocredito Centrale and Cassa di Risparmio di Orvieto use as Exposure at Default the cash flows resulting from the actual amortisation schedules of the loans. In particular, for the first year<sup>4</sup> (stage 1 and stage 2 positions), the respective balance sheet value is considered, while for subsequent years (stage 2), the residual debt of the principal component of the exposure is considered as per the IAS plan.

For Off Balance positions, the Exposure at Default is determined in accordance with the provisions of Regulation 575/2013 in Article 111, PART THREE, Chapter 2, Section 1.

### **TAX CREDITS RELATED TO BUILDING BONUSES**

With reference to the method of accounting for tax credits, the Group's companies operating in the banking sector (Mediocredito Centrale and Cassa di Risparmio di Orvieto) apply the provisions of the joint Banca d'Italia/CONSOB/IVASS Document No. 9<sup>5</sup> concerning '*The accounting treatment of tax credits connected with 'Cura Italia' and 'Relaunch' Law Decrees acquired following their transfer by direct beneficiaries or previous purchasers*'.

The specific characteristics of these tax credits are such that they do not fall within the scope of IAS/IFRS. Therefore, par. 10 of IAS 8 applies, which requires management to define an accounting treatment (so-called *accounting policy*) suitable for providing relevant and reliable information. In accordance with Document no. 9 published jointly by the Bank of Italy, CONSOB, and IVASS on 5 January 2021, an accounting model based on IFRS 9 is deemed to be the most suitable approach to provide disclosure that meets the requirements.

<sup>4</sup>For stage 1 positions with a residual maturity of less than one year, the expected loss at one year is re-proportioned on the basis of the number of months to maturity.

<sup>5</sup>Coordination table between the Bank of Italy, CONSOB and IVASS on the application of IAS/IFRS'

Therefore, upon initial recognition, tax credits are recognised in the balance sheet under 'Other Assets' at a value equal to the purchase price, assumed to represent a Level 3 fair value according to the IFRS 13 fair value hierarchy. In the subsequent valuation, as the provisions of IFRS 9 relating to the 'Held To Collect' business model apply, receivable are measured at amortised cost with interest calculated on the basis of the internal rate of return recognised under 'Interest and similar income'. The valuation of these credits is carried out considering utilisation flows through estimated future offsets; however, the accounting framework set forth by IFRS 9 for calculating expected losses is not applicable to this specific case, i.e., ECL is not calculated on these tax credits, as there is no counterparty credit risk, considering that the realisation of the credit is through offsetting with debts and not through collection.

Any adjustments related to the total or partial unusability of receivables are recognised under 'Other operating income and expenses'.

### **A.3 DISCLOSURE OF TRANSFERS BETWEEN PORTFOLIOS OF FINANCIAL ASSETS**

Since the adoption of IFRS 9, the Group has made no changes in the business model for the management of its financial assets and, consequently, there have been no transfers between portfolios of financial assets.

According to the general rules of IFRS 9 on the reclassification of financial assets (with the exception of equity securities, for which no reclassification is permitted), reclassifications to other categories of financial assets are not permitted unless the entity changes the business model for their management. Such changes are expected to be highly infrequent and must be determined by management as a result of significant external or internal changes, demonstrable to external parties.

Therefore, the information required in the tables:

- A.3.1 - Reclassified financial assets: change of business model, book value and interest income;
- A.3.2 - Reclassified Financial Assets: Change in Business Model, Fair Value and Effects on Comprehensive Income;
- A.3.3 - Reclassified Financial Assets: Change in Business Model and Effective Interest Rate;

was not reported as not applicable.

### **A.4 FAIR VALUE DISCLOSURES**

#### ***Qualitative disclosure***

IFRS 13, par. 9, defines fair value as 'the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date'.

The standard is based on the definition of 'fair value market based' in that the fair value of the asset or liability must be measured according to the characteristics assumed by market participants.

Fair value measurement also assumes that the transaction to sell the asset or transfer the liability takes place in the principal market of the asset or liability or, in the absence of a principal market, in the most advantageous market.

The concept of fair value is based on the so-called 'exit price'. That is, the price must reflect the perspective of the person selling the asset or paying to transfer the liability at the date of recognition. This includes the need for the fair value of financial instruments to reflect the risk of default through appropriate adjustments to the creditworthiness of the counterparty and the issuer itself. With regard to the valuation of default risk, it should be noted that the Group estimated it at the balance sheet date and found no significant effects compared to the fair value method previously adopted.

IFRS 13, from par. 72 to par. 90, provides for a classification of fair value measurements of financial instruments on the basis of a specific hierarchy that is based on the nature and significance of the inputs used in those measurements (the so-called 'Levels').

The three levels provided are:

**Level 1:** a financial instrument belongs to Level 1 when it is traded on a market where transactions in the instrument occur with a frequency and volume sufficient to provide useful information for pricing the instrument on an ongoing basis ('active market').

The key variables generally taken into account by the Bank in identifying an active market are:

- the number of contributors, chosen on the basis of their competence in the market segment in question, their reliability as well as their continuous presence in that segment;
- the frequency of price quotation, i.e. the periodic updating of the quoted figure;
- the presence of a 'bid' price and a 'ask' price;
- an acceptable difference between 'bid' and 'ask' prices;
- the volume of trade transacted: this volume must be substantial in order to be able to consider the prices generated by such trade significant;
- the possible presence of dealers, brokers and market makers.

It should be pointed out, however, that the listing of a security on a regulated market is not in itself indicative of the 'liquidity' of the security and thus of the existence of an active market. Indeed, even if a security is traded on an official market, it may not have a reasonably large number of trades such that it can be concluded that the price formed on the market is meaningfully representative of fair value. For the purposes of determining fair value, the unadjusted price of the instrument must therefore be considered by reference to the main market or, in the absence of the latter, the most advantageous one. Therefore, the quoted price in an active market provides the most reliable evidence of fair value and, when available, is used without modification. Any adjustments would result in the financial instrument being classified at a lower level (e.g. when there is no immediate accessibility of the information or availability of the price at the valuation date).

In the case of debt securities, the valuation of the security takes place on the reference date without making any adjustment to the market price recorded on that date. With particular reference to debt securities listed in an active 'regulated' market, the price considered for valuation is the 'Official' price, derived from the published price list.

They are generally considered to be major markets:

- the MOT and MTS circuits for government bonds and non-government bonds;
- the official ECB spot exchange rates of the day.

For financial instruments listed on active markets, the average offer price (so-called 'mid price') at the close of the reporting period must be used.

The main sources to be used for price acquisition for accounting purposes are primary contribution platforms (e.g. Bloomberg, Telekurs, Reuters).

For equity securities and UCITS units, whose valuation is derived from primary contribution platforms (e.g. Bloomberg), which are always representative of an active market, the fair value coincides with the closing trading price on the reference date.

In the presence of an active market, listed derivative instruments are also measured by reference to the price derived from the main market, or, where there is none, the most advantageous price attributable to the instrument being measured. The market quote is provided daily by a leading 'clearing house' and can be found on the most common info-provider.

**Level 2:** If one does not fall into the previous case (Level 1), one must resort to a valuation technique (so-called 'pricing' models) that exclusively uses inputs observable directly or indirectly on the market (e.g. through information channels such as stock exchanges, info-providers, brokers, Internet sites, etc.). Level 2 inputs include:

- market prices of instruments with similar characteristics to the one being measured that are listed on an active market;
- market price of the instrument being measured or of a similar instrument listed on a non-active market;
- evaluation model (by way of example: Discounted Cash Flow) using only market observable or market-corroborated inputs (e.g. interest rates, yield curves, volatility, etc.).

**Level 3:** If one does not fall under the previous circumstances (Level 1 and 2), one should use a valuation technique based on a valuation model that is consistent with the instrument being measured and that maximises the use of observable market inputs. Level 3 therefore includes all instruments whose evaluation is based on at least one significant unobservable input.

In some cases, the data used to measure the fair value of an asset or liability may be classified into different levels of the fair value hierarchy. In such cases, the fair value measurement is classified entirely in the same Level as the input, provided it is 'significant', of the lowest Level of the fair value hierarchy used for the valuation. Assessing the importance of a particular input for the entire evaluation requires a judgement that takes into account instrument-specific factors.

Therefore, in cases where both observable market inputs (Level 2) and unobservable inputs (Level 3) are used in the valuation of a financial instrument, provided they are significant as better defined below, the instrument is classified in Level 3 of the fair value hierarchy.

Valuation techniques are used continuously and consistently over time unless alternative techniques exist that provide a more representative fair value measurement (e.g. in the case of new market developments, information no longer available or new information, different market conditions).

A financial instrument is classified in levels 2 and 3 in the absence of quoted prices in active markets. Classification in Level 2 rather than Level 3 is instead determined on the basis of the observability in the markets of the significant *inputs* used in determining *fair value*.

Observable *inputs* are parameters developed using market data, such as publicly available information on actual transactions or facts, and which reflect the assumptions that market participants would use in pricing the asset or liability; unobservable *inputs*, on the other hand, are parameters for which no market information is available and which are developed using the best available information regarding the assumptions that market participants would use in pricing the financial instrument.

In cases where both observable market *inputs* (level 2) and unobservable *inputs* (level 3) are used in the valuation of a financial instrument, if the latter is deemed significant, the instrument is classified in level 3 of the *fair value* hierarchy.

As required by IFRS 13, valuation techniques are used that are 'appropriate to the circumstances and maximise the use of relevant observable *inputs*'.

Valuation techniques are used continuously and consistently over time unless alternative techniques exist that provide a more representative *fair value* measurement (e.g. in the case of new market developments, information no longer available or new information, different market conditions).

It should also be noted that the valuation techniques used have not changed from the previous year. The *fair value* used for the valuation of financial instruments is determined on the basis of the criteria, outlined below, which assume, as described above, the use of observable or unobservable *inputs*.

#### **A.4.1 FAIR VALUE LEVELS 2 AND 3: VALUATION TECHNIQUES AND INPUTS USED**

##### **LEVEL 2 - Valuation methods based on observable market parameters**

For level 2 instruments, an *input* is considered 'observable', directly or indirectly, when it is continuously available to all market participants through regular distribution via specific information channels (stock exchanges, *info providers*, *brokers*, *market makers*, websites, etc.).

The valuation of the financial instrument is based on prices derived from market quotations of similar assets (*comparable approach*) or through valuation techniques for which all significant factors - including credit and liquidity *spreads* - are derived from observable market parameters (*mark-to-model approach*).

The '*comparable approach*' results in the search for transactions in active markets, relating to instruments that are comparable to the instrument being measured. The valuation techniques used in the *mark-to-model approach* are those commonly accepted and used as market '*best practices*'.

They are defined as level 2 *inputs*:

- prices quoted in active markets of similar liabilities;
- prices quoted for the instrument under analysis or similar instruments on inactive markets (i.e. markets where there are few transactions, prices are not current or vary substantially over time)

- and between different *market makers* or little information is made public);
- observable market *inputs* other than quoted prices (e.g. interest rates or yield curves, volatility, credit curves, etc.);
- *inputs* corroborated by market data (i.e. derived from observable market data or corroborated through correlation analysis).

In this case, the input data is taken from quoted prices using appropriate numerical techniques.

With reference to the portfolio of financial instruments, OTC (*over-the-counter*) financial derivatives and equities without official quotations expressed by an active market are normally included in level 2.

#### Over-the-counter (OTC) financial derivatives

Interest rate, exchange rate, equity, inflation and *commodity* derivatives, where not traded on regulated markets, are '*Over The Counter*' (OTC) instruments, i.e. traded bilaterally with market counterparties. Their valuation is carried out by means of special *pricing* models, if any, fed by input parameters (such as rate curves, volatility matrices, exchange rates) that are observable in the market, even if not listed on active markets.

In addition, the default risk is also considered in defining at *fair value*. In particular, the '*Fair Value Adjustment*' (FVA) is defined as that quantity that must be added to the observed market price rather than the theoretical price generated by the valuation model in order to obtain the *fair value* of the position. In determining *fair value*, however, account is also taken of credit risk mitigation instruments, such as any collateralisation contracts entered into with *high-standing* counterparties, which, in effect, can significantly reduce, if not eliminate, the exposure to this risk.

The methodology used in evaluating these contracts is as follows:

- non-optimal instruments (*interest rate swaps, forward rate agreements, overnight interest swaps, domestic currency swaps, etc.*): the valuation techniques belong to the '*discount cash flow models*' family in which certain or trend cash flows are discounted. Where linear or quasi-linear OTC derivatives incorporate option components, these are measured using the same methodologies as for options;
- optional tools: evaluation techniques are based on methodologies such as Monte Carlo simulation, *Fischer Black* Model, *Black Scholes* Model and Binomial Trees.

#### Debt and/or equity securities recorded as assets S.P. with no official quotation from an active market

With regard to purchased debt and/or equity securities measured in the absence of an active market, the following initially occurs:

- the presence of an inactive market for the financial instrument. In this case, the valuation of the financial instrument is based on prices from an inactive market as long as they are considered representative of *fair value*;
- the presence of an active market for an instrument with similar characteristics. In this case, the valuation of the financial instrument is based on prices that can be deduced from market quotations of similar assets (so-called '*comparable approach*'). The '*comparable approach*' results in the search for transactions in active markets relating to instruments that are comparable to the one being measured.

Where it is not possible to apply the methods described above, valuation models are adopted on a case-by-case basis that maximise the use of observable market inputs as much as possible.

In particular, for securities classified in level 2, the '*Discounted Cash Flow Analysis*' is applied, i.e. the discounting of future cash flows, discounted at a market rate that still takes into account all the risk factors to which the instrument is exposed (e.g. the counterparty risk of the issuer). The assumption of this valuation model is, however, to use only observable market inputs. The issuer's creditworthiness is incorporated into the valuation of debt securities and is obtained from *credit spread* curves relating to the issuer itself, if any, or based on curves representative of the issuer's sector. In the event that at least one significant unobservable market input is taken into account in the determination of *fair value*, the instrument would be classified as Level 3 *fair value*.

## Bonds issued

For the determination of the *fair value* of bonds issued, both for the calculation of the book value (in the case of bonds under the *fair value option*, if any) and for mere disclosure purposes (in the case of bonds recorded at amortised cost), the quotation expressed on regulated markets or multilateral systems (*Multilateral Trading Facility*) is used, where available.

Where a recent market quotation or transaction is not available, pricing follows a *Mark to Model* approach based on the *Discounted Cash Flow Model*, whereby expected cash flows are discounted using a rate that takes into account a credit *spread* calculated on the basis of *judgemental* assessments to the best of available information, market conditions, the *seniority* of the securities under consideration and additional risk aspects attributable to the Bank.

### **LEVEL 3 - Valuation methods based on unobservable market parameters**

Classified in level 3 are all financial instruments not listed in an active market, for which the determination of the relative *fair value* is made using valuation models that assume the use of parameters not directly observable on the market.

The use of unobservable inputs is required to the extent that relevant observable inputs are not available, so they reflect the assumptions, including those related to risk, that market participants would use in pricing the asset or liability. The evaluation is carried out using the best available information, including internal data.

The valuations of Level 3 assets and liabilities are generally conducted using valuation methodologies quite similar to those used for Level 2 instruments; the difference lies in the presence of input parameters used in the *pricing* model that are not observable.

Below is information on the evaluation of instruments classified in level 3.

- *Debt Securities*. These are complex financial instruments that do not have a significant impact on the overall portfolio. To determine the *fair value*, the price communicated directly by the issuer is used, determined on the basis of generally recognised valuation techniques, or a suitable valuation technique is adopted (e.g. the *Discount Cash Flow* - DCF Model).
- *Unlisted equities*. These are usually minority shareholdings in unlisted financial and non-financial companies. These instruments are measured using valuation models such as (i) the 'direct transactions' method, where significant transactions in the same or similar securities have been observed over a reasonable period of time with respect to the valuation date, (ii) the 'stock market multiples and comparable transactions' method, and (iii) financial, income (e.g. *Discount Cash Flow, income approach*, etc.) and equity valuation methods. If the *fair value* cannot be reliably deduced from the application of the valuation methods described above, or if data useful for valuation purposes is not available, reference is made to the relevant fraction of shareholders' equity on the basis of the most recently approved financial statements of the investee company (so-called *book value*).
- *Units In 'closed-end' type CIU investment funds*. These are closed-end funds, not classifiable in tiers 1 and 2, which, in accordance with their investment strategies, are intended for medium- to long-term investment and their disposal normally takes place in the event of redemption, in whole or in part, of the units decided upon by the asset management company (AMC, Società di Gestione del Risparmio) following the realisation of the fund's investments. The *fair value* of these instruments is determined on the basis of the latest available update of the NAV communicated by the AMC. In particular, in the case of alternative investment funds ('AIFs') specialising in the management of *non-performing* loans, a *fair value adjustment* is appropriately applied to the relevant fraction of the NAV, which takes into consideration specific risk factors attributable to the CIU units held, such as credit risk, liquidity risk and market risk, also in consideration of the provisions of the joint Bank of Italy - CONSOB - IVASS Communication no. 8 2019 concerning the sale of portfolios of *non-performing* loans. held, such as *credit risk, liquidity risk, market risk*, also in

consideration of the provisions of the joint Bank of Italy - CONSOB - IVASS communication no. 8 of 2019 relating to transactions involving the sale of portfolios of impaired loans for which an off-set of units issued by a mutual fund is expected.

Since valuation results can be significantly affected by the assumptions used, mainly for the *timing* of future cash flows, the discount rates adopted and the methodologies used to estimate *adjustments*, the estimated *fair values* could differ from those realisable in an immediate sale of the financial instruments.

#### **Loans and receivables with banks and customers**

For other financial instruments recognised in the balance sheet at cost (loans and receivables on demand) or at amortised cost, and classified substantially under loans and advances to banks and customers or, a *fair value* is determined for the purposes of this disclosure.

In particular:

- i. for impaired medium- and long-term loans (non-performing, probable default and past due), the fair value is determined by discounting contractual flows or those quantified on the basis of repayment plans, net of loss forecasts, using effective rates of return, representative of market rates;
- ii. for medium- to long-term performing loans, the methodology to be used must provide for the discounting of the related cash flows. Contractual cash flows must be weighted according to PD (Probability of Default) and LGD (Loss Given Default), i.e. the expected loss rate in the event of default;
- iii. for assets and liabilities on demand or with a short-term (less than 12 months) or indefinite maturity, the carrying amount, net of collective impairment, is considered a good approximation of fair value.

Since these financial assets are generally not traded in the market, the determination of *fair value* is based on the use of internal parameters that are not directly observable in the market, and therefore these instruments are classified in Level 3 *fair value*.

#### **Payables to banks and customers and other outstanding securities**

A distinction is made between on-demand and medium/long-term liabilities for liability instruments recorded under due to banks and due to customers, the *fair value* of which is determined solely for reporting purposes.

In particular:

- for payables on demand or with a short-term (less than 12 months) or indefinite maturity, for which the time factor is negligible, the carrying amount is assumed to be representative of *fair value*;
- for medium/long-term debt, *fair value* is determined using valuation techniques such as *Discounted Cash Flow*, i.e. discounting future cash flows, discounted at a market rate that still takes into account all risk factors to which the instrument is exposed.

Since these financial liabilities are generally not traded in the market, the determination of *fair value* is based on the use of internal parameters that are not directly observable in the market, and therefore these instruments are classified in Level 3 *fair value*.

#### **A.4.2 MEASUREMENT PROCESSES AND SENSITIVITIES**

The type of instruments falling under FV level 3, as it involves a residual use of financial estimation methodologies, makes their valuation not significantly affected by changes in inputs.

### A.4.3 FAIR VALUE HIERARCHY

With regard to the breakdown of portfolios by fair value hierarchy, the distinction between the three levels is highlighted:

- the fair value of the financial instrument is associated with **Level 1** when the instruments are listed in active markets that allow market prices to be used reliably for their valuation;
- the fair value of the financial instrument is associated with **Level 2** when the instrument is not listed in active markets that nevertheless permit valuation models based on observable market price data to be used to determine its fair value;
- the fair value of the financial instrument is associated with **Level 3** when the instrument is not listed in active markets that do not allow valuation models based on observable market price data to be used to determine its fair value.

### A.4.4 OTHER INFORMATION

This information is not provided because the case does not exist.

#### *Quantitative disclosure*

### A.4.5 FAIR VALUE HIERARCHY

#### A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: breakdown by fair value hierarchy

Financial assets/liabilities measured at fair value	2023			2022		
	L1	L2	L3	L1	L2	L3
1. Financial assets measured at fair value through profit or loss	5,060	-	145,284	6,936	6,420	159,36
a) Financial assets held for trading	5,060	-	-	6,936	6,420	-
of which: Equity Securities	-	-	-	-	-	-
of which: UCI	-	-	-	-	6,420	-
b) Financial assets designated at fair value	-	-	-	-	-	-
c) Other financial assets mandatorily measured at fair value	-	-	145,284	-	-	159,36
of which: Equity Securities	-	-	-	-	-	-
of which: UCI	-	-	134,772	-	-	122,48
2. Financial assets measured at fair value with impact on comprehensive income	1,100,869	-	8,991	1,169,816	-	8,998
of which: Equity Securities	2,444	-	8,991	2,412	-	8,998
3. Hedging derivatives	-	30,500	-	-	26,930	-
4. Property, plant and equipment	-	-	22,027	-	-	-
5. Intangible assets	-	-	-	-	-	-
<b>Total</b>	<b>1,105,929</b>	<b>30,500</b>	<b>176,302</b>	<b>1,176,752</b>	<b>33,350</b>	<b>168,358</b>
1. Financial liabilities held for trading	-	-	-	-	-	-
2. Financial liabilities designated at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	11,736	-	-	20,675	-
<b>Total</b>	<b>-</b>	<b>11,736</b>	<b>-</b>	<b>-</b>	<b>20,675</b>	<b>-</b>

#### Key:

L1= Level 1

L2= Level 2

L3= Level 3



#### A.4.5.2 Annual changes in assets measured at fair value on a recurring basis (Level 3)

	Financial assets measured at fair value through profit or loss			Financial assets measured at fair value with impact on comprehensive income	Hedging derivatives	Property, plant and equipment	Intangible assets	
	Total	of which: a) financial assets held for trading	of which: b) financial assets designated at fair value					of which: c) other financial assets mandatorily measured at fair value
<b>1. Opening balance</b>	<b>159,36</b>	-	-	<b>159,360</b>	<b>8,998</b>	-	<b>22,771</b>	-
<b>2. Increases</b>	<b>28,723</b>	-	-	<b>28,723</b>	-	-	-	-
2.1. Purchases	20,826	-	-	20,826	-	-	-	-
2.2. Profits recognised in:	-	-	-	-	-	-	-	-
2.2.1. Income statement	-	-	-	-	-	-	-	-
- of which capital gains	-	-	-	-	-	-	-	-
2.2.2. Shareholders' equity	-	-	-	-	-	-	-	-
2.3. Transfers from other levels	6,473	-	-	6,473	-	-	-	-
2.4. Other increases	1,424	-	-	1,424	-	-	-	-
<b>3. Decreases</b>	<b>42,799</b>	-	-	<b>42,799</b>	<b>7</b>	-	<b>744</b>	-
3.1. Sales	-	-	-	-	-	-	-	-
3.2. Repayments	34,229	-	-	34,229	-	-	-	-
3.3. Losses recognised in:	-	-	-	-	-	-	-	-
3.3.1. Income statement	-	-	-	-	-	-	-	-
- of which capital losses	-	-	-	-	-	-	-	-
3.3.2. Shareholders' equity	-	-	-	-	-	-	-	-
3.4. Transfers from other levels	7,902	-	-	7,902	-	-	-	-
3.5. Other decreases	668	-	-	668	7	-	744	-
<b>4. Closing balance</b>	<b>145,284</b>	-	-	<b>145,284</b>	<b>8,991</b>	-	<b>22,027</b>	-

#### A.4.5.3 Annual changes in liabilities measured at fair value on a recurring basis (Level 3)

This item in the financial year 2023 was zero.

#### A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: breakdown by fair value hierarchy

Assets/liabilities not measured at fair value or measured at fair value on a non-recurring basis	2023				2022			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets measured at amortised cost	6,548,798	118,132	12,733	6,910,612	5,575,663	98,712	1,377	4,593,911
2. Property, plant and equipment held for investment	22,027	-	-	22,027	22,549	-	-	22,771
3. Non-current assets and disposal groups classified as held for sale	77,331	-	-	77,331	84,59	-	-	84,59
<b>Total</b>	<b>6,648,156</b>	<b>118,132</b>	<b>12,733</b>	<b>7,009,970</b>	<b>5,682,802</b>	<b>98,712</b>	<b>1,377</b>	<b>4,701,272</b>
1. Financial liabilities measured at amortised cost	5,556,458	-	591,385	4,970,794	5,259,487	-	564,166	4,726,725
2. Liabilities associated with assets classified as held for sale	4,601	-	-	4,601	6,286	-	-	6,285
<b>Total</b>	<b>5,561,059</b>	<b>-</b>	<b>591,385</b>	<b>4,975,395</b>	<b>5,265,773</b>	<b>-</b>	<b>564,166</b>	<b>4,733,010</b>

**Key:**

L1= Level 1

L2= Level 2

L3= Level 3

#### A.5 DAY ONE PROFIT/LOSS DISCLOSURE

The carrying value of financial instruments is equal to their fair value on the same date. Financial instruments other than those at fair value through profit or loss are commonly assumed at the date of recognition to equal the amount collected or paid.

In the case of financial instruments measured at fair value through profit or loss and classifiable as Level 3, any difference concerning the amount collected or paid could, in principle, be recognised in profit or loss in the relevant items, generating a so-called 'day one profit/loss' (DOP). This difference should only be recognised in the income statement if it results from changes in the factors on which market participants base their valuations when setting prices (including the time effect). Where the instrument has a defined maturity, and no model is readily available that monitors change in the factors on which traders base prices, the transit of the PDO through the Income Statement over the life of the financial instrument is permissible.

During the financial year 2023, a day-one loss was recognised at the time of the first fair value recognition of the subscription units in the Keystone Alternative Investment Fund (AIF) by MCC and CRO, allocated in the balance sheet to the 'mandatory fair value' portfolio (item 20 c) of the Assets in the Balance Sheet), received by the Banks as consideration for the sale of a portfolio of impaired loans. The first recognition of the fair value of the Fund, at the date of the sale, took into account a fair value adjustment of approximately - € 0.9 million for MCC and approximately - € 0.3 million for CRO, applied to the subscription price of the units (€ 8.7 million for MCC and € 2.72 million for CRO), which contributed to the determination of the economic result of the sale at that date.

## PART B - INFORMATION ON THE BALANCE SHEET ASSETS

Unless otherwise specified, amounts expressed in the notes to the financial statements are in thousands of euros.

### SECTION 1 - CASH AND CASH EQUIVALENTS

#### 1.1 Cash and cash equivalents: breakdown

	2023	2022
a) Cash	7,555	7,099
b) On-demand bank deposits	185,255	89,112
c) Cash and cash equivalents	254,669	127,254
<b>Total</b>	<b>447,479</b>	<b>223,465</b>

In addition to cash on hand, this item includes receivables and deposits on demand to central banks totalling € 447 million.

Sub-item **a) Cash** refers to Cassa di Risparmio di Orvieto's cash.

Sub-item **b) On-demand bank deposits** includes the liquidity with central banks for € 185 million held by the subsidiary Medio Credito Centrale.

Sub-item **c) Cash and cash equivalents** recorded a significant increase in liquidity, compared to the previous year, mainly due to the management policy implemented by the Parent Company, aimed at recovering overdue receivables, with particular attention to those from the Public Administration.

### SECTION 2 - FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS - ITEM 20

150,344	172,716
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Description	2023	2022
a) financial assets held for trading	5,060	13,356
b) financial assets designated at fair value	-	-
c) other financial assets mandatorily measured at fair value	145,284	159,360
<b>Total</b>	<b>150,344</b>	<b>172,716</b>

#### 2.1 Financial assets held for trading: product composition

Items/Values	2023			2022		
	L1	L2	L3	L1	L2	L3
<b>A. Cash assets</b>						
1. Debt Securities	5,060	-	-	6,936	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other Debt Securities	5,060	-	-	6,936	-	-
2. Equities and shares of UCI	-	-	-	-	6,420	-
3. Financing	-	-	-	-	-	-
<b>Total (A)</b>	<b>5,060</b>	<b>-</b>	<b>-</b>	<b>6,936</b>	<b>6,420</b>	<b>-</b>
<b>B. Derivative Instruments</b>						
1. Financial derivatives	-	-	-	-	-	-
1.1 trading	-	-	-	-	-	-
1.2 related to the fair value option	-	-	-	-	-	-
1.3 others	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 trading	-	-	-	-	-	-
2.2 related to the fair value option	-	-	-	-	-	-
2.3 others	-	-	-	-	-	-
<b>Total (B)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total (A+B)</b>	<b>5,060</b>	<b>-</b>	<b>-</b>	<b>6,936</b>	<b>6,420</b>	<b>-</b>

The sub-item 'Financial assets held for trading' of € 5,060,000 consists of a single position on a domestic bond close to maturity held by the Parent Company.

See Annex A.1.a for change details.

Items/Values	2023	2022
<b>A. Cash assets</b>		
1. Debt Securities	5,060	6,936
a) Public administrations	-	-
b) Banks	5,060	6,936
c) Other financial companies	-	-
of which insurance companies	-	-
d) Non-financial companies	-	-
2. Equity Securities	-	-
a) Banks	-	-
b) Other financial companies	-	-
of which insurance companies	-	-
c) Non-financial companies	-	-
d) Other issuers	-	-
3. UCITS units	-	6,420
4. Financing	-	-
a) Public administrations	-	-
b) Banks	-	-
c) Other financial companies	-	-
of which insurance companies	-	-
d) Non-financial companies	-	-
e) Families	-	-
<b>Total (A)</b>	<b>5,060</b>	<b>13,356</b>
<b>B. Derivative Instruments</b>		
a) Central Counterparts	-	-
b) Others	-	-
<b>Total (B)</b>	<b>-</b>	<b>-</b>
<b>Total (A+B)</b>	<b>5,060</b>	<b>13,356</b>

Refer to Annex A.1.a for details on changes.

## 2.6 Other financial assets mandatorily measured at fair value: breakdown by type

Items/Values	2023			2022		
	L1	L2	L3	L1	L2	L3
<b>1. Debt Securities</b>	-	-	45	-	-	50
1.1 Structured securities	-	-	-	-	-	-
1.2 Other Debt Securities	-	-	45	-	-	50
<b>2. Equity Securities</b>	-	-	-	-	-	-
<b>3. UCITS units</b>	-	-	134,772	-	-	122,48
<b>4. Financing</b>	-	-	10,467	-	-	36,83
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Others	-	-	10,467	-	-	36,83
<b>Total</b>	<b>-</b>	<b>-</b>	<b>145,284</b>	<b>-</b>	<b>-</b>	<b>159,36</b>

The composition of financial assets mandatorily measured at fair value shows debt securities for € 45 thousand held by Cassa di Risparmio di Orvieto; it also includes UCITS units, of which € 13,982 thousand of the Keystone Fund were subscribed by MCC and CRO in December 2023 as part of a de-risking transaction concluded in December 2023, as previously described in the Report on Operations.

The item also includes units of the private debt fund Anthilia BIT IV, managed by Anthilia AMC, for € 3.6 million and subscribed by MCC.

The UCITS units held by the Parent Company represent medium—and long-term investments in closed-end equity funds € 121,857 thousand is held by the Parent Company in the real estate fund called 'I-3 Sviluppo Italia' managed by INVIMIT.

The methodology for determining the fair value of UCITS units is based on the latest available NAV (Net Asset Value) reported by the fund manager. This NAV is modified based on calls and redemptions communicated by the managers and occurring between the date of the last official valuation at NAV and the valuation date. With specific reference to the units of the real estate fund named 'I-3 Sviluppo Italia', the NAV, thus determined, was adjusted by € 10.3 million to change, after a benchmark analysis, the security to its fair value in order also to consider the so-called 'liquidity risk' on the units received against the contribution of the Italia Turismo Tourist Villages.

In this regard, it should be noted that although the Agency holds, as of 31 December 2023, 100% of the shares of said fund, it is not believed that the prerequisites set forth by the International Accounting Standard IFRS 10 for qualifying the existing shareholding relationship as a control relationship. This, in particular, follows:

- the assessment of the independence and autonomy of the AMC appointed to manage the fund;
- the assessment of the powers of the Agency, in its capacity as subscriber and sole participant in the specific Sub-Fund Committee provided for by the Fund Regulations, which are essentially limited to the expression of a non-binding opinion for the approval of the Sub-Fund's business plan and to a power, of an essentially protective nature, concerning the expression of a binding opinion in the event of transactions and acts in conflict of interest.

In light of the above, the Agency is considered to not control the Fund itself since it does not have 'power', as defined by IFRS 10, over it and will therefore not consolidate it in its consolidated financial statements. It should be noted, however, that even if such consolidation had occurred, given the specific nature of a real estate fund, it would not have generated significant economic or equity effects.

The sub-item 'financing' includes investment policies with prudent internal bond management entered into by the Parent Company with leading insurance companies to stabilise financial management income. This segment contributed € 138,000 to income from financial operations.

The final amount of investment policies decreased sharply due to early surrenders made during the year aimed at optimising the allocation of invested capital in line with the management mandate given by senior management.

This item also includes, in the amount of € 840 thousand, the severance pay investment policy, which refers to the partial investment of the severance pay accrued as of 31 December 2023 for former IG S.p.A. employees.

See Annex A.1.c for details on changes.

## 2.7 Other financial assets mandatorily measured at fair value: breakdown by debtor/issuer

	2023	2022
<b>1. Equity Securities</b>	-	-
of which banks	-	-
of which other financial companies	-	-
of which non-financial companies	-	-
<b>2. Debt Securities</b>	<b>45</b>	<b>50</b>
a) Public administrations	-	-
b) Banks	-	-
c) Other financial companies	45	50
of which insurance companies	-	-
d) Non-financial companies	-	-
<b>3. UCITS units</b>	<b>134,772</b>	<b>122,48</b>
<b>4. Financing</b>	<b>10,467</b>	<b>36,83</b>
a) Public administrations	-	-
b) Banks	-	-
c) Other financial companies	10,467	36,83
of which insurance companies	10,467	36,83
d) Non-financial companies	-	-
e) Families	-	-
<b>Total</b>	<b>145,284</b>	<b>159,36</b>

Please refer to Annexes A.1.c for details on changes.

## SECTION 3 - FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - ITEM 30

1,109,860	1,178,814
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### 3.1 Financial assets measured at fair value through other comprehensive income: product composition

Items/Values	2023			2022		
	L1	L2	L3	L1	L2	L3
<b>1. Debt Securities</b>	<b>1,098,425</b>	-	-	<b>1,167,404</b>	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other Debt Securities	1,098,425	-	-	1,167,404	-	-
<b>2. Equity Securities</b>	<b>2,444</b>	-	<b>8,991</b>	<b>2,412</b>	-	<b>8,998</b>
<b>3. Financing</b>	-	-	-	-	-	-
<b>Total</b>	<b>1,100,869</b>	-	<b>8,991</b>	<b>1,169,816</b>	-	<b>8,998</b>

The amount relating to debt securities refers to exposures to the Italian State of the two subsidiaries, Mediocredito Centrale and Cassa di Risparmio di Orvieto.

Equity securities refer to minority interests in financial and non-financial companies.

### 3.2 Financial assets measured at fair value through other comprehensive income: breakdown by debtors/issuers

Items/Values	2023	2022
<b>1. Debt Securities</b>	<b>1,098,426</b>	<b>1,167,404</b>
a) Public administrations	1,098,426	1,167,404
b) Banks	-	-
c) Other financial companies	-	-
of which insurance companies	-	-
d) Non-financial companies	-	-
<b>2. Equity Securities</b>	<b>11,434</b>	<b>11,41</b>
a) Public administrations	-	-
b) Banks	5,925	5,925
c) Other financial companies	54	54
of which insurance companies	-	-
d) Non-financial companies	5,455	5,431
<b>3. Financing</b>	<b>-</b>	<b>-</b>
a) Public administrations	-	-
b) Banks	-	-
c) Other financial companies	-	-
of which insurance companies	-	-
d) Non-financial companies	-	-
e) Families	-	-
<b>Total</b>	<b>1,109,860</b>	<b>1,178,814</b>

Equity securities amounting to € 11.4 million are:

- held by the subsidiary MCC (€ 5.4 million) and related to equity instruments acquired as part of composition proceedings concerning certain credit positions, as well as equity investments that cannot be classified under equity investments;
- held by Cassa di Risparmio di Orvieto (€ 6 million) and mainly related to Cassa's interest in the capital of the Bank of Italy.

### 3.3 Financial assets measured at fair value through other comprehensive income: gross value and total impairment provisions

	Gross value					Total value adjustments				Overall partial write-offs
	First stage	of which: low credit risk instruments	Second stage	Third stage	Impaired acquired or originated	First stage	Second stage	Third stage	Impaired acquired or originated	
Debt	1,110,768	1,110,731	-	-	-	908	-	-	-	-
Financing	-	-	-	-	-	-	-	-	-	-
<b>2023</b>	<b>1,110,768</b>	<b>1,110,731</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>908</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2022</b>	<b>1,179,752</b>	<b>1,168,342</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>46</b>	<b>892</b>	<b>-</b>	<b>-</b>	<b>-</b>

**SECTION 4 - FINANCIAL ASSETS MEASURED AT AMORTISED COST - ITEM 40** 6,553,951 5,575,663

This item is broken down as follows:

Description	2023	2022
a) Loans to banks	1,270,532	1,064,022
b) Loans to financial companies	346,184	320,056
b) Loans to customers	4,937,235	4,191,585
<b>Total</b>	<b>6,553,951</b>	<b>5,575,663</b>

**a) Loans to banks**

'Loans to banks' include resources tied up in the implementation of subsidies and resources dedicated to 'contracts and agreements'. For this reason, the book value is a reasonable approximation of fair value, which is conventionally ranked at level 3 in the fair value hierarchy.

**4.1 Financial assets measured at amortised cost: product composition of loans to banks**

Type of transaction/values	2023						2022					
	Balance sheet value			Fair value			Balance sheet value			Fair value		
	First and second stages	Third stage	Impaired acquired or originated	L1	L2	L3	First and second stages	Third stage	Impaired acquired or originated	L1	L2	L3
<b>1. Term deposits</b>	26,014	-	-	-	-	26,014	93,93	-	-	-	-	-
<b>2. Current Accounts</b>	1,110,840	-	-	-	-	1,229,712	930,834	-	-	-	-	-
<b>3. Financing</b>	65,435	-	-	-	-	65,435	1,215	-	-	-	-	-
3.1 Repurchase agreements	-	-	-	-	-	-	-	-	-	-	-	-
3.2 Lease financing	-	-	-	-	-	-	-	-	-	-	-	-
3.3 Factoring	-	-	-	-	-	-	-	-	-	-	-	-
- without recourse	-	-	-	-	-	-	-	-	-	-	-	-
- with recourse	-	-	-	-	-	-	-	-	-	-	-	-
3.4 Other Financing	65,435	-	-	-	-	65,435	1,215	-	-	-	-	-
<b>4. Debt Securities</b>	67,394	-	-	42,842	12,732	15,812	38,015	-	-	25,458	-	13,724
4.1 Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
4.2 Other Debt Securities	67,394	-	-	42,842	12,732	15,812	38,015	-	-	25,458	-	13,724
<b>5. Other assets</b>	849	-	-	-	-	1,191	28	-	-	-	-	28
<b>Total</b>	<b>1,270,532</b>	<b>-</b>	<b>-</b>	<b>42,842</b>	<b>12,732</b>	<b>1,338,164</b>	<b>1,064,022</b>	<b>-</b>	<b>-</b>	<b>25,458</b>	<b>-</b>	<b>13,752</b>

The item 'Term Deposits' includes the Mandatory Reserve that Cassa di Risparmio di Orvieto holds with Medio Credito Centrale (10.5 million) and the latter with Unicredit (15.5 million).

Given the nature of the item, the fair value is equal to the balance sheet value.

The sub-item 'Deposits and current accounts' includes:

<b>Ordinary deposits</b>	
Financial resources dedicated to contracts and agreements	<b>126,999</b>
Financial resources from national and EU funds	<b>983,841</b>
<b>Total deposits</b>	<b>1,110,840</b>



Financial resources dedicated 'exclusively and not' to contracts and agreements € 126,999 thousand, details of which are given below:

	2023	2022
Broadband and Ultra-Broadband orders	104,969	75,462
Local authority procurement contracts (1)	19,104	25,855
Others	2,926	6,928
	<b>126,999</b>	<b>108,245</b>

(1) Interest not accruing during the year

The '**Broadband and Ultra-Broadband**' order, aimed at reducing the existing digital divide in the areas of the country, is managed by the subsidiary Infratel Italia S.p.A. and includes the resources available within the framework of the National Broadband Plan and the strategic Ultra Broadband project, earmarked for the implementation of interventions related to broadband infrastructures, a plan that has been substantially completed, and in Ultra Broadband, which is expected to be completed in 2025.

Financial liquidity amounting to € 19,104 thousand managed by the Parent Company and destined for 'local authority tender contracts' mainly includes:

- financial resources amounting to € 3.4 million for recovering and refunctionalising the former Bourbon Prison of Santo Stefano by securing the buildings - CIPE Resolution 3/2016. The budget in the year 2023 was increased by approximately € 3.6 million by the MIBACT;
- financial resources amounting to € 3.1 million pertaining to the operational safety and reindustrialisation works at the Piombino steel plant, for which INVITALIA is acting as the work contracting station, to accelerate and streamline their implementation under the Agreement entered into with the Region of Tuscany;
- financial resources amounting to approximately € 1.5 million for the implementation of measures for the operational safety of the water table in the area of the Servola (TS) ironworks plant and the redevelopment of industrial and port activities and environmental recovery in the Trieste crisis area. These activities are carried out within the framework of the National Programme 'Azioni di Sistema CIPE,' of which Invitalia is the implementing party working alongside the Extraordinary Commissioner. Last year's budget of € 12.5 million was used for the realisation of works with a value of approximately € 11 million;
- financial resources of approximately € 1.3 million for the CPR - Centro di permanenza per il rimpatrio (Return Detention Centre) - Caltanissetta Pan del Lago;
- financial resources amounting to approximately € 441,000, representing the residual liquidity allocated last year for the two contracts dedicated to the rehabilitation, reclamation and urban and environmental redevelopment of the slum areas in Messina.

The funds allocated to managing third-party funds increased during the year, mainly in the NRRP project, whose management is entrusted to the subsidiary Infratel Italia S.p.A.

	2023	2022
NRRP	582,143	443,684
Fondo Patrimonio PMI Decree Law 342020 art.26	247,726	245,802
Fondo Rotazione Presidential Decree 58/87	38,084	35,159
Piano Voucher	11,565	23,197
Law 181/89 (Interventions in Crisis Areas)	23,198	22,945
Blockchain	45,215	15,047
Fondo per la crescita sostenibile	9,501	11,087
Fund under Art. 25, par. 2 Law 196/97	9,303	9,123
MISE FSC WIFI Funds	8,782	5,945
Voucher 3I Ministerial Decree 18.11.19	776	3,542
ERDF Funds former Garanzia Italia	1,823	1,815
National funds former Garanzia Italia	1,722	1,72
Piano Scuole	1,173	1,119
Promozione Turistica	759	760
Poli Museali di Eccellenza	201	201
Other operational funds	1,87	1,443
	<b>983,841</b>	<b>822,589</b>

The available resources allocated by the MIMIT amounting to € 582,143 thousand, including interest accrued on interest-bearing accounts, are allocated to the following operational plans:

- 1 Giga Italy Plan received financial disbursements from DTD as of 31.12.2023 for € 1,043,016 thousand;
- 5G Italy Plan received financial disbursements from DTD as of 31 December 2023 for € 325,771 thousand;
- Connected Health Italy Plan received financial disbursements from DTD as of 31 December 2023 for € 33,505,000;
- Connected School Italy Plan received financial disbursements from DTD as of 31 December 2023 for € 17,779 thousand;
- Minor Islands Plan received financial disbursements from DTD as of 31.12.2023 for € 6,050,000.

The financial resources allocated to the 'Fondo Patrimonio PMI, established by Article 1, par. 1 of Law 77/2020 (the 'Relaunch Law') and amended by Law 178/2020 (the 'Budget Law'), is aimed at incentivising the capital strengthening of medium-sized enterprises through the subscription, under the conditions and within the terms set forth therein and within the limits of the Fund's endowment, of newly issued bonds or debt securities. As of 31 December 2023, this item includes financial resources totalling € 247,726 thousand, of which € 198,969 thousand was held in the National Treasury in a particular account for expenditure commitments.

Financial resources from the 'DPR 58/87 Revolving Fund' are earmarked to assist tourism sector investees. The increase in financial liquidity refers to the repayment of principal and interest due

The Piano Voucher concerns interventions in support of less affluent households and businesses to foster the services of ultra-broadband connectivity and the digitisation of the production system throughout the country. The available resources total € 11,565,000.

The funds allocated for Law 181/89 include the financial resources allocated to the disbursements of the facilitation measure amounting to € 23,198,000 and the balance deriving from the repayments of capital granted. Changes in the fund are shown under liability item 80.

The 'Fund for the Development of Artificial Intelligence Technologies and Applications', Blockchain

and Internet of Things' has a budget as of 31.12.2023 of € 45,215 thousand, earmarked for Digital Services related to Digital Transformation (technological transformation of production processes of micro, small and medium-sized enterprises in the manufacturing sector), Digital Entertainment (video games) and the design and management of Artificial Intelligence Technologies and Applications.

The decrease in financial liquidity allocated to the 'Fondo Crescita Sostenibile was mainly due to the use of about € 2,280 thousand for investments in Closed-end Investment Funds and the proceeds (€ 694 thousand) from the sale of an equity investment managed by CDP Venture Capital AMC.

The financial resources relating to the item Fund as per Art. 25, par. 2 Law 196/97 are invested in the Time Deposit technical form for € 9.1 million to increase its profitability.

The Wi-Fi Italia Project aims to offer a free Wi-Fi network throughout the country. TIM is developing the network, which has installed 49,931 hotspots in municipalities, hospitals, schools, and special projects.

In most cases, the cash related to the resources earmarked for the implementation of concessional measures does not generate interest income for the Agency. It flows directly into the fund under management.

A similar effect applies to specific resources dedicated exclusively to covering the costs of contracts awarded by local authorities. It should be noted that the residual funds tied up in the operations under the various measures will be returned to the client at the end of the relevant activities.

The item 'other loans' mainly includes € 64.8 million for a subordinated unsecured loan granted by Medio Credito Centrale in favour of the subsidiary BdM (formerly Banca Popolare di Bari) for € 60 million. The loan is eligible for inclusion in BdM's Tier 2 capital in accordance with Articles 62 and 63 of the CRR at a fixed rate of 10.75% and duration of ten years, with the option of early repayment after five years.

The item 'Debt securities' refers to Held to collect (HTC) securities, the fair value of which is calculated considering market prices as of 31.12.2023.

The securities portfolio includes Banca Carige's subordinated Tier II 2019 - 2029 bond, subscribed at par by Mediocredito Centrale, with a nominal value of € 12 million.

## b) Loans to financial companies

The balance of this item refers to loans to financial companies, determined by Medio Credito Centrale, Cassa di Risparmio di Orvieto and the parent company Invitalia.

### 4.2 Financial assets measured at amortised cost: breakdown by type of loans to financial companies

Type of transaction/Values	2023						2022					
	Balance sheet value			Fair value			Balance sheet value			Fair value		
	First and second stages	Third stage	of which: impaired acquired or originated	L1	L2	L3	First and second stages	Third stage	of which: impaired acquired or originated	L1	L2	L3
<b>1. Financing</b>	<b>53,951</b>	<b>215</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,341</b>	<b>56,238</b>	<b>255</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>56,493</b>
1.1 Repurchase agreements	-	-	-	-	-	-	-	-	-	-	-	-
1.2 Lease financing	-	-	-	-	-	-	-	-	-	-	-	-
1.3 Factoring	-	-	-	-	-	-	-	-	-	-	-	-
- with recourse	-	-	-	-	-	-	-	-	-	-	-	-
- without recourse	-	-	-	-	-	-	-	-	-	-	-	-
1.4 Other loans	53,951	215	-	-	-	13,341	56,238	255	-	-	-	56,493
<b>2. Debt Securities</b>	<b>292,018</b>	<b>-</b>	<b>-</b>	<b>10,052</b>	<b>-</b>	<b>245,501</b>	<b>263,563</b>	<b>-</b>	<b>-</b>	<b>9,460</b>	<b>-</b>	<b>192,292</b>
2.1 structured securities	4,549	-	-	-	-	4,620	-	-	-	-	-	-
2.2 other debt securities	287,469	-	-	10,052	-	240,881	263,563	-	-	9,460	-	192,292
<b>3. Other assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>345,969</b>	<b>215</b>	<b>-</b>	<b>10,052</b>	<b>-</b>	<b>258,842</b>	<b>319,801</b>	<b>255</b>	<b>-</b>	<b>9,460</b>	<b>-</b>	<b>248,785</b>

#### Key

L1= level 1

L2= level 2

L3= level 3

The item 'Debt securities' - Other financial companies refers to Held to collect (HTC) securities issued by financial institutions and includes, in the Parent Company's warehouse, mainly ABS securities issued by securitisation vehicle companies as part of the Basket Bond operations managed by the subsidiary Medio Credito Centrale and the senior security, measured at € 15,350 thousand, backed by a 'GACS' guarantee from the Italian State, attributable to the 'Pop NPLs 2018 S.r.l.' securitisation operation, held by Cassa di Risparmio di Orvieto.

The value of structured securities is represented by the Minibond Florian S.p.A: a bond with a nominal value of € 25 million issued on 17 March 2022. The interest rate is indexed to EURIBOR plus 2.25%.

Fair value is calculated taking into account market prices as of 31.12.23.

No loans to financial institutions are pledged as collateral for their liabilities and commitments.

## c) Loans to customers

### 4.3 Financial assets measured at amortised cost: product composition of loans to customers

Type of transaction/values	2023						2022					
	Balance sheet value			Fair value			Balance sheet value			Fair value		
	First and second stages	Third stage	impaired acquired or originated	L1	L2	L3	First and second stages	Third stage	impaired acquired or originated	L1	L2	L3
<b>1. Financing</b>	<b>3,507,659</b>	<b>753,85</b>	<b>15,296</b>	-	-	<b>4,455,613</b>	<b>3,483,735</b>	<b>75,59</b>	<b>13,037</b>	-	-	<b>3,705,529</b>
1.1 Lease financing	-	-	-	-	-	-	-	-	-	-	-	-
of which: without final purchase option	-	-	-	-	-	-	-	-	-	-	-	-
1.2 Factoring	210,059	862	-	-	-	-	217,815	827	-	-	-	-
- with recourse	210,059	862	-	-	-	-	216,128	827	-	-	-	-
- without recourse	-	-	-	-	-	-	1,687	-	-	-	-	-
1.3 Consumer Credit	-	-	-	-	-	-	-	-	-	-	-	-
1.4 Credit cards, personal loans and salary-backed loans	8,704	342	-	-	-	-	9,497	371	-	-	-	-
1.5 Pledge loans	-	-	-	-	-	-	-	-	-	-	-	-
1.6 Financing granted in connection with payment services provided	-	-	-	-	-	-	-	-	-	-	-	-
1.7 Other Financing	3,288,896	752,646	15,296	-	-	-	3,256,423	74,392	13,037	-	-	-
of which: from enforcement of guarantees and commitments	-	-	-	-	-	-	-	-	-	-	-	-
<b>2. Debt Securities</b>	<b>78,838</b>	-	-	<b>61,123</b>	<b>1,552</b>	<b>14,029</b>	<b>85,243</b>	-	-	<b>63,794</b>	<b>1,377</b>	<b>13,836</b>
2.1 Structured securities	9,755	-	-	-	-	10,279	9,851	-	-	-	-	9,463
2.2 Other Debt Securities	69,083	-	-	61,123	1,552	3,75	75,392	-	-	63,794	1,377	4,373
<b>3. Other assets</b>	<b>479,187</b>	<b>102,405</b>	-	-	-	<b>600,078</b>	<b>492,776</b>	<b>41,204</b>	-	-	-	<b>612,009</b>
Total	4,065,684	856,255	15,296	61,123	1,552	5,069,720	4,061,754	116,794	13,037	63,794	1,377	4,331,374

The item 'Loans to customer' includes the shareholder loan on account of a future capital increase of € 680 million paid by Invitalia to ADIH for the financial support of the company carried out with the financial endowment made available by the MEF, as governed by Article 1 of Decree-Law 142/2019, converted, with amendments, by Law 5/2020, as amended by Decree-Law 2/2023. Invitalia does not bear the credit risk of this exposure given the contribution above, which is classified in Item 80 'Other Liabilities'. Considering the nature of the receivable, it was decided not to write down this position and, consequently, not to adjust the liability for the financial allocation made available to the MEF.

'Debt Securities' refers to Held-to-Collect (HTC) securities issued by Public Administrations and non-financial institutions.

The item 'Other assets' includes receivables for services rendered to ministries, public administrations, and trading companies, € 431 million of which are for invoices to be issued and € 31 million to direct and indirect subsidiaries.

This item includes amounts related to the construction of infrastructures on behalf of regional administrations and the assignment to telecommunications operators of rights of use over the fibre optic infrastructures constructed. The positive change recorded in the year is mainly attributable to the penalty invoices issued to the Open Fiber concessionaire for the delays accrued concerning the BUL plan schedule, as better detailed in the Report on Operations.

Significant is the loan to the Ministry of Enterprise and Made in Italy (€ 23,351,000), most of which (€ 22,896,000) is attributable to works that will be reimbursed through regional funds and related to the Direct Model. The receivable mentioned above of € 22,896 thousand from the Ministry of Enterprises and Made in Italy (MIMIT), which acts as an Intermediate Body in favour of the Regions, is recorded net of a provision for bad debts of € 2,953 thousand, recognised in this year. During 2022 and until early 2023, the receivable mentioned above related to the Direct Model was the subject of a complex reconstruction of the balances carried out by the Public Administration in agreement with the operational structures of the Company and the Regions involved. Despite the efforts made, the MIMIT couldn't complete the reconstruction of the entire receivable, given its age, in time for the approval of this financial statement; this resulted in the formal certification of a partial amount of € 10,336,000 (approx. 44% of the total amount). From subsequent discussions with the MIMIT, it emerged that the uncertified difference is mainly attributable to the complex and laborious activity of retrieving and analysing the supporting documentation, the completion of which is expected in the coming months, in line with the reporting work that sees the MIMIT's dedicated structure fully involved at this time.

Acknowledging the limits to the certification of the total amount by the Ministry, and while noting, in agreement with MIMIT itself, that the invoices constituting the receivable have never been contested by either the Public Administration or the commissioning Regions and that the reconciliation activities underway have not revealed any differences to date, the Company has carried out an assessment of the residual risk, deriving from the reconciliation process underway, and has decided to recognise a provision for bad debts of € 2,943,000, based on the particular seniority of certain positions. Given the reconciliation activity with the MIMIT is still in progress, the possibility cannot be excluded, although it is deemed unlikely, that the continuation of the reconciliation process underway may make it necessary to make a further provision, which, however, it is believed, from all the elements described above, can only be of an insignificant amount.

The positions are constantly monitored to intervene, as far as possible, in the invoicing authorisation process and to be able to contain the related collection times. Almost all overdue receivables are from the public administration, and it is challenging to implement practical actions to collect them. There are no situations where the right to collect the receivable is time-barred. In cases of evident uncollectability or bad debts, the Company has proceeded with the partial or complete write-down of the related receivable.

For loans whose risk is not borne by Invitalia, the value recognised in this item is gross of the related third-party funds and/or contributions recognised in the liability items.

Appropriate recovery actions have been taken regarding stage 3 loans, and their recognition in the balance sheet is net of value adjustments that consider their presumed realisable value.

#### 4.4 Financial assets measured at amortised cost: breakdown by debtor/issuer of loans to customers

Type of transaction/Values	2023			2022		
	First and second stages	Third stage	Impaired acquired or originated	First and second stages	Third stage	Impaired acquired or originated
<b>1. Debt Securities</b>	<b>78,837</b>	-	-	<b>85,243</b>	-	-
a) Public administrations	61,058	-	-	64,641	-	-
b) Non-financial companies	17,779	-	-	20,602	-	-
<b>2. Receivables from:</b>	<b>3,507,661</b>	<b>753,849</b>	<b>15,296</b>	<b>3,483,735</b>	<b>75,591</b>	<b>13,037</b>
a) Public administrations	70,109	-	-	57,97	-	-
b) Non-financial companies	2,484,437	735,596	9,511	2,536,720	60,264	11,153
c) Families	953,115	18,253	5,785	889,045	15,327	1,884
<b>3. Other assets</b>	<b>479,187</b>	<b>102,405</b>	-	<b>492,776</b>	<b>41,203</b>	-
<b>Total</b>	<b>4,065,685</b>	<b>856,254</b>	<b>15,296</b>	<b>4,061,754</b>	<b>116,794</b>	<b>13,037</b>

The item 'Loans to non-financial companies' - Third Stage includes the shareholder receivable on account of future capital increase of € 680 million paid by Invitalia to ADIH for the financial support of the company carried out with the financial endowment made available by the MEF, as governed by Article 1 of Decree-Law 2019, converted, with amendments, by Law 5/2020, as amended by Decree-Law 2/2023. Item 80 of Liabilities - Other Liabilities includes the related contribution received for the realisation of the transaction as provided for in the decree above.

In addition, impaired loans to customers measured at amortised cost arising from the banking business (referring to the subsidiaries Mediocredito Centrale S.p.A. and Cassa di Risparmio di Orvieto S.p.A.) amounted to € 73.3 million (€ 55.1 million as at end-2022), against a gross value of € 132.5 million (€ 106.8 million as at end-2022), with a coverage percentage of 44.6% (48.5% as at end-2022).

#### 4.5 Financial assets measured at amortised cost: gross value and total value adjustments

	Gross value					Total value adjustments				Overall partial write-offs
	First stage	of which: low credit risk instruments	Second stage	Third stage	Impaired acquired or originated	First stage	Second stage	Third stage	Impaired acquired or originated	
Debt Securities	426,194	-	18,566	-	-	6,053	459	-	-	-
Financing	3,265,536	-	367,387	903,132	17,902	19,135	15,053	149,068	2,606	145
Other assets	1,130,212	-	527,104	210,303	-	374	11,739	107,898	-	-
<b>2023</b>	<b>4,821,942</b>	<b>-</b>	<b>913,057</b>	<b>1,113,435</b>	<b>17,902</b>	<b>25,562</b>	<b>27,251</b>	<b>256,966</b>	<b>2,606</b>	<b>145</b>
<b>2022</b>	<b>4,688,497</b>	<b>60,649</b>	<b>932,692</b>	<b>337,001</b>	<b>15,26</b>	<b>133,673</b>	<b>41,94</b>	<b>219,951</b>	<b>2,223</b>	<b>2,954</b>

#### 4.5a Loans measured at amortised cost subject to Covid-19 support measures: gross value and total value adjustments

	Gross value					Total value adjustments				Overall partial write-offs
	First stage	of which: low credit risk	Second stage	Third stage	Impaired acquired or originated	First stage	Second stage	Third stage	Impaired acquired or originated	
1. Loans subject to forbearance in compliance with GLs	-	-	-	-	-	-	-	-	-	-
2. Loans subject to outstanding moratorium measures no longer compliant with GLs and not in forbearance	-	-	-	-	-	-	-	-	-	-
3. Loans subject to other forbearance	-	-	427	342	-	-	4	98	-	-
4. New loans	562,36	-	88,163	16,787	-	2,256	1,263	3,975	-	-
<b>2023</b>	<b>562,36</b>	<b>-</b>	<b>88,59</b>	<b>17,129</b>	<b>-</b>	<b>2,256</b>	<b>1,267</b>	<b>4,073</b>	<b>-</b>	<b>-</b>
<b>2022</b>	<b>539,128</b>	<b>-</b>	<b>72,114</b>	<b>6,476</b>	<b>-</b>	<b>1,696</b>	<b>2,375</b>	<b>1,229</b>	<b>-</b>	<b>-</b>

#### 4.6 Financial assets measured at amortised cost: guaranteed assets

Type of transaction/values	2023						2022					
	Loans to banks		Loans to financial companies		Loans to customers		Loans to banks		Loans to financial companies		Loans to customers	
	BV	GV	BV	GV	BV	GV	BV	GV	BV	GV	BV	GV
<b>1. Performing assets guaranteed by:</b>	-	-	15,588	15,588	1,109,832	1,079,658	-	-	17,304	17,304	994,359	974,297
- Assets under financial leases	-	-	-	-	-	-	-	-	-	-	-	-
- Receivables through factoring	-	-	-	-	-	-	-	-	-	-	-	-
- Mortgages	-	-	84	84	860,124	647,941	-	-	68	68	659,786	659,639
- Pledges	-	-	-	-	10,988	8,366	-	-	-	-	8,576	5,576
- Personal guarantees	-	-	15,504	15,504	238,720	423,351	-	-	17,236	17,236	325,997	309,082
- Credit derivatives	-	-	-	-	-	-	-	-	-	-	-	-
<b>2. Non-performing assets secured by:</b>	-	-	431	431	39,500	39,051	-	-	255	255	72,027	71,922
- Assets under financial leases	-	-	-	-	-	-	-	-	-	-	-	-
- Receivables through factoring	-	-	-	-	-	-	-	-	-	-	-	-
- Mortgages	-	-	190	190	26,481	26,481	-	-	90	90	64,577	64,572
- Pledges	-	-	-	-	393	393	-	-	-	-	313	306
- Personal guarantees	-	-	241	241	12,626	12,177	-	-	165	165	7,137	7,044
- Credit derivatives	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>16,019</b>	<b>16,019</b>	<b>1,149,332</b>	<b>1,118,709</b>	<b>-</b>	<b>-</b>	<b>17,559</b>	<b>17,559</b>	<b>1,066,386</b>	<b>1,046,219</b>

BV = Balance sheet value GV = Fair Value of guarantees



## SECTION 5 - HEDGING DERIVATIVES - ITEM 50

30,500	26,930
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The item **hedging derivatives** amounting to 30.5 million (€ 26.9 million as of 31 December 2022) shows the positive fair value of the derivative entered into to hedge the interest rate risk on the MCC zero-coupon 1998 - 2028 bond issue.

Hedging derivatives are all related to funding through bond issues by the subsidiary Mediocredito Centrale.

### 5.1 Hedging derivatives: breakdown by hedge type and level

	Fair Value			NV	Fair Value			NV
	2023				2022			
	L1	L2	L3	2023	L1	L2	L3	2022
<b>A. Financial derivatives</b>								
1. Fair value	-	30,500	-	261,000	-	26,930	-	-
2. Cash flows	-	-	-	-	-	-	-	-
3. Foreign investments	-	-	-	-	-	-	-	-
<b>B. Credit derivatives</b>								
1. Fair value	-	-	-	-	-	-	-	-
2. Cash flows	-	-	-	-	-	-	-	-
<b>Total</b>	-	<b>30,500</b>	-	<b>261,000</b>	-	<b>26,930</b>	-	-

### 5.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge

Transactions/Hedging type	Fair Value							Cash flows		Foreign investments
	Specific							Specific	General	
	debt securities and interest rates	equity securities and equity indices	currencies and gold	credit	goods	other	General			
1. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-
2. Financial assets measured at amortised cost	-	-	-	-	-	-	-	-	-	-
3. Portfolio	-	-	-	-	-	-	-	-	-	-
4. Other operations	-	-	-	-	-	-	-	-	-	-
<b>Total assets</b>	-	-	-	-	-	-	-	-	-	-
1. Financial liabilities	30,500	-	-	-	-	-	-	-	-	-
2. Portfolio	-	-	-	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>30,500</b>	-	-	-	-	-	-	-	-	-
1. Expected transactions	-	-	-	-	-	-	-	-	-	-
2. Portfolio of financial assets and liabilities	-	-	-	-	-	-	-	-	-	-

Hedging derivatives are all related to funding obtained through bond issues.

## SECTION 7 - EQUITY INVESTMENTS - ITEM 70

### 7.1 Equity Investments: information on equity investments

DENOMINATION	Registered Office	Administrative Headquarters	TYPE OF RELATIONSHIP		Balance sheet value	Fair value
			Shareholding %	Vote Availability %		
<b>Companies under significant influence</b>						
CDP Venture Capital SGR S.p.A.	ROME	ROME	30%	30%	7,313	7,315
ISTIT ENCICLOPEDIA TRECCANI	ROME	ROME	7%	7%	5,549	5,549
ITALIACAMP S.R.L. - UNIPERSONALE	ROME	ROME	5%	5%	1	1
C.R.A.A. S.R.L. IN LIQUIDATION	ARESE (MI)	ARESE (MI)	-	-	-	-
CFI - COOPERAZIONE FINANZA	ROME	ROME	1%	1%	-	-
CONSORZIO EX CNOW	VENEZIA	VENEZIA	52%	52%	-	-
ELETTRA SINCROTONE TRIESTE S.P.A.	BASOVIZZA (TS)	BASOVIZZA (TS)	4%	4%	2,259	2,259
FINMEK SOLUTIONS S.P.A. IN INSOLVENCY PROCEEDINGS	L'AQUILA	L'AQUILA	30%	30%	-	-
FONDERIT ETRURIA in bankruptcy	LIVORNO	LIVORNO	-	-	-	-
IDC - ITALIAN DISTRIBUTION	ROME	ROME	7%	7%	-	-
LAMEZIA EUROPA S.C.P.A.	LAMEZIA TERME (CZ)	LAMEZIA TERME (CZ)	20%	20%	-	-
MARINA DI VILLA IGIEA S.p.A.	PORTO ACQUA-SANTA (PA)	PORTO ACQUA-SANTA (PA)	8%	8%	913	913
MECCANO SCPA	FABRIANO (AN)	FABRIANO (AN)	4%	4%	82	82
SASSI ON LINE SERVICE S.C.P.A. IN LIQUIDATION	BARI	BARI	-	-	-	-
SICULIANA NAVIGANDO S.R.L.	SICULIANA (AG)	SICULIANA (AG)	95%	95%	-	-
SYSTEM WALCON S.R.L.	FERRARA	FERRARA	45%	45%	-	-
SOCIETA' PER CORNIGLIANO S.P.A.	GENOVA	GENOVA	10%	10%	1,388	1,388
TESS Costa del Vesuvio	NAPOLI	NAPOLI	9%	9%	5	5
TINTORIA STAMPERIA DEL MOLISE IN BANKRUPTCY	BOIANO (CB)	BOIANO (CB)	30%	30%	-	-
TRADIZIONI ITALIANE S.P.A. IN BANKRUPTCY	CIRO MARINA (KR)	CIRO MARINA (KR)	-	-	-	-
WAHOO S.p.A.	CAGLIARI	CAGLIARI	18%	18%	-	-
<b>Companies acquired with third-party funds:</b>						
of which with funds from L.181/89						
CMS S.R.L. IN BANKRUPTCY	LATERZA (TA)	LATERZA (TA)	19%	19%	-	-
ELA S.P.A. IN BANKRUPTCY	NAPOLI	NAPOLI	6%	6%	-	-
ELMIRAD SERVICE S.R.L. UNDER LIQUIDATION	TARANTO	TARANTO	12%	12%	-	-
FONDERIE S.p.A. IN BANKRUPTCY	ROME	ROME	2%	2%	-	-
GUSTAVO DE NEGRI & ZA.MA. S.R.L.	CASERTA	CASERTA	20%	20%	-	-
JONICA IMPIANTI S.R.L.	LIZZANO (TA)	LIZZANO (TA)	9%	9%	-	-
PERITAS S.R.L.	BRINDISI	BRINDISI	15%	15%	-	-
PRO.S.IT. IN BANKRUPTCY S.R.L.	NAPOLI	NAPOLI	27%	27%	-	-
SICALP S.R.L. IN BANKRUPTCY	CAMPIGLIA MARITTIMA (LI)	CAMPIGLIA MARITTIMA (LI)	36%	36%	-	-
SIE-SOC.ITTICA EUROPEA UNDER EXTRAORDINARY ADMINISTRATION	ROME	ROME	15%	15%	-	-
SIMPE S.p.A.	ACERRA (NA)	ACERRA (NA)	4%	4%	-	-
SURAL S.P.A. BANKRUPT	TARANTO	TARANTO	1%	1%	-	-
TEKLA S.R.L.	SARNO (SA)	SARNO (SA)	26%	26%	-	-
of which with funds L.126/2020						
REITHERA S.R.L.	ROME	ROME	27%	27%	15	15
TLS	SIENA	SIENA	30%	30%	1,067	1,067
<b>of which with funds Law Decree 142 dated 16 December 2019</b>						
ACCIAIERIE D'ITALIA HOLDING	MILANO	MILANO	38%	-	-	-
BDM BANCA S.P.A.	BARI	BARI	97%	97%	419	419
DRI D'ITALIA S.p.A.	ROME	ROME	100%	100%	35	35
<b>Total</b>					<b>487,576</b>	<b>487,576</b>

The carrying value of 'companies under significant influence' increased by approximately € 2.6 million compared to 2022 due to the adjustment of the investment value in CDP Venture Capital to equity. The 'companies acquired with third-party funds' include the equity investments acquired pursuant to Law 181/89, the participations acquired with funds pursuant to Decree Law 104 of 14 August 2020, converted into Law 126 of 13 October 2020, and finally, those acquired with funds pursuant to Decree Law 142 of 16 December 2019.

In 2023, the value of the **equity investments acquired with the fund as per Law 181/89** was written off due to an impairment test to consider the impairment losses since the remaining participations are in insolvency proceedings. This negative change did not impact the Agency's Income Statement, as it was made against the specific financial source of the facilitation measure, which reduced its effects.

The equity investments acquired **under Article 34 of Law Decree No.104 dated 14 August 2020, converted into Law No.126 dated 13 October 2020** are ReiThera S.r.l. and TLS Sviluppo S.r.l., of which Invitalia acquired 27% and 30% of the share capital, respectively. The aforementioned regulation allocated a portion of the resources of the National Contingency Fund (€ 80 million for the year 2020 and € 300 million for 2021) for research and development, the purchase of vaccines and monoclonal antibodies produced by industry, including through the acquisition of capital shares at market conditions.

The equity investment TLS Sviluppo S.r.l., acquired with the resources of the National Contingency Fund (**Article No.34 of Law Decree 104 dated 14 August 2020, converted into Law No.126 dated 13 October 2020**), in 2023, was further written down as a result of an impairment test of about € 1 million to take into account the impairment loss of the same; in particular, this negative change had no impact on the Agency's income statement as it was made against the specific financial source that sterilised its effects (Fund pursuant to Article 34 of Decree Law 126 of 14/08/2020). For a description of the relevant accounting treatment, please refer to 'Section 4 - Other Aspects - Accounting Treatment Defined for Equity Investments Acquired with Public Contributions/Third Party Means'.

On the other hand, with reference to the equity investment in ReiThera S.r.l., also acquired with the resources of the National Contingency Fund, no specific impairment was carried out since the advisory activities for the assessment of the Company's equity value, connected to the expressions of interest still underway and expected to materialise in 2024, confirm the value of the investment.

With regard to the equity investments acquired with the **funds of Law Decree NO.142 dated 16 December 2019 converted into Law 5/20** and precisely the ADIH (38% with 50% voting rights), DRI d'Italia (100%) and the payment on account of MCC's share capital aimed at acquiring control of BdM Banca, it should be noted that:

- In 2023, the value of ADIH was reduced to zero, as the extraordinary administration was ordered and the ruling of the Court of Milan on the existence of the company's insolvency conditions is currently pending. The reduction in value had an impact on the Agency's Income Statement for the portion exceeding the amount of the resources allocated by the aforementioned decree in the amount of approximately € 2.9 million.
- The value of the MCC attributable to BdM Banca, based on the valuations made by the subsidiary Mediocredito Centrale when preparing its statutory and consolidated financial statements, was not subjected to an impairment test, in application of the provisions of IAS 36 - 'Impairment of Assets', as no trigger events were activated in the current year that would make this necessary.
- The value of DRI d'Italia was not subjected to a specific impairment, despite a reduction in shareholders' equity, because the company is an implementer of the decarbonisation process of the Italian steel sector, and Decree Law 19 of 2 March 2024 confirmed the refinancing of the measure for 1 billion over the 2024-2029 period.

The shareholdings in Industria Italiana Autobus (42.76%) and Sider Alloys (22.33%) acquired with funds deriving from Development Agreements subsidised measure are not recognised in this balance

sheet item, but recognised in the Memorandum Accounts as they were acquired with funds administered on behalf of the State.

Similarly, equity investments acquired as part of the measures are represented in the Memorandum accounts:

- Fondo Salvaguardia Imprese: Bellotti S.p.A. (34.30%); Snaidero S.p.A. (35.46%); Pernigotti Holding S.p.A. (25%); BTX Italian Retail and Brands S.r.l. (48.72%), Niche Fusina Rolled Products S.r.l. (49%), Walcor S.p.A. (25%), S.A.L.P. S.p.A. (30.01%), Titagarh Firema S.p.A. (30.30%), Ceramiche Dolomite S.p.A. (46.67%), CTC Concerie del Chienti Società Benefit S.p.A. (49%), Canepa S.p.A. (30%), Sicamb S.p.A. (30.3%) and Corneliani S.p.A. (48.15%);
- Fondo Cresci al Sud: E-Globe S.p.A. (5.5%); Edil San Felice S.p.A. (7.19%); Fare Spot S.p.A. (16.50%); Simone S.p.A. (7%); Xenia Hotellerie Solutions S.p.A. (8.85%); Italian Cool Design S.r.l. (35%), Sustainable Ethical Recovery S.p.A. (7.44%); Lirsa S.r.l. (31.85%) and Tesi S.r.l. (20%).

For further details, see Part D - GUARANTEES AND COMMITMENTS.

## 7.2 Equity investments: annual changes

	Overall Value
<b>A. Opening balance</b>	<b>897,978</b>
<b>B. Increases</b>	<b>2,685</b>
B.1 Purchases	-
B.2 Write-backs	-
B.3 Revaluations	2,565
B.4 Other Changes	120
<b>C. Decreases</b>	<b>(413,087)</b>
C.1 Sales	(979)
C.2 Value adjustments	(411,362)
C.3 Write-downs	(1)
C.4 Other Changes	(745)
<b>D. Closing balance</b>	<b>487,576</b>

'Revaluations' in item B.3 mainly refer to the non-group equity investment of CDP Venture Capital € 2,561 thousand.

Point C.1 'Sales' shows the amount related to the sale of two equity investments acquired with the fund pursuant to Law 181/89: Peritas (€ 326 thousand) and Tekla (€ 653 thousand).

'Value adjustments' includes the write-down of the equity investment in Acciaierie d'Italia Holding S.p.A., in the amount of € 402,972 thousand (€ 400,000 thousand reduced by the Fund pursuant to Article 34 of Decree Law 142 of 16 December 2019 and 2,972 thousand recognised in the Agency's income statement for the portion exceeding the amount of the resources allocated by the aforementioned decree for an amount of approximately € 2.9 million), equity investments acquired with the fund pursuant to Law 181/89, the value of which was written off for € 7,355 thousand, and TLS Sviluppo S.r.l. for € 1,035 thousand.

Annex A.5 shows the analytical change of equity investments.

## SECTION 8 – PROPERTY, PLANT AND EQUIPMENT - ITEM 80

308,257 289,849

## 8.1 Property, plant and equipment used in operations: breakdown of assets measured at cost

Assets/Values	2023	2022
<b>1. Property assets</b>	<b>183,975</b>	<b>146,398</b>
a) land	1,851	1,851
b) buildings	29,983	9,472
c) furniture	469	543
d) electronic equipment	2,071	2,055
e) other	149,601	132,477
<b>2. Rights in use acquired through leasing</b>	<b>23,271</b>	<b>44,149</b>
a) land	-	-
b) buildings	22,906	43,827
c) furniture	-	-
d) electronic equipment	-	-
e) other	365	322
<b>Total</b>	<b>207,246</b>	<b>190,547</b>

'Rights of use acquired through leasing' include, in accordance with IFRS 16, the value of the right of use acquired for the term of real estate leases and rental agreements for company cars.

The item 'Buildings' essentially includes the value of the Parent Company's lease contracts for € 21,655 thousand.

## 8.2 Property, plant and equipment held for investment: breakdown of assets measured at cost

Assets/Values	2023				2022			
	Balance sheet value	Fair value			Balance sheet value	Fair value		
		L1	L2	L3		L1	L2	L3
<b>1. Property assets</b>	<b>22,027</b>	-	-	<b>22,027</b>	<b>22,549</b>	-	-	<b>22,771</b>
a) land	3,986	-	-	3,986	3,986	-	-	3,986
b) buildings	18,041	-	-	18,041	18,563	-	-	18,785
<b>2. Rights in use acquired through leasing</b>	-	-	-	-	-	-	-	-
a) land	-	-	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-	-	-
<b>Total</b>	<b>22,027</b>	-	-	<b>22,027</b>	<b>22,549</b>	-	-	<b>22,771</b>

This item includes the value of the building and land at Capodichino, owned by the Parent Company for € 21,352 thousand (building € 3.8 thousand and land € 17,532 thousand).

Considering the fact that the property is currently still leased at market conditions, that these are substantially in line with those of the previous year and considering a discounted cash flow methodology to determine fair value, it can be reasonably concluded that the book value coincides with the fair value of the asset.

## 8.2.1 Property, plant and equipment held for investment: annual changes

	Land	Buildings
<b>A. Gross opening balance</b>	<b>(3,986)</b>	<b>(18,563)</b>
A.1 Total net write-downs	-	-
A.2 Net opening balances	3,986	18,563
<b>B. Increases</b>	<b>-</b>	<b>-</b>
B.1 Purchases	-	-
B.2 Capitalised expenses for improvement	-	-
B.3 Positive changes in fair value	-	-
B.4 Write-backs	-	-
B.5 Exchange gains	-	-
B.6 Transfers from intangibles for functional use	-	-
B.7 Other changes	-	-
<b>C. Decreases</b>	<b>-</b>	<b>522</b>
C.1 Sales	-	-
C.2 Amortisation	-	522
C.3 Negative changes in fair value	-	-
C.4 Value adjustments for impairment	-	-
C.5 Exchange losses	-	-
C.6 Transfers to:	-	-
a) real estate for functional use	-	-
b) non-current assets and disposal groups held for sale	-	-
C.7 Other changes	-	-
<b>D. Net closing balance</b>	<b>3,986</b>	<b>18,041</b>
D.1 Total net write-downs	63	729
D.2 Gross closing balance	4,049	18,770
<b>E. Fair value measurement</b>	<b>3,986</b>	<b>18,041</b>

The decrease is mainly attributable to the depreciation of the Capodichino building held by the Parent Company for € 488 thousand.

## 8.5 Inventories of Property, plant and equipment covered by IAS 2: breakdown

Assets/Values	2023	2022
1. Inventories of Property, plant and equipment obtained through the enforcement of guarantees	-	-
a) land	-	-
b) buildings	78,88	76,753
c) furniture	-	-
d) electronic equipment	-	-
e) other	-	-
2. Other inventories of Property, plant and equipment	-	-
<b>Total</b>	<b>78,88</b>	<b>76,753</b>
of which: measured at fair value minus sale costs	-	-

This item includes the value of the parent company's Bagnoli Industrial Complex. The compendium's purchase price is € 68 million, but it is increased by € 10.80 million due to Invitalia's reclamation activities as part of the area's redevelopment project.

## 8.6 Property, plant and equipment used in operations: annual changes

	Land	Buildings	Furniture	Electronic installations	Others	Total
<b>A. Gross opening balance</b>	<b>1,851</b>	<b>89,514</b>	<b>4,702</b>	<b>6,106</b>	<b>294,354</b>	<b>396,527</b>
A.1 Total net write-downs	-	(36,215)	(4,159)	(4,051)	(161,555)	(205,98)
<b>A.2 Net opening balances</b>	<b>1,851</b>	<b>53,299</b>	<b>543</b>	<b>2,055</b>	<b>132,799</b>	<b>190,547</b>
<b>B. Increases:</b>	<b>-</b>	<b>8,364</b>	<b>64</b>	<b>801</b>	<b>33,933</b>	<b>43,053</b>
B.1 Purchases	-	6,941	64	794	33,657	41,456
B.2 Capitalised Improvement Expenses	-	18	-	-	-	18
B.3 Write-backs	-	-	-	-	-	-
B.4 Positive changes in fair value charged to	-	-	-	-	-	-
a) Shareholders' equity	-	-	-	-	-	-
b) Income statement	-	-	-	-	-	-
B.5 Exchange rate gains	-	-	-	-	-	-
B.6 Transfers from real estate held for investment	-	-	-	-	-	-
B.7 Other changes	-	1,405	-	7	167	1,579
<b>C. Decreases:</b>	<b>-</b>	<b>8,774</b>	<b>139</b>	<b>785</b>	<b>16,657</b>	<b>26,354</b>
C.1 Sales	-	-	-	8	-	8
C.2 Amortisation	-	8,465	139	770	16,656	26,03
C.3 Impairment value adjustments charged to	-	-	-	-	-	-
a) Shareholders' equity	-	-	-	-	-	-
b) Income statement	-	-	-	-	-	-
C.4 Negative changes in fair value charged to	-	-	-	-	-	-
a) Shareholders' equity	-	-	-	-	-	-
b) Income statement	-	-	-	-	-	-
C.5 Exchange rate losses	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a) Property, plant and equipment held for investment	-	-	-	-	-	-
b) Non-current assets and disposal groups held for sale	-	-	-	-	-	-
C.7 Other changes	-	309	-	7	-	316
<b>D. Net closing balance</b>	<b>1,851</b>	<b>52,888</b>	<b>468</b>	<b>2,071</b>	<b>149,968</b>	<b>207,246</b>
D.1 Total net write-downs	-	(37,578)	(7,401)	(12,071)	(178,067)	(235,117)
<b>D.2 Gross closing balance</b>	<b>1,851</b>	<b>90,466</b>	<b>7,869</b>	<b>14,142</b>	<b>328,035</b>	<b>442,363</b>
<b>E. Measurement at cost</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The increases in the item 'Other' are mainly attributable to the subsidiary Infratel and refer to:

- the completion of fibre-optic network sections realised and delivered by contractors in the financial year 2023 and to the fibre-optic network of type D schools of the Connected School Plan Phase I for € 5,196 thousand;
- the capitalisation of costs for the purchase of WI-FI devices used to cover municipalities and hospitals in the amount of € 2,709,000;
- the cost incurred for the construction of infrastructures determined based on the progress invoiced by contractors still in progress for € 25,291,000.

## 8.7 Property, plant and equipment held for investment purposes: annual changes

	Land	Buildings
<b>A. Opening balance</b>	<b>3,986</b>	<b>18,563</b>
<b>B. Increases</b>	-	-
B.1 Purchases	-	-
B.2 Capitalised expenses for improvement	-	-
B.3 Positive changes in fair value	-	-
B.4 Write-backs	-	-
B.5 Exchange gains	-	-
B.6 Transfers from intangibles for functional use	-	-
B.7 Other changes	-	-
<b>C. Decreases</b>	-	<b>522</b>
C.1 Sales	-	-
C.2 Amortisation	-	522
C.3 Negative changes in fair value	-	-
C.4 Value adjustments for impairment	-	-
C.5 Exchange losses	-	-
C.6 Transfers to:	-	-
a) real estate for functional use	-	-
b) non-current assets and disposal groups held for sale	-	-
C.7 Other changes	-	-
<b>D. Closing balance</b>	<b>3,986</b>	<b>18,041</b>
<b>E. Fair value measurement</b>	<b>3,986</b>	<b>18,041</b>

The change refers to the portion of depreciation of the year.

There are no:

- Property, plant and equipment pledged as collateral for own debts and commitments;
- assets acquired through financial leasing.

## 8.8 Inventories of Property, plant and equipment covered by IAS 2: annual changes

	Inventories of Property, plant and equipment obtained through the enforcement of guarantees					Other inventories of Property, plant and equipment	Total
	Land	Buildings	Furniture	Electronic installations	Others		
<b>A. Opening balance</b>	-	-	-	-	-	<b>76,753</b>	<b>76,753</b>
<b>B. Increases:</b>	-	-	-	-	-	-	-
B.1 Purchases	-	-	-	-	-	-	-
B.2 Write-backs	-	-	-	-	-	-	-
B.3 Exchange gains	-	-	-	-	-	-	-
B.4 Other changes	-	-	-	-	-	2,127	2,127
<b>C. Decreases:</b>	-	-	-	-	-	-	-
C.1 Sales	-	-	-	-	-	-	-
C.2 Impairment adjustments	-	-	-	-	-	-	-
C.3 Exchange losses	-	-	-	-	-	-	-
C.4 Other changes	-	-	-	-	-	-	-
<b>D. Closing balance</b>	-	-	-	-	-	<b>78,880</b>	<b>78,880</b>

The item 'Other changes' refers to the costs incurred by the Parent Company for the environmental remediation and regeneration of the urban area of the Bagnoli district as governed by Article 33 of Decree-Law 133/2014 and subsequent amendments and integration and by Prime Ministerial Decree of 15/10/2015 of 07/07/2020.



## SECTION 9 - INTANGIBLE ASSETS - ITEM 90

228,511 171,883

## 9.1 Intangible assets: breakdown

Items/Valuation	2023		2022	
	Assets measured at cost	Assets measured at fair value	Assets measured at cost	Assets measured at fair value
<b>1. Goodwill</b>	-	-	-	-
<b>2. Other intangible assets</b>	<b>228,511</b>	-	<b>171,883</b>	-
Of which software:	-	-	-	-
2.1 owned	228,511	-	171,883	-
- internally generated	1,578	-	6,722	-
- others	226,933	-	165,161	-
2.2 rights of use acquired through leasing	-	-	-	-
<b>Total 2</b>	<b>228,511</b>	-	<b>171,883</b>	-
<b>3. Assets acquired through financial leasing</b>	-	-	-	-
3.1 unassigned assets	-	-	-	-
3.2 assets withdrawn after termination	-	-	-	-
3.3 other assets	-	-	-	-
<b>Total 3</b>	-	-	-	-
<b>Total (1+2+3)</b>	<b>228,511</b>	-	<b>171,883</b>	-
<b>Total (T-1)</b>	<b>171,883</b>	-	<b>87,818</b>	-

## 9.2 Intangible assets: annual changes

	Total
<b>A. Opening balance</b>	<b>171,882</b>
<b>B. Increases</b>	<b>100,667</b>
B.1 Purchases	100,638
B.2 Write-backs	-
B.3 Positive changes in fair value	-
- to shareholders' equity	-
- income statement	-
B.4 Other changes	29
<b>C. Decreases</b>	<b>44,038</b>
C.1 Sales	-
C.2 Amortisation	20,546
C.3 Value adjustments	-
- to shareholders' equity	-
- income statement	-
C.4 Negative changes in fair value:	-
- to shareholders' equity	-
- income statement	-
C.5 Other changes	23,492
<b>D. Closing balance</b>	<b>228,511</b>

The change in the year, in addition to depreciation for the period, is mainly due to:

- the capitalisation by the Parent Company of projects for implementing IT and reporting platforms that will yield future benefits in terms of cost savings and increased revenues. The largest in-

vestment, amounting to € 7,023,000, concerns the digital transformation programme (so-called) Minerva co-financed by the European Union. The platform will provide the Agency with an effective working tool, which can also be reused by PAs, producing positive effects over the coming years both in terms of ICT cost savings and in terms of optimising and streamlining front-end and back-end processes;

- increases in the item 'concessions, licences and trademarks' of the subsidiary Infratel Italia S.p.A. for € 80,639,000 for acquiring IRUs related to the Connected School Plan, phase I and II projects.

## SECTION 10 - TAX ASSETS AND TAX LIABILITIES ITEM 100 OF ASSETS AND ITEM 60 OF LIABILITIES

59,431	79,538
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### Tax assets - Item 100

#### 10.1 Tax assets: current and deferred: breakdown

Description	2023	2022
a) current	17,446	17,550
b) deferred	41,985	61,988
<b>Total</b>	<b>59,431</b>	<b>79,538</b>

**Current assets** are still affected by residual tax receivables arising from the companies merged in Sviluppo Italia's incorporation, for which the relevant recovery actions are still in progress.

**Deferred tax assets** have the following balancing entry:

	2023	2022
- as balancing entry in the Income statement	39,343	47,799
- as balancing entry to shareholders' equity	2,642	14,189
<b>Total</b>	<b>41,985</b>	<b>61,988</b>

The Group had deferred tax assets (DTAs) totalling € 42 million (€ 62 million as of 31 December 2022) in its Balance Sheet Assets as of 31 December 2023, of which € 39.3 million was recognised in the Income Statement and € 2.6 million in Shareholders' Equity. Within tax assets with a balancing entry in the income statement, about half of the entire amount, € 17.3 million, is attributable to the deferred tax assets of Cassa di Risparmio di Orvieto.

#### 10.2 Tax liabilities: current and deferred: breakdown

Description	2023	2022
a) current	5,547	3,964
b) deferred	1,305	1,019
<b>Total</b>	<b>6,852</b>	<b>4,983</b>

Deferred tax liabilities have the following balancing entry:

	2023	2022
- as balancing entry in the Income statement	1,044	1,073
- as balancing entry to shareholders' equity	261	(54)
<b>Total</b>	<b>1,305</b>	<b>1,019</b>

### 10.3 Changes in deferred tax assets (balancing entry to the income statement)

	2023	2022
<b>1. Opening balance</b>	<b>47,799</b>	<b>27,220</b>
<b>2. Increases</b>	<b>4,76</b>	<b>37,407</b>
2.1 Deferred tax assets recognised in the year	4,179	3,729
a) relating to previous financial years	1	-
b) due to changes in accounting policies	-	-
c) write-backs	-	-
d) other	4,178	3,729
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	581	33,678
<b>3. Decreases</b>	<b>13,216</b>	<b>16,828</b>
3.1 Deferred tax assets cancelled during the year	13,465	17,105
a) reversals	12,892	16,880
b) write-downs for non-recoverability	-	-
c) change of accounting policies	-	-
d) other	573	225
3.2 Tax rate reductions	-	-
3.3 Other decreases:	[249]	[277]
a) conversion into tax credits under Law 214/2011	-	16
b) other	[249]	[293]
<b>4. Closing balance</b>	<b>39,343</b>	<b>47,799</b>

The deferred tax assets referred to in the table above regarding Mediocredito Centrale and Cassa di Risparmio di Orvieto will be gradually recovered in the tax returns to be filed in future years.

#### 10.3.1 Changes in deferred tax assets under Law 214/2011 as balancing entry to the income statement

	2023	2022
<b>1. Opening balance</b>	<b>12,971</b>	<b>4,691</b>
<b>2. Increases</b>	<b>581</b>	<b>8,994</b>
<b>3. Decreases</b>	<b>2,496</b>	<b>714</b>
3.1 Reversals	2,279	519
3.2 Conversion into tax credits	-	16
a) arising from operating losses	-	16
b) arising from tax losses	-	-
3.3 Other decreases	217	179
<b>4. Closing balance</b>	<b>11,056</b>	<b>12,971</b>

#### 10.4 Changes in deferred taxes (as balancing entry to the income statement)

	2023	2022
<b>1. Opening balance</b>	<b>1,073</b>	-
<b>2. Increases</b>	-	<b>1,107</b>
2.1 Deferred taxes recognised in the year	-	-
a) relating to previous financial years	-	-
b) due to changes in accounting policies	-	-
c) other	-	-
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	1,107
<b>3. Decreases</b>	<b>29</b>	<b>34</b>
3.1 Deferred taxes cancelled during the year	-	-
a) reversals	-	-
b) due to changes in accounting policies	-	-
c) other	-	-
3.2 Tax rate reductions	-	-
3.3 Other decreases	29	34
<b>4. Closing balance</b>	<b>1,044</b>	<b>1,073</b>

#### 10.5 Changes in deferred tax assets (balancing entry to shareholders' equity)

	2023	2022
<b>1. Opening balance</b>	<b>14,189</b>	<b>2,4</b>
<b>2. Increases</b>	<b>900</b>	<b>13,71</b>
2.1 Deferred tax assets recognised in the year	900	13,563
a) relating to previous financial years	-	-
b) due to changes in accounting policies	42	-
c) other	858	13,563
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	147
<b>3. Decreases</b>	<b>12,447</b>	<b>1,921</b>
3.1 Deferred tax assets cancelled during the year	10,742	247
a) reversals	10,742	247
b) write-downs for non-recoverability	-	-
c) due to changes in accounting policies	-	-
d) other	-	-
3.2 Tax rate reductions	-	-
<b>3.3 Other decreases</b>	<b>1,705</b>	<b>1,674</b>
<b>4. Closing balance</b>	<b>2,642</b>	<b>14,189</b>

## 10.6 Changes in deferred taxes (as balancing entry to shareholders' equity)

	2023	2022
<b>1. Opening balance</b>	<b>(54)</b>	<b>42</b>
<b>2. Increases</b>	<b>326</b>	<b>855</b>
2.1 Deferred taxes recognised in the year	326	127
a) relating to previous financial years	-	-
b) due to changes in accounting policies	-	-
c) other	326	127
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	728
<b>3. Decreases</b>	<b>11</b>	<b>951</b>
3.1 Deferred taxes cancelled during the year	3	41
a) reversals	3	41
b) due to changes in accounting policies	-	-
c) other	-	-
3.2 Tax rate reductions	-	-
3.3 Other decreases	8	910
<b>4. Closing balance</b>	<b>261</b>	<b>(54)</b>

## SECTION 11 - NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE - ITEM 110

77,331	84,590
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### 11.1 Non-current assets and disposal groups classified as held for sale: breakdown

	2023	2022
Cash and cash equivalents	11,541	15,041
Financial assets measured at amortised cost	1,501	2,432
Equity investments	491	427
Property, plant and equipment	63,358	66,606
Intangible assets	-	-
Tax assets	242	21
Other assets	198	63
<b>Total</b>	<b>77,331</b>	<b>84,59</b>

In addition to the assets of a company being disposed of that is directly controlled (Italia Turismo), this item also includes the assets owned by a subsidiary (Invitalia Partecipazioni) falling within the perimeter of the Group's real estate assets that are no longer strategic, as better described in the Reports on Operations.

Independent experts determined the fair value of the assets in the real estate portfolio. The valuation of the assets of Italia Turismo was conducted according to the Discounted Cash Flow method in the unlevered version, which provides for the discounting of the cash flows expected from operations relative to the period of explicit forecast of the flows and the discounting of the terminal value (calculated as the present value of a growing and perpetual cash flow) at the reference date of the estimate, taking into account the uncertainties connected with the macroeconomic scenario of reference and the difficulties in making assumptions on expected growth, a two-stage terminal value calculation formula was used, envisaging a first stage in a period of sustained growth and a scenario, in perpetuity, of stable and contained growth.

However, the valuation model of the values of the assets included in the contribution transactions and those for which a sale to third parties is nevertheless envisaged, within the scope of autonomous negotiations, is constantly monitored to adjust the estimated values appropriately.

The sub-item 'equity investments' represents the value of investees held for sale measured at equity. In detail, it includes the companies Marina d'Arechi S.p.A. for € 300 thousand, IP Porto Romano S.r.l. for € 74 thousand, and Salerno Sviluppo for € 53 thousand.

## SECTION 7- LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE - ITEM 70

4,601	6,285
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### 7.1 Liabilities associated with assets classified as held for sale: breakdown

	2023	2022
Financial liabilities measured at amortised cost	-	-
Tax liabilities	-	-
Other liabilities	2,291	3,101
TFR (Employee termination indemnity)	185	203
Provisions for risks and charges	2,125	2,981
<b>Total</b>	<b>4,601</b>	<b>6,285</b>

This item includes the values of other liabilities, employee termination indemnity and provisions for risks and charges related to the investee company Italia Turismo in divestment.

## SECTION 12 - OTHER ASSETS - ITEM 120

1,661,454	842,780
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### 12.1 Other assets: breakdown

	2023	2022
- Inventories	396,496	385,538
- Indirect tax receivables from tax authorities	7,571	8,116
- Receivables from social security institutions	13	10
- Receivables and advances from suppliers	16,738	9,155
- Guarantee deposits	3,268	3,219
- Prepaid expenses (only those relating to other assets)	5,707	3,842
- Sundry receivables and amounts	1,230,868	432,900
- Tax consolidation	793	-
<b>Total</b>	<b>1,661,454</b>	<b>842,780</b>

The sub-item 'Inventories' mainly includes:

- the deployment of 'broadband' and 'ultra-broadband' by Infratel S.p.A. following mandates received from the regions through the MIMIT.

Receivables and sundry items include € 214 million from the Parent Company for SME Fund Bonds, a measure authorised by the European Commission under the 'Temporary Framework for State Aid Measures in Support of the Economy. In particular, as indicated in the Bankit Provision for the Preparation of Financial Intermediaries' Financial Statements, this item includes minibonds subscribed by Invitalia against which Invitalia assumes no risk.

In addition, the same item includes:

- € 940 million of the subsidiary Infratel to institutions and customers in the country;
- € 56.5 million related to the purchase of tax credits related to building bonuses by MCC and € 29.0 million related to the same type of credits purchased by CRO.

Decree-Laws 18/2020 (the so-called 'Decree-Law Cura Italia') and 34/2020 (the so-called 'Decree-Law Rilancio'), hereinafter also referred to as the 'Decrees' introduced into the Italian legal system tax incentive measures connected with both investment expenses (e.g., eco and seismic bonuses) and current expenses (e.g., lease payments for premises for non-housing use). These tax incentives apply to households or businesses, are commensurate with a percentage of the expenditure incurred (in some cases up to 110%) and are provided in the form of tax credits or tax deductions (optionally convertible into tax credits). For the eco and seismic bonus and other incentives for building interventions, it is also possible to take advantage of the incentive through a discount on the amount due to the supplier, who will receive a tax credit. Most of the tax credits subject to the incentive measures are assignable to third-party purchasers, according to the pro-tempore regulatory limitations in force, who will use them according to the specific regulations provided for. These are, in fact, tax credits of a facilitating nature, for which, unlike those arising from overpayments of tax, how they may be used is defined from time to time by the provisions introducing them.

Specifically, holders of these credits may use them to offset taxes and contributions according to the same rules as the original beneficiary. Alternatively, they may further assign them (in whole or in part, according to the pro-tempore regulatory limitations in force) to third parties. None of the credits under consideration are repayable (in whole or in part) directly by the state. In addition, depending on the case, the credits may be used to offset (e.g. within one year or in 5 or 10 annual instalments) without the possibility of carrying forward or requesting reimbursement, the portion not offset.

In November 2021, MCC purchased tax credits referring to former Ecobonus benefits in a single transaction for a total nominal value of € 24.7 million. Starting in 2022, these credits can be offset on a straight-line basis over ten years.

The purchase occurred following the positive outcome of the checks that MCC carried out with the help of its technical and tax advisors on the documentation provided by the selling counterparty.

In December 2021, these receivables, together with others of the exact nature acquired from other assignees such as Poste Italiane S.p.A. and Cassa Depositi e Prestiti S.p.A., were subjected to an urgent preventive seizure by the Public Prosecutor's Office, a measure subsequently validated by the GIP, following the identification by the Revenue Agency of anomalous and significant transactions carried out on the Credit Transfer Platform by persons (companies and individuals) who allegedly devised, implemented and managed a fraudulent system aimed at creating and monetising false tax credits for over € 1 billion.

MCC appealed against this order to the Court of Review under Article 322 of the Code of Criminal Procedure. The Court, on 22 February 2022, recognised the good faith of MCC as transferee extraneous to the offence and, based on the legislation that provides that the transferee who acquired the credit in good faith does not lose the right to use the tax credit, accepted the re-examination petition, cancelling the seizure of the credits in question, which are therefore in the complete availability of the Bank.

Specifically, the portion (1/10) maturing in 2022 was offset in June 2022, the portion maturing in 2023 was offset in January 2023, and the portion maturing in 2024 was offset in January 2024.

Prepaid expenses represent costs for services assessed or paid in advance, pertaining to the following year or related to future revenues.

## SECTION 1 - FINANCIAL LIABILITIES MEASURED AT AMORTISED COST - ITEM 10

Description	2023	2022
a) payables	4,646,430	4,405,412
b) securities issued	910,027	854,075
<b>Total</b>	<b>5,556,457</b>	<b>5,259,487</b>

### 1.1 Financial liabilities measured at amortised cost: product composition of payables

Items	2023			2022		
	Due to banks	Due to financial companies	Due to banks	Due to financial companies	Due to banks	Due to financial companies
<b>1. Due to banks</b>	<b>293,018</b>	<b>193,406</b>	<b>4,071</b>	<b>334,695</b>	<b>4</b>	<b>80,025</b>
1.2 Repurchase agreements	171,97	-	-	278,819	-	-
1.2 Other loans	121,048	193,406	4,071	55,876	4	80,025
<b>2. Lease liabilities</b>	<b>311</b>	<b>33</b>	<b>53,447</b>	<b>339</b>	<b>38</b>	<b>55,463</b>
<b>3. Other liabilities</b>	<b>1,070,772</b>	<b>73,867</b>	<b>2,957,506</b>	<b>1,495,399</b>	<b>92,523</b>	<b>2,346,926</b>
<b>Total</b>	<b>1,364,101</b>	<b>267,306</b>	<b>3,015,024</b>	<b>1,830,433</b>	<b>92,565</b>	<b>2,482,414</b>
Fair value - level 1	-	-	-	-	-	-
Fair value - level 2	-	-	-	-	-	-
Fair value - level 3	1,357,663	267,3	3,019,998	1,819,524	205,308	2,349,979
<b>Total fair value</b>	<b>1,357,663</b>	<b>267,306</b>	<b>3,019,998</b>	<b>1,819,524</b>	<b>205,308</b>	<b>2,349,979</b>

The fair value was assumed to be equal to amortised cost (and therefore Level 3) in relation to the general short duration and prevalent variable-rate structure of these financial instruments.

### 1.2 Financial liabilities measured at amortised cost: product composition of securities issued

Type of securities/values	2023				2022			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
<b>A. Securities</b>								
1. bonds	908,363	-	591,385	323,469	852,718	-	564,166	350,557
1.1 structured	-	-	-	-	-	-	-	-
1.2 others	908,363	-	591,385	323,469	852,718	-	564,166	350,557
2. other securities	1,664	-	-	1,664	1,357	-	-	1,357
2.1 structured	-	-	-	-	-	-	-	-
2.2 others	1,664	-	-	1,664	1,357	-	-	1,357
<b>Total</b>	<b>910,027</b>	<b>-</b>	<b>591,385</b>	<b>325,133</b>	<b>854,075</b>	<b>-</b>	<b>564,166</b>	<b>351,914</b>

The item include:

- **351.1 million** relating to the Parent Company's unsubordinated and unsecured bond issued in November 2022 for a total value of € 350 million and a duration of three years, intended exclusively for institutional and professional investors and qualified as a 'Social Bond'. An amount equivalent to the proceeds from the issue of the Notes was used
  1. for the repayment of the loan disbursed in July 2022 to Invitalia by some of the Joint Bookrunners;



2. to finance or refinance, in whole or in part, new or preexisting projects that have positive social results and meet the requirements of the Agency's Social Bond Framework, i.e. to finance the structural costs of managing contracts entrusted by the Italian Government and/or public administrations, thereby pursuing social interest objectives.

The issue price was 99.884% of the nominal value, with a nominal rate of return of 5.25%. The principal is scheduled to be repaid in a single three-year maturity with annual coupons. This loan is listed on the Luxembourg Stock Exchange's regulated market.

The main features of this bond issue are summarised below:

- Issue amount: 350 million
- Duration: 2022- 2025
- Listing market: Luxembourg
- Member country of origin: Italy
- Aimed at qualified investors only

They are entered in the balance sheet at amortised cost, with the changes shown in item 20, 'Interest payable and similar charges.'

- € 200.5 million relating to a residual bond loan listed on the MOT, issued by MCC on 9 February 1998 and maturing on 10 February 2028;
- € 300.5 million relating to a 'Social' - unsecured senior preferred bond issued by MCC, listed on the Luxembourg Stock Exchange, fixed rate of 1.5% per annum, issued on 24 October 2019 and maturing on 24 October 2024;
- € 69.3 million related to a subordinated Tier 2 loan with a nominal value of 70 million issued by MCC on 29 December 2022 and maturing on 29 December 2023;
- 1,664 million related to certificates of deposit issued by CROs to customers.

### 1.3 Details of subordinated liabilities/securities

	2023	2022
<b>A.1 Subordinated liabilities</b>	-	-
- banks	-	-
- customers	-	-
<b>A.2 Unsubordinated liabilities</b>	-	-
- banks	-	-
- customers	4,646,431	4,405,412
<b>B.1 Subordinated securities</b>	<b>69,326</b>	<b>69,688</b>
- banks	69,326	69,688
- customers	-	-
<b>B.2 Non-subordinated securities</b>	<b>840,701</b>	<b>784,387</b>
- banks	323,469	783,03
- customers	517,232	1,357
<b>Total</b>	<b>910,027</b>	<b>854,075</b>

### 1.5 Lease liabilities

	Up to 3 months	More than 3 months up to 6 months	More than 6 months up to 1 year	Over 1 year up to 5 years	Over 5 years up to 10 years	Over 10 years	Total
Lease liabilities	1,805	1,722	2,027	10,014	28,695	9,528	53,791
<b>Total</b>	<b>1,805</b>	<b>1,722</b>	<b>2,027</b>	<b>10,014</b>	<b>28,695</b>	<b>9,528</b>	<b>53,791</b>

The sub-item 'Lease liabilities' includes the valuation of rights of use, recognised on the basis of the new IFRS 16 accounting standard, related to real estate lease agreements, including those of Invitalia's registered office located in Via Calabria and MCC located in Viale America 351, as well as rental agreements for company cars.

#### SECTION 4 - HEDGING DERIVATIVES - ITEM 40

1,661,454	842,780
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##### 4.1 Hedging derivatives breakdown by hedge type and level

	NV	Fair Value 2023			NV	Fair Value 2022		
	2023	L1	L2	L3	2022	L1	L2	L3
<b>A. Financial derivatives</b>	-	-	11,736	-	-	-	20,675	-
1) Fair value	-	-	11,736	-	-	-	20,675	-
2) Cash flows	-	-	-	-	-	-	-	-
3) Foreign Investments	-	-	-	-	-	-	-	-
<b>B. Credit derivatives</b>	-	-	-	-	-	-	-	-
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	11,736	-	-	-	20,675	-

#### Key

NV= notional value

L1= Level 1

L2= Level 2

L3= Level 3

#### SECTION 6 - TAX LIABILITIES - ITEM 60

Please refer to Section 10 of Assets in the Balance Sheet.

#### SECTION 7 - LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE - ITEMS 70

Please refer to section 11 of Assets in the Balance Sheet.

#### SECTION 8 - OTHER LIABILITIES - ITEM 80

4,636,742	3,389,425
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##### 8.1 Other liabilities: breakdown

	31/12/23				31/12/22			
	Balance sheet value	Fair Value			Balance sheet value	Fair Value		
		L1	L2	L3		L1	L2	L3
Liabilities for third-party funds under management	2,102,600	-	-	2,102,600	1,226,207	-	-	1,226,207
Contributions	1,448,131	-	-	1,448,131	1,177,761	-	-	1,177,761
Suppliers	608,528	-	-	608,528	556,592	-	-	556,592
Accrued liabilities and deferred income	25,087	-	-	25,087	19,844	-	-	19,844
Payables to employees	32,628	-	-	32,628	26,156	-	-	26,156
Payables to tax authorities	16,781	-	-	16,781	11,228	-	-	11,228
Payables to social security institutions	11,383	-	-	11,383	9,845	-	-	9,845
Tax consolidation payables	3,2	-	-	3,2	20,526	-	-	20,526
Guarantee deposits received	267	-	-	267	357	-	-	357
Sundry payables	388,137	-	-	388,137	340,909	-	-	340,909
<b>Total</b>	<b>4,636,742</b>	-	-	<b>4,636,742</b>	<b>3,389,425</b>	-	-	<b>3,389,425</b>

'Liabilities for third-party funds under management' relate to funds of facilitation measures for which the Agency is responsible for implementing such measures, as regards their operations and forms of use; see also the comment in Part D - Other Information.

Details are given below:

	2023	2022
NRRP Project – Italia 1 Gbps	1,043,016	280,5
Fondo PMI	461,581	503,473
NRRP Project – Italia 5 G	325,771	111,619
Progetto Blockchain	45,000	15,090
Fondo Rotazione DPR 58/87	43,701	43,587
Fondo per la crescita sostenibile	37,590	48,320
NRRP Project – Sanità Connessa	33,505	33,505
Legge 181/89 (Interventions in crisis areas)	29,323	70,389
FSC BUL	25,076	62,587
NRRP Project – Scuola Connessa	17,779	17,779
BUL VOUCHER 2	11,479	13,937
Fondo per la realizzazione della Banda Larga e Ultralarga	7,150	629
NRRP Project – Isole Minori	6,050	-
Legge Reg.23/91 Art.8	1,984	1,984
Promozione Turistica	1,081	1,081
Piano Voucher 3i	776	894
Poli Museali di Eccellenza	201	201
BUL VOUCHER	(1,754)	9,528
Other	13,291	11,104
<b>Total</b>	<b>2,102,600</b>	<b>1,226,207</b>

In more detail:

- The **NRRP Fund** is divided into the following operational plans:
  - Piano Italia 1 Giga received financial disbursements from DTD as of 31.12.2023 for € 1,043,016,000;
  - Piano Italia 5G received financial disbursements from DTD as of 31 December 2023 for € 325,771,000;
  - Piano Sanità Connessa received financial disbursements from DTD as of 31 December 2023 for € 33,505,000;
  - Piano Scuola Connessa received financial disbursements from DTD as of 31 December 2023 for € 17,779,000;
  - Piano Isole Minori received financial disbursements from DTD as of 31.12.2023 for € 6,050,000.
- The purpose of the '**Fondo PMI**' is to underwrite newly issued bonds or debt securities to encourage capital strengthening and contribute to the financing of medium-sized enterprises meeting the conditions set out in Article 26 of the Relaunch Law of 17 July 2020 77. The underwriting and issuance of debt securities totalled € 258,881,000; the Fund remains open pending the completion of the repayment of the principal disbursed. As of 31 December 2023, there were receivables for past due and unpaid interest amounting to € 629 thousand and for revoked positions amounting to € 45,268 thousand.
- The item '**Progetto Blockchain**,' amounting to € 45,000,000, represents the balance as of 31.12.2023 of the 'Fund for the development of artificial intelligence, Blockchain and Internet of Things technologies and applications.'

- The '**Fondo di Rotazione DPR 58/87**' refers to sums disbursed for financial assistance to investees in the tourism sector. The fund comes from allocations made by the former Agensud by Article 9 of Presidential Decree 58/87. A fee of 0.75% per half year on the outstanding amount of loans granted from the Fund is paid for the management. Assets on this fund are substantially finished except for a commitment to Italia Turismo for € 24,012,535 related to approving an investment programme presented by such a company.
- The '**Fondo per la Crescita sostenibile**' is exclusively aimed at subscribing to the Venture I Italy Fund, whose objective is to support venture capital investments in innovative start-ups and SMEs with high development potential by fostering the capitalisation of small and medium-sized enterprises to allow easier access to credit and support medium- to long-term development projects. Changes in the fair value of these securities investments were deducted from the relevant fund under management. The investee, CDP Venture Capital, manages the fund.
- The '**Fondo L.181/89**' aims to implement investment and employment programmes in areas of steel crisis. The fund above was allocated by the CIPE resolution of 20 December 1990, the contents of which were confirmed by the CIPE itself by resolution of 3 August 1993, as well as reaffirmed by the 'implementation guidelines' that were formulated by the Ministry of Industry by letter of 9 April 1994 and confirmed by Ministerial Decree 1123182/75 of 23 December 1996, to regulate the implementation of Law 513/93, which supplemented the regulations contained in Laws 181/89, 408/89 and 38/90.

The composition of the Law 181/89 Fund as of 31 December 2023 is shown below:

	2023	2022
Funds collected	645,697	645,697
Capital Returns to the MISE	(181,163)	(177,775)
Grants disbursed	(364,595)	(364,595)
Grants to be disbursed	(2,914)	(2,914)
Losses on receivables and equity investments	(67,702)	(30,024)
<b>Total</b>	<b>29,323</b>	<b>70,389</b>

The item 'Capital returns to the MISE' represents the amount repaid to the Ministry of Economic Development as per the provision of Ministerial Decree 1184605/75 of 9 March 2005, establishing the Single Fund, which provides for the six-monthly repayment by the Agency of capital received for financing, revoked grants, and disposals of equity investments. This capital will be reallocated to the Agency to continue the investment and employment programme in the steel crisis areas.

In the year 2023, the changes in the Fund as per Law 181/89 were as follows:

<b>Balance as of 31 December 2022</b>	<b>70,389</b>
Capital grants disbursed and other uses	-
Funds collected	-
Capital returns to the MISE	(3,388)
Losses on receivables and equity investments	(37,678)
Other uses	-
<b>Balance as of 31 December 2023</b>	<b>29,323</b>

As of 31 December, funds collected amounting to 645,697, net of repayments to the Ministry amounting to 181,163 thousand, were used as follows:

	2023	2022
Capital grants	364,595	364,595
Loans to customers for pre-financing, financing and mortgages (net of returns)	9,586	42,241
Equity investments (net of unpaid share capital)	-	8,334
Net receivables from financial institutions	23,168	22,945
Other financial receivables (payables) for items to be recognised	(517)	(217)
Losses on receivables, equity investments and other uses	67,702	30,024
<b>Total</b>	<b>464,534</b>	<b>467,922</b>

As of 31.12.2023, loans with a high risk of non-recoverability were written down appropriately; in particular, the value of equity investments in bankruptcy proceedings was reduced to zero, and loans currently in bankruptcy proceedings were reduced.

- The item **'FSC BUL'**, amounting to € 25,076,000, represents the residual value of the amount received in December 2016 regarding the first tranche of FSC funds for the Bul Grand Project. Following the provisions of the Guidelines for the implementation, reporting, monitoring and control of public intervention for the development of ultra-wideband in white areas - SIE Funds 2014 - 2020, having regard to the favourable opinion of the State-Regions Conference of 20 September 2018 for all advances, including those coming from the resources allocated under the FSC, it is envisaged that MIMIT will pay them to Infratel Italia, which will hold them on a special unavailable revolving fund aimed at financing the Great Bul Project (approved by the European Community only on 2 April 2019) on this revolving fund Infratel Italia can operate only upon prior authorisation of the MIMIT itself. The negative change of € 37,510,000 is mainly due to payments for Open Fiber's payment for the SALs of the concession model financed with the FSC financing source.
- The item **BUL Voucher 2**, amounting to € 11,479 thousand, represents the residual amount as of 31 December 2023 of the financial disbursement by the MIMIT concerning the voucher plan for less affluent companies as a demand support measure to guarantee the use of ultra-broadband Internet connection services.
- The **Fondo per la realizzazione della banda larga e ultralarga** refers to the sums disbursed by the MISE and earmarked for the disbursement of contributions to telecommunications operators for the construction of Broadband (model B) and Ultrabroadband (model C) infrastructures, net of the sums already disbursed to beneficiaries.
- The **Fondo Legge regionale 23/91** refers to the rest of the sums disbursed at the time by the Region of Sicily (under Law 23 of 15.05.91) net of the amount under Law 359/92. No changes were recorded during the year.
- The **Fondo di Promozione Turistica** refers to sums disbursed in implementing the CIPE resolution of 25 March 1990, aimed at carrying out tourism promotional activities in the South. The programme seeks to increase tourist flows in the southern regions of Italy by providing adequate technical, organisational, and coordination assistance to the identified initiatives. The formula envisaged is the co-financing of interventions proposed by regions, business associations and major bodies operating in tourism. A fee of 10% of the managed funds is paid for the organisation, coordination and quality control of the initiatives and assistance in their design. The activities on this Fund are substantially finished. The last disbursement to Marina di Portisco occurred in 2021, and the reporting for this activity was postponed to 2023.
- The **Fondo Voucher 3i** refers to contributions granted to innovative start-ups to support and enhance innovation through advisory services. The work on this fund has been completed, and the remaining sums are being returned to the Ministry.

- **Poli Museali d'Eccellenza** includes the residual amount related to the agreement to restore and renovate the Abruzzo National Museum.
- The item **BUL Voucher** - a project related to the voucher plan for less affluent families as a demand support measure to guarantee the use of ultra-broadband Internet connection services by families with an ISEE of less than € 20,000 - showed a negative balance of € 1,754,000 as at 31 December 2023, equal to the Infratel cash advance contractually provided for and equal to 5% of the value of the contract. The advance will be recovered with the payment of the final report.

The item '**Other**', amounting to € 13,291,000, is essentially composed of the following provisions:

- **Financial allocation Art 25 par. 2 Law 196/97 (€ 9,294 thousand)**, which, according to Art.1, para(s) 260- 266 of Law 205/2017, was used by Invitalia to establish the company Invitalia Global Investment S.p.A.
- **Acerra Crisis Area (€ 914 thousand)** related to the payment by the Campania Region of the capital contribution, as regulated in the programme agreement of 14.07.2005, for the coordinated implementation of the intervention in the industrial crisis area of NGP S.p.A. in Acerra, in synergy with the Ministry of Economic Development (now MIMIT), for the financing of the industrial project promoted by Simpe S.p.A. Part of these funds (€ 1,235 thousand), at the beginning of 2010, while waiting for further remittances expected from the Campania Region and with the agreement of the Region itself, were used for the disbursement of subsidies in favour of PRO.S.IT S.r.l., which is implementing an entrepreneurial project within the framework of the aforementioned programme agreement.
- **Venture Capital Revolving Fund (€ 346 thousand)**: This fund is related to ERDF contributions allocated to the Agency and aims to establish 50% of the 10-year Venture Capital Fund. The fund's final report was made in 2015, and the amount represents the resources that will be transferred to the Ministry upon collection from the ongoing recovery procedures of the remaining shares acquired.

The item '**Contributions**' essentially relates to:

- a contribution of € 680,000,000 allocated under Article 1 of Decree-Law 142/2019, converted with amendments by Law 5/2020, as further amended by Decree-Law 2/2023, published in the Official Gazette on 5 January 2023, which came into force on 6 January 2023 (the 'Decree-Law 2/2023'), whereby Invitalia was authorised, among other things, to grant 'shareholder loans' under market logic, criteria and conditions, to be converted into capital upon request by Invitalia itself to ADIH
- a contribution of € 419,000,000, net of the impairment on BdM Banca S.p.A., granted by the MEF and aimed at strengthening capital through a capital contribution to Mediocredito Centrale S.p.A., for the purchase of the equity investment in BdM Banca S.p.A.;
- a contribution of € 35,000,000 for the establishment of the company DRI d'Italia S.p.A., whose purpose is to carry out pre-feasibility studies for the design, construction, and management of pre-reduction plants for the green conversion of the steel industry;
- a contribution of € 16,067 thousand granted by the MEF in compliance with Art. 34 of Decree Law 126 of 14/08/2020 for purchasing the shareholdings in Reithera S.r.l. (amounting to € 15,000 thousand) and TLS Sviluppo S.r.l. (amounting to € 1,067 thousand). The original value of € 30 million was reduced due to the write-down of TLS Sviluppo S.r.l. to adjust the value to the equity of the last approved financial statements, which was considered as the reference value for the impairment test following the accounting treatment described in 'Section 4 - Other Aspects - Accounting Treatment Defined for Investments Acquired with Public Contributions/Third Party Means'.
- Capital grants for € 185,983 thousand recognised by the MISE for the activities of the company Infratel and accounted for on an accrual basis. The release of capital grants to the income statement is related to the useful life of the assets in respect of which the grants are recognised and, subsequently, disbursed.
- contribution, amounting to € 61,233 thousand, disbursed for the environmental reclamation and urban regeneration of the area of relevant national interest in the Bagnoli - Coroglio district,

under Article 33 of Decree-Law 133 of 12 September 2014, converted with amendments, by Law 164 of 11 November 2014, as better described in section B.3 of the Report on Operations and in Item 100 – Property, plant and equipment.

- contribution, net of the amounts accounted for, of an additional € 38,389 thousand of residual funds allocated for the reclamation of the Bagnoli - Coroglio SIN not used by the Municipality of Naples.
- contribution under art.83 Law 289/02 of € 9,289 thousand, granted by the Ministry of Economy and Finance in 2003. Decree Law 35 of 14 March 2005 provided that it can be used to create incubators for manufacturing enterprises. As of 31 December 2023, the grant, initially amounting to € 10,000 thousand, decreased by € 711 thousand due to the reversal of capitalised costs on the Imperia incubator, whose initial project has become objectively unfeasible.
- contribution Law 208/98 of € 3,536,000, earmarked for the creation of incubators. The MISE (now MIMIT) disbursed the same in 2005, as provided for in the Procedural Guidelines signed by Sviluppo Italia on 14 December 2004. The amount corresponds to the contribution received, net of the portion credited to the Income Statement for available incubators on which depreciation has begun.
- contribution 'Conciliamo' of € 402 thousand, granted by the Presidency of the Council of Ministers - Department for Family Policies, aimed at the implementation of corporate welfare projects.
- deferred income of € 769,000 for a contribution received for implementing the Minerva project; this project aims to create an advanced platform for the digital and intelligent transformation of the entire incentive management process managed by public administrations, targeting businesses and citizens. In particular, the platform will have to manage the pre-delivery phases (support for the definition and promotion of incentives), the delivery and monitoring of incentives and related services (tutoring, open innovation, mentorship) and the post-delivery phases (evaluation and impact analysis, reporting, controls, credit management).

To complete the preceding, it should be noted, as a decrease concerning the previous year, that the grant allocated by the MEF for the share capital increase of AM InvestCo Italy S.p.A. This company is the lessee of the business branches of Ilva under Extraordinary Administration for an original amount of € 400,000 thousand, was fully used following the adjustment of the value of the equity investment to the reference value for impairment testing purposes by the accounting treatment described in 'Section 4 - Other Aspects - Accounting Treatment Defined for Equity Investments Acquired with Public Contributions/Third Party Means'.

The above information is also provided to fulfil the disclosure obligation outlined in para. 125 et seq. art. 35 of Decree-Law 34 of 30 April 2019.

The item 'Suppliers' represents the exposure for invoices received and to be obtained from third parties.

The item 'Payables to employees' consists mainly of accruals for accrued and untaken holidays and 14th month pay.

The item 'Tax consolidation payables' represents payables to subsidiaries participating in the group tax consolidation.

The item 'Payables to social security institutions' refers almost entirely to contributions to employees' salaries for December.

The item 'Tax consolidation payables' consists mainly of VAT and IRPEF payables on employee salaries and self-employment income, due in December.

The item 'Sundry payables' items includes:

- resources transferred by the Regions to the MISE and by the latter to Infratel within the framework of the 2014-2020 RDP -POR, net of the disbursements made (€ 56,758 thousand);
- payables to the Regions, for € 35,314 thousand, representing the amounts to be paid to them for

revenues from the sale of IRUs to telecommunication operators, net of costs incurred for ordinary, scheduled and extraordinary maintenance functional to the best use of the same, to guarantee the SLAs required by telecommunication operators;

- prepaid expenses relating to revenues deferred to future years;
- transitory items 'towards branches' and those 'awaiting processing' mainly arising from processing carried out in the last few days of the year and balanced in the first few days of the following year by the subsidiaries Mediocredito Centrale and Cassa di Risparmio di Orvieto (€ 127,269 thousand).

It should be noted that the Agency manages additional funds disbursed by the State (amounting to € 3,494 million) destined for particular employment operations provided for and regulated by specific laws. These funds are recognised in the memorandum accounts as administered funds whose management is remunerated exclusively by a fee (commission) and is of a pure service nature.

## SECTION 9 – TFR (Employee Termination Indemnity) - ITEM 90

11,529	10,734
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### 9.1 TFR (Employee Termination Indemnity): annual changes

	2023	2022
<b>A. Opening balance</b>	<b>10,734</b>	<b>11,016</b>
<b>B. Increases</b>	<b>9,725</b>	<b>9,107</b>
B.1 Provisions for the year	9,696	7,037
B.2 Other increases	29	2,070
<b>C. Decreases</b>	<b>(8,930)</b>	<b>(9,389)</b>
C.1 Settlements made	(756)	(1,718)
C.2 Other decreases	(8,174)	(7,671)
<b>D. Closing balance</b>	<b>11,529</b>	<b>10,734</b>

The item represents the 'post-employment benefit' and is calculated by projecting the amount already accrued to the presumed termination date. The value thus obtained is discounted to the balance sheet date, using the 'accrued benefits' method through the 'Projected Unit Credit' (PUC) criterion as provided in para(s) 67-69 of IAS 19.

The provision for the year includes the so-called 'interest cost', i.e. the 'notional' charge that would be incurred by requesting a loan from the market in an amount equal to the liability at the beginning of the year appropriately discounted at the rate adopted.

'Other changes' refer to the portion of severance pay transferred to supplementary pension funds and the INPS treasury.

The main demographic and financial assumptions adopted in the evaluation of benefits are:

- annual inflation rate;
- annual discount rate;
- annual rate of TFR increase;
- annual rate of actual wage increase.

In particular, it should be noted that:

- the annual discount rate used to determine the present value consistent with par. 83 of IAS 19 refers to the Curve Euro Composite AA as of 31 December 2023;
- the annual rate of increase of TFR as provided in Article 2120 of the Civil Code is 75% of inflation plus 1.5 percentage points.



The main actuarial assumptions for Medio Credito Centrale and CRO are summarised as follows:

- annual severance pay discount rate: 2.95% (3.57% as of 31 December 2022);
- annual inflation rate: 2.00% (2.30% to 31 December 2022);
- annual rate of TFR increase: 3.00% (3.23% as of 31 December 2022), as provided for in Art. 2120 of the Civil Code is equal to 75% of inflation plus 1.5 percentage points;
- rate of salary increase: 1.00% (unchanged from 31 December 2022).

## SECTION 10 - PROVISIONS FOR RISKS AND CHARGES - ITEM 100

<b>43,525</b>	<b>49,229</b>
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### 10.1 Provisions for risks and charges: breakdown

Voci/Componenti	2023	2022
1. Provisions for credit risk related to commitments and financial guarantees provided	1,65	1,933
2. Provisions on other commitments and other guarantees provided	24	643
3. Corporate pension fund	3,381	3,363
4. Other provisions for risks and charges	38,47	43,29
4.1 legal and tax disputes	10,712	5,848
4.2 personnel charges	4,065	9,062
4.3 others	23,693	28,38
<b>Total</b>	<b>43,525</b>	<b>49,229</b>

### 10.2 Provisions for risks and charges: breakdown

	Provisions on other commitments and other guarantees provided	Pension funds	Other provisions for risks and charges	Total
<b>A. Opening balance</b>	<b>2,576</b>	<b>3,363</b>	<b>43,29</b>	<b>49,229</b>
<b>B. Increases</b>	<b>8</b>	<b>372</b>	<b>10,615</b>	<b>10,995</b>
B.1 Provision for the year	8	63	10,615	10,686
B.2 Time value changes	-	81	-	81
B.3 Changes due to changes in the discount rate	-	-	-	-
B.4 Other Changes	-	228	-	228
<b>C. Decreases</b>	<b>(910)</b>	<b>(354)</b>	<b>(15,435)</b>	<b>(16,699)</b>
C.1 Use during the financial year	(350)	(354)	(13,64)	(14,344)
C.2 Changes due to changes in the discount rate	-	-	-	-
C.3 Other changes	(560)	-	(1,795)	(2,355)
<b>D. Closing balance</b>	<b>1,674</b>	<b>3,381</b>	<b>38,47</b>	<b>43,525</b>

The item 'Provisions for risks and charges' recorded a decrease compared to the previous year, mainly due to the use recorded by the Parent Company following the sentence in the proceeding against Ceramica Nuova d'Agostino issued by the Court of Rome, unfavourable to the Agency (€ 7,087 thousand).

### 10.3 Provisions for credit risk related to financial commitments and guarantees provided

	Provisions for credit risk related to commitments and financial guarantees provided				
	First stage	Second stage	Third stage	Impaired acquired or originated	Total
Commitments to disburse funds	980	35	-	-	1,015
Financial guarantees provided	603	32		-	635
<b>Total</b>	<b>1,583</b>	<b>67</b>		-	<b>1,650</b>

The table reports by stage the adjustment provisions connected with irrevocable commitments relating to loans stipulated and endorsement credits issued.

### 10.5 Defined-benefit corporate pension funds

The company pension fund in the financial statements relates to Mediocredito Centrale. It concerns the management of the Supplementary Pension Fund, which was limited to a small group of retired employees who decided not to join the dissolution.

As of 31 December 2023, 5 pensioners were enrolled in the Fund for Mediocredito Centrale since there were no longer any active employees, while 9 pensioners were beneficiaries of the Fund for Cassa di Risparmio di Orvieto.

Since this is a supplementary defined-benefit pension fund, the actuarial value required under IAS 19 is determined by an independent external actuary.

### 10.6 Provisions for risks and charges: other provisions

Item 100 'Provisions for risks and charges: c) other provisions for risks and charges' on the liabilities side of the balance sheet of the consolidated financial statements as at 31 December 2023 includes provisions of € 38.4 million (€ 43.3 million as at 31 December 2022), of which € 3 million related to Mediocredito Centrale (€ 2.8 million as at 31 December 2022), € 3.6 million related to CRO (€ 3.7 million as at 31 December 2022), € 1.4 million pertaining to Infratel (€ 1.5 million as at 31 December 2022).

For a description of the main litigations whose risk was assessed as possible or for which the assessment was not feasible and for which no provision was made, please refer to the section 'Litigation' in the Report on Operations.

## SECTION 11 - EQUITY - ITEMS 110, 120, 130, 140, 150, 160, 170

836,384	836,384
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### 11.1 Capital: breakdown

	2023	2022
<b>A. Capital</b>		
1.1 Ordinary shares	836,384	836,384
1.2 Other shares	-	-

Liability items 150 and 160, 'Reserves' and 'Valuation reserves' respectively, are commented on in Part D Section 4 - Information on equity.

**SECTION 12 – MINORITY SHAREHOLDERS EQUITY - ITEM 180**

<b>13,885</b>	<b>12,188</b>
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**12.1 Minority shareholders' equity: breakdown**

	<b>2023</b>	<b>2022</b>
1. Capital	7,485	7,485
2. Own shares	-	-
3. Capital instruments	-	-
4. Share premiums	6,989	6,989
5. Reserves	(1,476)	(1,476)
6. Valuation reserves	(280)	(810)
7. Profit (loss) for the year	1,167	-
<b>Total</b>	<b>13,885</b>	<b>12,188</b>

Third-party assets refer to 14.68% of the share capital of Cassa di Risparmio di Orvieto held by the Fondazione Cassa di Risparmio di Orvieto.

## PART C - INFORMATION ON INCOME STATEMENT

### SECTION 1 - INTEREST - ITEMS 10 AND 20

#### INTEREST AND SIMILAR INCOME - ITEM 10

##### 1.1 Interest and similar income: breakdown

198,852	54,054
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Technical items/forms	Debt Securities	Financing	Other operations	2023	2022
<b>1. Financial assets measured at fair value through profit or loss:</b>	<b>8,430</b>	-	-	<b>8,430</b>	<b>187</b>
1.1 Financial assets held for trading	143	-	-	143	187
1.2 Financial assets designated at fair value	-	-	-	-	-
1.3 Other financial assets mandatorily measured at fair value	8,287	-	-	8,287	-
<b>2. Financial assets measured at fair value through other comprehensive income</b>	<b>717</b>	-	-	<b>717</b>	-
<b>3. Financial assets measured at amortised cost:</b>	<b>9,511</b>	<b>175,961</b>	-	<b>185,472</b>	<b>51,305</b>
3.1 Loans to banks	4,325	8,056	-	12,381	3,075
3.2 Loans to financial companies	1,328	232	-	1,560	924
3.3 Loans to customers	3,858	167,673	-	171,531	47,306
<b>4. Hedging derivatives</b>	-	-	-	-	-
<b>5. Other assets</b>	-	-	<b>3,055</b>	<b>3,055</b>	
<b>6. Financial liabilities</b>	-	-	<b>1,178</b>	<b>1,178</b>	<b>2,562</b>
<b>Total</b>	<b>18,658</b>	<b>175,961</b>	<b>4,233</b>	<b>198,852</b>	<b>54,054</b>
of which: interest income on impaired financial assets	-	2,524	-	2,524	915
of which: interest on leases	-	-	-	-	-

This item mainly relates to interest earned by the bank, primarily interest on customer loan portfolios.

As indicated in 'Part A - Accounting Policies, Section 4 - Other Aspects, Reclassification of Comparative Data', the subsidiary Mediocredito Centrale reclassified the differential interest on hedging derivatives for € 7,873 thousand from the item interest income to the item interest expense, for a better understanding.

### SECTION 1 - INTEREST - ITEM 20

##### 1.3 Interest and similar expenses: breakdown

132,216	42,577
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Technical items/forms	Debts	Titles	Other operations	2023	2022
<b>1. Financial liabilities measured at amortised cost</b>	<b>78,122</b>	<b>42,746</b>	-	<b>120,868</b>	<b>31,92</b>
1.1 Due to banks	51,989	-	-	51,989	5,598
1.2 Due to financial companies	89	-	-	89	-
1.3 Due to customers	26,044	-	-	26,044	5,313
1.4 Debt securities	-	42,746	-	42,746	21,009
<b>2. Financial liabilities held for trading</b>	-	-	-	-	-
<b>3. Financial liabilities designated at fair value</b>	<b>3</b>	<b>144</b>	-	<b>147</b>	-
<b>4. Other liabilities and funds</b>	-	-	<b>3,896</b>	<b>3,896</b>	<b>408</b>
<b>5. Hedging derivatives</b>	-	-	<b>7,267</b>	<b>7,267</b>	<b>7,873</b>
<b>6. Financial assets</b>	-	-	<b>38</b>	<b>38</b>	<b>2,376</b>
<b>Total</b>	<b>78,125</b>	<b>42,89</b>	<b>11,201</b>	<b>132,216</b>	<b>42,577</b>
of which: interest expenses related to leases	1,508	-	-	1,508	1,047

The sub-item 'Due to banks' includes interest income related to financing repurchase agreements. The sub-item 'Due to customers' and 'Due to financial companies' include interest expenses related to transactions that fall within the scope of IFRS 16 (referring mainly to real estate leases).

The sub-item 'Debt securities' includes the interest expenses of the Bonds issued by the Parent Company and the subsidiary MCC, as well as the change in the amortised cost of the same Bonds recorded under liability item 10 - Financial liabilities measured at amortised cost - b) Debt securities issued.

## SECTION 2 – FEE AND COMMISSION INCOME - ITEMS 40 AND 50

<b>532,122</b>	<b>470,865</b>
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The item is shown in the net of contracts in which Invitalia operates as a 'Delegated Contracting Station' in compliance with IFRS 15. These orders are characterised by the fact that Invitalia acts as an 'agent,' i.e., its obligation consists of arranging for a third party to provide the specific good or service.

The reimbursement received is netted with the cost incurred in discharging that obligation.

### FEE AND COMMISSION INCOME – ITEM 40

#### 2.1 Fee and commission income: breakdown

Type of services/values	2023	2022
a) financial leases	-	-
b) factoring transactions	1,678	1,181
c) consumer credits	-	-
d) guarantees given	302	3
e) services	509,316	457,368
- management of third party funds	278,356	299,267
- exchange brokerage	-	-
- product distribution	-	-
- others	230,960	158,101
f) collection and payment services	-	108
g) servicing of securitisation transactions	-	32
h) Other commissions	20,826	12,173
<b>Total</b>	<b>532,122</b>	<b>470,865</b>

The item 'Management of third party funds and 'Other services' essentially include € 222 million relating to fees and contributions for the reimbursement of costs incurred in carrying out activities related to the operational programmes assigned by the competent Administrations to the Parent Company; € 45.1 million from the subsidiary MCC for services rendered for the management of the SME Guarantee Fund (€ 37.5 million as at 31.12.2022).

In addition, the item includes € 226,821 million of Infratel Italia S.p.A. and related to the valorisation of the construction of sections for which the company has been entrusted by the Regions through the MIMIT, in dependence on agreements signed between the MIMIT itself and the Regions.

Details are provided below:

	2023	2022
Banda larga	226,821	231,098
MCC - Fondi Agevolati per le PMI	45,1	37,5
A.T. REACT - EU Linea 1	15,461	855
Resto al Sud	9,937	12,216
MEF - Supporto tec operativo PNRR e PNC	9,199	3,191
Terremoto Centro Italia	8,215	9,487
CDS PNRR	7,741	1,444
Nuove Imprese a tasso zero	6,869	5,081
Valut valoriz prog ric MUR	6,499	6,859
CDS 2015	6,269	6,57
AT PON Imprese e competitività 2014-2020	5,476	7,07
Fondo Salvaguardia Imprese	5,181	4,402
Fondo Cresci al Sud	5,178	5
A.T. REACT - EU Linea 2	4,27	106
Terremoto Emilia Romagna 2019-2020	4,134	4,607
Smart&Start Italia	3,856	3,55
PNC Sisma	3,704	1,695
Imprenditorialità femminile	3,654	2,234
Bonifica Bagnoli-Coroglio	3,502	3,621
Imprenditorialità Innovativa 2	3,493	492
MLPS Controlli I livello	3,208	2,088
Nuovo Ecobonus	3,077	561
Attrazione Investimenti - ass tec CAIE	2,961	-
Sabatini - Beni Strumentali	2,815	3,32
IFIT	2,779	1,802
CdC MIBACT interv. politica di coesione	2,637	3,416
Assistenza Tec PO Ambiente MATTM DGSTA	2,597	2,177
MATTM DG ECI	2,586	3
PNRR 2015-2020- Piano Stralcio FSC	2,498	992
Hub scuola lavoro	2,181	587
Azioni di sistema-IV atto integrativo	1,942	2,51
Brevetti +	1,893	1,822
PO MIT FSC14/20	1,867	1,509
AT Valutazione ambientale	1,846	-
Investimenti innovativi - DM 9/3/2018	1,785	1,125
Bagnoli - Lavori	1,724	1,996
Cultura e Turismo FSC 2014-2020	1,659	924
PON Govern e capacità Istituz 2014-2020	1,541	-
CIS Capitanata	1,453	1,15
D.Lgs 185/00 - Titolo II	1,363	1,575
PNRR 2.2.3 Digitalizzazione SUAP-SUE	1,337	-
Valutazione Avviso 12 aree	1,315	643
Comunicazione per DGSCERP	1,233	4,966
AT REACT-EU - MiTE DGIE	1,166	-
Supp. UIBM rafforz amm e lotta contraff	1,164	1,47
IF azione 2	1,154	-
FRI turismo	1,135	-
Consumatori 2023-2024	1,064	-
Assistenza Tecnica Programma naz. FSC	1,012	3,216
Supporto PON Cultura e Sviluppo	1,011	673
Consumatori 2019-2021	1,006	1,935
CIS ex carcere S. Stefano Ventotene	985	1,29
Monitoraggio Programmi PCM/DIPE-CIPESS	969	915
MATTM - DG RiA - Amianto	952	1,490
Attuazione progetti Mur	924	-
MiTUR - Valorizzazione	895	1,151
AT PO salute FSC	884	1,089
Other orders	62,137	60,899
<b>Total</b>	<b>509,316</b>	<b>457,368</b>

The item 'Other orders' includes all the valuation of job orders with insignificant amounts in 2023. Accordingly, the value referring to the year 2022 was reclassified.

**FEE AND COMMISSION EXPENSE- ITEM 50****(264,360) (258,170)****2.2 Fee and commission expense: breakdown**

Services/Values	2023	2022
a) guarantees received	(429)	(332)
b) distribution of third party services	(26,103)	(20,116)
c) collection and payment services	(753)	(823)
d) other commissions	(237,075)	(236,899)
<b>Total</b>	<b>(264,360)</b>	<b>(258,170)</b>

The item 'other commissions' includes € 221,757,000 of the subsidiary Infratel S.p.A. referring to costs incurred for the acquisition and realisation of telecommunications infrastructures, as well as costs related to the realisation of infrastructures realised within the framework of contract work.

Below is a list of fee activities for 'Distribution of third party services'.

	2023	2022
A.T. REACT - EU Linea 1	3,558	-
Bagnoli - Lavori	1,598	1,935
Valut valoriz prog ric MUR	1,264	-
Fondo Salvaguardia Imprese	1,229	156
Imprenditorialità Innovativa 2	1,193	-
Resto al Sud	1,123	745
AT PON Imprese e competitività 2014-2020	1,102	343
CDS 2015	840	383
Terremoto Centro Italia	790	954
PON Govern e capacità Istituz 2014-2020	672	-
Azioni di sistema-IV atto integrativo	403	205
Contratti per Logistica Agroalimentare	384	-
Rafforzamento digital export	345	787
Assistenza Tec PO Ambiente MATTM DGSTA	341	152
PNR 2015-2020- Piano Stralcio FSC	337	574
ATG PNC AREA SISMA 2009-2016	332	93
Nuove Imprese a tasso zero	303	23
Nuovo Ecobonus	302	-
Bonifica Bagnoli-Coroglio	278	170
Hub scuola lavoro	276	87
Incubatore Milano-Lavori	275	540
Ricostruzione Ischia	270	69
Terremoto Emilia Romagna 2019-2020	264	307
Attuazione progetti Mur	256	-
Attrazione Investimenti - ass tec CAIE	228	-
Imprenditorialità femminile	228	-
AT Valutazione ambientale	213	-
Nuovo Regime 181	213	182
Digital Transformation	199	178
Bando Conciliamo	200	-
AT miglioramento qualità corpi idrici	199	-
AT Trasformazione Digitale	186	-

	2023	2022
Digitalizzazione Imprese Creative	184	-
PAC Salvaguardia II	183	-
AT REACT-EU - MiTE DGIE	178	-
ReOPEN SPL	162	363
MATTM - DG RiA - Amianto	162	161
MCC Contratti di service	162	-
PO MIT FSC14/20	158	-
IFIT	158	-
Fondo piccole e medie imprese creative	154	-
Bonus per l'export digitale	152	-
Comunicazione PRO	151	4,108
MATTM DG ECI	147	-
Investimenti innovativi - DM 9/3/2018	144	-
Comunicazione transizione al DVB-T2	51	4,333
Ecobonus	8	48
Attrezz.e allest. incubatore Erzilli	-	1,176
Other orders	4,548	2,044
<b>Total</b>	<b>26,103</b>	<b>20,116</b>

## SECTION 3- DIVIDENDS AND SIMILAR INCOME - ITEM 70

### 3.1 Dividends and similar income: breakdown

Items/Income	2023		2022	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	-	-	-	-
B. Other financial assets mandatorily measured at fair value	31	-	-	-
C. Financial assets at fair value through other comprehensive income	279	-	9	-
D. Equity investments	-	-	-	-
<b>Total</b>	<b>310</b>	<b>-</b>	<b>9</b>	<b>-</b>

Equity securities classified as 'Financial assets at fair value through other comprehensive income generated dividends amounting to € 279 thousand, of which € 269 thousand were received from Cassa di Risparmio di Orvieto's investment in Bank of Italy.



## SECTION 4 - NET RESULT FROM TRADING ACTIVITIES - ITEM 80

### 4.1 Net result from trading activities: breakdown

Transactions/Income components	Capital gains (A)	Trading gains (B)	Capital losses (C)	Losses from trading (D)	Net profit [(A+B) = (C+D)]
<b>1. Financial assets held for trading</b>	<b>103</b>	<b>609</b>	-	-	<b>712</b>
1.1 Debt securities	103	42	-	-	145
1.2 Capital Securities	-	-	-	-	-
1.3 UCITS shares	-	567	-	-	567
1.4 Loans	-	-	-	-	-
1.5 Others	-	-	-	-	-
<b>2. Financial liabilities held for trading</b>	-	-	-	-	-
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Others	-	-	-	-	-
<b>3. Financial assets and liabilities: exchange rate differences</b>	-	<b>92</b>	-	-	<b>92</b>
<b>4. Derivative instruments</b>	-	-	-	-	-
4.1 Financial derivatives	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
of which natural hedges related to the fair value option	-	-	-	-	-
<b>Total</b>	<b>103</b>	<b>701</b>	-	-	<b>804</b>

This item mainly represents the net positive result of financial transactions related to debt securities in the Parent Company's portfolio.

## SECTION 5 - NET RESULT FROM HEDGING ACTIVITIES - ITEM 90

(494)	553
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### 5.1 Net result from hedging activities: breakdown

Income Components/Values	2023	2022
<b>A. Income related to:</b>		
A.1 Fair Value Hedging Derivatives	15,836	-
A.2 Hedged assets (fair value hedging)	-	-
A.3 Hedged liabilities (fair value hedging)	-	63,764
A.4 Cash Flow Hedging Derivatives	-	-
A.5 Other	-	-
<b>Total income from hedging activities (A)</b>	<b>15,836</b>	<b>63,764</b>
<b>B. Charges relating to:</b>		
B.1 Fair Value Hedging Derivatives	-	(63,211)
B.2 Hedged assets (fair value hedging)	-	-
B.3 Hedged liabilities (fair value hedging)	(16,330)	-
B.4 Cash Flow Hedging Derivatives	-	-
B.5 Other	-	-
<b>Total expenses of hedging activities (B)</b>	<b>(16,330)</b>	<b>(63,211)</b>
<b>C. Net income from hedging activities (A - B)</b>	<b>(494)</b>	<b>553</b>
of which: net result of hedging positions	-	-

This item represents the net result of - € 494,000 from hedging activities realised through derivatives.

**SECTION 6 - PROFIT (LOSS) FROM DISPOSAL/REPURCHASE - ITEM 100**

4,752 1,052

**6.1 Profits (Losses) on disposal/repurchase: breakdown**

Items/Income components	2023			2022		
	Profits	Losses	Net Profit	Profits	Losses	Net Profit
<b>A. Financial Assets</b>	-	-	-	-	-	-
1. Financial assets measured at amortised cost	5,916	(1,164)	4,752	92	(2)	90
1.1 Loans to banks	-	-	-	15	-	15
1.2 Loans to financial companies	-	(18)	(18)	-	(1)	(1)
1.3 Loans to customers	5,916	(1,146)	4,770	77	(1)	76
2. Financial assets measured at fair value with impact on comprehensive income	3,566	(3,566)	-	962	-	962
2.1 Debt Securities	3,566	(3,566)	-	962	-	962
2.2 Loans	-	-	-	-	-	-
<b>Total assets (A)</b>	<b>9,482</b>	<b>(4,730)</b>	<b>4,752</b>	<b>1,054</b>	<b>(2)</b>	<b>1,052</b>
<b>B. Financial liabilities measured at amortised cost</b>	-	-	-	-	-	-
1. Loans to banks	-	-	-	-	-	-
2. Loans to financial companies	-	-	-	-	-	-
3. Loans to clients	-	-	-	-	-	-
4. Securities issued	-	-	-	-	-	-
<b>Total liabilities (B)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Financial assets measured at amortised cost, sub-item '1.2 Loans to customers' includes the profits from the sale by MCC and CRO of certain positions classified as NPLs to the Keystone Fund during the year.

**SECTION 7 - NET RESULT OF OTHER FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS - ITEM 110**

6,574 (6,835)

This item can be broken down as follows:

Description	2023	2022
a) financial assets and liabilities designated at fair value	-	-
b) other financial assets mandatorily measured at fair value	6,574	(6,835)
<b>Total</b>	<b>6,574</b>	<b>(6,835)</b>

**7.2 Net value change of other financial assets and liabilities measured at fair value through profit or loss: breakdown of other financial assets mandatorily measured at fair value**

Transactions/Income components	Capital gains (A)	Realised gains (B)	Capital losses (C)	Realised losses (D)	Net profit [(A+B) - (C+D)]
<b>1. Financial assets</b>	<b>7,110</b>	<b>33</b>	<b>(560)</b>	<b>(9)</b>	<b>6,574</b>
1.1 Debt securities	-	-	(17)	-	(17)
1.2 Equity Securities	-	-	-	-	-
1.3 UCITS units	6,963	-	(543)	-	6,42
1.4 Loans	147	33	-	(9)	171
<b>2. Financial assets in foreign currencies: exchange rate differences</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>7,110</b>	<b>33</b>	<b>(560)</b>	<b>(9)</b>	<b>6,574</b>

**SECTION 8 - NET LOSSES/RECOVERIES FOR CREDIT RISK  
ITEM 130**

**(29,002) (4,107)**

This item can be broken down as follows:

Items / Sectors	2023	2022
Net losses/recoveries for credit risk related to financial assets measured at amortised cost	(28,993)	(4,141)
Net losses/recoveries for credit risk related to financial assets measured at fair value with impact on comprehensive income	(9)	34
<b>Total</b>	<b>(29,002)</b>	<b>(4,107)</b>

**8.1 Net losses/recoveries for credit risk related to financial assets measured at amortised cost: breakdown**

Transactions/Income components	Value adjustments (1)						Write-backs (2)				2023	2022
	First stage	Second Stage	Third stage		Impaired acquired or originated		First stage	Second Stage	Third stage	Impaired acquired or originated		
			Write-offs	Others	Write-offs	Others						
<b>1. Loans to banks</b>	<b>(593)</b>	-	-	-	-	-	<b>5</b>	-	-	-	<b>(588)</b>	<b>2,992</b>
- for leasing	-	-	-	-	-	-	-	-	-	-	-	-29
- for factoring	-	-	-	-	-	-	-	-	-	-	-	2,898
- other receivables	(593)	-	-	-	-	-	5	-	-	-	(588)	123
<b>2. Loans to financial companies</b>	<b>(7)</b>	<b>(218)</b>	-	-	-	-	<b>29</b>	-	<b>25</b>	-	<b>(171)</b>	-
- for leasing	-	-	-	-	-	-	-	-	-	-	-	-
- for factoring	-	-	-	-	-	-	-	-	-	-	-	-
- other receivables	(7)	(218)	-	-	-	-	29	-	25	-	(171)	-
<b>3. Loans to customers</b>	<b>(4,494)</b>	<b>(2,692)</b>	<b>(123)</b>	<b>(42,361)</b>	-	-	<b>4,4</b>	<b>10,311</b>	<b>6,726</b>	-	<b>(28,233)</b>	<b>(7,133)</b>
- for leasing	-	-	-	-	-	-	-	-	-	-	-	(1,68)
- for factoring	-	-	-	-	-	-	-	-	-	-	-	(876)
- for consumer credits	-	-	-	-	-	-	-	-	-	-	-	-
- pawn loans	-	-	-	-	-	-	-	-	-	-	-	-
- other receivables	(4,494)	(2,692)	(123)	(42,361)	-	-	4,4	10,311	6,726	-	(28,233)	(4,577)
<b>Total</b>	<b>(5,094)</b>	<b>(2,91)</b>	<b>(123)</b>	<b>(42,361)</b>	-	-	<b>4,434</b>	<b>10,311</b>	<b>6,751</b>	-	<b>(28,992)</b>	<b>(4,141)</b>

'Net losses/recoveries for credit risk' consisted of write-backs of € 21,496 thousand and € 42,484 thousand of write-downs on loans mainly to customers and classified in stage 3, for which also based on the opinions of the legal advisors appointed for the purpose, it was deemed necessary to recognise adequate credit adjustment provisions, write-downs on positions whose bankruptcy proceedings have been closed, and write-downs on loans and receivables related to the application of IFRS 9.

## 8.2 Net losses/recoveries for credit risk relating to financial assets at fair value through comprehensive income: breakdown

Transactions/Income components	Value adjustments (1)						Write-backs (2)				2023	2022
	First stage	Second stage	Third stage		Impaired acquired or originated		First stage	Second stage	Third stage	Impaired acquired or originated		
			Write-offs	Others	Write-offs	Others						
A. Debt Securities	(169)	-	-	-	-	-	160	-	-	-	(9)	34
B. Loans	-	-	-	-	-	-	-	-	-	-	-	-
- to customers	-	-	-	-	-	-	-	-	-	-	-	-
- to financial companies	-	-	-	-	-	-	-	-	-	-	-	-
- to banks	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>(169)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>160</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(9)</b>	<b>34</b>

## SECTION 9 – PROFIT/LOSS FROM CONTRACTUAL CHANGES WITHOUT DERECOGNITION - ITEM 140

(16)	(12)
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### 9.1 Profit/loss from contractual changes: breakdown

		2023	2022
a.	Losses from contractual changes without derecognition	(16)	(12)
b.	Profits from contractual changes without derecognition	-	-
<b>Total a+b</b>		<b>(16)</b>	<b>(12)</b>

## SECTION 10 - ADMINISTRATIVE EXPENSES - ITEM 160

(314,624)	(244,005)
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This item can be broken down as follows:

Items / Sectors	2023	2022
Personnel expenses (a)	(249,863)	(188,716)
Other administrative expenses (b)	(64,761)	(55,289)
<b>Total</b>	<b>(314,624)</b>	<b>(244,005)</b>

## 10.1 Personnel expenses: breakdown

Type of Expenditure/Values	2023	2022
1) Employees	(240,163)	(175,356)
a) wages and salaries	(165,511)	(120,516)
b) social security charges	(51,418)	(37,005)
c) termination indemnity	(2,502)	(1,318)
d) social security expenses	(400)	(251)
e) provision for employee termination indemnity	(9,584)	(7,037)
f) provision for pensions and similar obligations:	(144)	(29)
- defined contribution	-	-
- defined benefit	(144)	(29)
g) payments to external supplementary pension funds:	(1,06)	(467)
- defined contribution	(1,06)	(467)
- defined benefit	-	-
h) costs arising from payment agreements based on own equity instruments	(6,041)	-
i) other employee benefits	(3,503)	(8,733)
2) Other working personnel	(8,226)	(11,701)
3) Directors and Statutory Auditors	(1,474)	(1,659)
4) Retired personnel	-	-
<b>Total</b>	<b>(249,863)</b>	<b>(188,716)</b>

'Payments to external defined-contribution supplementary pension funds' include TFR payments to INPS.

The increase in the cost of 'Wages and salaries' and 'Social Security Charges' was mainly caused by the 558-resource increase in the Parent Company's personnel.

### Number of employees per category

Number of employees	2023	2022
executives	72	70
middle managers	598	459
remaining employees	3,283	2,527
other personnel	-	3
<b>Total</b>	<b>3,953</b>	<b>3,059</b>

### Average number of employees

Average number of employees	2023	2022
executives	73	74
middle managers	558	440
remaining employees	3,025	2,341
other personnel	1	2
<b>Total</b>	<b>3,657</b>	<b>2,858</b>

### 10.3 Other administrative expenses: breakdown

Type of Expenditure/Values	2023	2022
<b>Other administrative expenses</b>		
- Use of third-party assets	(802)	(1,018)
- Legal and notary	(9,609)	(5,559)
- Sundry third-party services	(15,873)	(10,410)
- Maintenance, sundry utilities and insurance	(7,159)	(6,192)
- Other personnel expenses	(4,326)	(3,935)
- Information systems	(13,603)	(16,872)
- Indirect taxes and fees	(3,367)	(1,563)
- Communication expenses	(906)	(2,401)
- Consumables and other operating charges	(1,418)	(741)
- Membership contributions	(1,912)	(346)
- Board of Auditors Expenses	(5)	(5)
- Other	(5,781)	(6,247)
<b>Total</b>	<b>(64,761)</b>	<b>(55,289)</b>

### SECTION 11 - NET PROVISIONS FOR RISKS AND CHARGES - ITEM 170

(2,255)	(8,490)
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This item can be broken down as follows:

Items / Sectors	2023	2022
Commitments for guarantees given (a)	552	1,533
Other net provisions (b)	(2,807)	(10,023)
<b>Total</b>	<b>(2,255)</b>	<b>(8,490)</b>

### 11.1 Net provisions for credit risk related to commitments to disburse funds and financial guarantees provided: breakdown

Items / Sectors	2023		
	First and second stages	Third stage	Total
Provisions	(8)	-	(8)
Write-backs	560	-	560
<b>Total</b>	<b>552</b>	<b>-</b>	<b>552</b>

### 11.3 Net provisions for other risks and charges: breakdown

Type of Expenditure/Values	2023	2022
Other net provisions		
- Utilisation of provision for charges	12,628	10,640
- Net provisions for other risks	(15,435)	(20,663)
<b>Total</b>	<b>(2,807)</b>	<b>(10,023)</b>

The item includes accruals related to litigation with an estimated probable risk of losing the case. It mainly refers to the accrual made by the Parent Company of approximately € 10 million for litigation concerning the revocation of a subsidised measure from which a subsidiary had benefited, for € 3.8 million for legal obligations related to transactions with a group company € 1.8 million for charges associated with the renovation of one of the structures owned by a subsidiary transferred to Invimit, which, given the simultaneous transfer of the fund's shares to Invitalia, are to be borne by the Agency, and the remainder for liabilities deemed probable for litigation.

For a description of the main litigations for which the risk was assessed as possible or for which the assessment was not feasible and for which no provision was made, please refer to the section 'Litigation' in the Report on Operations.

## SECTION 12 - NET ADJUSTMENT TO PROPERTY, PLANT AND EQUIPMENT - ITEM 180

### 12.1 Net adjustments to Property, plant and equipment: breakdown

Asset/Income component	Amortisation	Impairment adjustments	Write-backs	Net result
	(a)	(b)	(c)	(a + b - c)
A. Property, plant and equipment				
A.1 For functional use	(25,927)	-	-	(25,927)
- Owned	(19,779)	-	-	(19,779)
- Rights of use acquired through leasing	(6,148)	-	-	(6,148)
A.2 Held for investment purposes	(522)	-	-	(522)
- Owned	(522)	-	-	(522)
- Rights of use acquired through leasing	-	-	-	-
A.3 Inventories	-	-	-	-
<b>Total</b>	<b>(26,449)</b>	<b>-</b>	<b>-</b>	<b>(26,449)</b>

The item includes the year's depreciation on owned assets and value adjustments related to rights of use acquired in transactions falling within the scope of IFRS 16.

## SECTION 13 - NET ADJUSTMENTS ON INTANGIBLE ASSETS - ITEM 190

### 13.1 Net adjustments on intangible assets: breakdown

Asset/Income component	Amortisation	Impairment adjustments	Write-backs	Net result
	(a)	(b)	(c)	(a + b - c)
1. Intangible assets other than goodwill				
of which software:				
1.1 owned	(20,546)	-	-	(20,546)
1.2 rights of use acquired through leasing	-	-	-	-
2. Assets acquired through financial leasing	-	-	-	-
3. Assets acquired through operating leases				
<b>Total</b>	<b>(20,546)</b>	<b>-</b>	<b>-</b>	<b>(20,546)</b>

This item includes amortisation for the year on intangible assets that are owned.

## SECTION 14 - OTHER OPERATING INCOME AND EXPENSES - ITEM 200

82,781	59,759
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This item can be broken down as follows:

Items / Sectors	2023	2022
Other charges (a)	(4,385)	(4,618)
Other income (b)	87,166	64,377
<b>Total</b>	<b>82,781</b>	<b>59,759</b>

## 14.1 Other operating expenses

Services/Values	2023	2022
- Other operating charges	(4,385)	(4,618)
<b>Total</b>	<b>4,385</b>	<b>4,618</b>

## 14.2 Other operating income: breakdown

Services/Values	2023	2022
- Rental income	726	803
- Revenues from contractual penalties	-	-
- Revenues from capital gains	33,658	25,401
- Revenues from operating gains	37,559	22,438
- Reversals	2,718	128
- Other operating income	12,505	15,607
<b>Total</b>	<b>87,166</b>	<b>64,377</b>

The item 'Other Operating Expenses' mainly includes other charges recorded by the subsidiary MCC for depreciation on third-party assets, settlements and disputes, and securitisation charges. Revenues for capital and operating grants relate to grants from the company Infratel.

The 'Other operating income' increase essentially refers to income from tax consolidation net of deferred tax assets.

## SECTION 15 – PROFIT/LOSS ON EQUITY INVESTMENTS - ITEM 220

(3,191)	1,349
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### 15.1 Profit (loss) on equity investments: breakdown

Income Components/Sectors	2023	2022
1. Income	2,556	1,348
1.1 Revaluations	2,556	1,348
1.2 Profit on disposal	-	-
1.3 Write-backs	-	-
1.4 Other income	-	-
2. Charges	(5,747)	-
2.1 Write-downs	(5,747)	-
2.2 Losses on disposal	-	-
2.3 Impairment adjustments	-	-
2.4 Other charges	-	-
<b>Net result</b>	<b>(3,191)</b>	<b>1,348</b>

The item includes the adjustment to equity of the value of equity investments not consolidated on a line-by-line basis: 'Revaluations' mainly refer to CDP Venture Capital SGR S.p.A. (€ 2,556 thousand). In comparison, 'Write-downs' mainly refer to the write-down of the investment held in Acciaierie d'Italia Holding S.p.A. for the portion exceeding the utilisation of the contribution under Decree Law 142/2019 recognised following the activation of the Extraordinary Administration procedure (€ -2,972 thousand).



**SECTION 17 - PROFIT (LOSS) ON DISPOSAL OF INVESTMENTS - ITEM 250**

8 -

## 17.1 Profit (loss) on disposal of investments: breakdown

Income Component/Sectors	2023	2022
A. Properties	8	-
- Profit on disposal	8	-
- Loss on disposal	-	-
B. Other activities	-	-
- Profit on disposal	-	-
- Loss on disposal	-	-
<b>Net profit</b>	<b>8</b>	<b>-</b>

**SECTION 19 - INCOME TAXES FOR THE YEAR FROM CONTINUING OPERATIONS - ITEM 270**

(14,283) (14,819)

## 19.1 Income Taxes for the year from continuing operations: breakdown

Income Components/Sectors	2023	2022
1. Current taxes (-)	(6,164)	(4,435)
2. Changes in current taxes of previous years (+/-)	309	604
3. Reduction in current taxes for the year (+)	-	-
3.bis Reduction in current taxes for the year due to tax credits under Law 214/2011 (+)	-	-
4. Change in deferred tax assets (+/-)	(8,457)	(10,988)
5. Change in deferred tax liabilities (+/-)	29	-
6. Taxes for the year (-) [-1+/-2+3+3bis+/-4+/-5]	14,283	14,819

**SECTION 20- PROFIT (LOSS) ON DISCONTINUED OPERATIONS AFTER TAXES ITEMS 290**

(5,596) (17,944)

## 20.1 Profit (Loss) on discontinued operations after taxes: breakdown

Income Components/Sectors	2023	2022
1. Income	265	-
2. Charges	(771)	(8,247)
3. Result of measurement of the group of assets and associated liabilities	(4,728)	(8,139)
4. Profit (loss) realised	715	-
5. Taxes	(1,077)	(1,558)
<b>Profit (loss)</b>	<b>(5,596)</b>	<b>(17,944)</b>

**SECTION 22 - MINORITY PROFIT (LOSS) FOR THE YEAR ITEM 310**

(1,167) -

## 22.1 Profit (loss) for the year attributable to minority interests

Company Name	2023	2022
Profit pertaining to third parties	(1,167)	-
<b>Total</b>	<b>(1,167)</b>	<b>-</b>

## PART D - OTHER INFORMATION

### SECTION 1 - SPECIFIC REFERENCES ON ACTIVITIES CARRIED OUT

#### B - FACTORING AND ASSIGNMENT OF RECEIVABLES

##### B.1 – Gross value and book value

##### B.1.1 - Factoring operations

	2023			2022		
	Gross value	Value adjustments	Net value	Gross value	Value adjustments	Net value
<b>1. Performing</b>	<b>210,938</b>	-	<b>210,938</b>	<b>218,675</b>	<b>(33)</b>	<b>218,642</b>
<b>Exposures to assignors (with recourse)</b>	<b>210,938</b>	-	<b>210,938</b>	<b>216,976</b>	<b>(21)</b>	<b>216,955</b>
- Assignment of future receivables	-	-	-	-	-	-
- Others	210,938	-	210,938	216,976	(21)	216,955
<b>Exposures to assigned debtors (without recourse)</b>	-	-	-	<b>1,699</b>	<b>(12)</b>	<b>1,687</b>
<b>2. Non-performing</b>	<b>1,719</b>	<b>(1,719)</b>	-	<b>1,719</b>	<b>(1,719)</b>	-
<b>2.1 Non-performing loans</b>	<b>1,719</b>	<b>(1,719)</b>	-	<b>1,719</b>	<b>(1,719)</b>	-
<b>Exposures to assignors (with recourse)</b>	<b>1,374</b>	<b>(1,374)</b>	-	<b>1,374</b>	<b>(1,374)</b>	-
- Assignment of future receivables	-	-	-	-	-	-
- Others	1,374	(1,374)	-	1,374	(1,374)	-
<b>Exposures to assigned debtors (without recourse)</b>	<b>345</b>	<b>(345)</b>	-	<b>345</b>	<b>(345)</b>	-
- Purchases below nominal value	-	-	-	-	-	-
- Others	345	(345)	-	345	(345)	-
<b>2.2 Unlikely to pay</b>	-	-	-	-	-	-
<b>Exposures to assignors (with recourse)</b>	-	-	-	-	-	-
- Assignment of future receivables	-	-	-	-	-	-
- Others	-	-	-	-	-	-
<b>Exposures to assigned debtors (without recourse)</b>	-	-	-	-	-	-
- Purchases below nominal value	-	-	-	-	-	-
- Others	-	-	-	-	-	-
<b>2.3 Impaired positions past-due</b>	-	-	-	-	-	-
<b>Exposures to assignors (with recourse)</b>	-	-	-	-	-	-
- Assignment of future receivables	-	-	-	-	-	-
- Others	-	-	-	-	-	-
<b>Exposures to assigned debtors (without recourse)</b>	-	-	-	-	-	-
- Purchases below nominal value	-	-	-	-	-	-
- Others	-	-	-	-	-	-
<b>Total</b>	<b>212,657</b>	<b>(1,719)</b>	<b>210,938</b>	<b>220,393</b>	<b>(1,751)</b>	<b>218,642</b>

## B.2 - Residual life breakdown

### B.2.1 – With recourse factoring operations: advances and total receivables

Maturity ranges	Advances		Total receivables	
	2023	2022	2023	2022
On demand	-	-	-	-
Within 3 months	-	-	-	-
Over 3 months to 6 months	-	-	-	-
6 months to 1 year	-	-	-	-
Over 1 year	-	-	-	-
Unspecified term	-	-	212,312	218,35
<b>Total</b>	<b>-</b>	<b>-</b>	<b>212,312</b>	<b>218,35</b>

### B.2.2 - Non-recourse factoring operations: exposures

Maturity ranges	Exposures	Exposures
	2023	2022
On demand	-	-
Within 3 months	-	-
Over 3 months to 6 months	-	-
6 months to 1 year	-	-
Over 1 year	-	-
Unspecified Term	345	2,044
<b>Total</b>	<b>345</b>	<b>2,044</b>

## B.3 – Other information

### B.3.3 Nominal value of contracts for the acquisition of future receivables

Nominal value of contracts for the acquisition of future receivables	2023	2022
Flow of contracts for the purchase of future receivables in the financial year	-	-
Number of contracts existing at the reporting date	212,657	220,393
<b>Total</b>	<b>212,657</b>	<b>220,393</b>

## D - GUARANTEES AND COMMITMENTS

### D.1 - Value of guarantees (real or personal) issued and commitments

	2023	2022
<b>1) On demand financial guarantees provided</b>	-	-
a) Banks	4,063	3,598
b) Financial companies	-	-
c) Customers	50,807	82,206
<b>2) Other financial guarantees provided</b>	-	-
a) Banks	-	-
b) Financial companies	-	-
c) Customers	-	-
<b>3) Commercial guarantees provided</b>	-	-
a) Banks	-	-
b) Financial companies	-	-
c) Customers	56,453	40,906
<b>4) Irrevocable commitments to disburse funds</b>	-	-
a) Banks	-	-
For certain use	-	-
For uncertain use	-	-
b) Financial companies	-	-
For certain use	-	-
For uncertain use	-	-
c) Customers	-	-
For certain use	27,818,230	21,331,967
For uncertain use	350	350
<b>5) Underlying commitments to credit derivatives: protection sales</b>	-	-
<b>6) Assets pledged as collateral for third-party obligations</b>	-	-
<b>7) Other irrevocable commitments</b>	-	-
a) to issue guarantees	451	451
b) others	599,465	532,945
<b>Total</b>	<b>28,529,819</b>	<b>21,992,423</b>

It should be noted that as of 31/12/2023, commercial guarantees have been issued on behalf of Industria Italiana Autobus in favour of the following Institutions:

- Generali S.p.A. for approximately € 18.7 million;
- Euler Hermes Hellas for approximately € 0.7 million;
- HDI Assicurazioni for approximately € 3.7 million;
- Allianz Euler Hermes for approximately € 7 million;
- Revo Insurance for approximately € 1.2 million.

A commercial guarantee was issued on behalf of Sider Alloys in favour of Intesa San Paolo for € 7.8 million. Under a loan agreement between Arrilirsa and the financing banks, the entire subscribed capital of € 5 million was pledged as security for the obligations undertaken.

Finally, a guarantee was issued in favour of Sicamb and on behalf of Illimity Bank for approximately € 2 million.

It should also be noted that commercial guarantees have been issued in the interest of Acciaierie d'Italia Holding S.p.A., in favour of ENI (for approximately € 57 million) and counter-guarantees in favour of AM S.A. (for approximately € 57 million, of which € 45 million for the Performance Bond), in execution of the Investment Contract signed on 10 December 2020 with Arcelor Mittal S.A. for the

purchase of the 38% shareholding in Acciaierie d'Italia Holding S.p.A.(ADIH) with capital contributions allocated by the Ministry of Economy and Finance (Decree Law 142 of 2019). For more information on these guarantees, see Section 3 – Subsequent events after the reporting period.

The item 'Irrevocable commitments to disburse funds' mainly includes loans stipulated to be disbursed to customers by Mediocredito Centrale for about € 263 million and by Cassa di Risparmio di Orvieto for about € 335 million.

Concerning the disclosure obligations under par. 125 et seq. art. 35 of Decree-Law 34 of 30 April 2019, it should be noted that all expenditure commitments made by Invitalia concerning funds under management are published in the National Register of State Aid referred to in Art. 52 of Law 234 of 24 December 2012, in the transparency section provided therein.

Law/Measure	Assets 31/12	Ministry collections	Disbursements	Transfer of funds	Collections	Other	Banking charges	Interests receivable ca	Fees	Assets 31/12/2023
Contratti di Sviluppo	519,169	622,723	(268,533)	(39,418)	62,672	1,060	(8)	3,338	(3,714)	897,289
Contratti di Sviluppo Partecipazioni	11,024	-	(52,613)	41,659	-	1	-	3	-	74
<b>Total</b>										<b>897,363</b>

Law/Measure	Assets 31/12	Ministry collections	Disbursements	Transfer of funds	Collections	Other	Banking charges	Interests receivable ca	Fees	Assets 31/12/2023
Nito	173,484	150,936	(26,75)	-	1,146	1	(2)	235	(3,368)	295,682
Fondo Grandi Imprese	308,716	-	(42)	-	10,752	-	-	483	(1,772)	276,179
Fondo Naz. Eff. Energetica	252,819	-	(800)	-	6	(1)	-	31	-	252,055
Fondo Salvaguardia Imprese	275,156	-	(27,23)	-	1,266	-	-	-	(1,898)	247,294
Inv. Innovativi Asse III	189,957	49,4	(104,352)	(598)	12,673	114	(3)	1,008	(2,755)	145,444
Inv. Innovativi Asse IV	96	-	(598)	-	51	598	1	1	(42)	107
PNC Sisma	-	135,489	(30)	-	-	-	-	4	-	135,463
Voucher Inn. Manag.	110,078	-	(424)	-	-	(15)	-	101	(267)	109,473
FETS	-	99,73	-	-	-	-	-	-	-	99,73
Smart & Start Italia	49,546	69,993	(35,064)	(843)	4,02	7	(2)	153	(242)	87,568
Fondo Imprese Sud										85,393
Nuova 181	74,11	29,662	(39,815)	(43)	12,383	(7)	(3)	131	(1,371)	75,047
Investimenti sostenibili 4.0	-	262,793	(204,215)	-	-	-	-	35	(1,35)	57,263
Brevetti +	65,972	784	(18,656)	-	162	(238)	(1)	-	-	48,023
Digital Transformation	34,541	-	(2,416)	-	125	(128)	-	135	-	32,257
Resto al Sud	90,108	84,827	(128,956)	-	240	(646)	(8)	123	(17,127)	28,561
IFIT Misura M1C3	-	30	(4,66)	-	-	14	-	4	-	25,358
FETSDA	-	25,173	-	-	-	-	-	-	-	25,173
Cultura Crea	19,603	22,512	(18,861)	-	871	(37)	(4)	29	-	24,113
Bonus Export Digitale	28,8	-	(5,478)	-	-	89	-	139	-	23,55
Bonus Terme	20,843	-	-	-	-	(99)	-	133	(70)	20,807
POI efficienza Energetica	10,629	-	-	-	4,926	-	(2)	-	-	15,553
Cura Italia	11,508	-	(152)	-	1,629	-	-	17	(335)	12,667
Digitalizz.Cultura Investimento 3.3	-	10,734	-	-	-	-	-	-	-	10,734
Fondo Cresci al Sud	29,644	-	(18,566)	-	-	(741)	(20)	20	-	10,337
Smart & Start	9,398	-	-	843	-	-	(1)	-	-	10,24
Selfemployment	8,092	6,005	(4,010)	(5)	2,147	(1)	(11)	-	(3,055)	9,162
Bonus Fiere	33,49	-	(24,553)	-	17	115	(1)	53	-	9,121
Rilancio PMI	8,658	-	-60	-	-	(13)	-	48	-	8,633

Law/Measure	Assets 31/12	Ministry collections	Disbursements	Transfer of funds	Collections	Other	Banking charges	Interests receivable ca	Fees	Assets 31/12/2023
Matera DL 91-2017 art 7 co 1-BIS										6,817
DM Campania	5,293	-	-	-	868	1	(1)	-	-	6,161
Smart Money	7,553	-	(1,947)	-	19	-	-	34	-	5,659
Crasi CSA	8,234	-	(3,161)	-	-	25	(1)	55	-	5,152
Fondo Intrattenimento Digitale	3,815	-	(473)	-	-	3	-	20	(27)	3,338
Tessile, moda e accessori	4,319	-	(1,342)	-	-	-	-	1	-	2,978
Economia Circolare	-	1,992	(97)	-	-	-	-	10	-	1,905
MIMIT POC NRRP	-	1,39	-	-	-	-	-	-	-	1,39
DM Murgia	3,509	-	-	(2,24)	-	-	-	-	-	1,269
Biomasse	418	-	-	-	364	1	-	-	-	783
Voucher Inter.	15,674	262	(15,053)	-	-	(147)	-	27	-	763
Bando Alluminio	1,399	-	(799)	-	-	-	-	5	-	605
Programa Acceder	-	1,814	(1,311)	-	-	-1	-	1	-	503
Awiso POC 2020	2,035	-	(1,631)	-	-	-	-	-	-	404
Economia sociale	262	-	-	-	-	-	-	-	-	262
Imprenditoria femminile	16	-	(16,615)	-	-	822	(1)	11		217
Bando carburanti	227	-	-	-	-	-	-	-	(110)	117
Sapere consumare	7	-	102	-	-	-	-	-	-	109
Fondo Crisi Ucraina	-	896	(800)	-	-	2	-	1	-	99
Imprenditorialità innovativa 2	-	1	(940)	-	-	-	-	2	-	62
<b>Total</b>										<b>2,219,580</b>
<b>Grand total</b>										<b>3,116,943</b>

The most relevant facilitative measure, administered on behalf of the State, is the one concerning the Contratti di Sviluppo, established in implementation of Article 43 of Decree-Law 112 of 25 June 2008, converted with amendments by Law 133 of 6 August 2008, the Interministerial Decree of 24 September 2010, published in the Official Gazette no. 300 of 24 December 2010, which constitutes a new facilitative formula intended to support large investments.

To reduce the time for the granting of subsidies and establish a new procedure for large strategic projects, the Ministerial Decree of February 2014 - published in the Official Gazette on 29 January 2015 - reformed the legislation of Contratti di Sviluppo in compliance with the reference EU regulations for the 2014-2020 period (EU Regulation 651/2014 - GBER). Subsequently, the Ministerial Decree was supplemented and amended by the Ministerial Decree of 9 June 2015 - published in the Official Gazette on 23 July 2015. Finally, a further amending decree was issued on 8 November 2016 - published in the Official Gazette on 5 December 2016. - To reduce the time spent granting subsidies and establish a procedure for large strategic projects.

Below are details of the individual financial sources active on Contratti di Sviluppo.

## Contratti di Sviluppo

	2023	2022
<b>Fondo Sviluppo e Coesione 2014-2020</b>		
- Fondo Rotativo (DM 24/09/10)	51,371	36,311
- Contributo c/impianti (DM 24/09/10)	151,571	64,034
<b>PNRR Rinnovabili e batterie</b>		
- Incasso fondi	100,923	-
<b>Mobilità Sostenibile</b>		
- Contributo c/impianti	97,313	100
<b>FCS III (2021-2027)</b>		
- Fondo Rotativo	30	-
- Contributo c/impianti	60,000	-
<b>PNRR Filiere</b>		
- Incasso fondi	75,73	-
<b>Fare Centro Nord – D.L. 69/2013</b>		
- Fondo Rotativo (DM 24/09/10)	70,884	60,418
<b>Asse II – Sostegno all'innovazione (Obiettivo operativi 4.2.1.1 "Rafforzamento sistema produttivo")</b>		
- Fondo rotativo (DM 24/09/10) Asse II - (DM 06/08/10)	39,436	28,314
- Contributo c/impianti (DM 24/09/10) Asse I - (DM 24/09/10) Asse II - (DM 06/08/10)	1,504	1,519
<b>Legge Bilancio 2020</b>		
- Fondo Rotativo	15,096	15
- Contributo c/Impianti	17,556	21,027
<b>Regioni</b>		
- Contributo c/impianti Lazio	3,651	6,098
- Contributo c/impianti Abruzzo	454	450
- Contributo c/impianti Piemonte	1,092	251
- Contributo c/impianti Puglia	1,352	3,535
- Contributo c/impianti Sicilia	5,553	7,511
- Contributo c/impianti Umbria	246	375
- Contributo c/impianti Regioni Nord Est	770	729
- Contributo c/impianti Basilicata	2,704	1,196
- Contributo c/impianti Marche	109	108
- Fondo rotativo - Contributo c/impianti Sardegna	9,118	7,625
- Contributo c/impianti Veneto	799	1,277
<b>Asse I - Sostegno ai mutamenti strutturali (Obiettivo operativo 4.1.1.2 "Aree tecnologico-produttive per la competitività del sistema")</b>		
- Fondo Rotativo (DM 24/09/10) Asse I	25,667	11,494
<b>PON SIL 2000-2006</b>		
- Fondo Rotativo (DM 24/09/10)	9,798	7,436
- Contributo c/impianti (DM 24/09/10)	7,047	10,674
<b>PAC Campania</b>		
- Fondo Rotativo (DM 24/09/10)	3,663	2,842
- Contributo c/impianti (DM 24/09/10)	334	333
- Regione Campania	10,69	1,502
<b>Legge di Stabilità 2014 -L.147/2013</b>		
- Fondo Rotativo (DM 24/09/10)	13,609	2,563

	2023	2022
<b>Fondo Crescita Sostenibile</b>		
- Fondo Rotativo	5,018	8,659
- Contributo c/impianti	8,536	15,223
<b>PON I&amp;C Asse III Competitività PMI</b>		
- Fondo Rotativo	9,657	16,805
- Fondo Rotativo Por Lazio	557	557
<b>PON I&amp;C Asse IV</b>		
- Fondo Rotativo	10,122	10,119
- Contributo c/Impianti	-	1,71
<b>Cratere Sismico dell'Aquila - Fondo Sviluppo e Coesione</b>		
- Contributo c/impianti - Fondo Rotativo (DM 24/09/10)	10,095	8,996
<b>PON I&amp;C Asse I Innovazione</b>		
- Fondo Rotativo	7,833	1,94
- Contributo c/impianti	1,369	1,902
<b>PAC - Piano di Azione e Coesione</b>		
- Fondo rotativo (DM 24/09/10)	4,355	3,524
- Contributo c/impianti (DM 24/09/10)	4,279	4,273
<b>POC "Imprese e Competitività" 2014-2020</b>		
- Fondo Rotativo	7,435	9,679
- Contributo c/impianti	407	14,577
<b>Risorse Nazionali</b>		
- Contributo c/impianti	5,654	8,14
<b>POC- Programma di Azione e Coesione 2014- 2020 "Imprese e Competitività" Asse III</b>		
- Contributo c/impianti	5,590	12,356
<b>Legge di Stabilità 2013 Basilicata - L. 228/2012</b>		
- Fondo rotativo - L. 228/2012	914	579
- Contributo c/impianti - L. 228/2012	1,747	1,73
<b>CDS Capitanata</b>		
- Contributo c/impianti	2,637	2,965
<b>AdP Termini Imerese</b>		
- Fondo Rotativo (DM 09/12/14)	79	79
- Contributo c/impianti (DM 24/09/10)	2,150	2,14
<b>Asse II - Competitività delle imprese del settore turistico, culturale e ambientale e promozione dell'offerta delle Regioni obiettivo della Convergenza</b>		
- Fondo Rotativo	462	229
<b>POR Sardegna</b>		
- Fondo Rotativo	353	365
<b>Partecipazioni</b>		
- Acquisizioni partecipazioni	74	11,024
<b>Total</b>	<b>897,363</b>	<b>530,194</b>

### Fondo Sviluppo e Coesione (FSC)

The FSC is the leading financial instrument through which the provisions of the Italian Constitution and the Treaty on the Functioning of the European Union implement policies to develop economic, social, and territorial cohesion and remove economic and social imbalances.



### **CDS PNRR Rinnovabili e Batterie**

It aims to support the development of a value chain for renewables and batteries through the realisation of three different sub-investments relating respectively to PV technology (PhotoVoltaics) for which it is planned, by 31 December 2025, to increase the power generation capacity of the photovoltaic panels produced from the current 200 MW/year to at least 2 GW/year through high-efficiency photovoltaic panels; Wind Industry; Battery Industry for which it is planned, by 31 December 2024, to produce batteries with a target capacity of 11 GWh.

### **CDS Mobilità sostenibile**

In the implementation of the provisions of par. 613 of Law 232 of 11/12/2016, the MISE (now MIMIT), in agreement with the Ministry of Infrastructure and Transport, enters into an agreement to implement a National Strategic Plan on Sustainable Mobility intended for the renewal of the bus fleet of local and regional public transport services and the promotion and improvement of air quality with innovative technologies.

### **CDS FSC III (2021-2027)**

The FSC is earmarked to finance strategic projects, both infrastructure and intangible, of national, interregional, and regional significance. These projects or investments are divided into individual interventions that are functionally interconnected.

### **CDS PNRR Filiere**

Strengthening production chains, including emerging ones, is considered strategic. The sectors involved are automotive, design, fashion and furniture, microelectronics and semiconductors, metal and electromechanics, agro-industry, and chemical/pharmaceutical.

### **Fare Centro Nord – D.L. 69/2013**

Law 69/ 2013, which contains provisions for economic growth, is one of the active financial sources for Contratti di Sviluppo.

### **Asse II – Sostegno all’innovazione (Obiettivo operativo 4.2.1.1 “Rafforzamento sistema produttivo”)**

The project includes two investment programmes aimed at industrialising the results of research or experimental development programmes and pursuing specific objectives of innovation, competitive improvement and environmental protection. For this Operational Programme, a Revolving Fund for the disbursement of subsidised loans was set up under Operational Objective 4.2.1.1 and managed with capital and separate accounts.

### **CDS Legge Bilancio 2020**

Regarding this measure, the Ministerial Directive of 15/04/2020 provided for an additional allocation of financial resources for the Contratti di Sviluppo instrument amounting to € 600 million for Development Agreement and Programme Agreement applications throughout Italy.

### **CDS Regioni**

Ministerial Decree 09/05/2017 introduced a procedure called ‘Development Agreements’ (Accordi di sviluppo) to encourage the implementation of large strategic projects. The Agreement, signed between the Regions and the MISE (now MIMIT), provides for the latter to bear a share of co-financing from FSC 2014-2020 resources.

### **Asse I - Sostegno ai mutamenti strutturali (Obiettivo operativo 4.1.1.2 «Aree tecnologico-produttive per la competitività del sistema»)**

This measure provides funding for investment and research and development programmes in the industry, tourism, and trade sectors.

### **PON SIL 2000-2006**

The resources released by PON SIL 2000- 2006 were used as a financial source for Contratti di Sviluppo.

### **PAC Campania**

The Action and Cohesion Plan of the Campania Region was set up to provide incentives for productive investments oriented towards innovation and competitive improvement in the manufacturing, power generation, and specific service sectors. The aim is to reconvert the crisis area through innovation, management integration of companies, the enhancement of disused or underused facilities, and the creation of new jobs.

### **Legge di Stabilità 2014 - L.147/2013**

This concessional measure finances land security, reclamation of sites of national interest, and other environmental policy interventions.

### **CDS Fondo Crescita Sostenibile**

This measure's purpose is to finance industrial investment and environmental protection programmes in central and northern regions.

### **CDS PON I&C Asse III Competitività PMI**

This Contratto di Sviluppo encourages the implementation of industrial, tourism, and environmental protection programmes by promoting and supporting SMEs.

### **CDS PON I&C Asse IV**

This financial source is aimed at implementing intelligent storage systems connected to smart grids and RES distribution plants related to Axis IV, 'Energy Efficiency'.

### **Cratere Sismico dell'Aquila- Fondo Sviluppo e Coesione**

The Agency has been specifically tasked with interventions aimed at fostering economic and employment recovery in the Abruzzo area affected by the April 2009 earthquake.

### **CDS PON I&C Asse I Innovazione**

These Contratti di Sviluppo are aimed at the realisation of initiatives under the PON I&C for the management and implementation of the 'implementation of intelligent energy distribution networks (smart grids) and interventions on transmission networks that are strictly complementary and aimed at directly increasing the distribution of energy produced from renewable sources, introduction of equipment equipped with digital communication systems, smart metering and control and monitoring, as infrastructure of 'cities' and peri-urban areas'.

### **PAC - Piano di Azione e Coesione**

The purpose of the Piano di Azione e Coesione is to accelerate the implementation of the 2007-2013 programming period, increase the effectiveness of interventions by targeting them at measurable results and concentrating resources, and launch new actions, some of which are prototypical in nature. Depending on the outcomes, these actions may be taken up in the 2014-2020 programming period.

### **POC «Imprese e Competitività» 2014-2020**

The POC's financial resources are earmarked for financing two lines of intervention in the country's most disadvantaged areas: one line for attracting investments capable of ensuring a spill-over effect on SMEs at the regional level (60% of the financial envelope) and the other (40% of the financial envelope) for investments of significant financial size.

### **CDS Risorse Nazionali**

The financial sources that can be used to realise the investments are from the special account no. 1726 called 'Interventi Aree Depresse' (Depressed Areas Projects), within the resources earmarked for the Programme Contracts that have not been used.

### **POC- Programma di Azione e Coesione 2014- 2020 «Imprese e Competitività» Asse III**

Additional national financial resources are earmarked for economic and social rebalancing purposes, incentives, and public investments in the FSC.

**Legge di stabilità 2013 Basilicata - L. 228/2012** To favour the start-up and continuation of entrepreneurial initiatives aimed at the development of the tourist offer in the Basilicata region through the strengthening and improvement of the quality of the accommodation offer and of the relative supplementary activities as well as the support services for the use of the tourist product for the realisation of which one or more investment projects are necessary, financial facilities are granted to support private investments.

### **CDS Capitanata**

On 13 August 2019, the Contratto Istituzionale di Sviluppo per la Capitanata - CIS Capitanata) was signed. Through this contract, Invitalia ensures the management of business incentive measures based on what has been allocated for the Contratti di Sviluppo. The measure is financed with funds from the Council's presidency.

### **AdP Termini Imerese**

This is the Programme Agreement for regulating the reconversion and redevelopment of the Termini Imerese Industrial Complex.

### **Asse II - Competitività delle imprese del settore turistico, culturale e ambientale e promozione dell'offerta delle Regioni obiettivo della Convergenza**

The funds allocated to the EU programme are intended for investments in the tourism and cultural sector to qualify and innovate accommodation and hospitality services.

### **CDS POR Sardegna**

The Sulcis Plan was launched in 2015 with the aim of revitalising the economic system and enhancing the territory's potential.

### **CDS Partecipazioni**

A fund set up to intervene in the risk capital of beneficiary companies only under certain circumstances and market conditions (Art. 8 bis Ministerial Decree 09/12/2014). Subsequently, the MISE (now MIMIT) directive of 05/08/2019 authorised Invitalia to issue guarantees and counter-guarantees in favour of public entities and suppliers to avoid the interruption of activities with consequent negative repercussions on the employment base as well as the productive relaunch of the same. As of 31 December 2023, guarantees were issued to Industria Italiana Autobus for about € 31 million, to Sider Alloys for about € 7.8 million, to Arrilirsa for € 5 million and to Sicamb for € 2 million.

## Other measures

	2023	2022
<b>Fondo Grandi Imprese</b>		
- F.do Rotativo	276,179	308,716
<b>Fondo Nazionale Efficienza Energetica</b>		
- Garanzie	77,041	77,041
- F.do Rotativo	175,014	175,778
<b>Fondo Salvaguardia Imprese</b>		
- Partecipazioni-F.do Rotativo-Prest. Obbligaz.	247,294	275,156
<b>PNC Sisma</b>		
Grandi Investimenti B1.1 F.do Rotativo e c/impianti	24,601	-
Investimenti medie dimensioni B1.2+B3.3 F.do Rotativo e c/impianti	27,501	-
Startup e sviluppo microimprese B1.3a c/impianti	46,932	-
Innovazione PMI B1.3b c/impianti e c/gestione	11,921	-
Startup e sviluppo PMI B1.3c - F.do Rotativo e c/impianti	16	-
Agrosilvopastorale B3.1	-	-
Economia Circolare B3.2 F.do Rotativo	8,508	-
<b>Voucher Investimenti Innovativi</b>		
- C/impianti - C/gestione	109,473	110,077
<b>Fets</b>		
- C/impianti	99,73	-
<b>Fondo Imprese sud</b>	85,393	97,509
<b>Investimenti Sostenibili 4.0</b>		
- C/impianti	57,263	-
<b>Brevetti +</b>		
- Contributi C/impianti - C/gestione	48,021	65,972
- PNRR	2	-
<b>Digital Trasformation</b>		
- F.do Rotativo	13,268	15,147
- C/impianti - C/gestione	18,989	19,394
<b>Resto al Sud</b>		
- C/impianti - C/gestione	28,561	90,108
<b>IFIT</b>		
- C/impianti	25,358	-
<b>Fetsda</b>		
- C/impianti	25,173	-
<b>Bonus Export Digitale</b>		
- C/impianti - C/gestione	23,55	28,8
<b>Bonus Terme</b>		
- C/impianti	20,807	20,843
<b>Curaltalia</b>		
- Curaltalia D.L. 17 Marzo 2020 n. 18 - art.5	12,088	10,601
- Curaltalia D.L. 17 Marzo 2020 - Bando Impresa Sicura art. 43	579	907
<b>Digitalizzazione Cultura Investimento 3.3</b>		
Incasso fondi	10,734	-

	2023	2022
<b>Fondo Cresci al Sud</b>		
- Partecipazioni	10,337	29,644
<b>Smart &amp; Start Titolo II e III</b>		
- Contributo spese gestione Tit. II (DM 06/03/2013)	4,051	3,644
- Contributo conto Impianti Tit. III (DM 06/03/2013)	6,189	4,585
- Contributo Smart e Start Abruzzo	-	1,169
<b>SelfiEmployment</b>		
- F.do Rotativo	9,162	8,092
<b>Bonus Fiere</b>		
- C/impianti - C/gestione	9,121	33,49
<b>Rilancio PMI</b>		
- F.do Rotativo	8,633	8,646
<b>Matera DL 91-2017 art 7 co 1-BIS</b>	6,817	9,114
<b>DM Campania 13/02/2014</b>		
- Fondo rotativo	4,816	3,947
- C/impianti	1,345	1,345
<b>Smart Money</b>		
- C/impianti - C/gestione	5,659	7,553
<b>Crasi L'Aquila DM 14/10/2015</b>		
- Misura I C/impianti - C/gestione Nuova Crasi	4,694	7,78
- Misura II C/impianti - C/gestione	458	454
<b>Fondo Intrattenimento Digitale</b>		
- C/impianti	3,338	3,815
<b>Tessile Moda</b>		
- C/impianti	2,978	4,319
<b>Economia Circolare</b>		
- C/impianti - C/gestione	1,905	-
<b>Mimit POC PNRR Proof of Concept</b>		
Incasso fondi	1,39	-
<b>Murgia</b>		
- C/impianti	1,269	3,51
<b>Biomasse</b>		
- F.do Rotativo	742	378
- C/impianti	41	41
<b>Voucher Internalizzazione</b>		
- C/impianti- C/gestione Tempor Exp.Manager	763	15,674
<b>Bando Alluminio</b>		
- C/impianti	605	1,399
<b>Programma Acceder</b>		
- C/impianti	503	-
<b>Avviso POC Mise 2020</b>		
- C/impianti	404	2,035
<b>Economia Sociale</b>		
- C/impianti	262	262

	2023	2022
<b>Imprenditorialità Femminile</b>		
- Incasso fondi	-	16
- F.do Rotativo	11	-
- C/impianti	206	-
<b>Bando Carburanti</b>		
- C/impianti	117	227
<b>Educazione Consumo Digitale</b>		
- C/impianti	109	6
<b>Fondo Crisi Ucraina</b>		
- C/impianti	99	-
<b>Imprenditorialità Innovativa 2</b>		
- C/impianti	62	-
<b>Management of Concession Laws</b>		
- Fondo unico art. 27 c. 11 L. 488/1999	376,614	346,484
- Progetto fertilità QCS 89/94	41	26
- Giovani idee cambiano l'Italia	-	-
- Fondi comunitari	425	425
Fondo di Garanzia L.23/12/96 n. 662 c/o Mediocredito Centrale	24,130,291	18,158,599
Fondo per la Crescita Sostenibile DL 22/06/12 n. 83 art. 23 c. 2	122,107	263,994
Fondo L. 23/12/00 art. 106 c/o Mediocredito Centrale	32,327	32,327
Fondo L. 23/12/97 n. 454 c/o Mediocredito Centrale	1,476	1,476
Fondo del Programma operativo nazionale ric. e innovaz. 2014-2020	7,686	8,602
Gestione quota fondo unico Regione Marche	1,798	1,779
Gestione quota fondo unico Regione Liguria	26	26
L. 488 RTI (MCC/BDS/IRFIS) MAP (ora Mise)	7,441	7,433
Other funds	21,055	20,514
<b>Total</b>	<b>26,277,353</b>	<b>20,284,349</b>
Other commitments of uncertain use	350	350
<b>Total</b>	<b>26,277,703</b>	<b>20,284,699</b>
<b>Overall total</b>	<b>27,174,716</b>	<b>20,814,543</b>

The following tables show the liquidity available on the individual lines, including accrued annual interest, for disbursing the facilities.

### Nuove Imprese a tasso zero

This Measure aims to support new entrepreneurship through the creation of micro and small enterprises. Art. 29 of Decree-Law 34 of 30/04/2019, known as the 'Decreto Crescita' partly redefined the regulations by broadening the range of beneficiaries and changing the conditions eligible for financing.

	2023	2022
- Fondo Rotativo per finanziamenti agevolati Fondo Unico	154,793	115,517
- Fondo Rotativo per finanziamenti Stabilità 2017	38,846	45,239
- Fondo Rotativo per finanziamenti PON SIL 2000-2006	106,307	15,674
- Fondo Rotativo per finanziamenti PAC CAMPANIA	8,065	9,437
- Incasso corrispettivi da c/Tesoreria Fondo Unico	(24,996)	(21,629)
- Conto impianti Nito ON	6	9,246
- NRRP	6,667	
<b>Liquidity as of 31/12</b>	<b>295,682</b>	<b>173,484</b>

### Fondo Grandi Imprese

The Fund operates by granting aid in the form of loans, to be repaid within a maximum of five years, to large companies in temporary financial difficulty, excluding companies in the banking, financial and insurance sectors.

### Fondo Nazionale Efficienza Energetica

The Fund is an incentive that supports the implementation of interventions aimed at achieving national energy efficiency targets. Subsidies are provided to companies, ESCOs, and public administrations in individual or associated forms.

### Fondo Salvaguardia Imprese

The Fund is aimed at restructuring companies with at least 250 employees that own historical brands of national interest and are in a state of economic-financial difficulty or companies that, regardless of the number of employees, hold assets and relations of strategic importance for the national interest. During 2023, three shareholdings were acquired in Bellotti (€ 3.5 million), Snaidero (€ 7 million) and Pernigotti (€ 4.375 million), and two further capital increases were carried out in favour of two portfolio companies in 2022: Canepa (+ € 5 million) and Ceramica Dolomite (+ € 3 million). In addition, non-repayable grants were provided to support employment levels in favour of a portfolio company (Walcor). These transactions are in addition to the 3 acquisitions in 2021: Sicamb (€ 45 million), Corneliani (€ 6.5 million) and Canepa (€ 3 million) and at 7 in 2022: SALP (€ 4 million), Niche Fusina Rolled Products (€ 4.9 million), Walcor (€ 3.6 million), Ceramica Dolomite (€ 7 million), BTX (€ 3.8 million), Titagarh Firema (€ 10 million) and Conceria del Chienti (€ 2.450 million).

### DM 09 March 2018 - Investimenti innovativi PON I&C asse III 2014-2020

### DM 30 October 2019 - Investimenti Innovativi PON I&C asse III 2014-2020

This Measure aims to support innovative investment programmes designed to increase the degree of efficiency or the level of flexibility of economic activity, fostering the transition of the manufacturing sector towards the so-called 'Intelligent Factory'.

	2023	2022
<b>DM 09.03.2018 - Investimenti Innovativi PON I&amp;C Asse III 2014-2020</b>		
- Fondo Rotativo	41,720	37,806
- c/impianti	22,113	26,385
<b>DM 30.10.2019 - Investimenti Innovativi PON I&amp;C Asse III 2014-2020</b>		
- Fondo Rotativo	53,143	105,383
- c/impianti	28,468	20,383
<b>DM 09.03.2018 - Investimenti Innovativi PON I&amp;C Asse IV 2014-2020</b>		
- Fondo Rotativo	22	12
- c/impianti	85	84
<b>Liquidity as of 31/12</b>	<b>145,551</b>	<b>190,053</b>

### PNC Sisma

Following the provisions of the Decree of the Minister of Economy and Finance of 15 July 2021 and the specific project sheet relating to the Interventions for the earthquake areas of 2009 and 2016, these were then merged into a single Unified Intervention Programme divided into two macro-measures

A. Safe, Sustainable and Connected Cities and Towns, whose aim is to improve infrastructures, spaces and the urban environment to restore vitality to local communities. The interventions concern urban design (sustainable lighting, water recovery facilities, environmentally friendly roads, green systems), energy efficiency of public buildings and, in particular, schools, integrated plans for sustainable mobility and transport, 'smart cities', telemedicine, tele-assistance, support for risk prevention, promotion of digital infrastructures.

B. Economic and social revitalisation, to support the revitalisation of territories and communities by promoting activation at work and business activity in local productive sectors through the promotion of territorial vocations, environmental resources, the agri-food system, and the strengthening of concrete measures aimed at skills training as well as support for cultural, tourist and creative enterprises.

### Voucher Investimenti Innovativi

On 23/10/2019, an agreement was signed with the MISE (now MIMIT) aimed at supporting SMEs wishing to purchase specialised consultancy on technological and digital transformation processes through the granting of non-repayable contributions in the form of vouchers.

### FETS

Extraordinary contribution in favour of organisations providing socio-medical or socio-assistance services

in residential or semi-residential settings for older people.

### Smart & Start Italia

The Smart&Start Italia facilities are reserved for innovative start-ups located throughout Italy. Their business ideas must have technological and innovative features, develop products, services, or solutions in the digital economy, or exploit the results of the research system economically.

Through the Relaunch Decree 34 of 19/05/2020, € 100,000,000.00 was earmarked for refinancing subsidised loans.



	2023	2022
- Fondo Rotativo DM 24/09/2014 - c/impianti e c/gestione (DM 24/09/2014)	39,128	14,911
- Decreto Rilancio	17,662	9,829
- Fondo Rotativo - c/impianti e c/gestione Legge di Stabilità 2017	13,597	20,181
- Fondo Rotativo - c/impianti e c/gestione PON 2014/2020	7,324	4,625
- NRRP	9,857	-
<b>Liquidity as of 31/12</b>	<b>87,568</b>	<b>49,546</b>

### Fondo Imprese Sud

This is a fund established by Law 205/17 to support the economic-productive fabric of the regions of Abruzzo, Basilicata, Calabria, Campania, Molise, Puglia, Sardinia, and Sicily and the dimensional growth of small and medium-sized enterprises with registered offices and production activities in these regions.

### Nuova Legge 181

With the decree of 09/06/2015, the MISE regulated the conditions and modalities for the interventions to be carried out under the new aid system. Territories in which the interventions are to be implemented are as follows:

- Complex industrial crisis areas, where the new aid scheme was applied to 2 new crisis areas; 1 application was submitted;
- Non-complex industrial crisis areas, for which 3 applications were submitted, all under evaluation;
- Other areas for which 2 applications were submitted, both suspended due to lack of financial availability.

Commitments to third parties are set out in the following schedules:

	2023	2022
- Fondo Crescita F.do Rotativo	29,075	18,76
- PON I&C Asse III F.do Rotativo	5,425	6,696
- POR FESR 2014-2020 Campania F.do Rotativo	1,667	4,549
- Fondo Crescita c/impianti	10,739	9,456
- PON I&C Asse III c/impianti	1,319	2,466
- POR FESR 2014-2020 Basilicata F.do Rotativo	495	506
- FSC Campania F.do Rotativo	1,083	942
- FESR c/impianti	432	2,53
- L. 80/05 c/impianti	2,522	4,485
- Fondo Unico F.do Rotativo	2,375	2,069
- Fondo Unico c/impianti	1,032	1,37
- L. 80/05 F.do Rotativo	9,662	12,041
- FSC Campania c/impianti	474	472
- FSC Calabria F.do Rotativo	217	328
- FSC Calabria c/impianti	-	169
- ADP Puglia F.do Rotativo	116	60
- ADP Puglia c/impianti	1	26
- ADP Veneto F.do Rotativo	136	800
- ADP Veneto c/impianti	59	160
- ADP Piemonte F.do Rotativo	372	149
- ADP Marche F.do Rotativo	182	159
- ADP Marche c/impianti	45	46
- ADP Lazio F.do Rotativo	97	215

	2023	2022
- ADP Lazio c/impianti	41	82
- ADP Liguria F.do Rotativo	238	367
- ADP FVG c/impianti	46	46
- ADP FVG F.do Rotativo	84	61
- ADP Calabria Addendum F.do Rotativo	3,401	3,4
- ADP Calabria Addendum c/impianti	1,701	1,7
- ADP Toscana Reg. F.do Rotativo	1,408	-
- ADP Toscana Reg. c/impianti	603	-
<b>Liquidity as of 31/12</b>	<b>75,047</b>	<b>74,110</b>

#### Investimenti sostenibili 4.0

Granting of subsidies in favour of investment programmes proposed by small and medium-sized enterprises that comply with current environmental protection principles and have a high technological content, consistent with the Transition 4.0 plan, with priority given to those able to make a particular contribution to the sustainability objectives defined by the European Union and to those intended to promote the transition of the enterprise towards the circular economy paradigm, i.e. to improve the energy sustainability of the enterprise.

#### Brevetti +

The measure supports more qualified public and private research patent promotion projects.

#### Digital Transformation

The measure is aimed at supporting the Digital Transformation of micro, small, and medium-sized enterprises in the manufacturing and direct business services sectors, in the tourism sector for enterprises engaged in the digitalisation of the use of cultural assets, and in the trade sector, thus contributing to the objectives of innovation and growth of competitiveness of the entire productive fabric of the country.

#### Resto al Sud

Decree-Law 91 of 20 June 2017 established the Resto al Sud measure, which aims to promote the creation of new Enterprises in the South, having individuals aged 45 years or less as beneficiaries, having their registered office in the regions of Abruzzo, Basilicata, Calabria, Molise, Puglia, Sardinia and Sicily. By Decree Law 123 of 24 October 2019, the Measure was also extended to the municipalities of the earthquake crater in the regions of Lazio, Marche and Umbria.

#### Fondo Cresci al Sud

The Budget Law 27/12/2019 created a fund called 'Fondo Cresci al Sud'. This fund is intended to facilitate, through capital investments, the competitiveness and growth of SMEs with registered offices and operations mainly in the following regions: Abruzzo-Basilicata-Calabria-Molise-Apulia-Sardinia-Sicily.

Six shareholdings were acquired during 2023: E-Globe S.p.A. for € 1.5 million, Edil San Felice S.p.A. for € 3.5 million, Fare Spot S.p.A for € 2.6 million, Simone S.p.A. for € 900 thousand, Xenia Hotellerie Solutions S.p.A. for € 804 thousand, and Recupero Etico Sostenibile S.p.A. for € 3.8 million.

These acquisitions are in addition to those made during 2022: Italian Cool Design S.r.l. for € 5.5 million, Lirsa S.r.l. for € 5 million, and Tesi S.r.l. for € 8.4 million.

#### IFIT

'Incentivi finanziari per le imprese turistiche' is a measure that encourages the upgrading of facilities in the tourism sector.

## FETSDA

Extraordinary contribution favours organisations that provide socio-medical or social care services in residential or semi-residential settings for disabled persons.

## Cultura Crea

It is a programme for creating and developing entrepreneurial initiatives in the cultural tourism industry and for supporting non-profit enterprises that aim to enhance the cultural resources of the territory in the regions of Basilicata, Calabria, Campania, Apulia, and Sicily.

	2023	2022
Programma Cultura Crea (Decreto Mibact 11/05/2016) - AZ 3.A.1.A PON Nuove Imprese		
- Fondo rotativo	6,179	8,738
- Contributo c/Impianti	437	749
Programma Cultura Crea (Decreto Mibact 11/05/2016) - AZ 3.B.1.A PON Cons. PMI		
- Fondo rotativo	5,425	6,002
- Contributo c/Impianti	529	4,021
Programma Cultura Crea (Decreto Mibact 11/05/2016) - AZ 3.C.1.A PON Terzo Settore		
- Contributo c/Impianti	1,514	93
Programma Cultura Crea POC		
- Fondo rotativo	-	-
- Contributo c/Impianti	10,029	-
<b>Liquidity as of 31/12</b>	<b>24,113</b>	<b>19,603</b>

## Bonus Export Digitale

It is a project of the Ministry of Foreign Affairs and the ITA that aims to support manufacturing micro-enterprises in their internationalisation activities through digital solutions.

## Bonus Terme

The measure provides vouchers for the purchase of spa services. Users at previously accredited spa establishments can submit voucher applications.

## POI «Energie Rinnovabili e risparmio energetico» FESR 2007-2013

### Asse I - «Produzione di energia da Fonti rinnovabili»

Several implementing decrees were issued by the Ministry in connection with the Operational Programme, as outlined below:

- the MISE (now MIMIT), on 6 August 2010, 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 Ministry of Economic Development, with the Decree of 5 December 2013 (Ministerial Decree Energy Efficiency), promoted the implementation of investment programmes aimed at reducing and rationalising the use of primary energy in processing cycles and/or providing services carried out within an existing production unit, in favour of companies located in the Convergence Objective regions (Calabria, Campania, Puglia, and Sicily).

## Linea di attività 1.2 - 2.1 - Interventi a sostegno dello sviluppo dell'imprenditoria collegata alla ricerca e all'applicazione di tecnologie innovative nel settore delle fonti rinnovabili

The programme provides financing for investment projects involving the production of capital goods that are functional to developing renewable energy sources and energy saving. Two open-ended revolving funds managed with capital and separate accounts, were established for business lines 1.2 and 2.1.

	2023	2022
<b>Activity Line 1.2</b>		
Revolving fund for subsidised loans	9,842	6,733
Contribution to plant account	2	2
<b>Activity Line 2.1</b>		
Revolving fund for subsidised loans	5,531	3,716
Contribution to plant account	178	178
<b>Liquidity as of 31/12</b>	<b>15,553</b>	<b>10,629</b>

2023 2022

### **Curaltalia**

This decree provides incentives for companies that implement investments to increase the availability of medical devices and personal protective equipment necessary to contain the COVID-19 epidemiological emergency.

### **Curaltalia D.L. 17.03.2020 – Bando Impresa Sicura art. 43**

This tender provides access to reimbursement for expenses incurred by companies to purchase personal protective equipment.

### **Digitalizzazione Cultura Investimento 3.3**

Interventions to improve the ecosystem in which the cultural and creative sectors operate, encouraging cooperation between cultural operators and organisations and facilitating upskilling and reskilling.

*Upskilling* means activities to improve the competencies and skills of those who work, aiming to upgrade what they know and can do to advance in their roles.

*Reskilling*, on the other hand, is the procedure for moving the resource to another role and making it do a different job from its current one: a company-led 'professional conversion' project. It impacts the tasks by 'reconstructing' the professional figure by providing it with new skills.

### **Smart&Start Titolo II and III**

The programme provides aid for small start-up companies (SMART) and support for investment programmes by digital and/or technology-based start-ups (START).

### **Selfiemployment**

The SelfiEmployment measure finances the start-up of small business initiatives by young NEETs with interest-free loans. Invitalia manages the fund within the framework of the Garanzia Giovani Programme under the supervision of the Ministry of Labour.

### **Bonus Fiere**

The trade fair bonus is a voucher worth up to € 10,000, which can be disbursed to companies for participation in international trade fairs organised in Italy.

### **Rilancio PMI**

This measure deals with the new incentive promoted by the Extraordinary Commissioner of the Government to support the restoration and restarting of damaged economic activities in Umbria,

Marche, Abruzzo and Lazio concerning entrepreneurial initiatives in the following sectors: industry, handicrafts, processing of agricultural products, provision of services, tourism, agricultural production, fishing and aquaculture.

#### **MATERA DL 91-2017 art 7 par. 1-BIS**

These are the resources transferred to the special account no. 6065 in the Agency's name, opened at the State Treasury for the intervention provided by Law 208/2015 art. 1 co 435 'Matera European Capital of Culture 2019'.

#### **DM CAMPANIA 13.02.2014**

The Agency is the Managing Entity of the Campania Ministerial Decree Tender, promoted under the Ministerial Decree of 13 February 2014, whose purpose is the industrial revitalisation and/or redevelopment of the production system of the territories of the municipalities falling within the areas affected by the industrial crisis in Campania.

#### **Smart Money**

By Decree 34 of 19 May 2020, innovative start-ups were granted subsidies for the acquisition of services provided by incubators, accelerators, innovation hubs (a physical space where start-ups can present their projects), business angels (a figure that helps promising start-ups both economically and through technical assistance) and other public or private entities operating for the development of innovative businesses.

#### **Crasi L'Aquila DM 14.10.2015**

This initiative promotes economic and employment recovery in the area of Abruzzo affected by the 2009 earthquake and is divided into Measure I and Measure II. The former supports the creation of new enterprises or upgrading existing ones, and the latter finances local excellence with initiatives to increase its visibility.

#### **Fondo Intrattenimento Digitale**

With the Decree of 18.12.2020, the MISE (now MIMIT) signed an incentive to encourage the design and pre-production of video games. It is aimed at companies that, on the date of application, have their registered office in the European Economic Area and physical residence in Italy.

#### **Tessile Moda**

The Textile, Fashion and Accessories measure, provided for by the 'Relaunch Decree' (Art. 38 bis), is aimed at supporting and promoting the textile, fashion and accessories industry, with a special focus on start-ups investing in design by enhancing made-in-Italy products with high artistic and creative content.

#### **Economia Circolare**

Granting subsidies to support projects involving industrial research and experimental development activities aimed at the productive reconversion of economic activities through the creation of new products, processes or services or the significant improvement of existing products, processes or services through the development of critical enabling technologies.

#### **MIMIT POC NRRP Proof of Concept**

The aim is to launch and manage a Tender to finance actions to facilitate the realisation of the proof of concept (prototyping) phase and to boost the process of transferring patented inventions from public entities (universities, research centres, IRCCS) to the business system and the market.

#### **Murgia DM 18/10/2013**

The Agency is the managing body of Ministerial Decree Tender Murgia, promoted under the Ministerial

Decree of 13 October 2013, whose aim is the reconversion and reindustrialisation of the Murgia area affected by the upholstered furniture crisis.

### **Linea di attività 1.1 - Biomasse**

The Agency is the Managing body of the Bando Biomasse (Biomass Tender), promoted pursuant to the Ministerial Decree of 13 December 2011. Its purpose is to finance investment programmes for the activation, strengthening, and support of biomass supply chains in the regions of Campania, Apulia, Calabria, and Sicily.

### **Voucher Internalizzazione**

On 29 September 2017, an agreement was signed with the MISE (now MIMIT) aimed at supporting SMEs that intend to turn their interests towards markets outside their national territory through the granting of non-repayable contributions in the form of vouchers through a specialised figure capable of analysing, designing, and managing these processes.

### **Bando Alluminio**

The Fund is intended to support companies operating aluminium waste recycling plants with EWC 150104, which, in the last year of the COVID-19 pandemic crisis, continued to operate with difficulty despite the system crisis generated by the drop in demand for recycled material.

### **Programma Acceder**

This programme aims to facilitate the access of disadvantaged persons and, in particular, the Roma, Sinti, and Caminanti (RSC) populations to the self-employed and dependent labour market, with the objective of improving employment levels and subsequent progressive inclusion in the formal economy. Recognition of skills and training.

### **Avviso POC Mise 2020**

Agreement entrusting the Agency with the support service for the design and management of a funding measure aimed at fostering the development of the technological maturity of industrial property titles held by universities, research organisations, and scientific institutes.

### **Economia Sociale**

Convention signed with the MISE DGIAI (now MIMIT) on 21.11.2018, expiring on 31.12.2021, addressed to type B social cooperatives (aimed at the work placement of disadvantaged people) and type A social cooperatives (aimed at the implementation of social, sociomedical and educational services). An aid scheme aimed at supporting the creation and growth of enterprises operating throughout the country in pursuit of the general interests and socially valuable purposes identified in the sectoral regulations.

### **Imprenditorialità femminile**

The Women's Enterprise Fund is a national incentive promoted by the Ministry of Economic Development that supports the creation and consolidation of women-led businesses. Investment programmes are financed in industry, crafts, processing of agricultural products, services, trade, and tourism.

### **Bando Carburanti**

The measure is aimed at micro, small and medium-sized enterprises resident in Italy operating motorway fuel distribution services, which, having run the service during the health emergency period, even in the presence of a considerable drop in demand for fuel, are granted a contribution commensurate with the social security and welfare contributions due on wages and salaries for March, April and May 2020.

### **Educazione Consumo Digitale**

The new tender for Innovative Investments supports projects that foster companies' technological and digital transformation through the use of technologies consistent with the Business 4.0 plan and accelerate the transition of the manufacturing sector towards a circular economy model.

### **Fondo Crisi Ucraina**

This measure is designed to address, through the provision of non-reimbursable grants, the negative economic repercussions for domestic enterprises resulting from the international crisis in Ukraine. The crisis has resulted in turnover losses due to contraction of demand, interruption of existing contracts and projects, and crisis in supply chains.

### **Imprenditorialità Innovativa 2**

The aim is to provide tools for post-pandemic recovery, giving continuity to the experiences made in the 'Innovative Entrepreneurship' Plan, extending and enhancing open innovation and networking projects and actions and orienting them towards a model of open innovation, focused on green issues and intelligent use of technology.

## **MANAGEMENT OF CONCESSION LAWS**

### **Fondo unico Art. 27 par. 11 Law 488/1999**

Below are the commitments towards third parties to manage the Facilitation Measures under Legislative Decree 185/2000. Title I refers to measures supporting self-entrepreneurship, and Title II refers to measures supporting self-employment.

### **Progetto fertilità**

The programme supports the development of entrepreneurial initiatives promoted by non-profit organisations.

### **Progetto Giovani idee cambiano l'Italia**

The programme aims to enhance the design and creative capacity of young people, targeting Italian citizens between 18 and 35 years of age. It is intended to fund the realisation of the best project ideas in four areas: technological innovation, social utility and civic engagement, sustainable development, and management of urban and territorial services for the quality of life of young people.

### **EU Funds**

EU funds, the main instrument of the European Union's investment policy, aim to foster both economic and employment growth of member states and their regions and European territorial cooperation.

Type of services	Amount
<b>1. Execution of orders on behalf of customers</b>	-
a) purchases	-
1. regulated	-
2. unregulated	-
b) sales	-
1. regulated	-
2. unregulated	-
<b>2. Individual portfolio management</b>	-
<b>3. Safekeeping and administration of securities</b>	<b>17,313,991</b>
a) third-party securities on deposit: related to custodian bank activities (excluding portfolio management)	17
1. securities issued by the reporting bank	-
2. other securities	17
b) third-party securities on deposit (excluding portfolio management): Other	256,236
1. securities issued by the reporting bank	60
2. other securities	256,176
c) third-party securities deposited with third parties	255,683
d) securities deposited with third parties	16,802,055
<b>4. Other operations</b>	<b>24,324,207</b>

With reference to point 4. 'Other transactions' in the table above relating exclusively to MCC; the breakdown of this amount is shown in the table 'OTHER MEASURES'

## E – MERCHANT BANKING

### E.1 – Table summarizing merchant banking equity investments

Company names	2023					2022				
	Original value	Total value adjustments and/or write-downs	Total value readjustments and/or revaluations	Balance sheet value		Original value	Total value adjustments and/or write-downs	Total value readjustments and/or revaluations	Balance sheet value	
<b>Equity investments</b>										
<b>Merchant banking</b>										
<b>- of which with funds Law 181/89</b>										
CMS S.R.L. IN BANKRUPTCY	1,370	-1,370	-	-	-	1,370	-	-	-	1,370
ELA S.P.A. IN BANKRUPTCY	-	-	-	-	-	-	-	-	-	-
ELMIRAD SERVICE S.R.L. UNDER LIQUIDATION	120	(120)	-	-	-	120	-	-	-	120
FONDERIE S.p.A. IN BANKRUPTCY	-	-	-	-	-	-	-	-	-	-
GUSTAVO DE NEGRI & ZA.MA. S.R.L.	202	(202)	-	-	-	202	-	-	-	202
JONICA IMPIANTI S.R.L.	278	(278)	-	-	-	278	-	-	-	278
MODOMECC BUILDING S.R.L.	-	-	-	-	-	-	-	-	-	-
PERITAS S.R.L.	326	(326)	-	-	-	326	-	-	-	326
PRO.S.IT. IN BANKRUPTCY S.R.L.	499	(499)	-	-	-	499	-	-	-	499
SICALP S.R.L. IN BANKRUPTCY	1,033	(1,033)	-	-	-	1,033	-	-	-	1,033
SIE-SOC.ITTICA EUROPEA UNDER EXTRAORDINARY ADMINISTRATION	-	-	-	-	-	-	-	-	-	-
SIMPE S.P.A.	3,600	(3,600)	-	-	-	3,600	-	-	-	3,600
SURAL S.P.A. BANKRUPT	253	(253)	-	-	-	253	-	-	-	253
TEKLA S.R.L.	653	(653)	-	-	-	653	-	-	-	653
<b>Total</b>	<b>8,334</b>	<b>(8,334)</b>	-	-	-	<b>8,334</b>	-	-	-	<b>8,334</b>



## E.2 - Information on equity investments

Company names	2023							
	Original value	Total value adjustments and/or write-downs	Total value readjustments and/or revaluations	Balance sheet value	Head Office	Listing (Yes/No)	Share %	Vote availability %
<b>Investee companies</b>								
CMS S.R.L. IN BANKRUPTCY	1,370	(1,370)	-	-	LATERZA (TA)	NO	-	-
ELA S.P.A. IN BANKRUPTCY	-	-	-	-	NAPOLI	NO	-	-
ELMIRAD SERVICE S.R.L. UNDER LIQUIDATION	120	(120)	-	-	TARANTO	NO	-	-
FONDERIE S.p.A. IN BANKRUPTCY	-	-	-	-	ROME	NO	-	-
GUSTAVO DE NEGRI & ZA.MA. S.R.L.	202	(202)	-	-	CASERTA	NO	-	-
JONICA IMPIANTI S.R.L.	278	(278)	-	-	LIZZANO (TA)	NO	-	-
MODOMECC BUILDING S.R.L.	-	-	-	-	-	-	-	-
PERITAS S.R.L.	326	(326)	-	-	BRINDISI	NO	-	-
PRO.S.IT. IN BANKRUPTCY S.R.L.	499	(499)	-	-	NAPOLI	NO	-	-
SICALP S.R.L. IN BANKRUPTCY	1,033	(1,033)	-	-	CAMPIGLIA MARITTIMA	NO	-	-
SIE-SOC.ITTICA EUROPEA UNDER EXTRAORDINARY ADMINISTRATION			-	-	ROME	NO	-	-
SIMPE S.P.A.	3,600	(3,600)	-	-	ACERRA (NA)	NO	-	-
SURAL S.P.A. BANKRUPT	253	(253)	-	-	TARANTO	NO	-	-
TEKLA S.R.L.	653	(653)	-	-	SARNO (SA)	NO	-	-
<b>TOTAL</b>	<b>8,334</b>	<b>(8,334)</b>		-		-	-	-

## F - OPERATIONS WITH THIRD-PARTY FUNDS

### F.1 - Nature of funds and type of use

	2023		2022	
	Public funds		Public funds	
		of which: own risk		of which: own risk
<b>1. Performing</b>				
Leasing loans	-	-	-	-
Factoring	-	-	-	-
Other financing	631,871	4,602	680,018	7,927
of which: for enforcement of guarantees and commitments	-	-	-	-
Equity investments	-	-	1,459	-
Guarantees and commitments	-	-	-	-
<b>2. Non-performing</b>				
<b>2.1 Non-performing loans</b>				
Leasing loans	-	-	-	-
Factoring	-	-	-	-
Other financing	136,147	-	86,808	-
of which: for enforcement of guarantees and commitments	-	-	-	-
Equity investments	7,355	-	6,875	-
Guarantees and commitments	-	-	-	-
<b>2.2 Unlikely to pay</b>				
Leasing loans	-	-	-	-
Factoring	-	-	-	-
Other loans	-	-	-	-
<i>of which: for enforcement of guarantees and commitments</i>				
Guarantees and commitments	-	-	-	-
<b>2.3 Non-performing past-due exposures</b>				
Leasing loans	-	-	-	-
Factoring	-	-	-	-
Other financing	-	-	-	-
of which: for enforcement of guarantees and commitments	-	-	-	-
Guarantees and commitments	-	-	-	-
<b>Total</b>	<b>775,373</b>	<b>4,602</b>	<b>775,160</b>	<b>7,927</b>

## F.2 - Gross and net values of own risk assets

	Public funds		
	Gross value	Value adjustments	Net value
<b>1. Performing</b>	<b>5,388</b>	<b>(786)</b>	<b>4,602</b>
Leasing loans	-	-	-
Factoring	-	-	-
Other financing	5,388	(786)	4,602
of which: for enforcement of guarantees and commitments	-	-	-
Guarantees and commitments	-	-	-
<b>2. Non-performing</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2.1 Non-performing loans</b>	<b>-</b>	<b>-</b>	<b>-</b>
Leasing loans	-	-	-
Factoring	-	-	-
Other financing	-	-	-
of which: for enforcement of guarantees and commitments	-	-	-
Guarantees and commitments	-	-	-
<b>2.2 Unlikely to pay</b>	<b>-</b>	<b>-</b>	<b>-</b>
Leasing loans	-	-	-
Factoring	-	-	-
Other financing	-	-	-
of which: for enforcement of guarantees and commitments	-	-	-
Guarantees and commitments	-	-	-
<b>2.3 Impaired past-due exposures</b>	<b>-</b>	<b>-</b>	<b>-</b>
Leasing loans	-	-	-
Factoring	-	-	-
Other financing	-	-	-
of which: for enforcement of guarantees and commitments	-	-	-
Guarantees and commitments	-	-	-
<b>Total</b>	<b>5,388</b>	<b>(786)</b>	<b>4,602</b>

Note that the values expressed are gross of any write-downs and/or losses.

## SECTION 2 - SECURITISATION OPERATIONS, DISCLOSURE ON UNCONSOLIDATED STRUCTURED ENTITIES (OTHER THAN SECURITISATION VEHICLES) AND ASSET SALE TRANSACTIONS

### A - SECURITISATION TRANSACTIONS

As of 31 December 2023, there were no securitisation transactions originated to achieve credit risk transfer. However, in 2019, the subsidiary Mediocredito centrale launched two Tranched Cover transactions with a portfolio guarantee from the Central Guarantee Fund to cover first losses, aimed at financing businesses and took on the role of investor in Basket Bond transactions to support the growth of SMEs in Southern Italy (Basket Bond Campania, Basket Bond Puglia), characterised by the presence of the Central Fund Guarantee to support first losses.

As of 31 December 2023, these transactions do not entail the risk arising from securitisation as they are simple, standard transactions in which the risk assumed, and any mitigating guarantee are clear. One of them is an investment transaction in a position towards a securitisation for € 70.3 million relating to the 'Basket Bond Puglia' transaction, for which it should be noted that the risk profile of the underlying issuers (due diligence on the underlying issuers subject to credit investigation by the

Bank) has been known since the origination stage. In relation to the above, therefore, it is considered that there is no risk that 'the economic substance of the securitisation transaction is not fully reflected in the valuation and risk management decisions. Such operations fall within the operating methods identified by Mediocredito Centrale for the realisation of its mission of supporting the economy;

In the course of 2023, other opportunities were analysed in this sense, in the form of ABS, specifically, several single-tranche ABS transactions aimed at supporting Italian SMEs, realised without guarantees on first losses. Mediocredito Centrale participated:

- together with Banca Sella and Cassa Depositi e Prestiti, in the Sella Basket Bond, for a maximum amount of € 80 million (MCC share), aimed at financing growth projects of Italian SMEs and Mid Caps, with a three-year programme that also focused on ESG aspects;
- together with Cassa Depositi e Prestiti and Banca Finnat, the Basket Bond Euronext Growth programme aimed at the issue of bonds for a maximum amount of € 17.5 million (MCC tranche) by three issuing companies and listed on the Euronext Growth Milan segment managed by Borsa Italiana. The purpose of the minibond is to finance their respective development and growth programmes and enhance their competitive ability;
- together with Cassa Depositi e Prestiti in the 'Basket Bond Equita' issuance programme aimed at supporting the growth programmes of SME/MID Cap companies with multiple Industries. MCC is a co-investor (50% stake);

Lastly, it should be noted that two secured transactions were carried out:

- together with Cassa Depositi e Prestiti in the 'Basket Bond Confindustria' issue programme aimed at supporting the growth programmes of Confindustria member SME companies. MCC is a co-investor (50% stake) in the portfolio of bonds guaranteed by the Central Guarantee Fund;
- together with Cassa Depositi e Prestiti to the 'Basket Bond Campania' issue programme aimed at supporting the growth programmes of SME companies. MCC is a co-investor (50% stake) guaranteed by the cash collateral made available by Sviluppo Campania from POR ('Regional Operating Programme') funds.

On the funding side, on 28 December 2023, a Securitisation Transaction of performing loans backed by FCG or SACE guarantees was finalised pursuant to Law 130 of 30 April 1999.

Based on a so-called multioriginator credit sale structure, a portfolio of loans was sold by Mediocredito Centrale in favour of the SPV for a price of € 349.8 million for Mediocredito Centrale.

The purchase of the portfolio was financed through the proceeds from the issuance by the SPV of asset-backed floating-rate and variable-return securities with limited recourse, pursuant to the combined provisions of Articles 1 and 5 of the Securitisation Law, with the following characteristics:

- a) two classes of senior securities (respectively, the 'Class A1 Securities' for € 244 million and the 'Class A2 Securities' for € 244 million), which were underwritten by J.P. Morgan SE, with reference to Class A1;
- b) a class of junior securities, which Mediocredito Centrale underwrote for € 110.7 million, according to the price of the portfolio sold by each of them.

Mediocredito Centrale, therefore, received funding equal to the subscription price paid by JP Morgan for Class A1 Securities, amounting to Euro 244 million, on the issue date of the Securities.

The Securities were issued at 100% of their nominal amount and in denominations of € 100,000.00 and integer multiples of € 1,000.00; they are bearer securities, issued in dematerialised form and deposited with Monte Titoli S.p.A.

The securities issued are neither rated nor listed or admitted for trading on any regulated market or multilateral trading system.

In consideration, inter alia, of the originator banks' subscription of the Junior Securities, the Transaction does not provide for the accounting and prudential deconsolidation of the securitised loans.

With reference to Cassa di Risparmio di Orvieto, the receivables securitisation transactions are identified as an instrument to diversify financing sources to meet funding requirements or as a suitable instrument to transfer credit risk to third parties (so-called derisking).

Details of the transactions carried out by CRO are provided below.

### 2017 Popolare Bari RMBS S.r.l.

On 7 July 2017, Cassa di Risparmio di Orvieto, together with BdM Banca (at the time Banca Popolare di Bari, 'BP Bari'), finalised a multi-originator securitisation transaction, selling a portfolio of performing residential mortgages identified based on pre-defined criteria to constitute a 'block' under Securitisation Law 130/1999, for a principal amount of loans equal to € 728.3 million, of which € 601.7 million deriving from BdM Banca and € 126.6 million from Cassa.

Vehicle Company	2017 Popolare Bari RMBS S.r.l.
Type of transaction	Traditional
Originator	BDM Banca - Cassa di Risparmio di Orvieto
Servicer	BDM Banca
Arranger	J.P. Morgan
Computation Agent	Securitisation Services S.p.A.
Corporate Servicer	Securitisation Services S.p.A.
Type of assets securitised	RMBS - Residential Mortgages
Quality of securitised assets	Performing
Date of origination	07/07/17
Portfolio sale price	728,304,805 euro
- of which Originator BDM Banca	601,660,921 euro
- of which Originator Cassa di Risparmio di Orvieto	126,643,884 euro
Rating agencies	DBRS Ratings Limited / Moody's

Against the assigned receivables as well as the creation of a liquidity reserve and a *retention amount* of € 3,423,000 pertaining to the Cassa, the Special Purpose Vehicle '2017 Popolare Bari RMBS S.r.l.' issued four distinct classes of *Asset-Backed Securities* (ABS), one senior (A), one *mezzanine* (B) and two *juniors* (J1 and J2), for a total amount of € 747,990,000.

DBRS Rating Limited and Moody's rated the Senior and Mezzanine classes.

On 2 October 2017, the *two originator banks sold the Senior Note to third-party investors at a unit price of 99.16 for a total counter value of € 592,193 thousand against a nominal value of € 597,210 thousand. In proportion to the value of the portfolio sold, Cassa collected € 102,711 thousand (net of commissions and legal expenses). In comparison, the remainder (€ 487,961 thousand) was collected by the other originator, BdM Banca, to the extent of its entitlement.*

(Amounts in € /thousand)

Security	Class	Stock Exchange	Rate/Spread	Rating DBRS/Moody's	Final redemption date	Nominal value issued	Residual value at year-end	Subscriber
A	Senior	Irish Stock Exchange	3 Months Euribor/0.4	AAH/Aa3	30/04/58	597,21 566,46 30,75	98,487 93,416 5,071	of which: <i>Third-party investors</i> <i>BDM Banca</i>
B	Mezzanine	Irish Stock Exchange	3 Months Euribor/0,6	AAL/A1	30/04/58	58,264 48,133 10,131	58,264 48,133 10,131	of which: <i>BDM Banca</i> <i>Cassa di Risparmio di Orvieto</i>
J1	Junior	n.q.	Variable Return	not rated	30/04/58	76,428	76,428	BDM Banca
J2	Junior	n.q.	Variable Return	not rated	30/04/58	16,088	16,088	Cassa di Risparmio di Orvieto
<b>Total</b>						<b>747,99</b>	<b>249,267</b>	

The structure of the transaction is such that the substantial risk of the underlying loans is not transferred to third parties, and, therefore, the IFRS 9 prerequisites for the *derecognition* of loans from the balance sheet are not met. In substance, Cassa did not make an outright sale of the assigned loan portfolio but, in fact, received a loan from the SPV. Consequently, in the Cassa's balance sheet:

- the receivables subject to the transaction continue to be recorded in the relevant technical form of the assets;
- the consideration received by the SPV as a result of the placement of the *Senior tranche* with third parties has been recognised as a balancing entry in the financial liability recognised against the SPV in respect of the loan received;
- the interest relating to the assigned receivables continues to be recognised net of the interest associated with the liability recognised against the Special Purpose Vehicle.

Cassa di Risparmio di Orvieto, as *Servicer*, continues to manage collections on the assigned portfolio and directly maintain customer relations, transferring daily collections of principal and interest to the *Collection Account* with the custodian bank. The Cassa's central structures are then responsible for continuously tracking the cash flows from the securitised assets, constantly monitoring their collection and managing the recovery procedures for non-performing loans other than non-performing loans. Under the *Servicing Agreement*, the activity relating to the recovery policies for non-performing positions was instead assigned to BDM Banca as *Master Servicer*.

Periodically, the *Servicer* provides the Special Purpose Vehicle (as well as the other counterparties defined in the *Servicing Agreements*) with information on the activity performed through the preparation of the *Servicer's Report*, which highlights, in particular, the collection and realisation activities of the assigned receivables, the amount of the impaired positions, the overdue instalments, etc.

By its very nature, the securitisation transaction, having as its object *performing* mortgage and unsecured loans securitised based on the provisions of Law 130/1999, did not entail a change in the credit risk of the assigned portfolio.

At the balance sheet date, the economic result of the outstanding positions towards the securitisation transaction amounted to € 2,252 thousand.

## C - TRANSFER TRANSACTIONS

### C.3 - Financial assets sold and not fully derecognised

This section provides qualitative and quantitative information on transactions involving the sale of impaired loans to a mutual fund with the simultaneous subscription of units issued by the fund.

The objective of the instrument of the sale of loans to mutual funds is to entrust the management of the bank's exposures, classified as 'NPLs', to specialised and independent professional operators (represented by asset management companies, the 'AMCs'), which should allow for more effective management and valuation of the impaired loans, while improving the indicators relating to the assignor's credit quality. The strategies pursued by the AMC managing the fund, in fact, focus on management levers such as, for example, the conversion of loans into equity, corporate restructuring solutions aimed at safeguarding the value of companies through industrial partnerships, as well as the contribution of new finance by third-party investors aimed at relaunching companies through instruments that allow a higher priority in repayment than the financial debt already in place.

#### *Derisking of NPLs at the Keystone Fund*

In the context of Mediocredito Centrale and Cassa di Risparmio di Orvieto, financial assets include those related to repurchase agreements, shown among the amounts due to banks and carried out intending to acquire short-term funding by offering securities as collateral.

At the Mediocredito Centrale level, the derisking of NPLs to the Keystone Fund was also completed. In particular, in December 2023, a derisking transaction of impaired loans, classified as non-performing and probable default, was finalised, with a total GBV, at the reference date of 30 June 2023, of approximately € 16.3 million for MCC and approximately € 6.1 million for CRO. The transaction took place through the contribution of the impaired loans to the 'Keystone' Fund, with the transfer price amounting to approximately € 8.7 million for MCC and approximately € 2.7 million for CRO, being offset against the subscription price, of the same amount, of the transferee Fund's shares.

Taking into account the total value adjustments on the transferred NPLs, as of the reference date of 30 June 2023, as well as a fair value adjustment in the estimate of the carrying value of the Fund at the date of initial recognition of approximately € -0,9 million for MCC and approximately € -0.3 million for CRO, the derisking transaction resulted in the recognition of a positive economic effect of approximately € 3.3 million for MCC and approximately 864 for CRO in item 100 a) of the 'Gains (losses) on disposal or repurchase of (a) financial assets measured at amortised cost'.

The Keystone Fund is a closed-end mutual fund under Italian law, falling within the category of FIAs (Alternative Investment Funds) reserved for professional investors. It was established and managed by Kryalos SGR S.p.A.

The Fund's management policies focus on maximising the recovery rate of loans and, more generally, the value of the assets within the Fund's perimeter.

The Fund's Regulation governs the structure and investment activities carried out by the Fund in terms of governance. In this latter respect, the body responsible for the management of the Fund and the performance of investment activities is the Board of Directors, which is assisted by the Advisory Committee, which may only express a binding opinion to the Board of Directors in case of approval of any investment, divestment, contract or other act in conflict of interest, even potential, between related parties and with other funds managed by the AMC. There is also a third decision-making body, namely the Fund's General Meeting, in which all unitholders of the Fund's Sub-funds participate.

From an accounting point of view, in accordance with the provisions of accounting standard IFRS 9, the derisking transaction entailed the derecognition of the receivables assigned as a balancing entry to the Keystone Fund's allocated shares since Mediocredito Centrale and CRO substantially transferred all the risks and rewards deriving from the ownership of the assets being sold and, in

addition, did not retain any power over the management of the Fund itself, which Kryalos SGR S.p.A. assumed.

The units received from the Keystone Fund against the transferred NPLs were recorded under item 20(c) of Assets S.P. 'Financial assets measured at fair value through profit or loss - other financial assets mandatorily measured at fair value', with a fair value, as at 31 December 2023, of approximately € 10.2 million.

(Amounts in € /million)

<b>Transferor</b>	<b>Mediocredito Centrale S.p.A.</b>
Buyer Investment Fund:	Keystone Fund
AMC managing the Investment Fund:	KRYALOS SGR S.p.A.
Month of sale:	December 2023
Assets sold:	Financing to enterprises
Quality of assets sold:	Non-performing and Probable Defaults
GBV of assets sold (in million €):	16.3
NBV of assets sold (in million €):	5.4
Price of assets sold	8.7
Fund shares allocated:	
- ISIN	IT0005474462
- No. of units allocated for subscription	8,703,441
- Book value of units at subscription	7.8
- No. of quotas remaining at year-end	8,703,441
- Balance sheet value of units at year-end	7.8

<b>Transferor</b>	<b>Cassa di Risparmio di Orvieto SpA</b>
Buyer Investment Fund:	Keystone Fund
AMC managing the Investment Fund:	KRYALOS SGR S.p.A.
Month of sale:	December 2023
Assets sold:	Financing to enterprises
Quality of assets sold:	Non-performing loans
GBV of assets sold (in million €):	6.1
NBV of assets sold (in million €):	1.6
Price of assets sold	2.7
Fund shares allocated:	
- ISIN	IT0005474462
- No. of units allocated for subscription	2,722,544
- Book value of units at subscription	2.4
- No. of quotas remaining at year-end	2,722,544
- Balance sheet value of units at year-end	2.4



## SECTION 3 - INFORMATION ON RISKS AND RELATED HEDGING POLICIES

In relation to the Group's specific operations and reference markets, the following risks were identified during the analysis phase:

- credit risk
- market risk
- operational risk
- concentration risk
- counterparty risk
- interest rate risk
- liquidity risk
- strategic risk
- reputational risk
- property risk

The risks under analysis have been classified into the following categories:

- quantifiable risks (against which it is possible to determine a prudential capital requirement and/or internal capital);
- assessable risks (for which no quantification is possible).

The risks listed above were then subjected to materiality analysis, excluding liquidity risk and real estate risk, which were deemed immaterial in relation to the current *asset allocation* and the scope of regulatory capital.

Quantifiable risks include credit risk, counterparty risk, market risk, operational risk, concentration risk and interest rate risk on the investment portfolio. Measurable risks include reputational risk and strategic risk.

The materiality analysis made it possible to define the positioning of Invitalia and its subsidiaries in terms of potential exposure to these risks.

At the end of this analysis, it was concluded that the risk levels to which Invitalia's group companies are subject, with reference to the organisational controls in place, determined a limited level of risk, possibly to be monitored and improved with minor corrective actions.

### 3.1. CREDIT RISK

#### ***Qualitative disclosures***

##### **1. General aspects**

Credit risk has been defined by the Invitalia Group as the risk of incurring losses due to the unexpected worsening of the creditworthiness of a customer to whom financing has been granted, including as a result of contractual defaults. Credit risk is also related to the risk of incurring losses, following the provision of services and/or consultancy and the acquisition of equity investments not classified in the trading portfolio, due to counterparty default.

Lending activities are carried out as part of *merchant banking* and the management of facilitation or concessionary laws. The former hinges on the logic of *Equity Investment*, where the repayment capacity and the size of the financing granted emerge from the preliminary investigation that precedes the overall intervention.

By their very nature, interventions using funds provided for by law or as part of the management of concessionary laws do not determine financial and economic effects on the Company, with the exception of certain lines of business of reduced importance.

Moreover, with particular reference to Mediocredito Centrale and Cassa di Risparmio di Orvieto, the development lines of lending activities and risk-taking strategies are defined by the company's top

management and periodically submitted to the Board of Directors for approval, during the annual budget session and when risk policies and the associated system of limits are examined.

Credit decisions are based, in any case, on risk detection systems such as counterparty rating together with Probability of Default (PD) and Loss Given Default (LGD) and take into account, in addition, the need to ensure an adequate level of credit fractioning. Credit decisions are made, in fact, on the basis of an expert-based approach together with automated evaluation systems (scoring/rating). In addition, the analysis of the risk profile of counterparties and Connected Client Groups, the sustainability and nature of the risks is also conducted in compliance with the recent principles expressed by the regulations on the subject, including the recent innovations introduced by the EBA 'Guidelines on Loan Origination and Monitoring (EBA/GL/2020/06)' published on 29 May 2020 and in force from 30/06/2021. Risk is monitored on the main determinants of risk, identified through the system of limits, defined and structured in a manner consistent with the actual evolution of operations and subject to regular review, as established in the Risk Management Process, contained within the Risk Control Function Regulations.

Mediocredito Centrale's main credit exposures are mainly attributable to risk to banks, risk to customers (companies and other public and private entities, in accordance with the principle of prevalence) and other risks; as far as Cassa di Risparmio di Orvieto is concerned, loans are generally disbursed primarily to households (producers and consumers) and small and medium-sized enterprises.

### **Impacts arising from the Russia-Ukraine conflict**

Group companies have no significant direct exposure to countries involved in the Russia-Ukraine conflict.

With reference to the subsidiaries Mediocredito Centrale and Cassa di Risparmio di Orvieto (hereinafter also referred to as the 'Group Banks'), as far as asset quality is concerned, since the beginning of the conflict, supervision has been increased through mechanisms of segmentation of customers and relative risk levels in relation to the greater exposure in the sectors directly most affected or most exposed to geopolitical risks or impacted by the increase in commodity prices. From an operational point of view, following developments in the sanctions framework, the Group Banks adopted a restrictive approach to operations involving Russia, Belarus and Ukraine, and the restrictive measures enacted by the relevant authorities were applied.

In this context, the Group Banks carried out an assessment of the potential impacts on the credit portfolio, defining a methodological approach that, in consideration of the continuation of the conflict and the trend of the economic situation, was subject to subsequent refinements and led to the adoption of measures aimed at proactive management of potential risks and management overlays.

In particular, as early as the 2022 financial year, following an initial mapping of the business sectors potentially subject to the most significant - direct or indirect - repercussions of the conflict, single-name screenings were conducted in order to evolve the 'massive' logic (based on sector analysis) and support it with the more analytical one of counterparty analysis, with the aim of identifying counterparties with significant relations with the countries involved in the Russia, Belarus and Ukraine crisis or those that, indirectly, could be affected by the geopolitical crisis as they operate in sectors that are sensitive to changes in commodity prices influenced by the geopolitical crisis, with a potential impact on supply capacity, turnover and market positioning.

Given the continuation of the conflict and the trend of the economic situation, with the consequent extension of the potential indirect effects, with a view to healthy and prudent risk management, the Group evaluated the opportunity of integrating the evidence that emerged through the progressive extension of the perimeter of counterparties to be subjected to single-name screening, which included, on the one hand, 'gas-guzzling' companies, identified on the basis of the NACE codes defined in the framework of the state aid provided for in the Decree of 21/12/2021 of the Ministry of Ecological Transition and, on the other hand, 'energy-intensive' companies, pursuant to the list of names published for 2022 by Cassa per i Servizi Energetici e Ambientali.

Given that inter-relationships with risky countries or sectors affect the creditworthiness profile of counterparties, from the earliest stages of the conflict, operational indications were provided aimed at prudent risk assumption and management. In this regard, both when granting new credit facilities and when reviewing and/or managing existing exposures, supervision and attention were intensified on counterparties with possible interrelationships with countries or sectors at risk due to the geopolitical situation. The main interventions to mitigate potential risks concerned:

- when granting new loans or reviewing and/or managing existing exposures, the competent functions have intensified their attention to companies that may have inter-relationships with risky countries or sectors, given that these aspects affect the creditworthiness profile at the time of granting - for product sectors with a potentially greater impact - credit analyses are supported by specific questionnaires submitted to customers and an explicit statement is requested as to the existence or otherwise of risk factors relating to the impacts of the current conflict the portfolio clustering drivers defined to intercept potential areas of ongoing conflict impact, as well as the results of the single-name assessment carried out, have been progressively incorporated into the monitoring process of the Group's banks, factoring them into the Level I and II control processes starting in the second quarter of 2022 and also during 2023;
- for the counterparties that, as a result of the sensitivity analysis (as described below), were placed in the highest risk range, the management guidelines were confirmed - with proactive management by the owner functions, depending on the level of vulnerability, of monthly monitoring activities, or quarterly monitoring with support also from the relationship managers - and management overlays were confirmed for the purposes of determining provisioning.

Without prejudice to the operational guidelines that were already introduced in 2022, with the aim of adopting instruments for the prudent assumption and management of risks, both when granting new credit facilities and when reviewing and/or managing existing exposures, the single-name screenings conducted allowed the process of intercepting the perimeter of counterparties potentially at risk to be further directed.

In particular, the qualitative-quantitative analyses conducted as part of the sensitivity analysis mentioned above concerned a perimeter of counterparties intercepted according to the following criteria:

- counterparties with significant relations with the countries involved in the crisis or which, indirectly, could be affected by the geopolitical crisis insofar as they operate in sectors that are sensitive to changes in commodity prices, as identified by the single-name assessment activity;
- additional counterparties, intercepted within the sectoral clustering, selected on the basis of objective criteria (ticket, risk type, counterparty positioning, etc.);
- 'energy-intensive' and 'gas-intensive' companies, selected on the basis of forward-looking risk indicators as expressed by scoring systems provided by external providers.

## 2. Credit risk management policies

### 2.1 Organisational aspects

The structure of the delegated powers and, on the whole, inspired by the containment of the level of risk concentration, both in quantitative and economic-sector terms. Credit lines are granted in compliance with the delegated powers resolved by the Board of Directors of the individual Group companies and attributed to the business units involved in the assessment processes that precede the granting of credit.

With reference to the Banks of the Group, during 2023, Mediocredito Centrale, in line with the regulatory framework, carried out the evolutionary interventions aimed at ensuring a common approach for MCC and CRO with regard to methodological *frameworks*, process aspects and the implementation of supporting tools, and related standards and operating manuals, in order to complete the highest framework of principles, rules and criteria through which the Group intends to assume and monitor, among others, credit risk.

Similarly, initiatives have been carried out to strengthen and optimise credit disbursement, monitoring and management processes in compliance with the principles expressed by the regulations on the subject, including the innovations introduced by the EBA '*Guidelines on Loan Origination and Monitoring (EBA/GL/2020/06)*' published on 29 May 2020 and in force from 30/06/2021. The Banks of the Group adopt the criteria issued in the 'Group Policy on the Classification and Valuation of Loans', which provides a uniform and harmonised discipline, defining the requirements for the classification and valuation of loans, consistent with the sector regulations issued by the Bank of Italy, the European Commission and the EBA. In this context, the Group has incorporated the most recent regulatory updates on the subject, such as those relating to the so-called '*New Definition of Default*' (governed by EU Regulation 575/2013 and related EBA Interpretation Guidelines), and adjusted the guidelines in line with the provisions of European Regulation 575/2013, so-called CRR, as amended by European Regulation 630/2019.

In compliance with sound and prudent management - in line with the sector regulations issued by the Bank of Italy, the European Commission and the EBA - the guidelines of the Group Banks mark the guidelines of the credit model, the main innovations of which concerned first of all the definition of a homogeneous model of decision-making autonomously according to a risk-based approach, which takes into account, in addition to the type of transaction and the related guarantee, the risk profile of the counterparty and the associated credit strategy. In addition, common rules have been refined to manage risks with single-name counterparties and/or Groups of Connected Clients with larger credit exposures, as well as credit risk-sharing mechanisms.

In addition, the policies on the subject have outlined a new credit management and monitoring framework which envisages, first of all, the adoption of a model aimed at intensifying proactive and preventive management measures to prevent the deterioration of credits thanks to the constant monitoring and intervention on the outstanding portfolio by the Relationship Manager, in agreement with the Proactive Performing Credit Manager. The aforementioned framework aims at enhancing risk governance through the introduction of a specific oversight within the scope of first-level controls on the Group's banks, in addition to the definition of rules and escalation mechanisms that can be activated to direct timely corrective actions to resolve any critical issues encountered.

In order to make the non-performing management activity more timely and effective, specific controls have been envisaged according to differentiated approaches of credit management: one for managing NPE credit on a continuing basis, aimed at recovering the relationship, containing its deterioration and pursuing the counterparty's return to performing status; the other for managing credit recovery, which is based on a gone concern approach to counterparty assessment, with the aim of maximising the recovery of the exposure.

The management policies used by the Group's banks are outlined below.

Firstly, in order to ensure adequate levels of control, guidelines have been defined, and safeguards

and tools have been put in place to manage risks to single-name counterparties and/or Groups of Connected Clients that have more significant credit exposure. As part of the process of granting credit facilities, the introduction of specific coordination points of a managerial nature is aimed at guaranteeing an integrated approach to maintaining adequate levels of exposure, with a view to *cross-selling* and product *mix*.

In addition, in 2023, the regulatory *compliance* project started in 2021 continued, which envisages the adaptation and implementation of existing processes from a LO&M perspective, first and foremost with regard to the operational structuring and formalised representation of the lending/assessment processes, the evolution of analysis methodologies carried out from a *forward-looking* perspective (prospective and scenario valuation) and the integration or modification of valuation metrics. In order to ensure adequate levels consistent with supervisory expectations and the internal regulations of the Group's banks, projects were launched to evolve the tools at all companies intended to monitor credit risk according to a 'proactive' approach (i.e. *Early Warning* system, guarantee monitoring, etc.).

The intensive programme of interventions pursues the value-oriented approach adopted by the Group's banks, which integrates information from the analysis of the risk and return of the loan portfolio with information on the forecasts of the evolution of the risk itself and of loans. To this end, the *scoring/rating* models are integrated with an *expert-based* approach through which individual risk assumptions are analysed on the basis of various factors, including the correctness of the purposes, the adequacy and time compatibility of the flows generated for debt repayment, and the riskiness of the structure. Where collateral is used, in a complementary and accessory perspective, these are also analysed and evaluated. Operational monitoring of the credit relationship with customers is carried out by the corresponding operational functions in accordance with specific company regulations: they establish an effective and timely interaction with the customers entrusted as soon as the first symptoms of difficulty appear, such as late payment of amortisation instalments or requests for contractual waivers.

In this regard, it should be noted that the organisational structure of Mediocredito Centrale and Cassa di Risparmio di Orvieto relating to credit risk management ensures a clear separation between *business* functions, which originate and propose new credit facilities, and functions that assess the risk profile.

In the last months of 2023, Mediocredito Centrale and Cassa di Risparmio d'Orvieto have enhanced ESG elements in their Environmental Credit Policies: in line with the developments of the ESG Implementation Plan, they have identified and selected, on the basis of indications coming from regulators and on the basis of proprietary assessments, a set of sectors considered critical from an environmental point of view with respect to which to take a more prudent, if not restrictive, approach in relation to the granting of credit. Upon completion of further planned project activities, Group banks will proceed to define the evolutionary lines for the integration of C&E risk factors in credit policies at the counterparty level. In view of the potential negative effects of climate change on credit risk, management overlays equal to a 5% provisioning add-on have been applied for counterparties belonging to an economic sector deemed to be at high climate or environmental risk.

Recalling that, during 2022, specific organisational safeguards were created in the MCC credit structure, both consistent with the target operating model being adopted by the Group Banks and with its own governance functions, coordination mechanisms were strengthened, and first-level operational control mechanisms were progressively launched. Nonetheless, in the Group Banks, changes have been made to the organisational structure of the credit area structures, establishing both credit governance functions and redesigning the structure in order to prevent potential conflicts of interest and strengthen credit control with a view to proactive management.

## 2.2 Management, measurement and control systems

**Invitalia** and the Group's companies not operating in the banking sector are not subject to capital requirements for risk management and, in addition, a large part of credit activity is carried out through the use of third-party funds and therefore without the involvement of company assets.

Consequently, the Invitalia Group does not need to make estimates in terms of prospective internal capital or stress tests for the aforementioned risk.

However, with regard to **Mediocredito Centrale and Cassa di Risparmio di Orvieto**, in the context of credit risk control and measurement activities, Bank of Italy Circular 285 structures the control activities as shown below:

- Level I controls;
- Level II controls;
- Level III Controls.

The **Level I controls** in the credit field, consistent with the 'Group's policy on monitoring *performing* and *non-performing credit*', are carried out by a specific Mediocredito Centrale credit risk management function - also by virtue of strengthened coordination mechanisms and flows with the counterpart function of Cassa di Risparmio di Orvieto - which is responsible for intercepting any critical issues and activating escalation mechanisms on the *owner* functions of credit processes in order to implement timely corrective actions for resolution.

Specifically, in addition to monitoring the performance of Major Risks, Shared Customers and Connected Customer Groups, the above-mentioned function is responsible for first-level control activities on the process of granting and managing *performing* and *non-performing* credit and related guarantees, including:

- analyses aimed at identifying any qualitative/quantitative deviations from credit granting policies;
- monitoring of the correct and timely operational management of credit;
- control of the effectiveness of the classification and granting process of *Forbearance* measures, including supervision of the credit exposure evaluation process;
- control of the activities relating to the management of guarantees and related intervention in *owner* functions for the purpose of maintaining and enhancing their value.

According to the new model adopted, if the function *owner* of Mediocredito Centrale's monitoring activities, during the execution of Level I checks carried out on the credit exposures of its and Cassa di Risparmio di Orvieto's portfolios, detects elements that do not comply with the defined logic, it may activate corrective actions, direct resolution actions by the functions responsible for managing the cases identified from time to time, or directly carry out activities according to escalation criteria.

Moreover, the corporate figures having contact with customers (*Relationship Managers* or *Customer Managers*) and the corporate functions in charge of assessing the related credit, also with the support of IT tools used at all stages of the relationship with the customer, oversee the risk identification, measurement and operational monitoring stages, both at *origination* and subsequent management. In particular, reference is made to the rules deriving from credit *policies*, rating systems, and all other sources of information that make it possible to assess and keep under control, both at the time of granting and subsequent monitoring and management, the quality of credit. From a regulatory point of view, the estimate of capital absorption for credit risk is prepared using the standardised method provided for by the Prudential Supervisory Instructions, with reference both to the treatment of exposures and to any guarantees that accompany them.

Within the same *framework*, the Risk Control Function is entrusted with the task of carrying out, at central and peripheral level, the verification of the correct performance monitoring of individual exposures, in particular of *non-performing* exposures, and the assessment of the consistency of classifications, the adequacy of provisions and the adequacy of the recovery process.

In order to achieve this objective, regulations concerning these aspects were drafted and issued, specifically, the 'Group Policy on Level II controls on the loan portfolio' and the related Methodological Manuals, which outlined the Group *framework* for carrying out these activities.

In particular, the Policy describes the set of governance devices and management and control mechanisms adopted by Mediocredito Centrale and Cassa di Risparmio di Orvieto in order to allow the proper performance of Level II controls on the loan portfolio by the Risk Control Function, both at central and peripheral level. Within the Policy are formally and organically defined:

- roles and responsibilities of the Corporate Bodies and Functions involved in the process of Level II controls;
- general principles and criteria of Level II controls, i.e. the scope and nature of the controls;
- phases characterising the control process, including the escalation phase.

The scope of the control activities includes the exposures present in the loan portfolios of Mediocredito Centrale and Cassa di Risparmio di Orvieto, relating to the various customer segments and product types. Level II controls defined in the Policy on Level II Controls are carried out by the Risk Control Function of Mediocredito Centrale and Cassa di Risparmio di Orvieto and are divided into the following areas: controls on the granting phase, verification of the correct performance of trend monitoring, verification of the correct classification of exposures, controls on the management of guarantees, assessment of the adequacy of provisions, and assessment of the adequacy of the recovery process.

The purpose of **Level II controls** is to ascertain, on a periodic basis, that the performance monitoring of individual loan positions takes place on a regular basis, in compliance with internal procedures, and that the procedures themselves are effective and reliable, with reference to the ability to promptly report the emergence of anomalies, as well as to ensure the adequacy of value adjustments. In addition, the controls carried out aim to ascertain that the internal procedures are complied with and, at the same time, that they are suitable for guaranteeing efficient and effective credit management. This is also in order to contribute, over time, to the progressive increase in the degree of reliability of the procedures used and their ability to guarantee the timely identification and classification of anomalous positions, as well as the correct estimation of the degree of coverage associated with them. The macro-types of Level II controls, which make up the framework, are as follows:

- massive analyses: controls applied to the credit portfolio as a whole or to relevant subsets thereof, which make it possible to highlight elements of a potential anomaly in the portfolio under analysis in terms of *misclassification* or *provisioning* deficits;
- analytical checks on a sample basis: analytical checks of individual credit exposures appropriately selected on a sample basis, conducted through specific assessments based on the overall information available on the individual exposure, the associated collaterals and the counterparty, including its current and prospective risk profile. In addition to the substantial verification phase concerning the consistency of the classification, the adequacy of the provisions and the adequacy of the credit recovery process, it is envisaged - for selected positions of the non-performing portfolio - to verify the presence of updated collateral values the recording in the automatic procedures of all the information necessary for the valuation of the receivables, the traceability of the recovery process, and estimates of recovery times.

The results of the control activities carried out are shared with the owner functions in the credit area, as part of *feedbacking*; the latter provides its own feedback on the matter. In the event of a discrepancy, an escalation process is activated to ensure resolution and to remedy any anomalies found during the control phase.

The results of the control activities, the related follow-ups and the escalation process are reported to the Board of Directors, the Managing Director, the Internal Control and Risk Committee and the Board of Auditors.

Credit risk monitoring activities include the verification of both compliance with the concentration

limits established by the Bank of Italy ('Large Exposures'<sup>6</sup> and 'risk activities towards related parties' regulations<sup>7</sup>) and with the general guidelines established as part of credit activity planning. As regards concentration risk, Mediocredito Centrale and Cassa di Risparmio di Orvieto monitor the level of concentration of exposures with reference to the component:

- single borrower (so-called '*single name*'): through the methodology called *Granularity Adjustment* (GA) provided for by the prudential supervisory regulations<sup>8</sup>;
- geosectoral: through methodologies based on practices adopted by the prevalence of the banking system and shared with the Supervisory Authority.

In particular, the commercial and control structures monitor in detail, according to specific needs, branches and sectors of economic activity for which economic trends characterised by even only potential and/or temporary critical issues have emerged.

Mediocredito Centrale's risk control function periodically conducts targeted analyses aimed at monitoring the sectoral performance of Mediocredito Centrale's and Cassa di Risparmio di Orvieto's loan portfolio, also from a *forward-looking* perspective, with the aim of intercepting potential areas of emerging risk, using the sectoral composition of the portfolio as a *driver*, further broken down on the basis of information inferable from the *scoring* service, provided by an external *provider*, representative of prospective risk over a medium-term horizon (3 years). Moreover, as part of the Credit Policies, in accordance with the regulations on Large Exposures, in compliance with parameters compatible with the business plan, the RAF and the maintenance of balanced and sustainable limits for capital size, internal limits of permitted exposure were defined according to the *rating* of the counterparty, consistent with a strategy of growth in lending to selected customer sectors. The management of credit risk is carried out following a *forward-looking* perspective, for the implementation of which, among other things, *stress tests* are used in order to assess its vulnerability to exceptional but plausible events, attributable to specific hypotheses inherent to individual economic/financial variables (sensitivity analysis) or to joint movements of a set of variables in the event of adverse scenarios (scenario analysis). In this regard Mediocredito Centrale and Cassa di Risparmio di Orvieto have a specific policy governing the definition of macroeconomic scenarios to support Risk Governance processes and, more generally, risk management processes.

In drawing up macroeconomic scenarios under ordinary and adverse market conditions, Mediocredito Centrale can make use of forecasts formulated by recognised external sources, suitably integrated with internal assumptions in order to better capture Mediocredito Centrale's vulnerabilities (e.g. attributable to its *business model*), in order to conduct *stress tests* consistent with the current market scenario and its possible evolutions.

In this regard, as part of the ICAAP and ILAAP processes, in line with the indications provided by the Supervisory Authority in the specific communication on 'ICAAP/ILAAP requirements for the start of the SREP 2023 cycle', stress scenarios were developed, including those on credit risk, consistent with those formulated as part of the EU-wide stress test EBA 2023.

With reference to counterparty risk, within the scope of the standardised methodology, the definition of credit equivalents is estimated using the current value method provided for by the prudential supervisory regulations. In addition, with reference to derivative instruments, an additional capital requirement is calculated against the risk of unexpected losses generated by fluctuations in *fair value* arising from changes in the creditworthiness of counterparties (*Credit Value Adjustment - CVA*) if not collateralised.

In the last quarter of 2023, Mediocredito Centrale began discussions with a leading consulting firm in order to obtain forecasts on macroeconomic scenarios, with a specific focus on ESG issues.

<sup>6</sup> Part Two, Chapter 10, Bank of Italy Circular 285/2013 and Articles 387 et seq. of EU Regulation 575/2013.

<sup>7</sup> Part Two, Chapter 10, Bank of Italy Circular 285/2013 and Articles 387 et seq. of EU Regulation 575/2013.

<sup>8</sup> Bank of Italy Circular 285 Part One - TITLE III - Chapter 1 - Annex B.



## 2.3 Expected loss measurement methods

With regard to the *impairment* model adopted by the **Invitalia Group**, with the exception of Mediocredito Centrale and Cassa di Risparmio di Orvieto, the Impairment assessment measures the extent of the adjustments on the positions subject to Impairment, dependent on the deterioration of creditworthiness after the initial recognition of the financial asset and at the various balance sheet dates until the maturity of the relationship itself.

According to IFRS 9, the measurement of expected losses on the performing portfolio (Stage 1 and Stage 2) falling within the scope of the Impairment calculation must consider cash shortfalls, default probabilities and the time value of money. The evaluation of the expected loss may take place over different time horizons depending on the evolution registered for the creditworthiness associated with the position and therefore depending on the Stage of allocation:

- 12-month expected losses for transactions allocated in Stage 1: these are the losses resulting from possible default events that may occur over a 12-month time horizon from the reporting date;
- lifetime expected losses for Stage 2 allocated transactions: are the losses resulting from all possible default events that may occur over the expected remaining life of the financial instrument.

The expected lifetime loss is defined as the sum of losses resulting from default events that may affect the credit relationship or financial instrument over a multi-period time horizon (spanning its entire remaining life).

Following the Standard's guidance, once the instruments have been classified into different stages, if the transaction has been classified into Stage 1, the expected loss assessment using the formula described above will be limited to the annual time horizon; for relationships allocated to Stage 2, on the other hand, the expected loss assessment using the formula described above will be carried out considering the entire residual (lifetime) life of the instrument.

Set out below are the ways in which the various parameters and elements that enter into the formula for calculating the expected loss depicted and described above are estimated and defined.

### ***Multi-period PD estimation on the loan portfolio***

For the construction of the lifetime PD curves required for the assessment of the IFRS 9 provision on the loan portfolio, system decay rates (TD) extracted from the Bank of Italy's public database are used. In order to consistently reconcile the decay rates extracted from the database with Invitalia's loan portfolio, a segmentation of the Group's portfolio was performed based on the institutional sectors defined by the Bank of Italy. These segments are as follows:

- Public administrations;
- Producer families;
- Non-profit institutions;
- Financial companies other than monetary financial institutions;
- Non-financial companies.

The decision to use external information was made with a view to prudence and to ensure the methodological soundness of the results. In particular, Invitalia investigated a possible methodology for estimating PD curves based on internal group data:

- PD curves estimated on internal data have a particularly improving effect on the ECL, and it is considered that the application of these values is not conservative;
- The sample used to estimate PD curves has a limited size and number of observations over time, and does not lead to statistically robust results. The low sample size also does not allow the production of PD curves differentiated according to the institutional sector of the counterparty.

TDs are extracted from the Bank of Italy's public Infostat platform by selecting TRI30486 - 'Quarterly flow of new adjusted non-performing loans/adjusted non-performing loans previous quarter - by

customer sector and size class of global exposure used'. The filters to be set are:

- Economic phenomenon: Quarterly loan decay rate - adjusted non-performing loans (T): used;
- Institutional sector of the counterparty: all the above segments;
- Size class of global exposure used: Total size classes including 0;
- Reporting entity: Entities reported to the risk centre - 3691030.

For each defined cluster, the time series of Decay Rates (TD) is downloaded. These TDs are observed quarterly and estimated over a time horizon between the years 2021 and 2023. The decision to use a 3-year time horizon is motivated by the desire to produce a risk parameter that is Point in Time as required by IFRS 9.

In order to estimate a lifetime PD curve, the cumulative TDs obtained as described above are interpolated and projected on a multi-period horizon using the Weibull distribution function as a fitting curve. The rationale behind the choice of interpolating the observed system TDs via the Weibull distribution function lies in the fact that the default of a credit or financial instrument can be interpreted as a survival process. Weibull is one of the most widely used distribution functions in best practice for these purposes.

Once the curve of cumulative PDs (CPD) has been defined, the marginal PDs (mPDs) to be applied at the reporting date for the purposes of calculating the ECL are identified for each segment based on the differences in cumulative PDs obtained since the valuation reference period.

IFRS 9 requires that expected credit losses be measured to reflect reasonable and demonstrable information that is available without undue cost or effort at the balance sheet date about past events, current conditions, and projected future economic conditions (Ref: IFRS9 5.5.17 (c)). In order to meet the requirements of the Standard, the multi-period PD estimates described above have been conditioned to a forward-looking perspective for the calculation of expected loss.

- In order to impact multi-period PD curves for the loan portfolio from a forward-looking perspective:
- Four (4) econometric models, differentiated by institutional sector of the counterparty, were estimated to predict the future evolution of lapse rates as a function of different macroeconomic variables (i.e. Satellite Models);

Different decay rate forecasts for macroeconomic scenarios with different severity levels were considered.

Specifically, in compliance with the requirements of the Standard, for which the expected loss must be a weighted average of the values relative to at least two alternative scenarios with weights proportional to their respective probabilities of occurrence (Ref. IFRS9 B5.5.42), the EBA projections adopted for the 2023 Stress Test exercises of the main macroeconomic variables in the two Baseline and Adverse scenarios were considered.

The Satellite Model's forecasts for the evolution of decay rates in the two alternative scenarios are for the years between 31/12/2023 and 31/12/2025. This choice is motivated by:

- The availability of EBA projections in the Baseline and Adverse scenarios limited to the years, 2024 and 2025;
- The decrease in the prediction accuracy of the Satellite Model over long-time horizons.

The multipliers obtained from the Satellite Model forecasts are applied to the multi-period PD curves in order to impact them for forward looking<sup>2</sup>. The marginal PDs derived from the multi-period PD curves of the different segments are corrected by applying the forward-looking multipliers for the reference years.

### **Multi-period PD estimation on the securities portfolio**

For the construction of the lifetime PD curves required for the evaluation of the IFRS 9 provision one-year transition matrices obtained from the studies are used on the securities portfolio, published annually by the rating agency Moody's, on the transition to default of both government bonds and corporate exposures. The matrices used are as follows:

- 'Average 12-month rating migration rates, 1983-2022 (Exhibit 13)', publicly available from Moody's annual report 'Sovereign - Global: Sovereign default and recovery rates, 1983-2022' for tranches issued by Sovereign counterparties;
- 'Average 12-month rating migration rates, 1983-2022 (Exhibit 13)', publicly available from Moody's annual report 'Sovereign - Global: Sovereign default and recovery rates, 1983-2022' for tranches issued by corporate counterparties.

Using the migration rates between rating classes and the default rates in these matrices, the lifetime PD curves on the securities portfolio are obtained using the method of the homogeneous discrete-time Markov chains. The multi-period PD estimation methodology based on the method of homogeneous Markov chains is based on the following assumptions:

- future migrations between rating classes depend only on the current rating, not on any past ratings (conditional independence of future developments with respect to the entire past);
- the probability of migration, i.e. the probability that within one year a debtor with rating *i* will become rated *j*, are not a function of time, i.e. the transition rates, do not change with time.

For the two defined counterparty segments (Sovereign and Corporate), the discrete-time homogeneous Markov chain method is used to derive the cumulative PDs for each rating class up to the last year of residual maturity in the Group's securities portfolio.

In order to render the cumulative PDs forward looking as required by the accounting standard, the values were conditioned by applying the multipliers obtained for the loan portfolio. In particular, the marginal PD values of the securities portfolio were conditioned using the same methodology as for the loan portfolio and applying the multipliers obtained from the satellite models as follows:

- For Sovereign counterparties, the multipliers provided for the institutional sector of 'Public Administrations' were applied to the 'Sovereign' marginal PDs;
- For the counterparties Financial Companies, the multipliers provided for the institutional sector of 'Financial Companies' were applied to the marginal PDs 'Corporate';
- For the counterparties Non-financial corporations, the multipliers provided for the institutional sector of 'Non-financial corporations' were applied to the 'Corporate' marginal PDs.

For the less risky rating classes, the use of Moody's migration matrices leads to the definition of zero cumulative PD values for the first year, using the methodology outlined above. In order not to render the ECL calculated for the first year for positions belonging to these rating classes null and void, a minimum PD value of 0.03% was set. This floor was identified in accordance with the provisions of the CRR (ex Art. 160).

### **Multi-period LGD**

For both the loan and securities portfolios, in the absence of an internal estimation model and given the unavailability of internal recovery and loss rates after default, the multi-period LGD (Loss Given Default) is set equal to 45% and is assumed constant throughout the remaining life of each relationship.

The assigned multi-period LGD value was chosen on the basis of market benchmarks and is considered conservative with respect to the actual recovery and loss rate expected to occur on portfolio exposures considered in default.

## Multi-period EAD

EAD is conventionally defined as the balance sheet value of the financial asset at the valuation date.

If the asset under valuation has already been subject to an analytical write-down or for which advances have been received, the value of EAD has been calculated net of these amounts.

For instalment transactions, the EAD value is equal to the residual debt of the exposure obtained by considering a decreasing trend of the multi-period EAD over each period as a function of the cash flows characterising the amortisation schedule of each relationship.

With regard to **Mediocredito Centrale and Cassa di Risparmio di Orvieto**, following the introduction of IFRS 9, credit risk management is closely related to the recognition and measurement of expected losses.

According to the accounting standard, activities and commitments that fall within a well-defined scope<sup>9</sup> are divided into three categories (*stages*). This classification is based on transfer criteria linked to the credit quality of the item in question, which affect the way in which value adjustments are recognised, differentiated with respect to the reference time horizon and the recognition of interest income. Mediocredito Centrale and Cassa di Risparmio di Orvieto have therefore implemented instruments that, in line with the dictates of the aforementioned principle, allow them to automatically assess the significant increase in credit risk. These instruments are differentiated from the reference portfolio.

With regard to the securities portfolio, Mediocredito Centrale and Cassa di Risparmio di Orvieto use the following valuation method:

- for securities with an *investment* grade rating at the reporting date, the *low credit risk exemption* (LCRE)<sup>10</sup> is applied;
- for securities with a *speculative rating* at the *reporting* date, the trend in the counterparty's creditworthiness between the purchase/subscription date and the *reporting* date, as measured by the change in the *rating* class, is considered. The significant deterioration triggering a *stage 2* classification is identified by a deterioration of at least 2 *notches* on the *rating* scale. On the other hand, if an objective loss event (*credit event*) occurs, the exposure is classified as *stage 3*. In the absence of a significant deterioration of the position, as per the Standard, the position is classified as *stage 1*.

<sup>9</sup> The scope of interest of IFRS9 is as follows:

1. financial assets classified in the Hold to Collect portfolio and measured at amortised cost;
2. financial assets classified in the Hold to Collect and Sell portfolio and measured at Fair Value through OCI;
3. reliance commitments (no if at Fair Value Through P&L);
4. guarantees (no if at Fair Value Through P&L);
5. trade receivables.

<sup>10</sup> In application of the Low Credit Risk Exemption (LCRE), the following requirements of the Standard as representative of low credit risk may be assigned to stage 1 at the reporting date, without the need to verify the significant deterioration of creditworthiness:

1. the financial instrument has a low risk of default;
2. the debtor has a strong capacity to meet its obligations in the short term;
3. any unfavourable changes in economic conditions in the medium/long term will not necessarily reduce the debtor's ability to perform.

For the loan portfolio, these instruments use:

- information from *scoring* models, comparing valuations obtained at the *origination* date of the position with periodic updates;
- information on payment trends (exceeding 30 days past due);
- the presence of *forbearance* measures on *performing* positions;
- information from internal *early warning* systems (presence of the customer on the *watchlist*).

The information that Mediocredito Centrale and Cassa di Risparmio di Orvieto use to measure expected losses on loans classified as *stage 1* or *stage 2* is broken down as follows:

- probability of default (PD) of the customer, obtained from an external rating model; this information is subject to the adjustments dictated by the accounting standard, namely:
  - a *point-in-time* (PIT) adjustment which, on a conservative basis and given the volatility of *default* rates observed on the loan portfolio, consists of a recalibration based on the average deterioration rate observed on the proprietary portfolio;
  - a *forward-looking* correction on the first three years of the curve according to the Merton-Vasicek methodology, which takes as input the forward-looking data of default rates calculated using proprietary satellite models;
  - after the first three years, a *through-the-cycle*<sup>11</sup> calibration with a Markovian approach using a TTC matrix calculated through the historical transition matrices provided by the same provider.
- *loss given default* (LGD), obtained using observed values on the provider's own portfolio. These values are appropriately updated using, where necessary, conservatism margins and segmentation based on the type of collateral associated with the loan;
- exposure at default (EAD), differentiated between on and off balance sheet positions;
- residual life of the relationship;
- discount rate equal to the position's internal rate of return.

Impaired loans resulting from business combinations are qualified as POCI; for these loans, a credit-adjusted effective interest rate is calculated at the date of initial recognition (so-called '*credit-adjusted effective interest rate*'), for the identification of which it is necessary to include initial expected losses in the cash flow estimates. For the application of amortised cost, and the consequent calculation of interest, this credit-adjusted effective interest rate is therefore applied.

### **Evaluation of Significant Increase in Credit Risk (SICR)**

The assessment of the significant increase in credit risk is made, as indicated by IFRS 9, through quali-quantitative evaluations such as to determine a worsening of the probability of default by the counterparty.

As regards Mediocredito Centrale and Cassa di Risparmio di Orvieto, the approach adopted is based on an analytical classification principle, i.e. based on the analysis of individual positions. The staging drivers used are:

- Evaluation of the Significant Increase in Credit Risk (i.e. SICR) by measuring the change in the rating/PD at the reference date with respect to the position's origination date: if a certain rating/PD threshold is found to have been exceeded with respect to the value recorded at origination, the position is automatically classified as stage 2. Otherwise, the position is classified as stage 1. This criterion is of a relative nature, involving a comparison with the credit situation recorded at the time the loan was granted;
- Backstop criterion on days past due: if 30 or more days of continuous past due are detected, the position is automatically classified as stage 2;

<sup>11</sup> Using a hybrid Markovian approach.

- Backstop criterion on forbearance measures: in the case of classification as forborne performing, the position is automatically classified as stage 2;
- Backstop criterion on detrimental events/EWS (Mediocredito Centrale): in the event of a detrimental event or trigger of the EWS, the position is automatically classified at stage 2.

During 2023, therefore, no methodological changes were applied in terms of the assessment of the significant increase in credit risk; however, the use of the most recent macroeconomic scenarios, including the effects of the incumbent wars, related geo-political tensions and the inflationary environment, led to a worsening in lifetime PDs, resulting in an increase in the population classified as stage 2.

In addition, in consideration of the macroeconomic context and potential climate effects, the following management overlays were applied:

- as a function of the assessment activities carried out on the credit portfolio aimed at detecting the potential impacts resulting from the crisis between Russia and Ukraine, for counterparties identified as potentially at risk, even if classified in the first stage, a management overlay was applied for the purposes of determining provisioning as at 31 December 2023, which was correlated to the levels of ECL lifetime regardless of the staging allocation. No impacts were recognised as a result of the conflict in the Middle East;
- taking into account the sudden rise in interest rates, a management overlay was applied to the Private Variable Rate portfolio with PD values above 2% for the purposes of determining provisioning as of 31 December 2023, which was correlated to the levels of ECL lifetime regardless of the staging allocation;
- for counterparties belonging to an economic sector deemed to have a 'high' climate/environmental risk, a provisioning add-on of 5% was applied.

### **Measurement of expected losses**

In 2023, Mediocredito Centrale and Cassa di Risparmio di Orvieto, with a view to the continuous harmonisation of methodologies, carried out an update of the IFRS 9 parameters linked to credit risk, which were reflected in the measurement of expected losses. In particular, they have:

- updated the macroeconomic scenarios with the latest available forecasts (September 2023), necessary for forward-looking estimates
- recalibrated the *default* probabilities to better reflect the riskiness of their portfolio and the changed macroeconomic environment. In particular, a switch was made from using the Merton Vasiceck methodology for the first 3 years and using Markovian chains from the 4th year onwards;
- updated the *loss-given-default* values using the most recent internal time series available;
- standardised the logic for determining the *stage allocation* (SICR).

In particular, for the measurement of expected losses, under IFRS 9 all financial assets not subject to fair value measurement with impact on the income statement, represented by debt securities and loans, and off-balance sheet exposures must be subject to the new impairment model based on expected losses.

In detail, the impairment model introduced by IFRS 9 is based on the concept of 'forward-looking' measurement, i.e. the notion of expected loss (Expected Credit Loss), whether calculated at 12 months (Stage 1) or up to the residual life of the instrument (lifetime loss for Stage 2 and Stage 3).

In particular, the model provides that financial assets must be classified into three distinct 'stages' to which different valuation criteria correspond:

- Stage 1: to be measured on the basis of an estimate of expected loss based on a time horizon of one year. Stage 1 includes performing financial assets for which no significant deterioration in credit risk has been observed since the date of initial recognition;
- Stage 2: to be assessed based on an estimate of expected loss over the entire remaining life of the financial asset. Stage 2 includes financial assets that have experienced a significant deterioration in credit risk since initial recognition;
- Stage 3: to be assessed on the basis of an estimate of expected loss that assumes a probability of default of 100%. Stage 3 includes financial assets that are considered impaired.
- According to the Expected Credit Loss calculation model, losses must be recorded not only by reference to objective evidence of impairment losses already manifested at the reporting date but also on the basis of the expectation of future impairment losses not yet manifested, which must reflect:
  - the probability of the occurrence of various scenarios;
  - the discount effect using the effective interest rate;
  - past experience and current and future assessment.

It follows that the determination of expected losses is a complex exercise that requires significant judgement and estimation, including with reference to forward-looking information of a macroeconomic nature.

The main innovation introduced by IFRS 9 is the requirement to calculate lifetime expected losses for all positions that, compared to origination, have presented a 'significant increase in credit risk' (i.e. Stage 2). For such positions, therefore, the Group must estimate expected losses over a time horizon covering the entire life of the relationship until maturity (and not only for the first year of the life of the relationship as required by IAS 39). The calculation of lifetime expected losses is developed by estimating the PD, LGD, and EAD parameters over a time horizon that is equal to the entire remaining life of the financial asset.

Starting from this assumption, the IFRS 9 'compliant' risk parameters are periodically developed in terms of:

- probability of default (PD) at one year and lifetime;
- loss given default (LGD);

in defining the parameters, the account was taken of:

- current business cycle conditions (Point-in-Time);
- forward-looking information regarding the future dynamics of market factors (Forward looking risk measures) on which the expected lifetime loss depends.

In consideration of the macroeconomic context that saw the sudden rise in interest rates and the potential climatic/environmental effects, the following management overlays were applied:

- as a function of the rise in interest rates observed in 2023, a management overlay was applied to the Private Variable Rate portfolio with PD values greater than 2% for the purpose of determining provisioning as of 31.12.2023, which was correlated to the levels of lifetime ECL regardless of the staging allocation;
- for counterparties belonging to an economic sector deemed to have a 'high' climate/environmental risk, a provisioning add-on of 5% was applied.

## 2.4 Credit Risk Mitigation Techniques

An essential component for the proper control of credit risk consists in the adequate management of credit risk mitigation techniques and instruments, both in the acquisition phase and in the subsequent phase of monitoring the value and effectiveness of guarantees.

Mediocredito Centrale and Cassa di Risparmio di Orvieto have regulated the principles and guidelines of the governance system in the Policy on the Management of Guarantees to support the appropriate use of guarantees and credit risk mitigation techniques for Credit Risk Mitigation (CRM) purposes. These guidelines are supplemented by internal procedures supported by appropriate IT tools, designed to ensure the procedures for evaluating, managing and monitoring the guarantees acquired, as well as their eligibility as credit risk mitigation instruments and related capital absorption. These elements control the overall process of granting, acquiring, perfecting, monitoring, managing, and varying, realising, and settling guarantees in line with the overall regulatory framework governed by the regulations issued by the Supervisory Authority.

Mediocredito Centrale and Cassa di Risparmio di Orvieto acquire the types of real, personal and 'atypical' guarantees recognised in the guidelines and follow the provisions issued in line with the sector regulations issued by the ABI, the Bank of Italy, the European Commission and the EBA, including the guidelines set out in the 'Guidelines on Loan Origination and Monitoring (EBA/GL/2020/06)'.

The guarantees acquired are intended to support the credit and in no way replace the debtor's ability to honour its obligations. The legal validity of the guarantees received is verified at the time of acquisition by the operating units, which are responsible, prior to disbursement, for verifying certainty and effectiveness; the temporal validity of the guarantees acquired normally covers the entire time span of the credit facilities granted.

With regard to the phase of verifying the eligibility of guarantees, Mediocredito Centrale and Cassa di Risparmio di Orvieto periodically check:

- The statistical revaluation of the value of mortgaged properties for all those contracts for which Regulation 575/2013 allows the use of this type of valuation. To this end, it makes use of a database on real estate market trends by geographical area and type of property acquired from an external provider;
- The general and specific eligibility of credit risk mitigation tools.

The internal guidelines pursue the following objectives:

- promoting the proper management of credit and related guarantees;
- maximising the risk mitigation effect provided by protection instruments;
- optimising capital requirements in accordance with Basel (Credit Risk Mitigation);
- defining general rules for the eligibility, valuation, monitoring and management of collateral and personal guarantees.

## 2.5 Impaired credit exposures

The management of credit risk is governed by procedures that establish rules of conduct on the subject. In particular, in the pre-litigation phase, the activity is carried out by the administrative function in coordination with the function in charge of monitoring the position; subsequently, credit recovery is delegated to the legal function. With respect to the classification of credit exposures into 'impaired' exposures, Invitalia considers positions for which legal recovery actions have commenced to be in default.

Forecasts of specific losses are prepared by the administrative function, based on the information on recoverability conditions provided by the operational function and/or the legal function using an Impairment *Lifetime methodology*.



On 26 April 2019, EU Regulation 630/2019 came into force, which obliges banks to record provisions on impaired positions (Non-performing Exposures), referring to disbursements arising after 26 April 2019, according to a time progression (calendar provisioning) that takes into account the ageing of the exposure and the type, providing for a differentiated calendar depending on whether the transaction is secured or unsecured. Specifically, a three-year calendar is applied for unsecured impaired exposures, and a longer calendar is applied for secured exposures: nine years for those secured by real estate and seven years for others. The calendar mechanism provides for the full write-down of impaired loans according to pre-defined timelines. It aims to ensure that NPLs do not accumulate on bank balance sheets without adequate write-downs.

Calendar provisioning introduces a binding Pillar I requirement for all banks. Although this regulation is regulatory and not accounting, it represents an important reference point for determining value adjustments. Mediocredito Centrale and Cassa di Risparmio di Orvieto adjusted their application procedures to allow compliance with the new regulatory provisions on loan provisions. The information assets with evidence of the regulatory minimum requirement are, therefore, made available to provide additional elements for the determination of accounting write-downs.

### ***Management Strategies and Policies***

During the preparation of the NPL Operational Plan and, subsequently, with the issuance of the 'NPL Strategies and Management Policy', Mediocredito Centrale identified guidelines, valid for Cassa di Risparmio di Orvieto as well, on the management of impaired loans in order to guide and, progressively, implement consistent and harmonised actions aimed at optimising and streamlining the management and recovery of NPLs, also taking into account the different nature and composition of the impaired portfolios of the individual Legal Entities.

The NPL management strategies are integrated with the RAF, with the ICAAP budget processes and with Mediocredito Centrale's remuneration and incentive policies; they are developed along two fundamental lines: the design of the governance and operating structure for the management of NPLs and the identification of actions and strategies aimed at implementing a conscious and active policy for the management of impaired loans, whether pursued through an internal management model or through recourse to outsourcing.

The performance control activities on the status of individual files and the related assessments are carried out by the relevant functions of Mediocredito Centrale and Cassa di Risparmio di Orvieto on the basis of criteria that are systematically monitored. The risk control function carries out, in line with regulatory developments, an activity to verify the correct performance of trend monitoring, with particular reference to impaired loans, the assessment of the consistency of classifications, the adequacy of provisions and the adequacy of the recovery process.

In addition, the operational plan for the management of short-term (approximately one year) and medium/long-term (three years) impaired loans is prepared and periodically updated and is forwarded to the Supervisory Authority for information. Targets are set with reference to the level of Non-Performing Loans (NPLs) gross and net of adjustments, in absolute terms and as a percentage of total loans to customers, providing details of the inflows and outflows of non-performing loans and the methods used to reduce the stock of impaired loans.

Generally speaking, in relation to the methods used to classify impaired loans, in addition to the criteria defined by the Supervisory Authority (for non-performing loans, probable defaults, impaired past due and/or overdue exposures - past due. These classes make up the non-performing portfolio), events affecting the entrusted customer are verified.

The accounting status represents the overall position of the customer, as represented in the balance sheet and reported in the Bank of Italy's Accounts Matrix. It refers to the customer as a whole, and therefore does not refer to the individual credit lines it has or to individual outstanding exposures. It follows that, in the case of customers with more than one credit product, the reclassification assessment is carried out considering the overall debt exposure, with consequent verification and

application of the uniform classification for all the credit lines enjoyed, taking particular care in analysing all the personal positions of the subject.

Within each class, forborne exposures are highlighted, i.e., credit transactions that have been subject to concessions. Such exposures fall into either Bad Debt, Probable Default or Impaired Past Due and/or Overdrawn Exposures, as appropriate, and do not form a separate category of impaired assets. The concept of forbearance refers to the individual credit contract; therefore, only credit relationships with a customer that have been subject to concessions should be reclassified as forborne.

For credit exposures classified as past due, UTPs and non-performing, there are minimum loss provision percentages expressly defined in internal regulations. The model adopted for the determination of analytical impairment losses on non-performing loans provides for an expert approach for larger positions and automatic write-downs for smaller positions, in compliance with the minimum impairment levels set by policy. The criteria for determining write-downs and the related provision levels are benchmarked and periodically reviewed and updated in order to ensure an adequate representation of Mediocredito Centrale's risk profiles, as well as compliance with the relevant regulatory provisions.

Interest on arrears is included in the item Interest income in the Income Statement, only if actually collected, as the portion not collected is fully adjusted.

### **Write-off**

A write-off is a derecognition when there is no longer a reasonable expectation of recovering the financial asset. It may concern the entire amount of a financial asset or a portion thereof, and corresponds to the reversal of total value adjustments, offsetting the gross value of the financial asset, and, for the portion exceeding the amount of the total value adjustments, the impairment loss on the financial asset recognised directly in the Income Statement. It does not result in the derecognition of contractual rights.

The derecognition of uncollectable accounts and the consequent allocation to losses may occur in the following cases:

- uncollectability of the receivable, resulting from certain and precise elements;
- waiver of the receivable, as a result of: unilateral remission of the debt; residual under settlement agreements;
- assignment of credit.

In relation to the various cases in which it is possible to operate the write-off, it is necessary, also for tax purposes, that all documents suitable to demonstrate the validity of the choice made are kept, such as, by way of example, documents showing the activities carried out and the date of conclusion of the recovery attempts, even if unsuccessful. The amount to be written off is determined as the gross account balance at customer level and must be fully written off.

With regard to Mediocredito Centrale and Cassa di Risparmio di Orvieto, in addition, in certain circumstances it is necessary to write-down gross receivables in order to adjust them to Mediocredito Centrale's actual receivables. Such circumstances arise, for example, in the case of measures not contested, within the framework of bankruptcy proceedings, whereby a lower receivable is recognised than that recognised in the accounts. In these hypotheses, it is necessary to proceed with write-downs subject to the resolution of the Deliberating Body identified on the basis of the current Delegations of Powers (indicating as 'amount offered' the receivable admitted). It should be noted that the portions of the receivable subject to write-off must already be entirely set aside and that the partial write-offs resolved upon contribute to the formation of the overall loss limit in the event of transactions subsequent to the write-off.

The situations identified that could lead to a write-off, unless other situations are identified on a case-by-case basis by the Deliberative Body, are related to the unsuccessful outcome of recovery actions connected to bankruptcy proceedings, to the waiver of the receivable and to long periods of time spent among defaulted receivables, as well as non-performing positions for which a settlement agreement has been entered into with the debtor, duly fulfilled by collecting the agreed amount.

## 2.6 Impaired financial assets acquired or originated

Pursuant to IFRS 9, 'impaired financial assets acquired or originated' - so called 'POCI' - are those exposures that are impaired at the date of purchase or at the date they are originated. In particular, an exposure is identified as 'POCI' as a result of the purchase of an impaired loan from a third party, or following:

- the '*derecognition*' of a previous relationship to which substantial contractual changes have been made (see IFRS 9, para. B5.5.26). In this case, as there is evidence that the modified financial asset is impaired at initial recognition, the new financial asset is recognised as an impaired financial asset originated (POCI), unless the instrument fails the SPPI test;
- the provision of new finance to counterparties with a high credit risk profile, not aimed at maximising *recovery value*.

POCI loans are therefore initially recognised in *stage 3* and present peculiarities with regard to the *staging* process and the consequent calculation of the expected loss. From the date of initial recognition and for the entire residual life of the instruments in question, the *impairment* is always equal to the *expected credit loss* on a *lifetime* basis. It follows, therefore, that the expected losses on the POCI, even in the event of the repayment of the *performing* exposure, can never be calculated over a time horizon of 12 months (as for *stage 1* positions).

By virtue of the provisions of IFRS 9, all of Cassa di Risparmio di Orvieto's loans that, at the date of the acquisition of control by MCC were classified as *stage 3*, were considered 'POCI'.

## 2.7 Financial assets subject to commercial renegotiations and exposures subject to concessions

According to the EBA's ITS (*Implementing Technical Standard*), a concession is defined as a 'forbearance measure' granted by a bank to a borrower that is experiencing, or about to experience, difficulty in meeting its financial commitments<sup>12</sup>. An exposure to which a forbearance measure has been applied must be classified as an impaired concessional exposure or other concessional exposure regardless of whether the concession results in a loss for the bank. One of the following forbearance measures is considered a concession:

- a modification of the contractual terms and conditions to which the debtor would be unable to comply, in whole or in part, in view of the financial difficulties in which the debtor finds itself, which is designed to pursue the interest of making the debt more sustainable for the debtor and which would not have been granted had the debtor not been in financial difficulty;
- a full or partial refinancing of a problem loan, which would not have been granted if the debtor had not been in financial difficulty.

Evidence of a concession is considered to be:

- a modification of the contractual terms favourable to the debtor (concession in absolute terms);
- a modification of the contractual terms that results in the application to the borrower of terms and conditions more favourable than those applied by the bank to customers with the same risk profile as the borrower (concession in relative terms);
- the exercise of contractual clauses, the application of which is left to the debtor's discretion in the event that the bank approves the exercise of such clauses or notes the existence of the debtor's state of financial difficulty.

<sup>12</sup> European Banking Authority, EBA FINAL draft Implementing Technical Standards on Supervisory reporting on forbearance and non-performing exposures under Article 99(4) of Regulation (EU) No 575/2013.

Accordingly, in the case of rescheduling with a commercial value, which does not fall within the scope of this paragraph, the assessments take into account the cost-effectiveness of the actions requested and the decisions taken never entail a change in the 'status' of the position. Debt rescheduling motivated by current or prospective financial difficulties of customers, which fall within the scope of this paragraph, are based on the verification of the sustainability of the commitments with respect to the cash flows received and expected. This assessment is carried out through an ordinary preliminary and deliberative process. Any 'forbearance' measures adopted are transposed within the corporate systems and are monitored over time by the relevant structures, in compliance with the reference regulations. Any changes to be made to the classification of relationships benefiting from 'forbearance' measures are expressly governed by internal regulations on the classification of loans.

### Quantitative disclosures

#### 1. Breakdown of financial assets by associated portfolio and credit quality (book values)

Portfolios/quality	Non-performing loans	Unlikely to pay	Non-performing past due exposures	Performing past due exposures	Other performing exposures	Total
1. Financial assets measured at amortised cost	819,581	49,442	2,737	95,323	5,586,868	6,553,951
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	1,109,861	1,109,861
3. Financial assets designated at fair value	-	-	-	-	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	145,284	145,284
5. Financial assets held for sale	-	-	-	-	77,331	77,331
<b>2023</b>	<b>819,581</b>	<b>49,442</b>	<b>2,737</b>	<b>95,323</b>	<b>6,919,344</b>	<b>7,886,427</b>
<b>2022</b>	<b>97,337</b>	<b>30,200</b>	<b>2,550</b>	<b>111,853</b>	<b>6,756,487</b>	<b>6,998,427</b>

The item 'Non-performing loans' includes the shareholder loan on account of future capital increase of € 680 million paid by Invitalia to ADIH for the financial support of the company made available by the MEF, as governed by Article 1 of Decree Law 142/2019, converted, with amendments, by Law 5/2020, as amended by Decree Law 2/2023.

The related contribution is classified under item 80 - Other liabilities

## 2. Breakdown of financial assets by associated portfolio and credit quality (gross and net values)

Portfolios/quality	Non-performing				Performing			Total (net exposures)
	Gross exposure	Total write-downs	Net exposure	Overall partial write-offs	Gross exposure	Total value adjustments	Net exposure	
1. Financial assets measured at amortised cost	1,128,725	256,966	871,759	145	5,734,263	52,071	5,682,192	6,553,951
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	1,110,769	908	1,109,861	1,109,861
3. Financial assets designated at fair value	-	-	-	-	-	-	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	-	-	145,284	145,284
5. Financial assets held for sale	-	-	-	-	77,331	-	77,331	77,331
<b>2023</b>	<b>1,128,725</b>	<b>256,966</b>	<b>871,759</b>	<b>145</b>	<b>6,922,363</b>	<b>52,979</b>	<b>7,014,668</b>	<b>7,886,427</b>
<b>2022</b>	<b>352,261</b>	<b>222,174</b>	<b>130,087</b>	<b>4,268</b>	<b>6,800,941</b>	<b>176,551</b>	<b>6,868,340</b>	<b>6,998,427</b>

Non-performing exposures, which also include the loan to ADIH as indicated above, have been subject to appropriate recovery actions and value adjustments take into account their presumed realisable value, with the exception of loans whose default risk is not borne by Invitalia.

The related contribution is classified under item 80 - Other liabilities

## 3. Breakdown of financial assets by maturity (book values)

Portfolios/risk stages	First stage			Second stage			Third stage			Acquired or originated impaired		
	From 1 day to 30 days	More than 30 days up to 90 days	Over 90 days	From 1 day to 30 days	More than 30 days up to 90 days	Over 90 days	From 1 day to 30 days	More than 30 days up to 90 days	Over 90 days	From 1 day to 30 days	More than 30 days up to 90 days	Over 90 days
1. Financial assets measured at amortised cost	26,669	-	202	4,037	13,832	89,084	12,697	5,364	827,614	-	-	15,296
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
3. Financial assets held for sale	-	-	-	-	-	-	-	-	-	-	-	-
<b>2023</b>	<b>26,669</b>	<b>-</b>	<b>202</b>	<b>4,037</b>	<b>13,832</b>	<b>89,084</b>	<b>12,697</b>	<b>5,364</b>	<b>827,614</b>	<b>-</b>	<b>-</b>	<b>15,296</b>
<b>2022</b>	<b>498,267</b>	<b>-</b>	<b>4,056,556</b>	<b>694,967</b>	<b>105,429</b>	<b>90,357</b>	<b>2,854</b>	<b>5,348</b>	<b>108,849</b>	<b>-</b>	<b>-</b>	<b>13,037</b>

#### 4. Financial assets, commitments to disburse funds and financial guarantees given: changes in total value adjustments and provisions

Causes/ risk stages/	Total value adjustments												Total provisions on commitments to disburse funds and financial guarantees issued				Total			
	Stage 1 assets			Stage 2 assets			Stage 3 assets			Impaired financial assets acquired or originated			First stage	Second stage	Third stage	Commitments to disburse funds and guarantees issued impaired acquired or originated				
	On demand receivables from banks and central banks	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual impairment	of which: collective impairments	On demand receivables from banks and central banks	Financial assets measured at amortised cost	Financial assets measured at fair value with impact on comprehensive income	Financial assets held for sale	of which: individual write-downs	of which: collective impairments	Financial assets measured at amortised cost						Financial assets measured at fair value with impact on comprehensive income	Financial assets held for sale	of which: individual impairments
<b>Opening balance</b>	(54)	(938)	(24,748)	(37,357)	(37,357)	(149,561)	(149,561)	(149,561)	(149,561)	(149,561)	(149,561)	(149,561)	(149,561)	(1,647)	(284)	(2)	-	-		
Increases in financial assets acquired or originated	(3)	-735	(738)	(502)	(502)	(38)	(38)	(38)	(38)	(38)	(38)	(38)	(38)	-	-	-	-	-	(1,278)	
Reversals other than write-offs	1	106	107	46	46	13,439	13,439	13,439	13,439	13,439	13,439	13,439	13,439	-	-	-	-	-	13,592	
Net losses/recoveries for credit risk associated with (+/-)	(104)	476	401	14,204	8,287	(129,089)	(126,553)	(126,553)	(126,553)	(126,553)	(126,553)	(126,553)	(126,553)	316	217	-	-	2,739	-111,211	
Contractual changes without de-recognition	-	-	-	-	6,261	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in assessment methods	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs	-	-	-	-	-	6,495	6,495	6,495	6,495	6,495	6,495	6,495	6,495	-	-	-	-	-	6,495	
Other changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Closing balance</b>	(160)	(908)	(24,978)	(23,609)	(23,265)	(260,148)	(257,612)	(257,612)	(257,612)	(257,612)	(257,612)	(257,612)	(257,612)	(1,331)	(67)	(2)	-	2,739	-	
Recoveries from financial assets subjected to write-offs	-	-	-	-	-	(2,055)	(1,496)	(1,496)	(1,496)	(1,496)	(1,496)	(1,496)	(1,496)	-	-	-	-	-	(2,055)	
Write-offs not recognised directly in the Income statement	-	-	-	-	-	218	218	218	218	218	218	218	218	-	-	-	-	-	218	

## 6. Exposures to customers, banks and financial companies

### 6.1 On and off balance sheet credit exposures with banks and financial companies: gross and net values

Types of exposures/values	Gross exposure					Total value adjustments and provisions					Net Exposure	Overall partial write-offs*
	Total	First stage	Second stage	Third stage	Impaired acquired or originated	Total	First stage	Second stage	Third stage	Impaired acquired or originated		
<b>A. On-balance exposures</b>												
<b>A.1 On demand</b>												
a) Non-performing	-	-	-	-	-	-	-	-	-	-	-	-
b) Performing	370,877	370,877	-	-	-	157	157	-	-	-	370,72	-
<b>A.2 Other</b>												
a) Non-performing loans	650	-	-	650	-	435	-	-	435	-	215	-
- of which: exposures subject to concessions	-	-	-	-	-	-	-	-	-	-	-	-
b) Unlikely to pay	-	-	-	-	-	-	-	-	-	-	-	-
- of which: exposures subject to concessions	-	-	-	-	-	-	-	-	-	-	-	-
c) Non-performing past-due exposures	-	-	-	-	-	-	-	-	-	-	-	-
- of which: exposures subject to concessions	-	-	-	-	-	-	-	-	-	-	-	-
d) Performing past-due exposures	3	3	-	-	-	-	-	-	-	-	3	-
- of which: exposures subject to concessions	-	-	-	-	-	-	-	-	-	-	-	-
e) Other performing exposures	1,246,872	1,228,386	18,486	-	-	1,094	875	219	-	-	1,245,778	-
- of which: exposures subject to concessions	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total (A)</b>	<b>1,618,402</b>	<b>1,599,266</b>	<b>18,486</b>	<b>650</b>	<b>-</b>	<b>1,686</b>	<b>1,032</b>	<b>219</b>	<b>435</b>	<b>-</b>	<b>1,616,716</b>	<b>-</b>
<b>B. Off-balance credit</b>												
a) Non-performing	-	-	-	-	-	-	-	-	-	-	-	-
b) Performing	78,249	78,249	-	-	-	-	-	-	-	-	78,249	-
<b>Total (B)</b>	<b>78,249</b>	<b>78,249</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>78,249</b>	<b>-</b>
<b>Total (A+B)</b>	<b>1,696,651</b>	<b>1,677,515</b>	<b>18,486</b>	<b>650</b>	<b>-</b>	<b>1,686</b>	<b>1,032</b>	<b>219</b>	<b>435</b>	<b>-</b>	<b>1,694,965</b>	<b>-</b>

### 6.2 On-balance sheet credit exposures with banks and financial companies: changes in gross non-performing exposures

There are no non-performing exposures with banks and financial companies.

### 6.2bis On-balance sheet credit exposures with banks and financial companies: changes in gross credit exposures broken down by credit quality

There are no non-performing exposures with banks and financial companies.

### 6.3 Non-performing on-balance sheet credit exposures to banks and financial companies: changes in total value adjustments

There are no non-performing exposures with banks and financial companies.

## 6.4 On and off balance sheet credit exposures with customers: gross and net values

Types of exposures/values	Gross exposure					Total value adjustments and provisions					Net exposure	Overall partial write-offs*
	Total	First stage	Second stage	Third stage	Impaired acquired or originated	Total	First stage	Second stage	Third stage	Impaired acquired or originated		
<b>A. On-balance credit exposures</b>												
a) Non-performing loans	1,046,882	-	-	1,032,881	14,001	227,517	-	-	225,479	2,038	819,365	123
- of which: exposures subject to concessions	8,595	-	-	8,595	-	5,643	-	-	5,643	-	2,952	-
b) Unlikely to pay	80,905	-	-	77,004	3,901	31,463	-	-	30,895	568	49,442	22
- of which: exposures subject to concessions	31,359	-	-	31,359	-	12,045	-	-	12,045	-	19,314	22
c) Non-performing past due exposures	3,471	-	-	3,471	-	734	-	-	734	-	2,737	-
- of which: exposures subject to concessions	30	-	-	30	-	8	-	-	8	-	22	-
d) Performing past due exposures	97,794	25,998	71,796	-	-	2,471	768	1,703	-	-	95,323	-
- of which: exposures subject to concessions	1,510	-	1,510	-	-	83	-	83	-	-	1,427	-
e) Other performing exposures	5,631,706	4,808,870	822,836	-	-	44,838	23,162	21,676	-	-	5,586,868	-
- of which: exposures subject to concessions	34,724	-	34,724	-	-	2,187	-	2,187	-	-	32,537	-
<b>Total (A)</b>	<b>6,860,758</b>	<b>4,834,868</b>	<b>894,632</b>	<b>1,113,356</b>	<b>17,902</b>	<b>307,023</b>	<b>23,93</b>	<b>23,379</b>	<b>257,108</b>	<b>2,606</b>	<b>6,553,735</b>	<b>145</b>
<b>B. Off-balance credit exposures</b>												
a) Non-performing	1,552	-	-	1,552	-	5	-	-	5	-	1,547	-
b) Performing	934,289	633,076	284,683	16,53	-	2,503	1,384	1,067	52	-	931,786	-
<b>Total (B)</b>	<b>935,841</b>	<b>633,076</b>	<b>284,683</b>	<b>18,082</b>	<b>-</b>	<b>2,508</b>	<b>1,384</b>	<b>1,067</b>	<b>57</b>	<b>-</b>	<b>933,333</b>	<b>-</b>
<b>Total (A+B)</b>	<b>7,796,599</b>	<b>5,467,944</b>	<b>1,179,315</b>	<b>1,131,438</b>	<b>17,902</b>	<b>309,531</b>	<b>25,314</b>	<b>24,446</b>	<b>257,165</b>	<b>2,606</b>	<b>7,487,068</b>	<b>145</b>



## 6.5 Credit exposures with customers: changes in gross non-performing exposures

Causes/Categories	Non-performing loans	Unlikely to pay	Non-performing past due exposures
<b>A. Opening gross exposure</b>	<b>293,904</b>	<b>54,2</b>	<b>3,308</b>
- of which: exposures transferred not derecognised	164	4,406	268
<b>B. Increases</b>	<b>819,799</b>	<b>83,947</b>	<b>13,1</b>
B.1 Transfers from performing exposures	461	55,819	12,541
B.2 Transfers from acquired or originated non-performing financial assets	-	-	-
B.3 Transfers from other non-performing exposure categories	32,644	8,938	142
B.4 Contractual changes without derecognition	-	-	-
B.5 Other increases	786,694	19,19	417
<b>C. Decreases</b>	<b>66,821</b>	<b>57,242</b>	<b>12,937</b>
C.1 Outflows to performing exposures	-	5,797	1,668
C.2 Write-offs	6,528	23	1
C.3 Collections	9,459	8,333	722
C.4 Sale proceeds	8,339	7,025	-
C.5 Sale losses	33,706	232	-
C.6 Transfers to other non-performing exposure categories	-	31,36	10,363
C.7 Contractual changes without derecognition	-	-	-
C.8 Other decreases	8,789	4,472	183
<b>D. Closing gross exposure</b>	<b>1,046,882</b>	<b>80,905</b>	<b>3,471</b>
- of which: exposures transferred not derecognised	2,952	19,314	22

## 6.5bis On-balance-sheet credit exposures with customers: changes in gross forborne exposures broken down by credit quality

Causes/Quality	Forborne exposures: non-performing	Other forborne exposures
<b>A. Opening gross exposure</b>	<b>51,64</b>	<b>69,511</b>
- of which: exposures transferred not derecognised	-	-
<b>B. Increases</b>	<b>33,696</b>	<b>48,544</b>
B.1 Transfers from performing loans not forborne	1,08	36,292
B.2 Transfers from performing loans forborne	23,538	-
B.3 Transfers from forborne exposures	-	5,323
B.4 Transfers from non-performing loans not forborne	6,024	-
B.5 Other increases	3,054	6,929
<b>C. Decreases</b>	<b>45,353</b>	<b>81,821</b>
C.1 Transfers to performing loans not forborne	-	47,527
C.2 Transfers to performing loans forborne	5,323	-
C.3 Transfers to forborne exposures	-	23,538
C.4 Write-offs	1,021	-
C.5 Collections	4,488	7,534
C.6 Sale proceeds	10,116	-
C.7 Sale losses	5,037	-
C.8 Other decreases	19,368	3,222
<b>D. Closing gross exposure</b>	<b>39,983</b>	<b>36,234</b>
- of which: exposures transferred not derecognised	2,679	2,07

## 6.6 Non-performing on-balance credit exposures with customers: trend of overall write-downs

Causes/Categories	Non-performing loans		Unlikely to pay		Non-performing past due	
	Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
<b>A. Opening write-downs</b>	<b>193,345</b>	<b>11,987</b>	<b>30,501</b>	<b>15,183</b>	<b>758</b>	<b>126</b>
- of which: sold not derecognised exposures	102	-	1,497	930	40	2
<b>B. Increases</b>	<b>76,535</b>	<b>4,735</b>	<b>24,053</b>	<b>10,098</b>	<b>780</b>	<b>25</b>
B.1 Write-downs of impaired assets acquired or originated	-	-	-	-	-	-
B.2 Other write-downs	9,298	400	22,716	8,915	725	4
B.3 Sale losses	460	14	-	-	-	-
B.4 Transfers from other non-performing exposure categories	10,88	3,894	214	44	50	16
B.5 Contractual changes without derecognition	-	-	-	-	-	-
B.6 Other increases	55,897	427	1,123	1,139	5	5
<b>C. Decreases</b>	<b>42,363</b>	<b>11,079</b>	<b>23,091</b>	<b>13,236</b>	<b>804</b>	<b>143</b>
C.1 Write-backs from valuation	1,886	207	3,012	2,448	212	6
C.2 write-backs from collections	5,011	1,216	1,619	848	52	7
C.3 Sale gains	1,152	204	3,824	3,824	-	-
C.4 Write-offs	6,583	999	23	22	1	-
C.5 Transfers to other non-performing exposure categories	-	-	10,609	3,91	535	44
C.6 Contractual changes without derecognition	-	-	-	-	-	-
C.7 Other decreases	27,731	8,453	4,004	2,184	4	86
<b>D. Total final adjustments</b>	<b>227,517</b>	<b>5,643</b>	<b>31,463</b>	<b>12,045</b>	<b>734</b>	<b>8</b>
- of which: exposures transferred not derecognised	945	219	1,463	894	32	-

## 7. Breakdown of financial assets, commitments to disburse funds and financial guarantees issued by external and internal ratings

### 7.1 Breakdown of financial assets, commitments to disburse funds and financial guarantees issued by external rating classes (gross values)

Exposures	External rating classes						No rating	Total
	class 1	class 2	class 3	class 4	class 5	class 6		
<b>A. Financial assets measured at amortised cost</b>	<b>107</b>	<b>-</b>	<b>77,557</b>	<b>16,868</b>	<b>-</b>	<b>-</b>	<b>6,769,195</b>	<b>6,863,727</b>
- First stage	107	-	77,557	16,868	-	-	4,727,408	4,821,940
- Second stage	-	-	-	-	-	-	913,057	913,057
- Third stage	-	-	-	-	-	-	1,113,434	1,113,434
- Non-performing acquired or originated	-	-	-	-	-	-	15,296	15,296
<b>B. Financial assets measured at fair value through other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>949,258</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>160,602</b>	<b>1,109,860</b>
- First stage	-	-	949,258	-	-	-	160,602	1,109,860
- Second stage	-	-	-	-	-	-	-	-
- Third stage	-	-	-	-	-	-	-	-
- Non-performing acquired or originated	-	-	-	-	-	-	-	-
<b>C. Financial assets held for sale</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
- First stage	-	-	-	-	-	-	-	-
- Second stage	-	-	-	-	-	-	-	-
- Third stage	-	-	-	-	-	-	-	-
- Non-performing acquired or originated	-	-	-	-	-	-	-	-
<b>Total (A+B+C)</b>	<b>107</b>	<b>-</b>	<b>1,026,815</b>	<b>16,868</b>	<b>-</b>	<b>-</b>	<b>6,929,797</b>	<b>7,973,587</b>
<b>D. Commitments to disburse funds and financial guarantees issued</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>69,991</b>	<b>1,888</b>	<b>-</b>	<b>216,705</b>	<b>288,584</b>
- First stage	-	-	-	69,991	-	-	200,175	270,166
- Second stage	-	-	-	-	1,888	-	16,530	18,418
- Third stage	-	-	-	-	-	-	-	-
- Non-performing acquired or originated	-	-	-	-	-	-	-	-
<b>Total (A+B+C+D)</b>	<b>107</b>	<b>-</b>	<b>1,026,815</b>	<b>86,859</b>	<b>1,888</b>	<b>-</b>	<b>7,146,502</b>	<b>8,262,171</b>

The table shows, for MCC, the breakdown of cash and off-balance sheet exposures of externally rated counterparties. The breakdown shown refers to Standard & Poor's rating classes, which include the ratings assigned by other agencies (Moody's and Fitch).

The ratio of externally rated exposures to total exposures is about 27%.

## 9. Credit concentration

Concentration risk is the risk arising from a concentration of exposures in the credit portfolio to counterparties, groups of counterparties in the same economic sector or, engaged in the same activity or belonging to the same geographical area.

### 9.3 Large exposures

As of 31 December 2023, the Group, without considering Mediocredito Centrale and Cassa di Risparmio di Orvieto, did not have any risk positions to be hedged with company capital that could be classified as 'large exposures', with the exception of the physiological exposure to the Public Administration.

With reference to Mediocredito Centrale, for the purposes of the application of the prudential supervisory rules on large exposures (see Part II, Chapter 10 of Bank of Italy Circular 285/2013 and cf. Articles 387 et seq. of EU Regulation 575/2013), as at 31 December 2023 there were 7 exposures of this kind (exceeding 10% of Own Funds) for a nominal amount of € 2,248,829 thousand, corresponding to a weighted amount of € 112,030 thousand.

With reference to Cassa di Risparmio di Orvieto, as of 31 December 2023, there were 8 exposures (exceeding 10% of Own Funds) for a nominal amount of € 625,548 thousand, corresponding to a weighted amount of € 51,770 thousand.

## 3.2. MARKET RISKS

### *Qualitative disclosures*

Market risk analysis is carried out voluntarily, as Invitalia is not subject to Bank of Italy supervision. Market risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices.

This risk, for Invitalia, is represented by the risk of unfavourable changes in the value of a position in financial instruments, included in the trading book for supervisory purposes, due to adverse trends in interest rates, exchange rates, inflation rates, volatility, share prices, credit spreads, commodity prices (generic risk) and issuer creditworthiness (specific risk).

Market risk includes three types of risk: interest rate risk, price risk and exchange rate risk.

Invitalia's financial management follows the asset allocation policies and risk limits imposed by the Board of Directors.

As already highlighted in the management report, there are no appreciable liquidity, interest rate and credit risks.

As far as liquidity risk is concerned, it should be noted that the cash flow from ordinary operations fully covers the structural operating costs. The stress test, aimed at verifying the financial resilience of operations in the event of an exogenous liquidity shock, detects that the investments of financial operations respect the principle of high liquidity, being two-thirds of the total readily monetizable.

Interest rates and credit risks are similarly low.

In this regard, it is specified that the long-term securities portfolio (HTC) has a very low-risk profile with an average duration of about 5 years (against a financial mandate limit of 7 years).

The Agency's intention and ability to hold these securities for the long term in order to collect coupon yields allow, according to international accounting standards, not to suffer any capital losses (fair value) caused by temporary fluctuations in rates and prices (valuation of securities at historical cost). In contrast, the trading securities portfolio has a residual size, now less than 3% of investments, and is characterised by an even shorter financial duration, less than 3 years, and a lower implicit interest rate risk.

Investment policies are largely made up of separate management schemes with a prudent profile, which, by virtue of the segregation of the related funds and the rules governing them, offer a high degree of protection against credit and interest rate risks.

Finally, mutual funds, marginal in terms of size, by virtue of the selection process, which led to the choice of the world's leading asset managers, and by virtue of the prudent balanced investment class to which they belong, do not appreciably increase the management's risk profile.

With regard to Mediocredito Centrale, the positions attributable to the trading portfolio for supervisory purposes are nil. On the other hand, Cassa di Risparmio di Orvieto does not hold a proprietary trading portfolio.

### 3.2.1 Interest Rate Risk

With reference to Mediocredito Centrale, interest rate risk can be defined as the risk that changes in interest rates will have unfavourable effects on assets and liabilities held for purposes other than trading, thus impacting profitability and/or economic value.

Exposure to interest rate risk derives mainly from the degree of maturity transformation, i.e. the collection of funds with a short-term repricing frequency and the investment in assets with a longer-term repricing frequency; for these reasons, its quantification is based primarily on the analysis of the mismatch between the repricing maturities of assets and liabilities (so-called 'gap risk'). The following are also relevant for the Banks of the Group, depending on the specific business model adopted by each entity:

- basis risk, i.e. the risk associated with imperfect correlation in the adjustment of lending and borrowing rates on different instruments but with otherwise similar repricing characteristics (maturity and/or repricing frequency);
- option risk, i.e. the risk associated with the presence of options in Mediocredito Centrale's assets, liabilities and off-balance sheet instruments.

In order to strengthen the processes for measuring and managing exposure to interest rate risk at a consolidated level, Mediocredito Centrale has implemented specific procedures aimed at monitoring the levels of risk assumed and containing them within the overall framework of thresholds defined by the corporate bodies. In particular, they include:

- among the strategic indicators, the Present Value/Equity ratio, an indicator aimed at monitoring the impact on the economic value of the banking book resulting from a parallel shock of 200 basis points on the interest rate curve;
- among the monitoring indicators, the Interest Margin, an indicator designed to monitor the impact on the interest margin resulting from a shock of +/- 100 basis points;
- in addition, as at the reference date 30 June 2023, the Group monitors the ratio Interest Margin/TIER1, recently introduced in the EBA guidelines as a *supervisory outlier test (SOT - Nil)* and expected to be implemented in the relevant regulations during 2024.

For the measurement and monitoring of these indicators for the purposes of the Group's RAF, and more generally for the analysis of interest rate risk exposure, the methodological adjustments implemented as part of the Group's ALM Project were adopted, starting from the second half of 2023 and in line with the new EBA Guidelines. In detail, the results achieved by the Project made it possible to:

- extend the '*full evaluation*' methodology to the entire Group perimeter, adopting it for RAF monitoring purposes;
- adopt updated estimates of customer behavioural models in relation to on-demand items and mortgage *pre-payments*.

As regards the first aspect, one of the main objectives of the Group's ALM Project was to overcome the simplifications of the 'standard' models (provided for by supervisory regulations), temporarily adopted when the Banking Group was set up, in order to guarantee the same interest rate risk

measurement methodologies, albeit simplified, at an individual and consolidated level. *The full evaluation* consists of determining the market value of each funding and lending position by discounting future cash flows to the *risk-free* interest rate curve and repeating this operation after applying a *shock* to the discount curve: the difference between the two results measures the impact on the economic value. Among other things, this allows the effects of embedded options in floating-rate assets and liabilities to be captured more accurately. Similarly, the Interest Margin is determined by calculating the interest generated at the level of the individual funding/borrowing position on the basis of current rates and repeating the operation on the basis of *post-shock* rates. From the point of view of risk factors, both parallel shifts in the rate curve (e.g. parallel shocks on the rate curve equal to a change of  $\pm 200$  basis points) and non-parallel movements (e.g. *steepener shocks, flattener shocks*) are considered.

With regard to the estimation of the customers' behavioural models, during the ALM Project of Mediocredito Centrale and Cassa di Risparmio di Orvieto, the following were carried out:

- the estimation of Mediocredito Centrale's customer behavioural models;
- a revision of previous estimates for the customers of Cassa di Risparmio di Orvieto.

With regard to on-demand items with customers, these are characterised by:

- 1) absence of a contractually defined maturity;
- 2) the absence of an explicit rate indexing rule, where the amount and manner of redefining the rate depend not so much on the trend of market rates as on the relationship between the bank and customers and the related negotiation.

As a result, particularly for deposits, there is a low level of elasticity with respect to market rates, which generates a significant rate risk in terms of both interest margin and economic value. In order to represent these positions correctly, it is therefore necessary to model: the persistence of the aggregates, which being high makes them comparable to medium- to long-term liabilities; the limited degree of responsiveness to market rates, which makes them partly analogous to fixed-rate instruments.

To this end, two distinct econometric models were estimated:

- a) volume model, which determines the stable share of the assets (the 'core' component, of which it provides a persistence profile) and the volatile share (the 'non-core' component, which is assumed to have a maturity of 1 day);
- B) rate model, which describes the dynamics of the customer rate by identifying a heuristic indexation formula to a market parameter.

As for prepayment, this originates from the presence of an option implicit in the loan contract: the borrower has the possibility of extinguishing the contract early at any time before its contractual maturity. Since the introduction of Law 40/2007, for loans to natural persons for the purchase of real estate, this option may be exercised without penalty.

From a financial point of view, the borrower should exercise the option when the refinancing rate of the loan on the market is lower than the rate currently paid on the contract. However, a sub-optimal exercise of the prepayment option can be observed; moreover, the presence of non-marginal prepayment rates, even on variable-rate mortgages, does not render the phenomenon exclusively characterizable in terms of a rational exercise of the financial option. The modelling adopted is, therefore, behavioural, based on the time series analysis of early repayment events occurring within an observation period. In these models, unlike market models, the explanatory variables are not exclusively financial but also depend on the characteristics of the loan and the borrower

## Quantitative disclosures

### Breakdown by residual term (repricing date) of financial assets and liabilities

Type/Remaining maturity	On demand	Up to 3 months	More than 3 months to 6 months	More than 6 months up to 1 year	Over 1 year up to 5 years	Over 5 years up to 10 years	Over 10 years	Indefinite duration
<b>1. Assets</b>	<b>2,607,707</b>	<b>2,419,570</b>	<b>660,597</b>	<b>280,814</b>	<b>284,352</b>	<b>60,056</b>	<b>102,199</b>	<b>8,354</b>
1.1 Debt securities	-	596,014	321,794	255,49	126,274	-	-	-
1.2 Receivables	1,231,603	1,823,556	338,803	25,152	158,078	60,056	102,199	8,328
1.3 Other assets	1,376,104	-	-	172	-	-	-	26
<b>2. Liabilities</b>	<b>4,150,826</b>	<b>737,809</b>	<b>292,038</b>	<b>437,229</b>	<b>343,018</b>	<b>8,720</b>	<b>244,793</b>	<b>-</b>
2.1 Payables	1,479,814	737,809	292,038	52,869	142,484	8,720	244,793	-
2.2 Debt securities	-	-	-	384,36	200,534	-	-	-
2.3 Other liabilities	2,671,012	-	-	-	-	-	-	-
<b>3. Financial derivatives</b>	<b>110,718</b>	<b>450,282</b>	<b>-</b>	<b>300,000</b>	<b>261,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
- Options	-	-	-	-	-	-	-	-
3.1 Long positions	-	-	-	-	-	-	-	-
3.2 Short positions	-	-	-	-	-	-	-	-
- Other derivatives	110,718	450,282	-	300,000	261,000	-	-	-
3.3 Long positions	-	-	-	300,000	261,000	-	-	-
3.4 Short positions	110,718	450,282	-	-	-	-	-	-

## 3.2.2 PRICE RISK

### Qualitative disclosures

#### 1. General aspects

With regard to price risk, Mediocredito Centrale's exposure is negligible, as it holds shares for insignificant amounts, while Cassa di Risparmio di Orvieto does not hold a proprietary trading portfolio.

## 3.2.3 EXCHANGE RATE RISK

This case does not arise. Mediocredito Centrale does not have any transactions in currencies other than the Euro that could generate exchange rate risk. The foreign currency activity of Cassa di Risparmio di Orvieto is residual compared to total lending and is hedged from time to time through similar funding transactions. The exposure to exchange rate risk and any hedging activities of a management nature are monitored by the competent structures of the Parent Company through specific *Asset* and *Liability Management* (ALM) procedures.

## 3.3 OPERATIONAL RISKS

### Qualitative disclosures

#### 1. General aspects, management processes and methods for measuring operational risk

Operational risk is defined as the risk of incurring losses resulting from inadequate or dysfunctional procedures, human resources and internal systems, or exogenous events. It includes, inter alia, losses resulting from fraud, human error, business interruption, unavailability of systems, breach of contract, natural disasters.

Operational risk includes legal risk and, with a view to integrated risk management for prudential purposes, certain specific features of IT and security risk; strategic and reputational risk are not included.

The main business processes are regulated in specific internal documents. These documents, together with IT procedures, enable the control of operational risks related to the occurrence of technical and human errors in all phases of company operations, which could give rise to damaging consequences from an economic and image standpoint for the Company.

From an organisational point of view, the Internal Auditing function supervises the operation and the adequacy of the internal control system, verifying the compliance and consistency of processes, of the actions and practices implemented by the corporate Functions with the legislation, regulations, directives, delegated powers and issued procedures, with particular reference to the provisions of Legislative Decree 231/2001.

The Organisation, Management and Control Model adopted, which complies with the requirements of Legislative Decree 231/01, is based, in brief:

1. on compliance the code of ethics, with particular regard to transactions with the Public Administration;
2. on the definition of written and shared operating procedures;
3. on the separation of duties and responsibilities;
4. on the establishment of an autonomous and independent Supervisory Board;
5. on the systematic monitoring by the Supervisory Board and Internal Auditing of compliance with the established internal control procedures.

As far as Mediocredito Centrale and Cassa di Risparmio di Orvieto are concerned, operational risks are measured through the 'Basic Method'<sup>42</sup> according to which risk exposure is a function of *business* volumes. In view of the Banks' operations, the exposure to operational risks is mainly attributable to lending to corporate and retail customers, to operations in investment services and the management of collection and payment processes, and to operations relating to the management of subsidised funds as far as MCC is concerned.

In line with the provisions of the reference regulations and market *best practices*, the *operational risk management* system adopted by the Banks is based on a *framework* that provides, as its main operational management phase, for the identification of risks and the identification of operational risks on a historical basis and from a forward-looking perspective, together with the measurement, control and reporting phases. In particular, the main elements of this framework are represented by the following processes:

- detection of Operational Risk events (Loss Data Collection) accompanied by all relevant information for measurement and 'management' purposes (i.e. economic effects of the event, recoveries, etc.) and classified according to the Basel 2 taxonomies ('Event Type');
- qualitative-quantitative assessment of the exposure to Operational Risk (Operational Risk Self Assessment).

This process is aimed at self-assessing the adequacy of the controls in place to manage and control individual risk events, as well as obtaining estimates of the frequency and impact (both expected and worst case) of risk events. This approach is intended to orient the risk analysis mainly towards the identification of the vulnerabilities of the Risk Factors, in order to guarantee the immediate usability of the results, both from a management perspective and for the identification of mitigation actions.

In relation to the assessment and management of operational risks closely connected to ICT risk events, the operational risk management framework is integrated with the IT risk assessment framework mainly through the phases of incident management, IT Risk Assessment and monitoring and reporting of the evolution of exposure to IT risk, business continuity and disaster recovery.

As regards the integration of the operational risk management framework with the ESG framework, on the other hand, an initial 'pilot' activity was conducted during the 2023 financial year aimed at associating environmental/social/governance factors and operational risk scenarios in the self-assessment perimeter, in order to map the potential transmission channels of ESG risk factors on the business context. Factoring of ESG developments within the operational risk management framework will in any case be assessed and implemented consistently with the results of the broader ESG project conducted for Mediocredito Centrale and Cassa di Risparmio di Orvieto.



Through this *framework*, the Banks aim to achieve the following main objectives:

- ensure adequate control and *reporting* of identified and assessed operational risks;
- improve the effectiveness of operational processes in order to ensure the quality and continuity of activities and to raise the level of service offered to customers;
- disseminate the operational risk culture to ensure full awareness of the risks taken.

In the organisational structure adopted, the Function responsible for the control and measurement of operational risks at a consolidated level is the CRO, which avails itself of a specific OU reporting directly to it, established in 2023, as well as the transversal collaboration of all the structures involved, including those of the individual subsidiaries, in order to identify the main operational risk mitigation initiatives and monitor their effective implementation. Moreover, following the 40th update of Bank of Italy Circular 285/2013, an additional specific OU was also set up in 2023, again reporting directly to the CRO, dedicated to the management, monitoring and reporting of ICT risk.

### **Quantitative disclosures**

During 2023, the Group Banks continued to collect information on operational losses and the monitoring of events in progress (so-called 'Loss Data Collection'), providing quarterly reports to the Control and Risk Committee and the Corporate Bodies.

With reference to the 2023 financial year, it should be noted that the historical loss collection process resulted in a net loss for MCC (loss value determined net of any insurance recoveries) equal to approximately € 0.079 million and for CRO equal to approximately € 0.7 million.

The total value includes both cash losses and provisions recognised throughout the financial year. Pending losses and credit risk boundaries are not included in this loss stream.

As of 31 December 2023, the most relevant risk events in terms of frequency of occurrence belong to the category 'Process implementation, delivery and management', while the most relevant risk events in terms of net operating loss relate to the category 'Customers, products and business practices.

## **3.4 LIQUIDITY RISK**

### **Qualitative disclosures**

#### **1. General aspects, management processes and liquidity risk measurement methods**

With reference to the Parent Company and the Subsidiaries, with the exception of Mediocredito Centrale and Cassa di Risparmio di Orvieto, liquidity risk has not been subjected to a specific relevance analysis in consideration of the current asset allocation.

On the other hand, for Mediocredito Centrale and Cassa di Risparmio di Orvieto (hereinafter also referred to as the 'Group Banks' and/or 'Banks'), liquidity risk, in general terms, is understood as the risk that the bank's operations may find themselves unable to finance new loans and/or fulfil their payment commitments on time; the liquidity risk governance and management system is geared towards avoiding the emergence of conditions in which such a state of default may develop.

Exposure to liquidity risk primarily reflects the Banks' specific business model. In addition, management choices regarding the instruments used to mitigate this risk are also relevant, such as the quali-quantitative composition of liquidity reserves, the proportion of restricted assets, and the degree of diversification of funding.

In relation to these aspects and the risk factors likely to affect expected cash flows, the following types of liquidity risk to which the Banks are exposed are mentioned:

- a) risk of unexpected liquidity needs (contingency liquidity risk);
- b) risk of refinancing under unfavourable conditions (mismatch liquidity risk);
- c) risk of forced sale of securities - or credit assets - at a price below fair value (market liquidity risk);

- d) risk, linked to the composition of funding and concentration by counterparty/technical form/maturity, of negative effects on the market's appetite for unsecured debt of the Bank (funding liquidity risk);
- e) risk, related to the proportion of assets tied up in secured funding transactions, of negative effects on the market appetite for the Bank's unsecured debt (asset encumbrance risk)

With respect to these risks, the liquidity monitoring system is structured as follows.

- funding liquidity risk, contingency liquidity risk and market liquidity risk, risk exposure is jointly monitored through the maturity ladder model, by positioning expected cash flows and counterbalancing capacity on a monthly schedule and calculating the cumulative balance for each maturity ladder. The scenario analysis involves the introduction of stress assumptions regarding the non-renewal of short-term funding and haircuts on liquidity reserves. The risk exposure is expressed in terms of days of survival and, in particular, according to the Liquidity Coverage Ratio formulation;
- the exposure to funding liquidity risk is also measured in terms of the concentration of funding by technical form, by counterparty and by maturity; the exposure to mismatch liquidity risk is expressed as the share of illiquid assets financed by stable funding and in particular, according to the formulation of the Net Stable Funding Ratio; for asset encumbrance risk, the risk exposure is expressed both as the ratio of asset encumbrance and total encumbrance as a committed share of collateral eligible for the Eurosystem;
- on the risk factors side (monitoring of unfavourable events that may affect the expected cash flows), a system of Early Warning Indicators is in place, with the purpose of detecting in advance events capable of triggering situations of tension or liquidity crisis.

In this regard, the liquidity indicators included in the RAF are particularly relevant:

- the Liquidity Coverage Ratio and the Net Stable Funding Ratio provided as strategic indicators for monitoring the Group's liquidity in the short and medium-long term;
- The counterbalancing Capacity and the level of Available Eligible Assets, as monitoring indicators aimed at highlighting in advance the emergence of tensions potentially capable of influencing the evolution of strategic indicators and triggering 'reinforced surveillance' on the overall indicator system.

The liquidity governance framework and the principles that guide the interaction between the Banks, the control and management processes of liquidity risk, both under normal business conditions and under stress conditions, are governed by a specific Liquidity Policy.

It also includes the Contingency Funding and Recovery Plan, aimed at identifying in advance, analysing and managing situations of 'liquidity stress' generated by idiosyncratic and/or market factors, while the Recovery Plan is aimed at managing situations of true 'liquidity crisis'.

### **Impacts from the Russia-Ukraine Conflict**

Following the escalation of military and geopolitical tensions, various preventive measures were taken to identify, manage and mitigate the potential effects on business activities and results.

No direct impacts emerged in terms of liquidity risk, partly due to the absence of exposures to countries involved in the conflict. As for indirect effects on the macroeconomic scenario, deriving from the combination of geopolitical risks and the rise in energy prices with the residual effects of the pandemic, the high level of uncertainty about future developments and the changed orientation of monetary policy, the banking system recorded moderate liquidity outflows during auctions of government bonds ('BTP Italia', 'BTP Valore', BOTs, etc.), with a consequent transfer of funds from the banking system to the central bank, in order to reduce the risk of the pandemic. There was a high level of attention and monitoring of liquidity reserves, risk indicators, and early warning indicators. The latter, in particular, are designed to detect any signs of liquidity strains in advance, given the changed environment compared to the previous phase of abundant and cheap liquidity.

## Quantitative disclosures

### 1. Time distribution by contractual residual maturity of financial assets and liabilities

Items/ Time scales	On demand	More than 1 day to 7 days	More than 7 days to 15 days	More than 15 days to 1 month	More than 1 month up to 3 months	More than 3 months up to 6 months	More than 6 months up to 1 year	Over 1 year up to 5 years	Over 5 years	Indefinite Duration
<b>A. On-balance assets</b>	<b>274,795</b>	<b>12,736</b>	<b>29,742</b>	<b>178,746</b>	<b>407,842</b>	<b>627,747</b>	<b>736,347</b>	<b>1,975,359</b>	<b>1,307,297</b>	<b>26,025</b>
A.1 Government Securities	1,164	-	17,298	112,5	92,088	282,483	322,414	282	-	-
A.2 Other Debt Securities	167	160	181	104	1,414	1,913	3,846	67,124	276,905	-
A.3 UCITS units	13,982	-	-	-	-	-	-	-	-	-
A.4 Loans	259,482	12,576	12,263	66,142	314,340	343,351	410,087	1,626,235	1,030,392	26,025
- Banks	170,002	-	315	-	-	107	-	-	60	26,025
- Customers	89,48	12,576	11,948	66,142	314,340	343,244	410,087	1,626,235	970,392	-
<b>B. On-balance liabilities</b>	<b>2,537,090</b>	<b>100,833</b>	<b>105,172</b>	<b>8,42</b>	<b>110,253</b>	<b>183,209</b>	<b>1,170,342</b>	<b>514,263</b>	<b>326,477</b>	<b>-</b>
B.1 Payables to	2,487,356	730	6,029	4,788	48,339	164,666	265,009	164,063	-	-
- Banks	253	-	-	-	27,607	-	193,393	119,239	-	-
- Customers	2,487,103	730	6,029	4,788	20,732	164,666	71,616	44,824	-	-
B.2 Debt Securities	313	10	-	20	92	738	312,177	203,209	70	-
B.3 Other liabilities	49,421	100,093	99,143	3,612	61,822	17,805	593,156	146,991	256,477	-
<b>C. Off-balance transactions</b>	<b>301,567</b>	<b>482</b>	<b>3</b>	<b>168</b>	<b>510</b>	<b>6,231</b>	<b>4,182</b>	<b>45,906</b>	<b>50,371</b>	<b>-</b>
C.1 Financial derivatives with capital exchange										
- Long positions	-	241	-	-	-	-	-	-	-	-
- Short positions	-	239	-	-	-	-	-	-	-	-
C.2 Financial derivatives without capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Receivable financing										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds										
- Long positions	98,867	-	-	-	-	5,208	385	44,418	48,406	-
- Short positions	197,285	-	-	-	-	-	-	-	-	-
C.5 Financial securities provided	5,415	2	3	168	510	1,023	3,797	1,488	1,965	-
C.6 Financial securities received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital exchange										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

## Self-securitisation transactions

The self-securitisation transactions of performing loans were structured with the objective of improving liquidity risk management, focusing on optimising the management of the loan portfolio and the diversification of funding sources, reducing their cost and matching the natural maturities of assets with those of liabilities. The direct and full subscription by Mediocredito Centrale of the ABS ('Asset Back Securities') notes issued by the Special Purpose Vehicles established pursuant to Law 130/1999, while not allowing direct liquidity to be obtained from the market, nonetheless made it possible to have securities that could be used for refinancing operations with the European Central Bank, improving the safety margin and liquidity risk position.

The originator banks, therefore, having retained substantially all the risks and rewards relating to the assets sold, maintain these loans in the balance sheet for their full amount, applying the accounting treatment envisaged by IFRS 9 for the category of financial instruments to which they belong, while the notes issued by the vehicle and subscribed to are not represented. At least until part of the junior securities are eventually placed on the market, the aforesaid sale and purchase transactions, to be considered jointly by virtue of the principle of substance over form, configure a simple transformation of the receivables into securities (securities), without any substantial economic effect.

Special Servicing Agreements have been entered into with the SPVs, under which Mediocredito Centrale carries out all activities related to the management of the assigned receivables (administration, management, collection and recovery) and as Master Servicer: coordination, administration and recovery activities for non-performing receivables.

Below is a summary description of the operations carried out by Mediocredito Centrale.

### MCC Group SME S.r.l.

On 22 December 2023, Mediocredito Centrale finalised a multi-originator self-securitisation transaction of a portfolio of performing loans relating to financing contracts granted to SMEs and assisted by guarantees provided by SACE S.p.A. and the Central Guarantee Fund, for a gross book value (GBV) of approximately € 348 million.

The loans were sold to the Special Purpose Vehicle 'MCC Group SME S.r.l.' specifically set up for the securitisation transaction pursuant to Law 130/1999.

Vehicle Company	MCC Group SME S.r.l.
Type of transaction	Self-securitisation
Originator	Mediocredito Centrale (MCC) – BdM Banca
Master Servicer	MCC
Arranger	JP Morgan
Computation Agent	Securitisation Services SpA
Corporate Servicer	Securitisation Services SpA
Type of assets securitised	SME- Mortgages and Loans
Quality of securitised assets	Performing
Date of transfer	22/12/23
Portfolio transfer price (as of 31/10/2023 effective date)	698,282,537 euro
- of which originator Mediocredito Centrale (MCC)	349,838,772 euro
- of which originator BdM Bank	348,443,765 euro
Rating agencies	Not rated

On 28 December 2023, Mediocredito Centrale subscribed to the following tranches of securities issued by the Special Purpose Vehicle against the assigned receivables, as well as the creation of a liquidity reserve and a retention amount totalling € 9.79 million:

- a) senior Class A2 Asset Backed Floating Rate Notes, amounting to € 244 million;
- a) junior Class B Asset Backed Variable Return Notes, amounting to € 109.3 million.

Security	Class	Stock Exchange	Rate/Spread	Rating DBRS/Moody's	Final Repayment Date	Nominal value issued	Residual value at year-end	Subscriber
A1	Senior	n.q.	3 Months Euribor/1,55%	Not rated	01/12/43	244	244	JP Morgan
A2	Senior	n.q.	3 Months Euribor/1,55%	Not rated	01/12/43	244	244	BdM Banca
B	Junior	n.q.	3 Months Euribor	Not rated	01/12/43	220,073	220,073	<i>Of which:</i>
B1	Junior					110,734	110,734	MCC
B2	Junior					109,339	109,339	BdM Banca
<b>Total</b>						<b>708,073</b>	<b>708,073</b>	

The transaction does not transfer the substantial risk of the underlying loans to third parties, given that Mediocredito Centrale underwrote the entire issue value of the securities pertaining to the transferred portfolio (so-called 'self-securitisation').

Therefore, in accordance with IFRS 9 rules on derecognition, the receivables subject to the transaction remain recognised in the relevant technical forms of assets.

The transaction pursues the objective of providing Mediocredito Centrale with adequate liquidity reserves that can be used to meet the development of lending activities and the maturity, during 2024, of the TLTRO-III loans payable.

At present, Mediocredito Centrale, as Master Servicer, is entrusted with the management, administration, collection and recovery of the loans assigned by it.

By its nature, the securitisation transaction, having as its object performing loans backed by a SACE and Central Guarantee Fund guarantee, securitised on the basis of the provisions of Law 130/1999, did not entail a change in the credit risk of the assigned portfolio.

### 3.5 - DERIVATIVE INSTRUMENTS AND HEDGING POLICIES

#### Trading Derivatives

The Group does not trade in derivative instruments for trading purposes.

#### Accounting hedges

##### *Qualitative disclosures*

#### A. Fair value hedging activities

In order to protect the economic value of the subsidiary Mediocredito Centrale from the impact of changes in interest rates on fixed-rate/zero-coupon bond funding, each bond issue was hedged by means of an Interest Rate Swap derivative contract, entered into with a primary market counterparty; therefore, these positions are configured as Fair Value Hedges.

#### B. Cash flow hedging activities

There are no cash flow hedging transactions.

#### C. Hedging of foreign investments

There are no foreign investment hedging activities.

#### D. Hedging instruments

Each hedging instrument is characterised by a cash flow that exactly replicates the interest accruing on bond issues and a passive leg indexed to Euribor plus a spread, so that changes in cash flows on the hedged item due to changes in rates are perfectly offset.

## E. Hedged Items

Since the purpose of the hedging transaction is to immunise the economic value of the banking book from interest rate risk, the hedged item is not exactly the bond, but rather a portion of it, represented by the component to which the impact of changes in interest rates is referable.

The verification of the effectiveness of the hedge makes use of methodologies accepted by the reference accounting standards and professional practice and consists of verifying that the change in the value of the hedged item, in the face of a conventional interest rate shock, is equal to the change in the value of the hedging instrument. Any difference (ineffectiveness) must be attributable solely to the difference between the fair market spread and the spread actually negotiated with the counterparty.

### Quantitative disclosures

#### 3.5.2 Hedging financial derivatives: notional values at the end of the period

Types of derivatives	2023		2022	
	Over the counter - Central counterparties	Over the counter - Without central counterparties - With netting agreements	Over the counter - Central counterparties	Over the counter - Without central counterparties - With netting agreements
<b>1. Debt securities and interest rates</b>	-	561,000	-	550,227
a) Options	-	-	-	-
b) Swap	-	561,000	-	550,227
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
<b>2. Equity securities and stock indices</b>	-	-	-	-
a) Options	-	-	-	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
<b>3. Currencies and gold</b>	-	-	-	-
a) Options	-	-	-	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
<b>4. Goods</b>	-	-	-	-
<b>5. Others</b>	-	-	-	-
<b>Total</b>	-	561,000	-	550,227

### 3.5.3 Residual life of hedging derivatives: notional values

Underlying/Residual life	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	300,000	261,000	-	561,000
A.2 Financial derivatives on equities and stock indices	-	-	-	-
A.3 Financial derivatives on currencies and gold	-	-	-	-
A.4 Financial derivatives on commodities	-	-	-	-
A.5 Other Financial Derivatives	-	-	-	-
<b>2023</b>	<b>300,000</b>	<b>261,000</b>	<b>-</b>	<b>561,000</b>
<b>2022</b>	<b>-</b>	<b>370,000</b>	<b>180,227</b>	<b>550,227</b>

### 3.5.4 Hedging financial derivatives: gross positive and negative fair value, change in value used to recognise hedge ineffectiveness

Derivative types	Positive and negative fair value - 2023				Positive and negative fair value - 2022				Change in value used to calculate hedge effectiveness	
	Over the counter - Central counterparties	Over the counter - Without central counterparties - With netting arrangements	Over the counter - Without central counterparties - Without netting arrangements	Organised markets	Over the counter - Central counterparties	Over the counter - Without central counterparties - With netting arrangements	Over the counter - Without central counterparties - Without netting arrangements	Organised markets	2023	2022
<b>Positive fair value</b>										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swap	-	30,500	-	-	-	26,930	-	-	-	-
c) Cross-currency swap	-	-	-	-	-	-	-	-	-	-
d) Equity swap	-	-	-	-	-	-	-	-	-	-
e) Forward	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Others	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>30,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>26,930</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Negative fair value</b>										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swap	-	11,736	-	-	-	20,675	-	-	-	-
c) Cross-currency swap	-	-	-	-	-	-	-	-	-	-
d) Equity swap	-	-	-	-	-	-	-	-	-	-
e) Forward	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Others	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>11,736</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,675</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## SECTION 4 – INFORMATION ON EQUITY

### 4.1.2.1 Equity: breakdown

Items/Values	2023	2022
<b>1. Capital</b>	<b>836,384</b>	<b>836,384</b>
<b>2. Additional paid-in capital</b>	-	-
<b>3. Reserves</b>	<b>(5,351)</b>	<b>20,317</b>
- profit reserves	29,039	65,636
a) legal	873	873
b) capital	-	-
c) treasury shares	-	-
d) other	28,166	64,763
- Other reserves	(34,39)	(45,319)
of which Reserve Art. 47 Decree Law 19/5/2020	-	(31,851)
of which ISMEA Special Reserve (ISA) art.10ter co.5	(15,494)	(15,494)
<b>4. Treasury shares</b>	-	-
<b>5. Valuation reserves</b>	<b>(17,154)</b>	<b>(34,42)</b>
- Equity securities designated at fair value with impact on comprehensive income	1	4,894
- Hedges of equity securities designated at fair value with impact on comprehensive income	-	-
- Financial assets (other than equity securities) measured at fair value with impact on comprehensive income	(1,472)	(36,237)
- Property, plant and equipment	-	119
- Intangible assets	-	-
- Hedging of foreign investments	-	-
- Cash flow hedges	1,014	-
- Hedging instruments (undesignated items)	-	-
- Exchange rate differences	-	-
- Non-current assets and disposal groups held for sale	-	-
- Financial liabilities designated at fair value with impact on profit or loss (changes in creditworthiness)	-	-
- Special revaluation laws	-	-
- Actuarial gains/losses on defined benefit pension plans	(1,771)	1,239
- Share of valuation reserves of equity-accounted investees	(14,926)	(4,435)
<b>6. Equity instruments</b>	-	-
<b>7. Profit (loss) for the year</b>	<b>12,004</b>	<b>(31,081)</b>
<b>Total</b>	<b>825,883</b>	<b>791,2</b>

The ISMEA special reserve (formerly ISA) was established in 2022 following the issue by the Rome Court of Appeals of the sentence in civil case no. 2095/2015, which confirmed the first instance sentence condemning the Agency to pay in favour of Istituto Sviluppo Agroalimentare (ISA) S.p.A., the sum of € 15.5 thousand. This amount, since the first-degree judgement had become final, was recorded in a negative item of Shareholders' Equity (for further details on this accounting treatment, see the paragraph in Part A - Section 4 Other Aspects - Accounting Treatment ISA- ISMEA).



#### 4.1.2.2 Valuation reserves for financial assets measured at fair value through other comprehensive income: breakdown

Assets/Values	Total 31/12/23		Total 31/12/22	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt Securities	29,735	(26,447)	124	(31,597)
2. Equity Securities	60	(4,82)	38	(4,802)
3. Financing		-	-	-
<b>Total</b>	<b>29,795</b>	<b>(31,267)</b>	<b>162</b>	<b>(36,399)</b>

#### 4.1.2.3 Valuation reserves for financial assets measured at fair value through other comprehensive income: annual changes

	Debt Securities	Equity Securities	Financing
<b>1. Opening balance</b>	<b>(31,473)</b>	<b>(4,764)</b>	-
<b>2. Positive changes</b>	<b>34,784</b>	<b>4</b>	-
2.1 Increases in fair value	19,224	4	-
2.2 Value adjustments for credit risk	-	-	-
2.3 Transfer of negative realisation reserves to the Income Statement	932	-	-
2.4 Transfers to other equity components (equity securities)	-	-	-
2.5 Other variations	14,628	-	-
<b>3. Negative changes</b>	<b>(23)</b>	-	-
3.1 Fair Value Reductions	(11)	-	-
3.2 Write-backs due to credit risk	(12)	-	-
3.3 Transfer to Income Statement from positive reserves: from realisation	-	-	-
3.4 Transfers to other equity components (equity securities)	-	-	-
3.5 Other changes		-	-
<b>4. Closing balance</b>	<b>3,288</b>	<b>(4,76)</b>	-

#### Disclosure of regulatory capital

Regulatory capital disclosure is not applicable.

## SECTION 5 – ANALYTICAL STATEMENT OF COMPREHENSIVE INCOME

	Items	31/12/23	31/12/22
10.	<b>Net profit (loss) for the year</b>	<b>13,171</b>	<b>(31,081)</b>
	<b>Other comprehensive income after tax not reclassified to profit or loss</b>	<b>(167)</b>	<b>(3,096)</b>
20.	Equity instruments designated at fair value through other comprehensive income:	22	(4,253)
	a) change in fair value	22	(4,253)
	b) transfers to other components of equity	-	-
30.	Financial liabilities designated at fair value with impact on profit or loss (changes in own creditworthiness):	-	-
	a) change in fair value	-	-
	b) transfers to other components of equity	-	-
40.	Hedges of equity securities designated at fair value with impact on comprehensive income:	-	-
	a) change in fair value (hedged instrument)	-	-
	b) change in fair value (hedging instrument)	-	-
50.	Property, plant and equipment	-	102
60.	Intangible assets	-	-
70.	Defined benefit plans	(189)	1,055
80.	Non-current assets and disposal groups held for sale	-	-
90.	Portion of valuation reserves from investments valued at equity method	-	-
	<b>Other comprehensive income after tax not reclassified to profit or loss</b>	<b>20,666</b>	<b>(26,043)</b>
110.	Foreign investments hedging:	-	-
	a) changes in fair value	-	-
	b) transfer to Income Statement	-	-
	c) other changes	-	-
120.	Foreign exchange differences:	-	-
	a) change in value	-	-
	b) transfer to Income Statement	-	-
	c) other changes	-	-
130.	Cash flow hedging:	-	-
	a) changes in fair value	-	-
	b) transfer to Income Statement	-	-
	c) other changes	-	-
	of which: result of net positions	-	-
140.	Hedging instruments (non-designated items):	-	-
	a) change in value	-	-
	b) transfer to Income Statement	-	-
	c) other changes	-	-
150.	Financial assets (other than equity securities) measured at fair value through other comprehensive income:	20,666	(26,043)
	a) changes in fair value	20,666	(25,575)
	b) transfer to Income Statement	-	(688)
	- credit risk adjustments	-	51
	- realised gains/losses	-	(739)
	c) other changes	-	220
160.	Non-current assets and disposal groups held for sale:	-	-
	a) changes in fair value	-	-
	b) transfer to Income Statement	-	-
	c) other changes	-	-
170.	Part of valuation reserves from investments valued at equity method:	-	-
	a) changes in fair value	-	-
	b) transfer to Income Statement	-	-
	- impairment adjustments	-	-
	- realised gains/losses	-	-
	c) other changes	-	-
180.	Other comprehensive income after tax reclassified to profit or loss	-	-
190.	<b>Total other comprehensive income after tax</b>	<b>20,499</b>	<b>(29,139)</b>
200.	<b>Comprehensive income (Item 10+190)</b>	<b>33,670</b>	<b>(60,220)</b>
210.	Minority consolidated other comprehensive income	1,683	(781)
220.	<b>Parent company's Consolidated other comprehensive income</b>	<b>31,987</b>	<b>(59,439)</b>

## SECTION 6 - RELATED PARTY TRANSACTIONS

The perimeter of natural and legal persons qualifying as related parties for the consolidated financial statements was defined on the basis of the indications provided by IAS 24, appropriately applied with reference to the specific organisational and *governance* structure of the Agency.

In particular, the following are considered related parties:

### Entities exercising significant influence over the Company

The company has a single shareholder, the Ministry of Economy and Finance. In this regard, in accordance with current legislation, the shareholder's rights with respect to the Agency are exercised by the Minister of Economy and Finance, in agreement with the Minister of Economic Development.

It follows that operationally, the Ministry of the Economy, the Ministry of Economic Development, all the companies controlled by the Ministry of the Economy, and any other *in-house* companies of the Ministry of Economic Development are to be considered as related parties.

### Subsidiaries

These are the companies over which the Agency directly or indirectly exercises control as defined by IFRS 10.

### Affiliated companies

These are the companies over which the Agency directly or indirectly exercises significant influence as defined by IAS 28.

### Key management personnel and controlling bodies and their family members

Key management personnel are those persons who have the power and responsibility, directly or indirectly, for planning, directing and controlling the activities of the entity, including the directors (executive or otherwise) of the entity. In the Agency, in addition to the Board of Directors, '**with strategic responsibilities**' are defined as the top organisational level executives and their family members.

#### 6.1 Information on the remuneration of executives with strategic responsibilities

Below is information on the remuneration paid in the financial year 2023 to key management personnel, the Board of Directors and the Board of Statutory Auditors by the fully consolidated companies.

Information on the remuneration of key management personnel (including directors and statutory auditors)	
a) short-term benefits	8,509
b) post-employment benefits	1,048
of which related to defined-benefit plans	13
of which related to defined contribution plans	1,035
c) other long-term benefits	5
d) compensation for termination of employment	327

#### 6.2 Loans and guarantees issued in favour of directors and auditors

There are no creditor transactions and/or guarantees issued in favour of directors and auditors.

### Intra-group transactions

Given that, as illustrated elsewhere in these Notes to the Financial Statements and in the Report on Operations, the reorganisation plan is still in progress, intra-group transactions continued without interruption for the entire year. In this regard, it should be noted that, within the Group, transactions between the various economic entities that make up the Group are inspired by criteria of centrality with regard to the fundamental activities of governance and control, supplemented by those of guidance and assistance, in the form of advice on legal, economic, organisational and resource management matters. The individual companies are instead entrusted with the mission of managing products and services of various kinds.

Transactions carried out with related parties, including intra-group transactions, are neither atypical nor unusual, as they are part of the ordinary course of business of Group companies. The economic effects connected with the aforementioned transactions are normally regulated on the basis of usual market conditions. In the case of services rendered by the Parent Company as part of normal group synergies, the fees are determined with the aim of recovering at least the specific and general costs. These transactions, when not concluded at standard conditions or dictated by specific regulatory conditions, were, in any case, settled at market conditions. Any loans granted by the Parent Company to subsidiaries and associates at more favourable or non-interest-bearing conditions have been recognised in accordance with IFRS 9, as illustrated in the section 'Accounting Policies'.

### 6.3 Information on transactions with related parties

Transactions carried out with related parties, even if concluded at normal market conditions and even in cases where the amounts are not significant, are reported because the significance of the transactions is linked to the reasons that led to the decision to deliberate and conclude the transaction with the related party.

Below is information on related party transactions by nature and by counterparty:

#### Equity-related transactions

Company name	Assets				Liabilities		Commitments	
	Financing	Receivables	Equity investments	Other active transactions	Financial liabilities	Due to customers	Guarantees issued	Commitments to disburse funds
<b>Direct subsidiaries</b>								
DRI D'ITALIA S.p.A.	-	-	-	348	-	-	-	-
<b>Direct investee companies</b>								
ACCIAIERIE D'ITALIA HOLDING S.p.A.	-	-	-	680	-	-	-	-
CDP VENTURE CAPITAL SGR S.p.A. (formerly INVITALIA VENTURES SGR S.p.A.)	-	-	-	-	-	-	-	-
GUSTAVO DE NEGRI & ZA.MA. S.r.l. Manifattura Tessile in bankruptcy (Law 181)	-	-	-	-	808	-	-	-
INDUSTRIA ITALIANA AUTOBUS S.p.A.	-	-	-	64	-	-	-	-
I.P. INIZIATIVE PORTUALI PORTO ROMANO S.r.l. under liquidation	-	866	-	-	-	-	-	-
SIDERALLOYS ITALIA S.p.A.	-	-	-	18	-	-	-	-
TEKLA Ltd. (Law 181) in litigation	613	-	-	-	2,609	-	-	-
TLS SVILUPPO S.r.l.	-	-	-	15	-	-	-	-
<b>Other related parties</b>								
ANPAL S.p.A.	-	-	-	1,868	-	-	-	-
ANAS S.p.A.	-	-	-	-	-	11	-	-
CASSA DEPOSITI E PRESTITI S.p.A.	-	-	-	-	-	105,507	-	-
ENEL S.p.A.- ENEL DISTRIBUZIONE S.p.A.	-	-	-	45	-	30,462	5	-
ENIBIOCH4IN SAN BENEDETTO PO S.r.l. SOCIETA' AGRICOLA	-	-	-	-	-	1,565	-	-
FINCANTIERI CANTIERI NAVALI ITALIANI S.p.A.	-	-	-	-	-	-	-	10
FONDO UNICO DI GIUSTIZIA	-	-	-	-	-	1	-	-
GRUPPO POSTE ITALIANE S.p.A.	-	1,825	-	-	3	22,101	-	-
GSE- GESTORE DEI SERVIZI ENERGETICI S.p.A.	-	-	-	-	-	26	-	-
ISTITUTO DELLA ENCICLOPEDIA ITALIANA FONDATA DA GIOVANNI TREC-LEONARDO S.p.A.	-	-	-	-	-	12,876	-	37
MARINA DI VILLA IGEA S.p.A.	-	-	-	-	-	-	-	-
MECAER AVIATION GROUP S.p.A.	-	4,688	-	-	-	-	-	-
MONTE DEI PASCHI DI SIENA S.p.A.	-	80,882	-	-	-	-	-	-
OPEN FIBER S.p.A.	-	-	-	-	-	353,182	-	-
RAFFINERIA DI MILAZZO S.C.p.A.	-	20	-	-	-	-	-	-
RETE FERROVIARIA ITALIANA	-	-	-	-	-	35	-	-
TINTORIA STAMPERIA DEL MOLISE S.p.A.	-	-	-	-	-	-	-	-
SICAMB S.p.A.	-	-	-	-	-	225	-	-
SOCIETA' PER CORNEGLIANO S.p.A.	-	-	-	-	-	-	-	-
SO.I.GE.A. S.r.l.	-	8,444	-	-	-	-	-	-
SPORT E SALUTE S.p.A.	-	-	-	-	-	1	-	-

## Financial transactions

Company name	Income statement			
	Net Interest	Net Commissions	Administrative Expenses	Sundry income and expenses
<b>Direct subsidiaries</b>				
DRI D'ITALIA S.P.A.	(4)	-	(231)	(177)
<b>Direct investee companies</b>				
ACCIAIERIE D'ITALIA HOLDING S.p.A.	-	-	-	(45)
CDP VENTURE CAPITAL SGR S.p.A. (formerly INVITALIA VENTURES SGR S.p.A.)	-	-	-	-
INDUSTRIA ITALIANA AUTOBUS S.p.A.	-	-	-	16
I.P. INIZIATIVE PORTUALI PORTO ROMANO S.r.l. under liquidation	-	-	-	-
SIDERALLOYS ITALIA S.p.A.	-	-	-	51
TEKLA Ltd. (Law 181) in litigation	-	-	-	18
TLS SVILUPPO S.r.l.	-	-	-	8
<b>Other related parties</b>				
ANAS S.p.A.	-	-	(7)	-
CASSA DEPOSITI E PRESTITI S.p.A.	(3,025)	-	-	-
ENEL S.p.A. - ENEL DISTRIBUZIONE S.p.A.	(603)	-	-	-
FONDO UNICO DI GIUSTIZIA	(1)	-	-	-
GRUPPO POSTE ITALIANE S.p.A.	(1,135)	(1)	(1,836)	-
MECAER AVIATION GROUP S.p.A.	214	-	-	-
OPEN FIBER S.p.A.	-	-	(237,754)	-
RAFFINERIA DI MILAZZO S.C.p.A.	63	-	-	-
RETE FERROVIARIA ITALIANA	-	-	(14)	-
SO.I.GE.A. S.r.l.	247	-	-	-

## SECTION 7 - LEASING

### Qualitative information

The Group, as lessee, has entered into the following property leases concerning:

- the building in Rome, Viale America 351, which houses the registered office of Banca del Mezzogiorno;
- the building in Rome, Via Silvestro Gherardi, 3, used as a guest quarters;
- the building in Rome, Via Nino Bixio, 41 for guest quarters;
- the building in Rome Viale Cesare Pavese, 300 for guest quarters;
- the property in Rome Viale America, 93-95 for guest quarters use;
- the building in Rome Via Domenichini, 5 for guest quarters;
- the buildings housing the representative offices in Bari, Milan, Naples and Pescara of Banca del Mezzogiorno;
- a lease agreement for commercial use concerning the building in Rome, Via Calabria 46, which houses the registered office of the Parent Company Invitalia, as well as of the subsidiaries Infratel S.p.A., Italia Turismo S.p.A. and Invitalia Partecipazoni S.p.A.;
- a lease agreement for commercial use concerning the building in Rome, Via Pietro Boccanelli 12/30, which houses certain offices of the above-mentioned companies;
- a state concession concerning the building in Rome, Compendio Roma Eur, which houses the offices of Infratel S.p.A.;

- a lease agreement for commercial use concerning the building in Bologna, Viale Aldo Moro 44, which houses the offices of Area Ricostruzione- Terremoto Emilia-Romagna.

In addition, 42 medium- and long-term rental contracts were activated (duration 24 or 36 months) of company cars, with a duration of 2 or 3 years.

Leasing contracts with a duration of less than 12 months or of low value are accounted for without recognising a right of use, but rather by allocating the costs relating to the lease payments to administrative expenses on an accrual basis.

### **Quantitative information**

In this item, reference should be made to:

- the information on rights of use acquired under *leases* contained in Part B, Assets;
- the information on lease payables contained in Part B, Liabilities;
- the information on interest expense on *lease* payables and other charges associated

with rights of use acquired under *leases* and profits and losses from sale and leaseback transactions contained in Part C. In addition, the quantitative disclosures required by IFRS 16, par. 53(a) and par. 59, and disclosure of commitments associated with short-term *leases*, if the conditions in par. 55 of IFRS 16 are met.

## **SECTION 8 - OTHER INFORMATION DETAILS**

### **FEES TO THE AUDITING FIRM**

Below is the schedule of fees pursuant to Article 149-duodecies of the Issuers' Regulation.

<b>Type of services</b>	<b>Service provider</b>	<b>Recipient</b>	<b>Amount</b>
Audit Service	Deloitte&Touche S.p.A.	Invitalia S.p.A.	180
Other Services	Deloitte&Touche S.p.A.	Invitalia S.p.A.	20
Audit Service	Deloitte&Touche S.p.A.	Medio Credito Centrale	229
Other Services	Deloitte&Touche S.p.A.	Medio Credito Centrale	104
Audit Service	Deloitte&Touche S.p.A.	Cassa di Risparmio di Orvieto	57
Other Services	Deloitte&Touche S.p.A.	Cassa di Risparmio di Orvieto	17
Audit Service	Deloitte&Touche S.p.A.	Infratel S.p.A.	120
Audit Service	Deloitte&Touche S.p.A.	Invitalia Partecipazioni	61
Audit Service	Deloitte&Touche S.p.A.	Italia Turismo	48
			<b>836</b>

The fees indicated refer to the fees for the audit of the 2023 Financial Statements. During the year, the companies belonging to the Audit Firm's network did not perform any consulting services.

These fees are net of expense reimbursements, non-deductible VAT and the CONSOB contribution.

## SEGMENT REPORTING

The Group's segment reporting is based on the elements that the Parent Company's management uses to make operational decisions on an ongoing basis (so-called *management approach*) and is therefore consistent with the disclosure requirements of IFRS 8.

The following segments have been identified: Lending Activities, Management of Facilitative Funds and Services to the Public Administration and Divestment Activities.

The attribution of the economic and financial results to the business segments is based on the accounting principles used for the preparation and presentation of the Financial Statements.

The main figures of the income statement and balance sheet aggregates, which summarise the sector contribution, are shown below.

	Lending	Public funds management and PA services activities	Disposal	Other (*)	Shareholders' equity
<b>Total assets</b>	<b>6,161,509</b>	<b>4,855,759</b>	<b>77,331</b>	<b>19,991</b>	
of which financial assets measured at amortised cost	3,999,422	2,539,635	-	14,894	
<b>Total liabilities</b>	<b>5,152,714</b>	<b>5,106,582</b>	<b>4,601</b>	<b>7,545</b>	
<b>Shareholders' equity</b>					<b>829,263</b>
<b>Shareholders' equity pertaining to non-controlling interests</b>					<b>13,885</b>

Income statement	Lending	Public fund management and PA services activities	Disposal	Other (*)	Total
<b>120. NET INTEREST AND OTHER BANKING INCOME</b>	<b>104,834</b>	<b>241,964</b>	<b>(502)</b>	<b>48</b>	<b>346,344</b>
130. NET LOSSES/RECOVERIES FOR CREDIT RISKS ASSOCIATED WITH:	(18,369)	(10,364)	(344)	75	(29,002)
<b>150. NET INCOME FROM FINANCIAL ACTIVITIES</b>	<b>88,195</b>	<b>229,854</b>	<b>(846)</b>	<b>123</b>	<b>317,326</b>
<b>210. OPERATING EXPENSES</b>	<b>(98,265)</b>	<b>(176,408)</b>	<b>(4,656)</b>	<b>(1,764)</b>	<b>(281,093)</b>
<b>260. PROFIT (LOSS) ON CONTINUING OPERATIONS BEFORE TAX</b>	<b>26,265</b>	<b>13,928</b>	<b>(5,502)</b>	<b>(1,641)</b>	<b>33,05</b>
270. INCOME TAX FOR THE YEAR FROM CONTINUING OPERATIONS					(14,283)
<b>280. PROFIT (LOSS) FROM CURRENT OPERATIONS AFTER TAX</b>					<b>18,767</b>
290. PROFIT (LOSS) ON DISCONTINUED OPERATIONS AFTER TAX					(5,596)
<b>300. PROFIT (LOSS) FOR THE YEAR</b>					<b>13,171</b>
310. PROFIT (LOSS) FOR THE YEAR PERTAINING TO NON-CONTROLLING INTEREST					(1,167)

(\*) 'Other' includes residual assets managed by Invitalia Partecipazioni





# ANNEXES



## Annex A.1.a

### CHANGES IN 'FINANCIAL ASSETS HELD FOR TRADING'

Importi in migliaia di euro

Debt securities	Opening 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
BANK BPM 21/06/24	1,978	-	-	-	-	(1,952.00)	-	(26)	-	Ba1		
BP SONDRIO 03/04/24	4,958	-	102	88	-	-	-	(88)	5,060			BB+
<b>Total debt securities</b>	<b>6,936</b>	<b>-</b>	<b>102</b>	<b>88</b>	<b>-</b>	<b>(1,952)</b>	<b>-</b>	<b>(114)</b>	<b>5,060</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Equity securities and UCITS units</b>												
JH BALANCED FUND I2 HEUR	6,42			-	-	(6,42)	-	-	-	-	-	-
<b>Equity securities and UCITS units</b>	<b>6,42</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,42)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overall total</b>	<b>13,356</b>	<b>-</b>	<b>102</b>	<b>88</b>	<b>-</b>	<b>(8,372)</b>	<b>-</b>	<b>(114)</b>	<b>5,060</b>			

## Annex A.1.c.1

### CHANGES IN 'OTHER FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE' CAPITAL REDEMPTION POLICIES

Financial assets at fair value	Opening balance	Purchases	Positive changes fair value	Other positive changes	Repayments	Other negative changes	Closing balance
ATHORA (FORMERLY AMISSIMA VITA SPA)	8,151	-	-	-	(8,147)	(4)	-
ATHORA (FORMERLY AMISSIMA VITA SPA)	8,151	-	-	-	(8,147)	(4)	-
ATHORA (FORMERLY AMISSIMA VITA SPA)	1,004	-	-	-	(1,004)	-	-
ATHORA (FORMERLY AMISSIMA VITA SPA)	1,004	-	-	-	(1,004)	-	-
CATTOLICA ASSICURAZIONI 30/4/2023	1,085	-	-	6	(1,091)	-	-
EUROVITA (EX PRAMERICA LIFE SPA)	9,952	-	-	-	(9,952)	-	-
HDI ASSICURAZIONI SPA	1,040	-	-	5	(1,045)	-	-
HDI ASSICURAZIONI SPA	2,055	-	-	10	(2,065)	-	-
HDI ASSICURAZIONI SPA	1,035	-	-	6	(1,041)	-	-
HDI ASSICURAZIONI SPA		3,000	27	-	-	-	3,027
HDI ASSICURAZIONI SPA		3,000	28	-	-	-	3,028
HDI ASSICURAZIONI SPA		1,000	9	-	-	-	1,009
SARA VITA SPA	2,507	-	56	-	-	-	2,563
<b>Total investment policies at fair value</b>	<b>35,984</b>	<b>7</b>	<b>120</b>	<b>27</b>	<b>(33,496)</b>	<b>(8)</b>	<b>9,627</b>
TFR (Employees termination indemnity) investment policy	846	-	-	33	(39)	-	840
<b>Total financial assets at fair value</b>	<b>36,83</b>	<b>7</b>	<b>120</b>	<b>60</b>	<b>(33,535)</b>	<b>(8)</b>	<b>10,467</b>

## Annex A.1.c.2

### CHANGES IN 'OTHER FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE' - UCITS UNITS

Other financial assets mandatorily measured at fair value	Opening balance	Purchases	Write-backs	Other positive changes	Positive changes in fair value	Repayments	Other negative changes	Negative changes in fair value	Closing balance
<b>UCITS units</b>									
NEXT FUND	1,259							(543)	715
NORTHWEST FUND	-								-
ITALIA VENTURE I Fund(*)	34,882	2,280				(695)	(660)	(7,359)	28,448
i3-DEVELOPMENT ITALY FUND	86,340				6,353				92,693
	<b>122,48</b>	<b>2,280</b>			<b>6,353</b>	<b>(695)</b>	<b>(660)</b>	<b>(7,902)</b>	<b>121,857</b>

(\*) The units of this fund are acquired with the available funds of the Sustainable Growth Fund, consequently, changes in fair value are deducted from the relevant fund

### CHANGES OF THE ITALIA VENTURE II FUND - FONDO IMPRESE SUD

Other financial assets mandatorily measured at fair value	Opening 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 ENTERPRISES	38,349	12,116						(6,243)	44,221
	<b>38,349</b>	<b>12,116</b>	-	-	-	-	-	<b>(6,243)</b>	<b>44,221</b>

## Annex A.3

### EQUITY INVESTMENTS - ANNUAL CHANGES

Equity investments	Book value 01/01/2023	Increases				Decreases			Book value 31/12/2023
		Purchases	Write-backs	Revaluations	Other changes	Sales	Value adjustments	Other changes	
<b>Companies subject to significant influence:</b>	-	-	-	-	-	-	-	-	-
C.R.A.A. S.R.L. IN LIQUIDATION	-	-	-	-	-	-	-	-	-
CDP VENTURE CAPITAL SPA	4,752	-	-	2,561	-	-	-	-	7,313
CFI - COOPERAZIONE FINANZA	610	-	-	-	-	-	(610)	-	-
CONSORZIO EX CNOW	1	-	-	-	-	-	(1)	-	-
ELETTRA SINCROTONE TRIESTE S.P.A.	2,311	-	-	-	-	-	(52)	-	2,259
FINMEK SOLUTIONS S.P.A. IN INSOLVENCY PROCEEDINGS	-	-	-	-	-	-	-	-	-
FONDERIT ETRURIA in bankruptcy	-	-	-	-	-	-	-	-	-
IDC - ITALIAN DISTRIBUTION	-	-	-	-	-	-	-	-	-
ISTITUTO DELLA ENCICLOPEDIA TRECCANI SPA	5,503	-	-	-	45	-	-	-	5,548
ITALIACAMP S.R.L.	1	-	-	-	-	-	-	-	1
LAMEZIA EUROPA SCPA	-	-	-	-	-	-	-	-	-
MARINA DI VILLA IGIEA SPA	844	-	69	-	-	-	-	-	913
MECCANO SCPA	81	-	1	-	-	-	-	-	82
SASSI ON LINE SERVICE S.C.	-	-	-	-	-	-	-	-	-
SICULIANA NAVIGANDO S.R.L.	-	-	-	-	-	-	-	-	-
SOCIETA' PER CORNIGLIANO SPA	1,379	-	9	-	-	-	-	-	1,388
TESS COSTA DEL VESUVIO	88	-	-	-	-	-	(83)	-	5
TRADIZIONI DI CALABRIA (in bankruptcy)	-	-	-	-	-	-	-	-	-
<b>Companies acquired with third-party funds:</b>	-	-	-	-	-	-	-	-	-
<b>referred to in Decree Law 142 of 16 December 2019</b>	-	-	-	-	-	-	-	-	-
ACCIAIERIE D'ITALIA SPA	402,972	-	-	-	-	-	(402,972)	-	-
BANCA POPOLARE DI BARI	419,000	-	-	-	-	-	-	-	419,000
DRI D'ITALIA SPA	35,000	-	-	-	-	-	-	-	35,000
<b>of which with funds from Law 181/89</b>	-	-	-	-	-	-	-	-	-
CMS S.R.L. IN BANKRUPTCY	1,370	-	-	-	-	-	(1,37)	-	-
ELMIRAD SERVICE S.R.L. UNDER LIQUIDATION	120	-	-	-	-	-	(120)	-	-
FONDERIE S.P.A. IN BANKRUPTCY	-	-	-	-	-	-	-	-	-
GUSTAVO DE NEGRI & ZA.MA. S.R.L. IN BANKRUPTCY	202	-	-	-	-	-	(202)	-	-
JONICA IMPIANTI S.R.L. IN BANKRUPTCY	278	-	-	-	-	-	(278)	-	-
PERITAS S.R.L.	326	-	-	-	-	(326)	-	-	-
PRO.S.IT. IN BANKRUPTCY S.R.L.	499	-	-	-	-	-	(499)	-	-
SICALP S.R.L. IN BANKRUPTCY	1,033	-	-	-	-	-	(1,033)	-	-
SIE-SOC.ITTICA EUROPEA UNDER EXTRAORDINARY ADMINISTRATION	-	-	-	-	-	-	-	-	-
SIMPE S.P.A. IN BANKRUPTCY	3,600	-	-	-	-	-	(3,600)	-	-
SURAL S.P.A. BANKRUPT	253	-	-	-	-	-	(253)	-	-
TEKLA S.R.L.	653	-	-	-	-	(653)	-	-	-
<b>of which with funds from Law 126/2020</b>	-	-	-	-	-	-	-	-	-
REITHERA S.R.L.	15,000	-	-	-	-	-	-	-	15,000
TLS S.R.L.	2,102	-	-	-	-	-	(1,035)	-	1,067
<b>Total equity investments</b>	<b>897,978</b>	<b>-</b>	<b>79</b>	<b>2,561</b>	<b>45</b>	<b>(979)</b>	<b>(412,108)</b>	<b>-</b>	<b>487,576</b>

#### Annex A.4

### NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE: ACCOUNTING INFORMATION

Importo in migliaia di euro

Company name	Stake held	Book value
I.T.S INFORMATION TECHNOLOGY SERVICES S.P.A.	17.33%	-
IP PORTO ROMANO S.R.L.	34.23%	74
MARINA DI ARECHI	1.00%	300
SALERNO SVILUPPO S.C.R.L. IN LIQUIDATION	20.00%	53
<b>Total other companies</b>		<b>427</b>

#### Annex A.5

### NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE: ANNUAL CHANGES

Company name	Opening balance 01/01/2023	Positive changes	Negative changes	Revaluations	Disposals	Depreciation	Closing balance 31/12/2023
IP PORTO ROMANO S.R.L.	74	-	-	-	-	-	74
MARINA D'ARECHI	300	-	-	-	-	-	300
SALERNO SVILUPPO S.C.R.L. IN LIQUIDATION	53	64	-	-	-	-	117
<b>Total other companies</b>	<b>427</b>	<b>64</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>491</b>



# ATTESTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

PURSUANT TO ARTICLE 81-TER OF CONSOB  
REGULATION NO.11971 DATED 14 MAY 1999.  
AS AMENDED





**Certification of the consolidated financial statements under Article 154-bis, par. 5, of Legislative Decree 58/1998 and Article 81-ter of Consob Regulation 11971 of 14 May 1999 and subsequent amendments and additions**

1. The undersigned Bernardo Mattarella, as Chief Executive Officer, and Domenico Tudini, as Appointed Manager for the preparation of corporate accounting documents of the National Agency for Inward Investment and Economic Development S.p.A., hereby certify, also in light of the provisions of Article 154-bis, par. 3 and par. 4 of Legislative Decree 58 of 24 February 1998:

- The adequacy of the consolidated financial statements as at 31.12.2023 to the Group's characteristics
- and the effective application of the administrative and accounting procedures for its preparation.

The adequacy and compliance with the administrative and accounting procedures for preparing the financial statements as of 31.12.2023 were verified in accordance with the COSO model, which constitutes the reference framework of the Internal Controls Integrated Framework adopted by the Agency and generally accepted at the international level. The COSO model was drafted by the Committee of Sponsoring Organizations of the Treadway Commission, a US entity aiming to improve the quality of financial disclosure.

In 2023, the Appointed Manager for the preparation of corporate accounting documents of the National Agency for Inward Investment and Economic Development S.p.A., helped by the Internal Auditing Functions, verified the adequacy and effective application of existing administrative and accounting procedures with reference to the internal control system on financial disclosure.

No relevant aspects have emerged from the assessment of the internal control system on financial disclosure.

2. Moreover, it should be noted that:

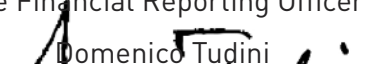
2.1 The National Agency for Inward Investment and Economic Development S.p.A consolidated financial statement. As at 31 December 2023:

- 2.1.1. is drafted in compliance with the applicable international accounting principles acknowledged by the European Community pursuant to EC Regulation 1606/2002 of the European Parliament and the Council of Europe of 19 July 2002;
- 2.1.2. corresponds to the entries in the books and records;
- 2.1.3. Provides a suitable, reliable and truthful representation of the asset and the economic and financial situation of the issuer.

2.2 The Report on Operations includes a reliable analysis of the operations trend and result, the issuer's situation, and all the companies analysed in the consolidated financial statements, along with the main risks and uncertainties to which they are exposed.

Rome, 06 June 2024

The Chief Executive Officer  
  
 Bernardo Mattarella

The Financial Reporting Officer  
  
 Domenico Tudini



# REPORT OF THE BOARD OF STATUTORY AUDITORS





**NATIONAL AGENCY FOR INWARD INVESTMENT AND  
ECONOMIC DEVELOPMENT S.P.A.**

**REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SOLE  
SHAREHOLDER'S MEETING SUMMONED FOR THE APPROVAL OF THE  
2023 FINANCIAL STATEMENTS**

Dear Sole Shareholder,

the Board is called to report the Meeting about the activities performed by the Board during the financial year pursuant to Article 2429, par. 2 of the Italian Civil Code.

During the financial year, closed at 31.12.2023, the Board of Statutory Auditors has performed their institutional tasks in compliance with the Italian Civil Code and Legislative Decree 39/2010 and the bylaws, by also taking into account the conduct rules issued by the Italian National Council of Certified Accountants and Bookkeepers (CNDCEC).

Please note that the Board of Statutory Auditors currently in office - composed by Mauro Zanin (President), and, Antonella Bientinesi and Cristiano Maccagnini (Statutory Auditors) - was appointed by the Shareholders' Meeting on 2 August 2023 and will terminate office with the Shareholders' Meeting to approve the financial statements for the year ending 31.12.2025.

Please also note that, during the 2023 financial year, the statutory auditing activities were performed by Deloitte & Touche S.p.A. based on the mandate conferred to the latter by the Shareholders' Meeting of 30 September 2020, with reference to the financial years from 2020 to 2028.

**1) Supervisory activities related to compliance with the law and Bylaws and the principles of fair administration**

The Board has collected all the necessary information required to perform their supervisory and monitoring tasks through participation in the meetings of the Board of Directors, the Risk and Related Parties Committee and the Nomination and Remuneration Committee (the Committees' meetings were attended by the President), as well as in meetings with the Heads of Functions and with the company appointed to carry out statutory auditing activities, Deloitte & Touche S.p.A., and through the analysis of the information submitted by corporate structures.

More specifically, after having taken office on 2 August 2023, the Board of Statutory Auditors, as highlighted, gathered nine times up to the date of presentation of this report. The delegated control Magistrate of the Court of Accounts was always invited to attend the Board's Meetings.

Moreover, the Board was regularly informed by the Chief Executive Officer while taking part in the Board's Meetings, about the general management trend, its expected evolution and the most relevant economic, financial and asset transactions resolved and operated by the Company and the Group's Companies during the financial year.

The Board can reasonably assure that the transactions resolved and carried out are compliant with the law and the By-laws and with the principles of fair administration and are not manifestly imprudent, reckless, in potential conflict of interest, in contrast with the resolutions passed by the Shareholders' Meeting or such as to compromise the integrity of the company's assets.

Accurate description of the main activities performed by the Company and provided in the Report on Operations for the financial year 2023, including with specific reference to each business unit that form the Company.

More specifically, the following has to be noted:

- a) The 'Subsidies and Innovation' Business Unit has launched investments for a total of € 20.8 billion, of which € 9.4 billion in Major Investments, about € 0.5 billion for the creation of new businesses and € 10.9 billion in measures directed to strengthening the companies for which the Agency only carries out the activity of legal technical support of the disbursing public administrations;
- b) The 'Public Investments' Business Unit has promoted - in partnership with the MEF, the Administrations entitled to access the PNR and ANCI - centralised, aggregated and flexible awarding procedures, such as the Framework Agreements. This Business Unit has launched 165 tender procedures and awarded 135 of them for a value of about € 8.7 billion;
- c) The 'Operational Programs' Business Unit has supported 13 central Administrations, Mission Units and Coordination Offices of the PNR, in developing and implementing management and control systems and, more in general, has strengthened the skills and competencies of the administrations in relation to the launch of monitoring, accounting, implementation processes, and helped them carrying out compliance and system auditing;
- d) The 'Investment Management' Business Unit has continued its operations related to the Management of Investment Funds for the promotion of the growth in size and/or the revitalisation of enterprises, such as the Cresci al Sud Fund and the Salvaguardia Imprese Fund.

The Report on Operations for the financial year 2023 also makes reference to the approval, on behalf of the Board of Directors, of the 2023-2026 Strategic Plan and provides a disclosure on disclosure of equity investments held by the Company (divided into equity investments with full ownership interests, equity investments held for sale, equity investments subject to significant influence, equity investments acquired with contributions - on balance, equity investments acquired with administered funds - off balance).

As for the equity investments intended for sale, disclosure is given on Italia Turismo S.p.A., a company operating in investments in the tourist-accommodation sector, in relation to which the activities useful for the disposal of the 'non-income' assets remaining in the portfolio were started following the contribution, in 2022, of the 'income' assets to the 'i3 Sviluppo Italia' real estate fund managed by Invimit SGR S.p.A.

With reference to the equity investments acquired with contributions - on balance, the Report on Operations describes the admission, on 20.02.2024, to the extraordinary administration of the Company Acciaierie d'Italia S.p.A., pursuant to Decree-Law 4 of 18 January 2024 (followed by AdI Tubiforma, AdI Energia, AdI Servizi Marittimi, AdI Socova) and the subsequent zeroing of the value of the shareholding held in ADIH in the Company's financial statements.

The Report on Operations includes, among others, a reliable analysis of the operations trend and result, as well as of the Company situation, accompanied by the main risks and uncertainties to which the latter is exposed.

Among the 'following events', namely those occurred after the balance sheet date, the following must be noted:

- 1) The approval by the Minister of Enterprise and Made in Italy of the Agency's Strategic Plan on 19 March 2024; such plan constitutes Invitalia's 'Operations Forecast Document' pursuant to Article 1, par. 460 of Law 296 of 2006.
- 2) The awarding, by the Government, of public funding for the implementation of the Bagnoli site reclamation-infrastructure-regeneration programme for a total amount of approximately € 1,700 million, of which € 1,218 million allocated under Article 14 of Decree-Law 60 of 7 May 2024 'Further Urgent Provisions on Cohesion Policies' published in the Official Gazette 105 of 7 May 2024.
- 3) The refinancing, through Decree-Law 19 of 2 March 2024 (as converted, with amendments, by Law 56/2024), to DRI, as the implementer of the decarbonisation process of the Italian steel sector, for € 1 billion for the period 2024-2029.

The Report includes the disclosure on the expected management evolution, with a focus on the exacerbation of the tensions in the Middle Eastern region, and the continuation of the conflict in Ukraine, which may affect price levels.

In exercising its control activity, the Board has not found atypical/unusual operations with the Group companies, third parties or related parties, and no reports have been made by the BoD, the Risk and Related Parties Committee and the Auditing Company.

## **2) Supervisory activity related to adequacy of the organisational structure**

The Board has monitored the adequacy of the organisational structure by analysing its structure, processes, competencies and responsibilities in relation to the size, nature and complexity of the Company and the modalities used to pursue the corporate object for the aspects within its competence, through the collection of information from the heads of the competent corporate functions, meetings with the Risk and Related Parties Committee and meetings with representatives of Deloitte & Touche S.p.A., also in relation to the exchange of relevant data and information, from which no critical issues emerged.

For the purposes of Legislative Decree 14/2019 and subsequent amendments and integrations, the Board has presented to the BoD its evaluations and suggestions during the regular exchange among bodies.

### **3) Supervisory activity related to the adequacy of Internal Control**

The Board has monitored the effectiveness of internal quality and business risk control systems mainly through periodical meetings with the head of the Internal Audit Unit of the Company. More specifically in the meeting held on 27 February 2024, the Board discussed with the Head of the Function specific audit reports from which some issues had emerged and the relevant corrective actions were illustrated. During the Board verifications, the Company's attention to continuously improving the internal control system in place has emerged.

The Supervisory Body has acknowledged the information contained in the Report on Corporate Governance and Ownership Structure, with reference to the internal control and risk management system.

As far as internal audit is concerned, the Board of Statutory Auditors has also acknowledged the 2024 Audit Plan defined by the Internal Audit function and illustrated during the Board of Directors Meeting on 23 February 2024.

The Head appointed, with appropriate certification pursuant to Article 154-bis, par. 5 of Legislative Decree 58/1998 and Article 81-ter of Consob Regulations 11971 of 14 May 1999 and subsequent amendments and integrations, noted to have carried out, with the head of the Internal Auditing function, the activities to verify the adequacy and effective application of the existing administrative and accounting procedures, with reference to the internal control system on financial reporting. In this regard it was specified that from the assessment of the internal control system on financial disclosure no relevant aspects have emerged.

On 23.02.2024, the Board of Director of the Company approved the Three-year Plan for Corruption Prevention and Transparency 2024-2026 (PPCT), published on the institutional website of the Agency in the 'Transparency' section. The Plan aims at preventing and mitigating the risk of corruption-related offences to which the Company can be exposed, through the adoption of an Internal Control System integrated with the Model as defined under Legislative Decree 231/2001.

### **4) Supervisory activity related to the adequacy of the administrative-accounting system and statutory audit activities**

The Supervisory Board also assessed and supervised, to the extent of its competence, pursuant to Article 19 of Legislative Decree 39/2010, the financial reporting process as well as the effectiveness of the administrative and accounting control systems and the reliability of the latter for the purposes of a correct representation of management events through:

- i. periodic exchange of information with the Head in charge for the preparation of the Company's accounting documents, in accordance with the provisions set out by Article 154-bis of T.U.F. (Consolidated Law on Finance);



- ii. Examination of the reports drafted by the Head of the Internal Audit Function, including information on the outcomes of any corrective action taken as a result of auditing activities;
- iii. Collection of information from the heads of the corporate functions;
- iv. Analysis of the operations and results of the work performed by the Auditing Firm Deloitte & Touche S.p.A. In this regard, the exchange of information with the heads of that company showed that no significant deficiencies concerning internal control in relation to the financial reporting process were detected by that firm;
- v. Participation in the works of the Risk and Related Parties Committee.

The Chief Executive Officer and the Head in charge for the preparation of the Company's accounting documents, through specific report, with reference to the budget for the financial year 2023, stated the following: 1) the adequacy in relation to the business features and the effective application of administrative and accounting procedures for the preparation of the financial statements; 2) the adequacy and effective application of administrative and accounting procedures for the preparation of the 2023 financial statements, in line with the model of the Committee of Sponsoring Organizations of the Treadway Commission (COSO); 3) the compliance of financial statements with the international accounting principles recognised by the European Community pursuant to EC Regulation 1606/2002 of the European Parliament and the Council of Europe of 19 July 2002; 4) the alignment of the financial statements with the results of the accounting books and its suitability to represent the asset, economic and financial situation of the Company in a fair and reliable manner; 5) that the Report on Operations includes a reliable analysis of the operations trend and results, and of the Company situation, along with a description of the main risks and uncertainties to which the latter is exposed.

A similar report was prepared for the consolidated financial statements of the Group for the financial year 2023.

The Board had an intense exchange of information in relation to the 2023 financial statements with the Audit Firm Deloitte & Touche S.p.A. and met with the latter during five specific surveys.

The Board, in collaboration with Deloitte & Touche S.p.A., discussed in depth and analysed the key aspects of the review of the financial statements for year 2023 and, more specifically: 1) the assessment of the item 'Non-current Assets and Groups of Assets Held for Sale'. Said item equal to € 42.5 million and includes the equity investment held by Italia Turismo S.p.A., the value of which amounts to € 42.1 million. During 2023, the Company managed to replenish previous losses incurred by Italia Turismo S.p.A. While simultaneously increasing the share capital. The item is measured at the lower of book value and fair value less costs to sell. More specifically, the fair value net of costs to sell is determined through evaluation techniques characterised by complex and subjective elements and based on assumptions influenced by future expectations on market conditions. Given the relevance of the above-mentioned equity investment and of the other highlighted aspects, Deloitte & Touche S.p.A. considers the evaluation of the item in question to be a key aspect of the audit.

The key aspects of the 2023 consolidated financial statements auditing process, identified by Deloitte & Touche S.p.A., are: 1) the assessment of the item 'Non-current Assets and Groups of Assets Held for Sale'. Such item equals to € 77.3 million and mainly includes Property, plant and equipment belonging to Invitalia Partecipazioni S.p.A. and Italia Turismo S.p.A.'s divestment business groups.

The items are measured at the lower of book value and fair value less costs to sell. These items have no listed prices on the active market, therefore, the fair value net of costs to sell is determined through evaluation techniques characterised by complex and subjective elements and based on assumptions influenced by future expectations on market conditions. Given the relevance of the Property, plant and equipment of the above-mentioned divestment business groups and the other highlighted aspects, Deloitte & Touche S.p.A. considers the evaluation of the item in question to be a key aspect of the audit; 2) impaired net loans to customers measured at amortised cost, deriving from the banking business, totalling € 73.3 million, compared to a gross value of € 132.5 million, with a coverage ratio of 44.6%. Receivables relate to Mediocredito Centrale S.p.A. (EUR 49.1 million) and Cassa di Risparmio di Orvieto S.p.A. (EUR 24.2 million). Given the relevance of impaired net loans, the complexity of the estimate criteria and the relevance of discretionary components proper to the estimative nature of the recoverable value also in relation to the current macroeconomic context, Deloitte considers the item to be a key aspect of the Group audit.

At the end of the activity performed, Deloitte & Touche S.p.A., on 21 June 2024, issued their reports on the 2023 annual and consolidated financial statements, both without observations, also in terms of compliance of the Report on Operations and of specific information contained in the Report on Corporate Governance and Ownership Structure with the annual and consolidated financial statements and their compliance with the law.

In addition to the previous, on 21 June 2024, Deloitte & Touche S.p.A. Issued the Report provided under Article 11 of EU Regulation 537/2014 of 16.4.2014 that the Board submitted to the Board of Directors without observations on the same date. The Auditing Firm also issued its 'Declaration of Independence'.

The Board reports that the notes to the annual and consolidated financial statements as at 31 December 2023, also includes the fees for the year due to the auditing firm Deloitte & Touche S.p.A.. With specific reference to the Agency, € 180,000.00 were corresponded for the auditing and € 20,000.00 for other services. The latter includes the services performed by the Auditing Firm with reference to the Social Bond Report, and pre-approved by the Board of Statutory Auditors in its capacity as the Committee for Internal Control and Audit (CCIRC) pursuant to Article 19 of Legislative Decree 39/2010.

## 5) Annual Report, Consolidated Financial Statements and Sustainability Report 2023

Based on the information provided by the Company, the Annual Financial Statements 2023: 1) are prepared in accordance with the accounting standards issued by the International Accounting Standards Board (IASB) and the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC), endorsed by the European Commission until 31 December 2023, as provided for by European Union Regulation 1606/2002 implemented in Italy by Legislative Decree 38 of 28 February 2005 (except for the waiver to the application of these standards provided for by Article 47 of Decree-Law of 19 May 2020 converted by Law 77 of 17 July 2020, in compliance with the provisions of par. 19 of IAS 1 in exceptional cases, where applicable); 2) has been prepared on the basis of the formats and compilation rules set forth in the Bank of Italy Governor's Order of 17 November 2022 'The Financial Statements of IFRS Intermediaries other than Banking Intermediaries', also taking into account the 21 December 2021 Bank of Italy communication on the impact of COVID-19 and measures to support the economy and amendments to IAS/IFRS (the 'Instructions'); 3) has been prepared on a going concern basis.

Since the Board of Statutory Auditors has not been entrusted with the function of legal audit, it has supervised the general layout of the financial statements and their compliance with the law in terms of formation and structure.

It should be noted that the Company, with a decree issued by the MEF on 10 October 2012, obtained an exemption from the application of the rules under Title V of the Consolidated Banking Act, as it is subject to other equivalent forms of supervision (MEF, Court of Auditors). The above-mentioned exemption did not change the Company's nature as a 'Financial Intermediary' and, consequently, did not have any impact on the rules governing financial statements previously indicated and continuously applied over time. The Company, with a view to continuity of information, has in any case decided to maintain the preparation criteria set forth in Title V of the Consolidated Law on Banking, even though it is not subject to these regulations. In particular, for the purposes of the preparation of its financial statements, recourse to the Instructions of the Bank of Italy was deemed by the Agency to be the preferable solution, and therefore the result of a specific choice rather than an obligation that falls exclusively on the subjects listed in par. 1.1. of the same Instructions (in which the Company's name does not appear). The Agency is, on the other hand, obliged to use the IAS/IFRS international accounting standards as an issuer of listed debt securities. The above approach was also confirmed by a legal opinion *pro veritate* issued by a qualified professional.

Effective 1 January 2023, the Company applied IFRS 17 -Insurance Contracts for the first time. This had no impact on the financial statements.

In preparing the financial statements as at 31 December 2023, account was also taken, to the extent applicable:

- the interpretative and supporting documents for the application of accounting standards in relation to the impacts of the Covid-19 pandemic, issued by Italian and European regulatory and supervisory bodies as well as standard setters;

- the indications of ESMA, which, on 13 May 2022, published the Public Statement ‘Implications of Russia's invasion of Ukraine on half-yearly financial reports’, regarding the accounting effects of the Russia-Ukraine conflict on financial reporting.

The financial statements consist of the balance sheet, income statement, statement of comprehensive income, statement of changes in shareholders' equity, cash flow statement and notes to the financial statements, and are accompanied by the directors' Report on Operations.

In the notes to the financial statements, it is highlighted, in application of IAS 10 par. 10, that no subsequent events have occurred that would lead to an adjustment of the Company's economic results and balance sheet. However, in the same paragraph, account is taken of the fact that:

- on March 19, 2024, the Minister of Enterprise and Made in Italy, having obtained the agreement of the Central State Administrations, approved the Agency's strategic plan, which constitutes the ‘Documento previsionale di gestione’ pursuant to Article 1, par. 460 of Law 296 of 2006;
- with Decree-Law 19 of 2 March 2024 (converted into Law 56 of 29 April 2024), the measure for the use of hydrogen in the hard-to-abate sectors’, managed by DRI d'Italia S.p.A., was refinanced for € 1 billion;
- as from 20 February 2024 Acciaierie d'Italia S.p.A. was admitted to extraordinary administration pursuant to Decree-Law 4 of 18 January 2024 (amending Decree-Law 347 of 23 December 2003), with subsequent extension of the extraordinary administration procedure also to Adl Tubiforma, Adl Energia, Adl Servizi Marittimi, and Adl Socova. By decree of the Minister of Enterprise and Made in Italy and at the request of the commissioners of Acciaierie d'Italia S.p.A., extraordinary administration was ordered for Acciaierie d'Italia Holding S.p.A.; at the moment, the ruling of the Court of Milan on the existence of the company's conditions of insolvency is still pending. In the meantime, a number of guarantees and counter-guarantees previously granted in favour of ADIH and its subsidiaries have been enforced; the Company has consistently taken steps to bring this situation to the attention of the MEF in order to identify the most appropriate way to repay the enforced guarantees. In light of all the above, the equity investment in ADIH was completely written off with a write-down of approximately € 403 million;
- the Government has allocated public financing for the implementation of the reclamation - infrastructure - regeneration programme relating to the Bagnoli site for a total amount of approximately € 1,700 million (of which € 1,218 million allocated pursuant to Article 14 of Legislative Decree 60 of 7 May 2024);
- in relation to the disputes existing between Infratel S.p.A. and Open Fiber for the implementation of the BUL plan, on 2 May 2024, the Technical Advisory Board (CCT) was established, as provided for by the new procurement code, whose determinations have the nature of an arbitration award pursuant to Article 808-ter of the Italian Code of Civil Procedure.

The Technical Advisory Board (CCT) has already examined some technical questions. The decisions of the CCT are preparatory to the procedure to rebalance the Offer's Financial Plan and do not have any direct economic or financial effects on the subsidiary Infratel S.p.A..

The Board of Statutory Auditors met several times with the auditing firm Deloitte & Touche S.p.A. and the Company's management to discuss the international accounting standards adopted as well as the other legal and regulatory provisions pertaining to the preparation of the Financial Statements, the Consolidated Financial Statements and the accompanying Report on Operations.

Following the approval on 6 June 2024, the Board of Directors promptly delivered the Annual and Consolidated Financial Statements and the Report on Operations to the Board of Auditors.

As indicated, the audit reports and the report pursuant to Article 11 of EU Regulation 537/2014 were delivered by the auditors to the Board on 21 June 2024.

The Board of Statutory Auditors examined the proposal formulated by the administrative body to carry forward the profit for the financial year 2023, amounting to € 12,306,161.00.

Finally, the Supervisory Board, in line with Article 3 par. 7 of Legislative Decree 254 of 30 December 2016, monitored compliance with the provisions contained in the same decree in terna of Non-Financial Declaration (NFD). The objective of this document is to share with shareholders the economic, social and environmental performance of the Company and its subsidiaries, providing a clear and transparent representation of the activities promoted by the Group in the field of sustainability, to the extent necessary to ensure an understanding of the business activity, its performance, its results and the impact it has produced in terms of improving the Country System. The Board notes that the content was developed in accordance with the Global Reporting Initiative Standards updated in 2021 by the Global Reporting Initiative (GRI), according to the 'in accordance' option.

The NDF was accompanied by the limited audit report issued by Deloitte & Touche S.p.A. on 21 June 2024, in which it is pointed out that, on the basis of the work carried out, there is no evidence to suggest that the Group's NDF, relating to the financial year 2023, has not been prepared, in all significant aspects, in accordance with the requirements of Articles 3 and 4 of the Decree and the GRI Standards.

The NDF for 2023 was approved by the Board of Directors on 06 June 2024.

In relation to all the above, the Board has no particular observations to submit to the Shareholders' Meeting.

## **6) Supervisory activity on transactions with related parties**

The Supervisory Board points out that the Board of Directors in the Notes to the Financial Statements (in the chapter 'Section 6 - Related Party Transactions') provided an illustration of the effects of ordinary transactions of major economic, financial and equity significance carried out with related parties (which were settled at normal market conditions). Please refer to this chapter for the identification of the type of transactions in question and their economic, equity and financial effects.

## **7) Opinions rendered by the Board of Statutory Auditors and examination of complaints submitted to it**

The Board of Statutory Auditors did not issue any opinions during the financial year 2023.

No complaints pursuant to Article 2408 of the Italian Civil Code were received by this Board of Statutory Auditors during the year.

The Board of Statutory Auditors made no reports to the Board of Directors pursuant to Article 25-octies of Legislative Decree 14 of 12 January 2019 and received no reports from qualified public creditors pursuant to Article 25-novies of Legislative Decree 14 of 12 January 2019.

## **8) Other activities**

The Board of Statutory Auditors also contributed to the reflections on the applicability of Law 49/2023, concerning 'Provisions on fair compensation for professional services', to the remuneration due to members of corporate bodies, including investee companies.

## **9) Conclusions**

In the course of the supervisory activity carried out in the 2023 financial year, no reprehensible facts, omissions or irregularities emerged that need to be reported in this Report, nor did the Board of Auditors become aware of any transactions carried out that did not comply with the principle of proper administration or that were resolved or implemented not in compliance with the law or the Articles of Association, in contrast with the resolutions passed by the Shareholders' Meeting, manifestly imprudent or risky or such as to compromise the integrity of the company's assets.

In light of the foregoing, the Board of Statutory Auditors, considering the content of the reports prepared by the independent auditor, and having acknowledged the attestations issued by the Chief Executive Officer and the Executive in Charge of Financial Reporting, finds no grounds, within the scope of its authority, to oppose the approval of the proposal for the financial statements as of 31 December 2023 and the carry-forward of profit for the year, as formulated by the Board of Directors.

Rome, 21 June 2024

For the Board of Statutory Auditors

Mr. Mauro Zanin - Chairman

*[Signed]*

*[An illegible handwritten signature appears at the bottom right of each page]*

# INDEPENDENT AUDITOR'S REPORT

PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE  
NO.39 DATED 27 JANUARY 2010 AND ARTICLE 10 OF  
EU REGULATION NO. 537/2014





## INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010 AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Sole Shareholder of  
**Agenzia nazionale per l'attrazione degli investimenti e lo sviluppo d'impresa S.p.A.**

### REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

#### Opinion

We have audited the consolidated financial statements of Agenzia nazionale per l'attrazione degli investimenti e lo sviluppo d'impresa S.p.A. (the "Parent Company" or the "Company") and its subsidiaries (the "Group"), which comprise the balance sheet as at December 31, 2023 and the income statement, the statement of other comprehensive income, the statement of changes in shareholders' equity and the cash flows statement for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Agenzia nazionale per l'attrazione degli investimenti e lo sviluppo d'impresa S.p.A. in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona  
Sede Legale: Via Santa Sofia, 28 - 20122 Milano | Capitale Sociale: Euro 10.328.220,00 i.v.  
Codice Fiscale/Registro delle Imprese di Milano Monza Brianza Lodi n. 03049560166 - R.E.A. n. MI-1720239 | Partita IVA: IT 03049560166

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***Valuation of non-current assets and disposal groups classified as held for sale***

**Description of key audit matter**

In the consolidated financial statements as at 31 December 2023, the item “Non-current assets and disposal groups classified as held for sale” amounts to Euro 77.3 million (Euro 84.6 million at the end of 2022), it mainly includes property, plant and equipment related to disposal group classified as held for sale of Invitalia Partecipazioni S.p.A. and Italia Turismo S.p.A..

These assets are measured at the lower of carrying amount and their fair value less costs to sell.

There is no quoted price on an active market for such assets and, consequently, the determination of fair value less costs to sell is carried out using valuation techniques characterized by elements of complexity and subjectivity as well as assumptions that are influenced by future expectations on market conditions.

Disclosures on the above matters are included in the notes to the consolidated financial statements “Part A - Accounting policies - A.2 Section related to the main items of the financial statements”, in “Part B - information on the Balance Sheet - Section 11 - Non-current assets and disposal groups classified as held for sale - Item 110” and in “Part C - Information on the income statement - Section 20 - Profit (Loss) on discontinued operations after taxes - Item 290”.

Given the significance of the amount of property, plant and equipment related to disposal group classified as held for sale of Invitalia Partecipazioni S.p.A. and Italia Turismo S.p.A. (the “real estate assets”) and the complexity of the process of determining fair value less costs to sell also characterized by subjectivity in estimate of the related key variables, we consider the valuation of these assets as a key audit matter in relation to the audit of the consolidated financial statements of the Group as at 31 December 2023.

**Audit procedures performed**

The main procedures carried out as part of the audit work, also with the support of Deloitte network experts, have included the following:

- understanding of the process and relevant controls adopted by the Directors for the valuation of real estate assets;
- obtaining an understanding of the methods and assumptions adopted for the valuation of real estate assets;

- obtaining and analysing the updated valuations of the real estate assets prepared by the Directors of Invitalia Partecipazioni S.p.A. and Italia Turismo S.p.A. with the support of external experts appointed for this purpose, also evaluating their competences, capabilities and objectivity;
- verification of the reasonableness of the main assumptions and of the key variables of the models used for the valuation of the real assets, also through meetings and discussions with the Management of the Parent Company, Invitalia Partecipazioni S.p.A. and Italia Turismo S.p.A.;
- verification of the logical and mathematical correctness of the determination of fair value less costs to sell.

Finally, we checked the adequacy and compliance of the disclosures provided in the financial statements with the requirements of the relevant accounting standards and applicable legislation.

***Classification and valuation of non-performing loans to customers measured at amortised cost***

**Description of key audit matter**

The consolidated financial statements as at 31 December 2023 include net non-performing loans to customers measured at amortised cost arising from banking activity of Euro 73.3 million (Euro 55.1 million as at the end of 2022), against a gross amount of Euro 135.5 million (Euro 106.8 million as at the end of 2022), with a coverage ratio of 44.6% (48.5% as at the end of 2022). In particular, the loans are related to:

- Euro 49.1 million (Euro 23.4 million as at the end of 2022) relating to Mediocredito Centrale S.p.A., against a gross amount of Euro 78.8 million (Euro 50.6 million as at the end of 2022), with a coverage ratio of 37.7% (53.8 % as at the end of 2022).
- Euro 24.2 million (Euro 31.7 million as at the end of 2022) relating to Cassa di Risparmio di Orvieto S.p.A., against a gross amount of Euro 53,7 million (Euro 56.2 million as at the end of 2022), with a coverage ratio of 54.8 % (43.7% as at the end of 2022).

For the rules on the classification of non-performing loans to customers measured at amortised cost, Mediocredito Centrale S.p.A. and Cassa di Risparmio di Orvieto S.p.A. (hereinafter also “the Banks of the Group”) refers to the regulatory requirements of the sector, as supplemented by internal guidelines that establish the rules on classification and transfers between different categories.

When determining the recoverable amount of non-performing loans to customers measured at amortised cost, as part of its measurement criteria, the Banks of the Group used valuation processes and methods involving a degree of subjectivity and estimates of certain variables such as expected cash flows, expected recovery periods and estimated recoverable value of guarantees which could cause the recoverable amount to vary if they, themselves change. The determination process was based on the use of information available at the valuation date and is also affected by the current uncertainty regarding the macroeconomic situation.

Disclosures on the above matters are included in the consolidated report on operations in the paragraph “Banks of Group” and in the notes to the consolidated financial statements in “Part A – Accounting Policies”, in “Part B – Information on the consolidated balance sheet – Section 4 of Assets” and in “Part D – Other Information – Section 3 - Information on risks and related hedging policies”.

Considering the significance of the non-performing loans to customers measured at amortised cost recognised in the financial statements, the complexity of the estimation processes adopted by the Banks of Group which involved detailed work on classification into homogeneous risk categories and the significant amount of discretion used when estimating recoverable amount, also considering the uncertainty regarding the current macroeconomic situation, we considered the classification and valuation of the non-performing loans to customers measured at amortised cost a key audit matter in relation to the audit of the consolidated financial statements of the Group as at 31 December 2023.

### **Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements**

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group’s financial reporting process.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

#### **Other information communicated pursuant to art. 10 of the EU Regulation 537/2014**

The Shareholders' Meeting of Agenzia nazionale per l'attrazione degli investimenti e lo sviluppo d'impresa S.p.A. has appointed us on September 30, 2020 as auditors of the Company for the years from December 31, 2020 to December 31, 2028.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

#### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

##### **Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98**

The Directors of Agenzia nazionale per l'attrazione degli investimenti e lo sviluppo d'impresa S.p.A. are responsible for the preparation of the directors' report on operations and information included in the section concerning the report on corporate governance and ownership structure required by paragraph 2, letter b) of article 123-bis of Italian Legislative Decree No. 58/1998 of the Group as at December 31, 2023, including their consistency with the related consolidated financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the directors' report on operations and some specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, n.4 of Legislative Decree 58/98, with the consolidated financial statements of the Group as at December 31, 2023 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned directors' report on operations and some specific information required by paragraph 2, letter b) of article 123-bis of Italian Legislative Decree No. 58/1998 and contained in the section concerning the report on corporate governance and ownership structure are consistent with the consolidated financial statements of the Group as at December 31, 2023 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

**Statement pursuant to art. 4 of the Consob Regulation for the implementation of Legislative Decree 30 December 2016, no. 254**

The Directors of Agenzia nazionale per l'attrazione degli investimenti e lo sviluppo d'impresa S.p.A. are responsible for the preparation of the non-financial statement pursuant to Legislative Decree 30 December 2016, no. 254.

We verified the approval by the Directors of the non-financial statement.

Pursuant to art. 3, paragraph 10 of Legislative Decree 30 December 2016, no. 254, this statement is subject of a separate attestation issued by us.

DELOITTE & TOUCHE S.p.A.

Signed by  
**Marco Miccoli**  
Partner

Rome, Italy  
June 21, 2024

*This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.*

