

CONSOLIDATED FINANCIAL STATEMENTS

2019



Efficiency with quality taste

**SAMMONTANA
ITALIA**







| INSPIRATION |

THIS IS WHAT WE ARE MADE OF.
OF HEART AND REASON.
OF HISTORY AND PROJECTS.
OF TRADITION AND DEVELOPMENT.
WHAT WE INTEND TO PURSUE
IN OUR DAILY BUSINESS OF
DOING BUSINESS.

Bagnoli Family



The background features a stylized green landscape with layered, scalloped hills in various shades of green. White, paper-cut style clouds are scattered across the scene. Several white birds are depicted in flight, some near the text box and others in the lower right area.

| THE VISION |

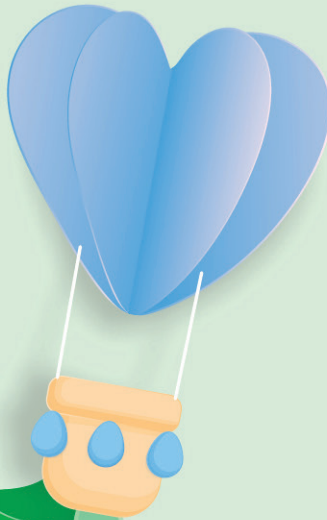
We bring a smile into the lives of all the people of the world by offering them satisfying and good products because they are created with authentically Italian care and passion and with respect for our origins.

We are intimately Italian and worthy representatives of the culture, style and product of our territory.

We started out as craftsmen, only to become industrialists without ever denying our roots and origins.

We are a big family and a big business: our way of doing business is centred on mutual respect and correct behaviour towards employees, stakeholders and competitors.

The direction we have set ourselves is to become a point of reference at international level for Italian food in pleasure and self-gratification, always protecting our origins.



| MISSION |

To navigate towards and reach our Vision, we have promised to create high quality food products, recipes designed to offer everyone a pleasurable experience by interpreting new food styles.

Doing business while respecting our Italian roots, our identity, our people, our communities and our territories, seeking the continuous improvement of our actions and efficiency without compromise.

Being bearers of Italian culture and Authentic Products also abroad, protagonists of the evolutions of styles, shapes and ways of enjoying taste in the world today and tomorrow.



| OUR HISTORY |

OVER 70 YEARS OF ITALIAN QUALITY
BETWEEN FAMILY, PASSION AND INNOVATION.



40S

Start of the Sammontana story.

Romeo Bagnoli, father of six children, to provide for his large family, bought the Sammontana dairy, in Via del Giglio in Empoli.

The dairy was named after the farm he got his milk from.

1955

From café-ice cream shop to artisan workshop.

Ice cream sales increased.

Renzo and his brother *Sergio* began to market it outside Empoli and designed a 6-litre tin container to transport it.

The production of single-dose ice cream was started.

1959

Sammontana launched the classic Barattolino ice cream container on the market,

still today an iconic product of Sammontana: traditional pre-packaged ice cream in the ideal quantity for family consumption.

1980

The "slurp" cone.

Milton Glaser, author of world-renowned cult images - such as **I LOVE NY** - created the new Sammontana logo: the slurp cone, still today the recognizable emblem of the company.

1946

Sammontana ice cream was created.

Renzo, the eldest son of *Romeo*, turned the dairy into a café - ice cream shop.

He learned the first notions of ice cream and became a true artist of the palate.

Thus, the production of Sammontana ice cream began.

1957

Renzo chose the brilliant claim Gelati all'Italiana (Italian-style ice cream)

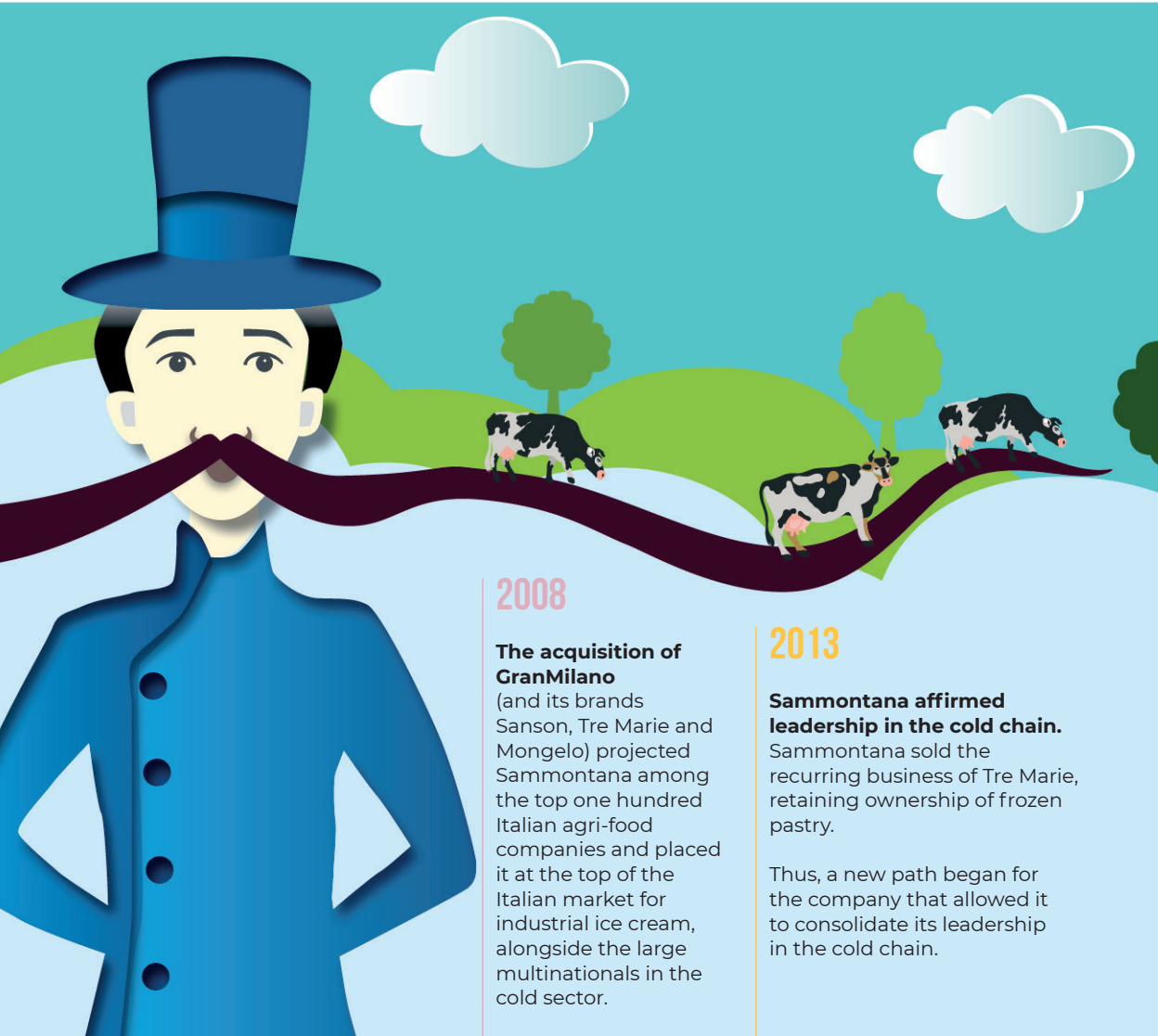
to distinguish his ice cream from the ice cream spread in Italy by American soldiers during and after the Second World War.

1960

From laboratory to company.

Demands continued to grow beyond the Tuscan borders.

These were the years of the great entrepreneurial leap; *Renzo* and his brothers, *Sergio* and *Loriano*, inaugurated the company's production plant in Empoli, still today the headquarters of the Sammontana company.



2008

The acquisition of GranMilano

(and its brands Sanson, Tre Marie and Mongelo) projected Sammontana among the top one hundred Italian agri-food companies and placed it at the top of the Italian market for industrial ice cream, alongside the large multinationals in the cold sector.

2013

Sammontana affirmed leadership in the cold chain.

Sammontana sold the recurring business of Tre Marie, retaining ownership of frozen pastry.

Thus, a new path began for the company that allowed it to consolidate its leadership in the cold chain.

1988

Il Pasticcere (pastry chef) was created. Start of the café breakfast ritual.

From the purchase of a laboratory of frozen baked products began the adventure of Il Pasticcere, the leavening of which is based on "mother dough".

This new beginning was also marked by innovation: the croissant has already risen and the café attendant simply has to bake it.

2009

The strategic importance of Tre Marie.

The Tre Marie brand allowed Sammontana to establish itself as a leader in the frozen pastry sector with the first and second brands in terms of share: Tre Marie and Il Pasticcere.

2016

A new milestone in the company's environmental commitment.

Sammontana consolidated its path towards environmental sustainability by signing a Voluntary Agreement with the Ministry of the Environment to know, measure and compensate, first in Italy in the ice cream sector, the carbon footprint of Barattolino.

2018

Family business. Italy World.

Growth of the drive towards internationalization, in full respect of Italian roots. Bagnoli continued with identical passion, pride and determination to produce the best quality and taste of "Italian style products", which are now and increasingly sold all over the world from the company's plants.

| VALUES |

Bagnoli Family and Sammontana

share the same principles and the same values. Above all, they practice them with the same codes of conduct.

We do not know another way of being a business.



| PASSION |

We have the will to Do it and do it right.

We have always taken care of our product driven by the greatest of technologies: love for our trade. Curiosity and experimentation

stimulate our creativity and drive us to Do better and better in continuous action that shuns any compromise on quality in the name of passion for superior quality products.

| PRIDE |

We are proud to **be ambassadors of the identity, culture and values of a great Italian company** made up of real people, skill, passion and intelligence. People who speak and act with the strength of Noi Sammontana.

| MEASURE |

Measure for us is **the relationship between sustainability and sustainable growth**, the dimension of decisions focused on people, their work and the environment in which they operate.



| RESPECT |

We have great **respect for work and people**. We are aware of the responsibility of our business as expressed by our social and environmental tension. We believe in our talents and the continuous improvement that they are able

to bring to the organization every day, each with their own skills and responsibilities. With respect and integrity, we win the trust of our customers and our consumers, with loyalty and transparency, we make agreements with our suppliers and our partners.

| LISTENING |

For us listening means **reducing distances** between people. It means **learning** every day from our Doing. It means **understanding** the demands of the Market. It means **progressing**, respecting our origins, with a clear vision of tomorrow.

| SUSTAINABILITY | | EFFICIENCY |

Sammontana Italia has long been committed to the continuous improvement of its business processes, **for a reduction of environmental impact at various levels**: from the choice of the most advanced packaging solutions (for ice cream and bakery products) to a more careful use of natural resources, from waste management to energy sources up to the choices in production and logistics.

| COMMITMENT TO THE ENVIRONMENT |

The first Italian company in the ice cream sector to enter into a voluntary agreement with the Ministry of the Environment, Sammontana has undertaken to study aspects related to environmental sustainability, has calculated the Carbon Footprint, has offset and reduced greenhouse gas emissions from the production of some of its products.

APPROACH TO SUSTAINABILITY

The commitment is to pursue a certified and transparent approach that is increasingly attentive to sustainability and respect for the environment.

In this context, the Gelato del Futuro initiative was created, a way to reflect on the future of the planet together with the greats of tomorrow.

GREEN PRODUCTS

Creating food products of the highest quality with recipes designed to offer everyone a unique experience of pleasure, all combined with the constant search for respect for the environment, care for the territory and attention to our surroundings.

There is more taste with sustainability!



| THE CREED OF EFFICIENCY |

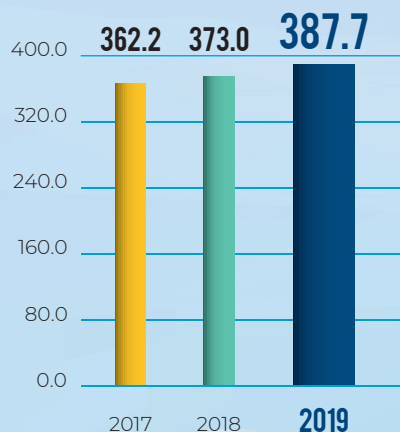
Sammontana, in order to improve its products and production processes to increase its competitiveness on the markets, has always made considerable efforts with regard to technical and technological investments.

From year to year, it strives to find innovative solutions in order to make the best use of its human and industrial resources, while also pursuing environmental sustainability objectives.

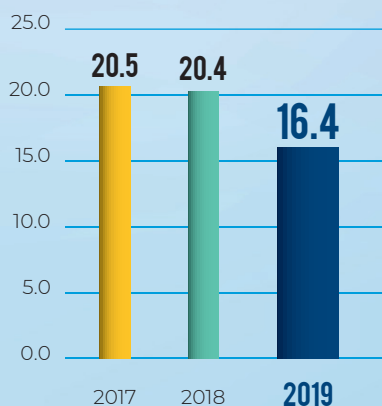
In terms of resources in particular, the focus was on **Energy, Water and performance of production lines.**

| HIGHLIGHTS 2019 |

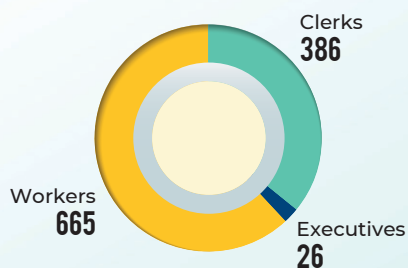
NET TURNOVER (MLN/EURO)



PRE-TAX PROFIT (MLN/EURO)

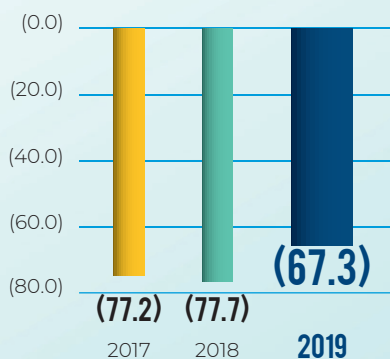


PERSONNEL BY CLASSIFICATION



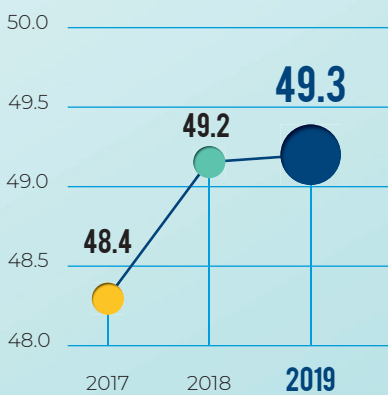
TOTAL 2019: **1,077**

NET FINANCIAL POSITION PERFORMANCE (MLN/EURO)

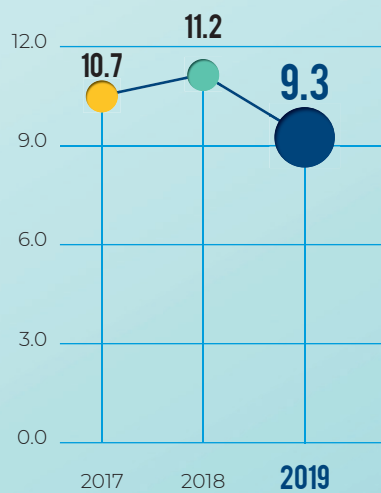



































E.B.T.D.A. (MLN/EURO)



ROI PERFORMANCE (%)



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1



**REPORT ON
OPERATIONS**







THE SAMMONTANA GROUP





Shareholders,

The Board of Directors of the Parent Company, which met on 27 March 2020, approved the draft financial statements for the financial year 2019 and decided to call the Annual Shareholders' Meeting, in compliance with the term set out in article 2364, second paragraph of the Civil Code, for 28 May 2020.

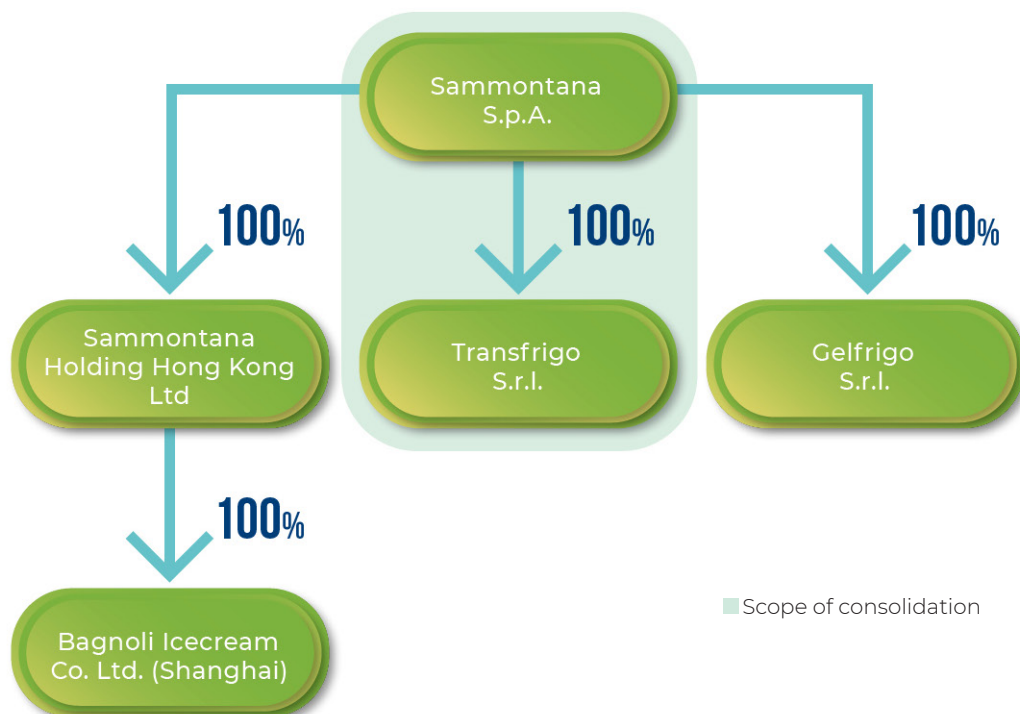
The Financial Statements for approval (Balance Sheet, Income Statement, Cash Flow Statement and Notes) have been drafted and prepared in strict compliance with the regulations in force, with particular reference to their content and valuation criteria; moreover, as required by article 2423-ter, fifth paragraph of the Civil Code, the reading and appreciation of the results, both balance sheet and income statement, are favoured by comparison with the results at the end of the previous financial year.

We therefore provide you with an overview of the Group's situation and performance, also with reference to key events after year-end and the outlook.



GROUP STRUCTURE

The consolidated financial statements of the Sammontana Group for the year 2019 have been prepared as follows:



Compared to 2018, there were no changes in the scope of consolidation.

Gelfrigo S.r.l., a wholly-owned subsidiary of the Parent Company Sammontana S.p.A., has not yet started its operations and, in accordance with the provisions of article 28 of Legislative Decree 127/1991, was excluded from the scope of consolidation because its inclusion would have been irrelevant for the purposes of clarity and a true and fair view of the Group's economic, equity and financial position.

The company Sammontana Holding Hong Kong Ltd, incorporated in the present financial year, has a 100% stake in Bagnoli Icecream Co. Ltd. (Shanghai), also incorporated at the end of 2019; both companies were excluded from the scope of consolidation in accordance with the provisions of article 28 of the Legislative Decree 127/1991 because their inclusion would have been irrelevant for the purposes of clarity and a true and fair view of the Group's economic, equity and financial position.

OVERVIEW OF COMPANY ACTIVITIES

The Sammontana Group is the **second largest national operator** in the ice cream production and distribution sector. The Group operates with its own brands (such as the main Sammontana, Tre Marie, Il Pasticcere and Bonchef) and with licensed brands (Ringo, Pan di Stelle, etc.), and represents one of the most important realities in the production of products branded by large-scale retail chains (private label).

It also has **national leadership** in the production and marketing of frozen pastry with the brands Tre Marie, Il Pasticcere, Mongelo and Linea Professional.

The range of frozen goods is completed by the marketing of savoury products (bread, focaccia, ready meals) under the Bonchef brand.

OUR BRANDS

The Brands with which the Company operates and through which it is traditionally recognized at national and international level, are essentially: **Sammontana, Tre Marie, Il Pasticcere** and **Bonchef**.



The **Sammontana** brand is the historical brand of the Group under which ice creams are marketed.

The history of the Brand is very fascinating and blends directly with the origins of the Sammontana Company, which was founded in 1946 by Renzo Bagnoli with the transformation of the family dairy into an café-ice cream shop in Empoli.

In **1952**, the first brand was created, a red logotype with the typical calligraphic style of the time from whose final letter was a long underlining.



In **1959**, the Empoli-born painter **Sineo Geminiani** was entrusted with the creation of a character for visual communication. Thus was the creation of the nice **corsair** licking an ice cream winking; this icon coexisted with the yellow calligraphic logotype.

In **1961** a new logotype was created, this time with an elongated underlining and inscribed in a red oval. At that time, ice cream was delivered to cafés and dairies in a metal container designed by Sammontana containing six litres of

ice cream; in those years of economic growth, refrigerators spread in the homes of Italian families and, with the Barattolino container, ice cream could be eaten at home at any time of the day.

Starting **1964**, the icon of the corsair



was used in advertising communication but portrayed in full length showing the slogan **“un tesoro di gelato”** (an ice cream treasure).



Then in **1968** was the creation of the brand of the humanized cone with eyes, mouth, red tongue and the slogan **“gelati all'italiana”** (Italian-style ice cream); this brand was accompanied by the logotype in capitals stick.



In **1981** a restyling of the company brand was made by the American graphic designer **Milton Glaser**, author of images known all over the world; he revisited the cone stylizing it and placing it in the center of a horizontal crescent. Sammontana has always paid attention to

communication conveying a cheerful, direct, sunny and Italian-style image; therefore, the slogan **“gelati all'italiana”** (Italian-style ice cream) was confirmed.

In **2015** the company started a new phase of its renewal process by presenting the restyling of the brand: the symbol of the **“conetto”** (small cone) became more central and contemporary while maintaining the values of the brand that, despite the idea of Milton Glaser, was modernized by lightening and leaving only **“Sammontana”** and **“Gelati all'italiana”** (Italian-style ice cream) the task of creating the typical semicircle of the brand.



Tre Marie, with its frozen pastry, is a historic brand, symbol of the Milanese confectionery tradition, which at the same time cultivates a strong link with the contemporary.

Tre Marie has a fascinating history, of authenticity and taste, values and emotions.

This brand has a very precise and particular common thread, which links the first modern pastry shops of nineteenth century Milan, which were the meeting places of intellectuals at the time, to the very recent production of high quality frozen pastry, passing through more than two centuries of improvements and product innovations with particular attention to the selection

of raw materials and the tastes of consumers present especially throughout our country.



Il Pasticcere is a brand through which the Group produces and markets frozen pastry. In particular, for Il Pasticcere, everything began more than 25 years ago, from a small workshop in our area. Unique recipes with an ancient heart and a passion for quality have

allowed us to create an increasingly wide and well-known range of excellent products.

The value of the thousand-year-old tradition of the Mother Yeast has been, and still is, the right key to obtain the best quality of Il Pasticcere brand products.



Bonchef, finally, is a brand through which the Group markets ready-made pasta and main courses to be heated and served directly on the tables of end consumers.



TERRITORIAL PRESENCE AND DISTRIBUTION NETWORK

The Group operates directly through **4 production establishments** (located in Empoli, Vinci, Colognola ai Colli and Pomezia) as well as **13 branches** located in Italy.

It distributes its product through a network of **over 200 dealers and distributors**.



4

PRODUCTION
ESTABLISHMENTS

13

BRANCHES

over 200

DEALERS AND
DISTRIBUTORS



Branches

Production establishments

BUSINESS AND NEWS 2019

A. ICE CREAM LINE

With regard to the ice cream business, 2019 established itself as a year full of significant launches and activities.

On the product front, many new products concern the **Barattolino** line, which has distinguished itself for an important intervention in terms of strengthening the range: the creation and launch on the large-scale distribution channel (GDO) of a speciality called **Tre Strati (Three Layers)**, given the threefold stratification of the products that make it up.

Three references are proposed: Cremino, Chocolate and Tiramisu for a rich and satisfying taste experience.



The range of classics is then completed with the launch of the **Stracciatella**, a recipe according to tradition with a cocoa pouring during the extrusion of the cream mixture.

The large-scale distribution take-away segment then saw the launch of two new **Sorbettiera** references, called **Gusti della Tradizione**: the first with

coffee and hazelnut, the second with tiramisu and chocolate. Moreover, the Company's offer on the impulse channel has been strengthened with the launch of the **Cono Cinque Stelle Caramello salato (Five Star Cone Salted Caramel)**, vanilla ice cream variegated with salted caramel and decorated with caramel grains and with the creation of a new taste of **Non Mordere**: coffee, covered with white chocolate.



Growth continues, both in the Horeca channel and in the large-scale distribution channel, of **Amando "il buon gelato senza latte" (the good ice-cream without milk)**, which has recorded the launch of another product on both channels: the



Biscotto Amando, with almond milk variegated with berries and enclosed between two gluten-free cereal biscuits.

The wellness line was then expanded thanks to the launch of **UAU**, an ice cream with high protein content and reduced fat content; there are two flavour variants proposed: vanilla and chocolate, made available in a 375 gram paper small bucket.

As far as the range dedicated to children is concerned, the following is noted:

- the new icicle **Colorita (Colorful)**, an absolute novelty thanks to its pencil shape and its intense colors reminiscent of those of the boxes with which children draw and color while having fun;
- stick **LOL surprise** taste of vanilla and strawberry with a circular shape, dedicated to the game that has made all little girls in the world go crazy.



In 2019 the commitment of Sammontana also continued in the **Green Project**, based on the agreement made by the Company with the **Ministry of the Environment and Protection of Land and Sea** for the measurement, reduction and compensation of CO₂ equivalent emissions produced during the life cycle of Barattolino, Fruttiamo and Amando.

During the season, the project was also communicated through product packaging and was supported by various activities.

In addition to the initiatives carried out by Sammontana in collaboration with **Legambiente**, thanks to which dozens of Italian beaches have been cleaned, the school year saw the third edition of the **Barattolino Scuola Missione Green** educational project, in which over 900 primary schools from all over Italy participated, with the aim of raising the awareness of tomorrow's citizens on the issue

of recycling and respect for the environment.

From the point of view of environmental protection and respect for nature, Sammontana has joined as main sponsor the great Tour of the artist Lorenzo Cherubini, aka **Jovanotti**. The **Jova Beach Party** transformed Italian beaches into large musical arenas for a whole day, giving over 600,000 spectators the chance to enjoy a concert by the sea.

Sammontana followed the whole tour with an exhibition stand, with kiosks for the sale of the product, with entertainment on the shoreline for spectators and finally, with the project **Suono Positivo**: a limited edition recycled plastic record, sold online to the fans of the artist and the proceeds of which were donated entirely to the **WWF**.

Finally, confirming the intention to keep advertising pressure high at national level, the Company has continued to dedicate a considerable amount of resources to the communication sector, continuing the **television campaign on the Barattolino brand** and launching on TV for the first time **Amando** with a **new film** made to engage the target audience in a targeted manner.





B. FROZEN PASTRY LINE

Also in 2019, the Sammontana Group, with the brands **Tre Marie**, **Il Pasticcere**, **Mongelo** and **Professional**, has maintained the leadership role with a share of about 35% in the frozen pastry market in Italy.

The positive performance during the year can be attributed to several factors, among others:

- **good impact of innovation** that confirms its contribution to total volumes and continues to fuel the liveliness of the market;
- continued positivity for the range of **croissants with Master Yeast Mother** of Il Pasticcere, which has grown double digits within the most important segment of the offering;
- excellent performance of the **wellness** sector for the brands:
 - › Tre Marie, which has benefited from the relaunch of the range of Vegan croissants in late 2018;
 - › Il Pasticcere, thanks to the

confirmation of both the Vegan range and the line of croissants with **Five Cereals**, which took place in early 2019;

- important contributions to growth also derive from the development of the Management Clients with the acquisition of the **Cremonini Group (Chef Express)**.

In addition, during the year, the Il Pasticcere and Tre Marie brands were the protagonists of important communication campaigns:

- Il Pasticcere, focusing on **Professional clientèle** with a **press campaign** in the main sector magazines (Bargiornale, Dolcesalato, Mixer, Food, etc.);
- Tre Marie, capitalizing on the strong notoriety on the **Final Consumer**, with a **radio campaign** focused on the morning time slot on the most important stations (Radio DeeJay, Radio Italia, RDS, M2O).





RESEARCH AND DEVELOPMENT ACTIVITIES

GENERAL INTRODUCTION

In continuity with recent years, the R&D activities of the Parent Company Sammontana S.p.A. are constantly oriented towards **product and packaging innovation**, the **overall improvement of the organoleptic and qualitative properties of the product** (existing and new) and the **validating experimentation of new production technologies**, to be understood as an investment in process innovation.

Not secondary are the **activities of study, research and sampling of new raw materials and new materials for flexible packaging**, with regard to the increase in the index of aesthetic appeal and functional standards, also in terms of the related environmental impact.

Unchanged is the operational and integrated model of the internal Research & Development division, which operates jointly with the

General Management, the Sales and Marketing department and the heads of the production and Quality Assurance departments of all the establishments on the national territory.

The continuous application of specific methodologies, from market research to product concepts, from product tests to panel tests on consumer samples, allow the parent company to intercept new consumer trends and related opportunities to develop new products and adequate extension lines.

This introduction applies to both of the company's main core businesses: ice cream and frozen pastry products (also, below, Bakery).

For the implementation of the **Research & Development** projects, the Company incurred costs for a total value of **Euro 1,559,061**.



As in the previous year, it should also be noted that on the total incremental expenditure for 2019, the Company has calculated the tax credit provided for in article 1, paragraph 35 of Law no. 190 of 23 December 2014, and plans to use it in accordance with the procedures provided for by the aforementioned legislation.

Research activities will continue during the year 2020, the management of the Parent Company Sammontana S.p.A. is confident that the positive outcome of these innovations will generate good results in terms of turnover with favourable effects on the Group's economy.

R&D ACTIVITIES AIMED AT CREATING NEW PRODUCT REFERENCES AND VALIDATING EXPERIMENTATION WITH NEW/INNOVATIVE PRODUCTION TECHNOLOGIES FOR THE COMPANY'S CORE BUSINESS ICE CREAM

During the 2019 financial year and for the 2020 season, numerous projects relating to **product innovation** were developed, both technically and qualitatively, as listed and summarized below by category and destination:

SAMMONTANA BRAND

A total of **88 products** have been designed and developed, including new recipes and prototypes:

- launch of 42 Sammontana brand references;
- 18 references in the Impulse area Café - Horeca, of which:
 - › 14 in the packaged take-away
 - › 4 Dome containers for ice cream shop
- launch of 24 references for the GDO channel.

PRIVATE LABEL

A total of **177 products** have been designed and developed, including new recipes and prototypes:

- launch of 38 private label references;
- Private Label Italy: designed 68 products (of which 17 approved);



- Private Label Foreign: 109 products designed (of which 21 approved).

Transversally, the Company has continued to work on the technological innovation of production processes, for example,

with regard to UHT blends and the start-up of the pilot plant, which has made it possible to independently create a series of prototype products preparatory to the Development and Innovation of the Ice Cream world.

R&D ACTIVITIES AIMED AT CREATING NEW PRODUCT REFERENCES AND VALIDATING EXPERIMENTATION WITH NEW/INNOVATIVE PRODUCTION TECHNOLOGIES FOR THE COMPANY'S CORE BUSINESS BAKERY

Without prejudice to the same general introductory considerations, the Bakery R&D activities carried out in 2019 were dedicated to the development of various types of innovation projects in order to introduce a **wide range of new products** to the market for both the Il Pasticcere brand and the Tre Marie brand.

In particular, the research projects covered three macro-areas:

AREA DISRUPTIVE INNOVATIONS

- **No Palm Bakery project**, in order to be able to produce products without palm oil;
- **Technological innovation project** to homogenize the **rest times** of the different **Bakery products**;
- **Gamma Baby Mix project**.

AREA INCREMENTAL INNOVATIONS

- **Product innovation project Sfoglia Bigusto**;
- **Oatmeal spelt croissant project**, new cereal croissant;
- **Superfarcito project**, new range of products with extra filling;

- **Gourmet Dried Fruit product Gourmet innovation project** with dedicated recipe;
- **Project for new reference** for the **3Chic** range;
- **Champion Breakfast project**, for the development of a reference with protein claim.

AREA PRODUCT RESTYLING

- **Dolci Stagioni (Sweet Seasons) project**, with the launch of new limited edition filling references with change every 6 months for the summer/winter seasons;
- **Vegan Croissant, Sfogliato, Strudel project**, new version of existing products to better meet the needs of consumers;
- **Elite project**, use new recipes to improve the Elite range.

Finally, it should be noted that R&D activities on special projects continued during 2019, such as:

- **LCA - Carbon Footprint project** (extension of the environmental impact assessment of additional Ice cream products);

- **Clean Label project** (feasibility analysis of optimization of ingredient list labels);
- **Nutritional project** (rebalancing of new ice cream recipes and reformulation of finished products, to obtain a reduction of some nutritional elements such as sugar content, kcal and saturated fatty acids for the infant population);
- **Detection project** (system for identification of foreign bodies);
- **Leavening project** (more in-depth knowledge and monitoring of the effect of leavening on the structure of bakery products);
- **Lean Manufacturing project** (continuation of the optimization of company production processes);
- **Vacuum Cooling project** (vacuum cooling system for croissants);
- **Industria 4.0 project** (investments continued in new plants for the Establishments of Cognola, Empoli and Vinci interconnected with the company's production management system with a view to fourth industrial transformation as set out in the National Industry Plan 4.0).



COMMUNICATION AND KEY EVENTS OF 2019

Communication activities on the territory were of an institutional nature and were aimed at supporting and promoting the Sammontana Italia brand and its brands: Sammontana Gelati, Tre Marie and Il Pasticcere.

These communication activities are aimed at emphasizing the values belonging to the brands by setting targeted communication objectives.

The activities were reasoned **both to give value to the great project in which the Group has been committed for several years, the green commitment, and to support the launches of new products, enhancing them in an original, contemporary and memorable way and to consolidate and retain the relationship of end consumers with the intrinsic values of the different brands.**



SIGNIFICANT EVENTS

● PRESS CONFERENCE GREEN COMMITMENT SAMMONTANA ITALY

On the occasion of **Design Week 2019**, Sammontana Italy presented the news regarding its commitment to the **Circular Economy**.

Sammontana Italy, which already in 2016 signed a Voluntary Agreement with the **Ministry of the Environment** for the evaluation and compensation of the **Carbon Footprint of the Barattolino Sammontana**, renewed this agreement also in 2019.

The aforementioned pact has been extended with respect to 2016, so as to incorporate all the design directions

and best practices developed by Sammontana: in addition to offsetting the Carbon Footprint and reducing the environmental impact of the company's processes, also the achievement of the maximum index for the circularity of its production cycle.

In addition, Sammontana has announced the start of a process to improve the circularity index of its biological cycle, which should involve joint action with raw material suppliers to raise awareness of the desirability of important choices for environmental sustainability.

SAMMONTANA SCHOOL GREEN MISSION 3RD EDITION

2019 saw the third edition of the project get underway **Sammontana School Green Mission**.

A new program that had as its objective respect for the environment and the intent to enhance the beautiful Italian territory. Structured initiatives aimed at primary school children, who had the opportunity to take part in three different missions that share the same values and care for the environment.

In addition, the most deserving works have been selected and awarded by a quality jury, chosen among 30 finalists, which will be displayed in a unique exhibition at **The Ice Cream Factory** in Empoli in 2020.

The first three schools were awarded a brand new printer and all participating schools were given a thank you kit containing the first **Eco-Atlas of Italy** realized with the Green Missions of the winning entries of the Ideas Competition.

● SAMMONTANA AT FUORISALONE: ICE DREAM DESIGN WITH ICE CREAM

Sammontana was the protagonist of FuoriSalone 2019 thanks to the **first collection of sustainable furniture** designed together with the well-known architect and designer Fabio Novembre. The result of an innovative 3D printing process that uses Bio plastic, recycled and recyclable plastic, the FuoriSalone was held in April, in the fascinating setting of the Hotel Magna Pars, in the heart of the Tortona area, in an immersive setting curated by the same Fabio Novembre. With this project, Sammontana has decided to create an initiative aimed at raising public awareness of the urgent issues related to the culture of recycling, possible sustainable behaviour and truly innovative projects.

The collection of sustainable objects projected guests into an iconic and colourful beach: Lido Sammontana. The furniture collection is in fact designed for the outdoor world: Italian-style cafés and bathing establishments, places that have to do with the vibrant and positive energy of summer, holidays, sweet ice cream breaks that characterize the most pleasant moments of the day.

The seats, rocking chairs and café tables, in a bright yellow colour and in the transparent version, owe their shape to the concept of vortex, that of water or ice cream cup: concentric



rings that construct geometries and lines, and that suggest continuous tension towards the future, towards an idea of conceiving objects that must necessarily take into account their environmental impact today and tomorrow.

Being present during Design Week, the most important international showcase dedicated to design and imagination, means for Sammontana to have the recognition of being one of the main players of Made in Italy and therefore also to have responsibilities on many issues that impact everyday life, such as sustainability.

And for these messages to reach their destination, it is important to convey them in a creative and engaging way.

● DESIGN PRIDE IS FILLED WITH JOY WITH SAMMONTANA

In 2019 Sammontana also participated for the first time in Design Pride, also during Milan Design Week.

Together with Laccio, a talented choreographer, and the corps de ballet of his academy, who **animated the parade in Milan with a live performance** designed specifically for the occasion and in perfect Sammontana style.

The corps de ballet left from Piazza Castello, passing through 5VIE in the direction of Piazza Affari. The 30 dancers invaded the streets of Milan involving design lovers, making them dance and conveying to them the typical values of the brand: joy, colour and conviviality.

During the parade, the eccentric Sammontana bicycles followed the crowd with a load of ice cream, the proceeds of which were used to increase greenery in the city of Milan.



SAMMONTANA AND BERNA LAUNCH THEIR FIRST CAPSULE COLLECTION DEDICATED TO THE ITALIAN SUMMER

Sammontana ice cream from the 90s and the unmistakable Slurp logo of the company come to life through **all-over prints** on t-shirts, swimsuits, sweatshirts and accessories - for men and women - by Berna.

A collaboration that aims to celebrate all the Italian taste of two companies Made in Italy.

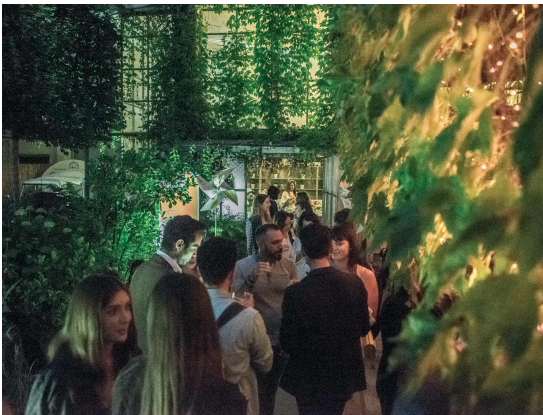


● SUMMER FESTIVAL

Sammontana, to kick off the Italian summer, as every year, organized the usual Summer Festival held on 30 May. On 30 May at the Mari&Co location in Milan, about sixty guests took part in a special evening where ice creams were the protagonists but not only. In fact, this was the special occasion to formalize the company's participation in the Jova Beach Party as main sponsor and the launch of the Suono Positivo project with a

special preview of recycled plastic vinyl. Among the many guests of the evening also several celebrities from the world of TV and the web such as the actor and presenter Frank Matano.





● SAMMONTANA MAIN SPONSOR OF THE JOVA BEACH PARTY AND LAUNCHES THE #SUONOPOSITIVO (POSITIVE SOUND) PROJECT

In 2019, Sammontana was the main sponsor of one of the most important musical events of the year, the Jova Beach Party, 17 stages along the boot, which from 6 July was held at some of the most famous Italian beaches. A dedicated area was the protagonist of the tour, animated by entertainment activities designed for guests of all ages.

In full harmony with the spirit of the tour and, as further evidence of the path taken by the company,

Sammontana has also launched an important initiative, through the development of an innovative project such as **Suono Positivo**, an unprecedented activity that has transformed plastic into music.

The plastic used in the main Italian cities has been transformed into a perfectly working record: a 33 rpm with a track of Jovanotti's live concert engraved on it. Only 1,000 copies available for sale, for a really unique limited edition and of high value for all people who love music and the environment.

The proceeds of the sale have been entirely donated to the WWF, partner of the tour, to support the project for the Safeguarding of Turtles.

In addition, to celebrate this great summer event, Sammontana has launched a special edition of the **Amando** stick, personalized Jova Beach Party in the graphics of the wrapping, a new reference to vanilla with low-fat cocoa coating.





● THE GREAT ITALIAN SUMMER

An itinerant trip organized by Sammontana for the summer season, which crossed the entire boot with 96 stages that involved our most important customers.

A fun, original and memorable experience that celebrates the real Italian summer, with games, carefree, and of course a lot of good ice cream.

A valid means of communication to interact directly with the final consumer and to consolidate relations with our most important customers.

● CLEAN BEACHES AND SEABED WITH LEGAMBIENTE TO CLEAN 15 ITALIAN BEACHES

Also in 2019, Sammontana supported Legambiente in the environmental sustainability campaign **Clean Beaches and Seabed**.

To deal with the millions of tons of waste that invade beaches and the seabed every year, in June, together with Legambiente and thousands of volunteers (adults, students thanks also to the collaboration of local schools), Sammontana took action to clean the Italian coastlines from all kinds of waste.

The regions concerned were: Sardinia, Basilicata, Emilia-Romagna, Tuscany, Lazio, Campania, Liguria, Friuli Venezia Giulia, Apulia, Veneto, Calabria, Sicily, Marche and Abruzzo.

● THE SAMMONTANA TRAM THROUGH THE STREETS OF MILAN TO TRY THE AMANDO LINE

From 10 to 16 June, the special Sammontana tram explored the main streets of the centre of Milan inviting passers-by to get on board and try the **Amando** line, to enjoy a moment of delicious refreshment.

On the tram, it was possible to taste the entire line and in particular the new 2019, **Amando Biscotto**.

A fridge full of ice cream, comfortable cushions and tables welcomed the passengers, who were also able to take advantage of the cheerful backdrop that served as a frame for fun selfie and photos while enjoying the ice cream.



● **TRE MARIE**
1ST EDITION OF LE STAGIONI DELLA COLAZIONE (THE SEASONS OF BREAKFAST)

Every season has its own peculiarity, its ingredients and its scents, and for this reason, it must be celebrated with a special good morning.

In 2019, Tre Marie launched 4 thematic events in March, June, September and December: The Seasons Of Breakfast.

Each event was hosted at the home of an influencer, who opened the doors to 8/10 other blogger friends with the same passion for food and breakfast.

Four cities were involved from north to south (Milan, Florence, Rome, Naples) and four selected influencers (Francesca Guatteri, Valdirose, Marika Milano and Alessandra D'Agostino). The setting followed the mood of each season, characterizing the interiors and the table and each event saw the launch of a new Tre Marie product.

During the 4 appointments, more than 360,000 users were reached.



SPONSORSHIPS

It should also be noted that Sammontana **has been a sponsor of important cultural, musical and sporting events of high turnout**, with the aim of promoting the brand aiming at maximum involvement of the target audience. Among them, a particular mention goes to:

FLORENCE ROCKS

From June 13 to 16, the music of Florence Rocks once again animated the area of the Visarno Arena. The third edition of the festival saw great names for all tastes, including Ed Sheeran, Eddie Vedder, The Cure, Tool, Editors, The Smashing Pumpkins, Dream Theater and many others, counting over 500,000 participants and entering in full title among the biggest musical events in Italy.

Sammontana gave rock lovers a corner of fun and entertainment with a photo point and rock-themed gadgets.



FLORENCE OF CHILDREN

In the Children's Festival that took place from 12 to 14 April 2019 in Florence, Sammontana realized an activity experienced with Leonardo genius and his incredible and multifaceted interests: Atelier on Leonardo shapes from wooden ice cream sticks. Among the many inventions conceived by Leonardo Da Vinci is also a machine capable of recreating supreme cold by air movement.

In the beautiful cloister of the Pietro Thouar Library and the Leopoldine Complex, children had the opportunity to see a reproduction created by Sammontana, and then they were involved in a creative workshop in which wooden ice cream sticks were used as building material.

The event boomed with over 40,000 participants.

FLORENCE FOLK FESTIVAL

From 24 to 27 July in Florence, the Manifattura Tabacchi di Firenze hosted the urban folk festival in which tradition and contemporaneity, local and international, coexist through music, food and conviviality. Here, Sammontana entertained participants through playful activities related to the brand, and delighted everyone with new products.



FLORENCE BIENNALE

From 18 to 27 October in Florence, the city's main exhibition of contemporary art and design came to life, representing a showcase of excellence for contemporary art production at international level. The Design Pavilion collected different souls of design culture, both linked to an international context and to local characteristics and values of the Tuscan territory.

Sammontana participated as a sponsor and was involved in this area, in collaboration with Mude.to, with an artistic installation that tells the story of Barattolino: icon in the world of food-design.



PARTY LIKE A DEEJAY

Radio DeeJay's birthday party was back in Milan with a completely renewed format and a new location. On 22 June, MIND Milano Innovation District - AREA EXPO hosted Party Like a DeeJay 2019.

No longer an evening like last year, but a whole day of celebration, from morning until midnight. An event full of activities, music and entertainment, where more than 15,000 people had fun together and over 10,000 Sammontana complimentary branded gadgets were distributed to festival participants.



Also in 2019, Sammontana continued to invest in sport, with the aim of giving visibility to the brand in periods of low seasonality, not only to the direct target (viewers) but also to the indirect target (TV viewers), using the television medium.

In addition, there is still the historic sponsorship with **Fiorentina** in Serie A, **Pisa** and **Livorno** in Serie B and **Siena** in Lega Pro.

Finally, from this season, Sammontana has become one of the main sponsors of the POOL USE BASKET in Empoli. The club undertook to change the name of the arena to Pala Sammontana, where the Serie A1 women's league, the national men's Serie B championship matches are played.



PERSONNEL COMPOSITION AND CHARACTERISTICS

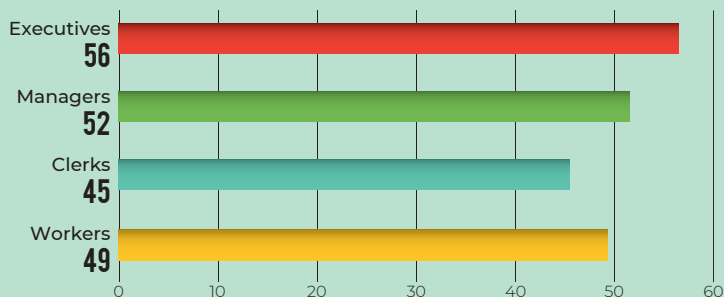
PERSONNEL BY CLASSIFICATION



AVERAGE NUMBER OF EMPLOYEES

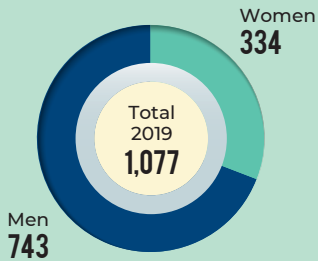


AVERAGE AGE BY PROFESSIONAL FIGURE





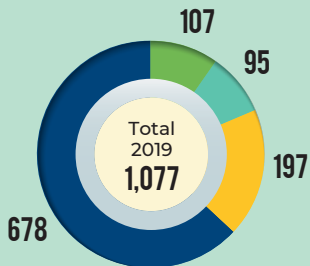
NUMBER OF WORKERS BY GENDER



NUMBER OF EMPLOYEES BY PROFESSIONAL FIGURE AND GENDER

	Men	Women	Total at 31.12.2019
Executives	25	1	26
Managers	38	1	39
Clerks	212	135	347
Workers	451	197	648
Total	726	334	1,060

BREAKDOWN BY SENIORITY



WORKING SENIORITY BY ROLE

	< 2 years	2 < 5 years	6 < 12 years	> 12 years
Executives	3	3	7	13
Managers	1	-	3	35
Clerks	59	54	66	168
Workers	44	38	121	462

■ < 2 years ■ 2 < 5 years ■ 6 < 12 years ■ > 12 years



PERSONNEL MANAGEMENT



DISTRIBUTION OF OPERATING UNITS



1,077 TOTAL OPERATING UNITS

HIRES



263 UNIT WITH TERM CONTRACT SEASONAL (PREVALENCE WORKERS)

5 INTERNS TO SUPPLEMENT EMPLOYEES

TYPE OF CONTRACT

For the parent company Sammontana, the national employment contract applied is that of the food industry sector and that of industry managers; while for the subsidiary Transfrigo, the national employment contract applied is that of the CCNL 151 Freight Forwarding.

HEALTH AND SAFETY

For some time now, the Group has dedicated significant attention to workers' health and safety policies, both in terms of human and financial resources.

In fact, in order to further improve this aspect, there have been some significant changes in 2019 in this area.

In particular, since June 2019, the Parent Company Sammontana S.p.A. has changed its management structure at organizational level, appointing a new Health and Safety Director and a new Employer pursuant to Legislative Decree 81/2008.

At the same time, and for better support, the underlying structure has also been revised, both in terms of resources and delegates: new RSPPs (Prevention and Protection Service

Managers) have been appointed for the establishments, specialist doctors, etc.

In the four months following the definition of the new organization, i.e. in the period June-September 2019, the Safety Department, together with the various RSPPs, carried out inspections at the Parent Company's establishments, its branches and warehouses.

The objective was to verify ex-novo the situation present in each site in terms of Health and Safety at Work, and to define a plan of targeted interventions based on what emerged.

In particular, 18 strategic macro-issues were considered: Training and information for workers, Accidents, Risk Assessment Document (DVR), Operating Instructions, Qualification



of external companies, Safety interventions, Prevention and Protection Service (SPP), Emergency plan, PPE, Company emergency team, Plants/machines, Periodic meetings, Health surveillance, Local Health Authority regulations, Buildings, Fire prevention, Access management, Establishment/site inspection.

For each site, a specific Report has been drawn up highlighting, for each topic, the problems present, their criticality on a scale from 1 (low) to 5 (high), and the actions to be taken.

In the last 3 months of 2019, the Safety Department, together with the RSPPs and external consultants, launched the necessary activities to resolve the main issues highlighted, in particular those that were given a score of 5 in the Safety Report. For some activities, the work has been completed or is in the process of being completed.

Other work, on the other hand, will physiologically require more time. However, by the end of 2020, all work relating to reports with a score of 5 will be completed.

ACTIVITIES FOR THE HEALTH AND SAFETY OF WORKERS

Below is a brief summary of the activities carried out in the period October-December 2019 at the establishments and at the subsidiaries/depots of the Parent Company Sammontana S.p.A.:

EMPOLI ESTABLISHMENT

- E-learning training general safety + specific risks for administrative clerks;
- DVR noise review;
- DVR Work Related Stress Review;
- Osmosis plant DVR;
- definition of specific operating instructions for loading and unloading activities;
- road system: training, rebuilding of ground signs, definition of specific operating instructions;
- certification of two production lines after the changes made.

VINCI ESTABLISHMENT

- Frontal training general safety + specific risks: integration of some



important topics such as the emergency plan, traffic, accident analysis and NH₃ risk. Provision of informative brochures;

- safety training related to qualifying courses (lift operators, work at height, AED, PPE third category);
- MMC DVR review;
- ground signs in the production room;
- general DVR review;
- training of workers on operating instructions for specific activities in confined environments, Atex zones and training for work on moving mechanical parts;
- Atex DVR for the ammonia plant (NH₃).

VERONA ESTABLISHMENT

- Frontal training general safety + specific risks: integration of some important topics such as the emergency plan, traffic, accident analysis and NH₃ risk. Provision of informative brochures;
- safety training related to qualifying courses (lift operators, confined environments, AED, PPE third category);
- Atex DVR for the establishment (including NH₃ plant);
- ground signs in the production room;
- general DVR review;
- emergency plan review;
- drafting and dissemination of specific operating instructions.

BRANCHES AND DEPOTS

- E-learning training general safety + specific risks for administrative clerks;

- general DVR revision for the branches in northern and southern Italy;
- revision of the Emergency Plan for the branches in northern and southern Italy;
- drafting and dissemination of specific operating instructions;
- implementation of specific interventions (ground signs, shelving, delimitation of areas where there are systems, signage, etc.).

LOGISTICS HUB OF MONTELUPO (primary logistics depot Sammontana)

- Drafting of the Interference Risk Assessment Documents (Duvri) with the company that performs the handling of pallets of finished product;
- drafting and dissemination of specific operating instructions;
- specific maintenance activities for safety: ground signs, work on the overhead flash doors of the cold rooms and on the external doors of the cold room, floor of the cold room, regular ice cleaning activities, signage, etc.



TRANSVERSAL JOBS

These activities are carried out, or in the process of being carried out, and concern all the Sammontana establishments and some of the branches and depots:

- drafting of a specific approval procedure for investment works;
- assignment form to Work Manager (RL) for sites under Title IV;
- qualification of external companies: formalization of a list of qualified suppliers authorized to access the site;
- implementation of a procurement management portal;
- definition of a training registration form for new recruits.

ENVIRONMENT AND SAFETY INTEGRATED MANAGEMENT SYSTEM

During the June/November 2019 period, important work was carried out to draw up specific 2nd level Operating Instructions for the management system. Topics included waste management, maintenance of electrical and mechanical equipment, FGAS plant management, environmental emergencies, fire fighting equipment, etc.

The work represents a fundamental step in the implementation of the management system and will be followed by the implementation of other related activities: dissemination to workers, verification of the current application of instructions, definition of a plan of actions necessary for the application of activities reported so far in the instructions but not carried out.

More generally, a review of the management system is already planned for March 2020 and will cover the whole of 2020.



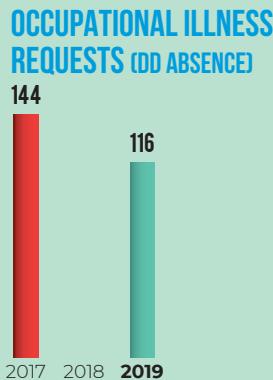
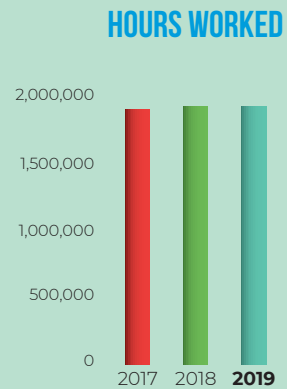
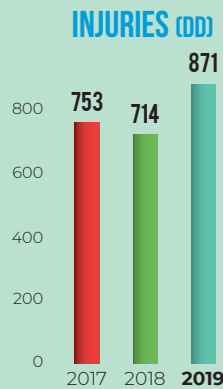
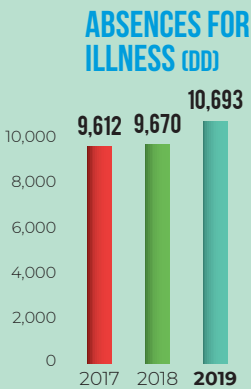
HEALTH AND SAFETY INDICATORS

Below is a brief summary of the main Health and Safety indicators for the last 3 years for the whole Sammontana group. As can be seen from the analysis of the overall data, there has been a general increase in the number of injuries and the severity index, which relates the injury days to the hours worked. This is mainly due to the activity carried out at the Verona establishment where 3 cases of accidental injuries were reported in 2019 with a consequent number of significant days lost.

HEALTH AND SAFETY OBJECTIVES 2020 AND SUBSEQUENT YEARS

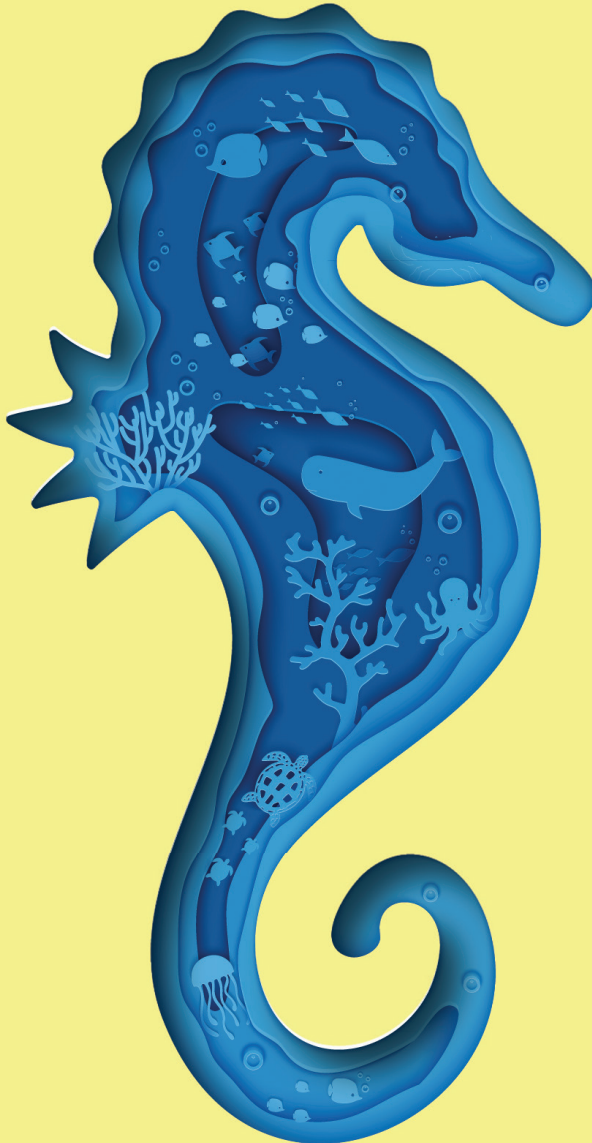
The main objectives that the Health and Safety area has set for the years to come are summarized below:

- increase the level of Health and Safety of the Company;
- coordinate in the best possible way all the group's activities in the field of Health and Safety;
- establish common guidelines for all offices (uniformity of activity setting).





A SUSTAINABLE FUTURE





GENERAL INTRODUCTION

In continuity with past years, the Group is choosing to pay the utmost attention to the environment around us, natural resources and the people who work to make the future more sustainable. In particular, also in 2019, the Group has put a lot of energy into the pursuit of some of the 17 sustainable development objectives set by the UN in 2015 (e.g. the fight against climate change, access to drinking water and consumption and responsible production) and, in addition, has maintained a high commitment to ensure high standards of circularity.

APPLIED CIRCULAR ECONOMY

The Group has understood that, in order to pursue sustainable development, it is also necessary to adopt models for the circular economy according to a rigorous and scientific approach. Adopting the model developed by the Ellen MacArthur Foundation for the technological cycle, and with the consulting support of Spinlife (spin-off of the University of Padua) for the biological cycle, the parent company Sammontana has measured itself in terms of circularity for the Ice Cream division, reaching high standards: about **80% as an index of circularity of its technological cycle as evaluated at the beginning of 2019.**

The high index achieved is the result of years of commitment to the use:

- of recyclable primary packaging (100% target);
- 100% of secondary and tertiary packaging made of recycled and recyclable materials;
- the eco-design tool, used to create more sustainable and increasingly

less heavy primary packaging with a consequent reduction of waste and environmental impacts.

Although current food safety constraints significantly limit the increase in the circularity indexes, the Group has decided to invest resources in 2020 to attack the 0.2 that kept it away from the full circularity of its non-edible materials.

To do this, it has launched several projects, some of which are already having concrete and positive effects:

- interventions on some primary packaging to increase the % of recyclability. For example, the Group is focusing on take-away products and the use of RPET, i.e. recycled PET material in full compliance with food safety and quality parameters. This experimentation is giving the first promising results, but we expect to see the real effects during 2020 and 2021;
- the Group has obtained the ATICELCA certification for the majority of packaging containing

paper; this means that today most of the paper-based packaging of products can be conferred together with paper; it is important to underline that this information is always present on our packaging so as to make it easier for consumers to carry out post-consumer operations.

Returning to the circularity model, as far as the biological cycle (the edible part of the product) is concerned, the model is based on the principles of EU Biomass Sustainability and Minimum Environmental Criteria in the catering sector.

This model has highlighted that in order to improve, a deeper evaluation of the supplier chain must be activated, increase the use of more sustainable raw materials, increase the valorization of

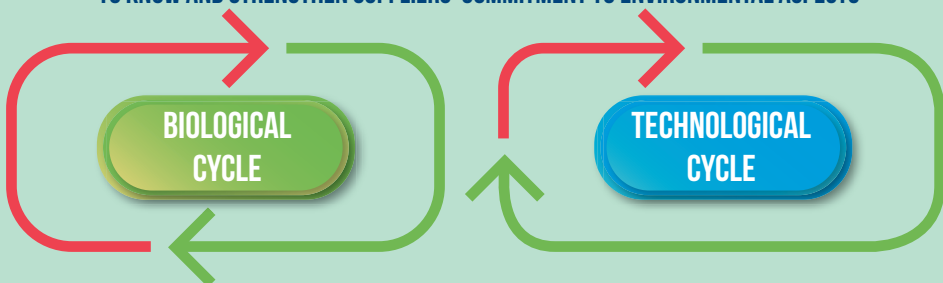
non-reusable waste (biogas) and reduce the use of water.

In this regard, at the end of the year, Sammontana began a process of involving suppliers of raw materials and packaging to assess possible synergies in terms of environmental sustainability.

In addition, it should be noted that Sammontana is one of the 50 Italian companies that Enel X has given the opportunity to obtain:

- 1) **Corporate CE assessment** with the aim of assessing the maturity and dissemination of the principles of circular economy within Corporate Sammontana;
- 2) **Site Energy CE assessment** where for one of the production sites current energy efficiency levels will be analysed to assess how to improve them.

SUSTAINABILITY ASSESSMENT OF THE SUPPLY CHAIN TO KNOW AND STRENGTHEN SUPPLIERS' COMMITMENT TO ENVIRONMENTAL ASPECTS



Objective

- achieve increasingly sustainable materials to improve environmental performance

Objective

- obtain 100% recyclable primary packaging
- regulatory limit on primary packaging with recycled material
- improve waste sorting



GREEN STUDIES AND PROJECTS

MADE GREEN IN ITALY

In 2019, the parent company Sammontana proudly started a project in collaboration with **UIF Unione Italiana Food¹**, for the possibility to affix a brand to some of its products, bearing the logo of the Ministry of the Environment called **Made Green in Italy**.

The rationale behind this label is the creation of a labelling system which, as in the case of energy classes of household appliances, qualifies in class A products that have reduced environmental impacts compared to those of an average market product taken as reference (benchmark).

By participating in a European call (referred to as Life Magis), the ultimate aim of which is to write the category rules for the ice cream sector in each country and as part of the Life Cycle Assessment studies, the Parent Company Sammontana will contribute to the drafting of specifications and regulations relating to the Italian ice cream market. The Ministry of the Environment has promoted Made Green in Italy primarily to:

- stimulate the continuous improvement of the environmental performance of products and, in particular, the reduction of

the environmental impacts they generate during their life cycle;

- encourage informed and aware choices by citizens, with a view to promoting the development of sustainable consumption, ensuring transparency and comparability of the environmental performance of these products;
- strengthen the image, appeal and communicative impact of Made in Italy products in order to support their competitiveness on national and international markets.

In order to try to make the best possible contribution in terms of quality and presence, the Group has started a collaboration with the Scuola Superiore Sant'Anna of Pisa, starting from the study of the Italian economic context and passing through the analysis of the ice cream market in our country, both from the point of view of the properties of the product and, above all, from the point of view of the environmental impact that its production and consumption may entail.

Although it is a delicate project and difficult to define, the Group's objective is to define, for each phase of the life cycle of an ice cream product, the rules to be followed for

¹ <https://www.unioneitalianafood.it/>. Unione Italiana Food was created from the union of two of the most representative Italian food industry associations, AIDEP (Associazione delle Industrie del Dolce e della Pasta Italiane) and AIIPA (Associazione Italiana Industrie Prodotti Alimentari). A new associative "home" to enhance and protect companies, products and sectors that are among the excellence of our industry and that today are called to new challenges in markets around the world.

every other reality to determine the sustainability impact of its products.

In the approach of the Ministry, after the definition of the rules, the Parent Company Sammontana will be able to aspire to obtain the Made Green in Italy brand, if the product is in line with the defined targets.

The operation of Made Green in Italy, which is based on the PEF-Product Environmental Footprint methodology, in fact provides for a first phase of elaboration of specific PCR specifications containing the methodological indications that define the mandatory and optional requirements necessary to conduct environmental footprint studies for specific product categories. Therefore, a company can join the scheme with one or more of its products only in the presence of valid PCR.

These general rules will then be addressed not only within the Italian market, but will also be valid for products to be exported to foreign markets.

The objective of the project is therefore to lead to the publication of these rules and, subsequently, to include the Made Green in Italy brand on Sammontana products with the best environmental performance. Consumers will therefore have greater awareness of the environmental sustainability of their purchases.

Through this important partnership, the Parent Company Sammontana therefore aims to become a reference company in the sector also for this type of activity.

RENEWAL OF VOLUNTARY AGREEMENT WITH THE MINISTRY OF THE ENVIRONMENT, BARATTOLINO CARBON FOOTPRINT AND "NON-COMPENSABLE" EMISSIONS

Already as part of the Voluntary Agreement with the Ministry of the Environment signed in July 2016, the Parent Company Sammontana has undertaken to study, compensate and therefore reduce emissions from its production of ice cream products.

It is noted, with great satisfaction, that in February 2019 this agreement was renewed between the parties and provides for even greater depth of analysis for the reduction of emissions into the environment at all levels.

In particular, the project was divided into 4 main phases that are still valid today:

- define the Carbon Footprint calculation methodology in the different phases of the life cycle of packaged ice cream production and the related accounting of CO₂ emissions produced;
- apply international standards with the involvement of a third-party entity for independent verification of study results;
- develop strategies and options to compensate emissions through the purchase of reduction credits generated through renewable energy projects;
- identify cost-effective measures to reduce emissions for each of the activities in the life cycle.



During these years, the Group has developed a series of projects and studies, such as the Carbon Footprint of Barattolino.

In this project the impacts in terms of CO₂ equivalent emissions, deriving from the realization of a product (Il Barattolino precisely), have been analyzed, considering every phase of the life cycle: from the supply of raw materials, to production to conclude with the end of life of non-edible materials.

For 2019, the value of the indicator (KPI) Carbon Footprint Barattolino is 4.081 kgCO₂/kg ice cream².

The studies have also indicated the drivers to make the life cycle of the product even more sustainable, in terms of reducing CO₂ emissions into the atmosphere, and have highlighted a threshold of non-compensable emissions³.

ECODESIGN

Ecodesign and the Circular Economy are two key elements of a sustainable economic model.

In particular, ecodesign means the conception and design of objects of use with the aim of minimizing the environmental impact of the entire life cycle of the product, from the production processes, to the materials used, to the durability and recyclability of the product itself.

A design based on the efficient use of resources and materials allows, in fact, both to reduce the environmental impact related to production, but also helps to reduce the amount of waste generated, intervening on the durability, reparability, upgradeability and recyclability of the products themselves.

The principles of ecodesign apply to all phases of the product life cycle, with the aim of reducing its overall environmental impact:

from the supply and use of raw materials, which must be reusable, biodegradable, recyclable and non-toxic, to their processing in the production process and distribution, which must comply with the EU Directive on ecodesign (Directive 2009/125/EC), in terms of energy efficiency (reduced energy consumption in the production phases) and reduced environmental impact.

The consumption of the product and the possibility of reuse also contribute to defining it as eco-friendly and sustainable:

² Indicates the emission in KG of CO₂ equivalent for each kg of ice cream in container (weighted average of all the codes of the 500 g container family).

³ For these, Sammontana has already taken part in two important projects such as the construction of a wind farm in Rajasthan (India) and the reforestation of a green area in Uruguay.

the life cycle of the product must be able to be extended as much as possible, through the recycling and/or reuse of its components. Alternatively, the product must be 100% biodegradable, so as to completely return to the natural cycle.

Ecodesign is therefore the new frontier of design: in the future, it will be impossible to design without taking the complete product life cycle (LCA) into account.

Since 2019, the use of the tool in the company has allowed to improve the evaluation of ice cream product recipes (raw materials and packaging) in terms of quantification of the 3 impact categories (Carbon, Water scarcity and Land-use).

This tool was implemented at the Parent Company Sarmontana, thanks to the collaboration with Spinlife, a spin-off of the University of Padua.



CERTIFIED LCA STUDIES OF PRODUCT LINES

As every year, starting in 2016, periodic evaluations are carried out on some of the Sammontana Group's most representative products with the aim of fully understanding the potential environmental impacts of its choices.

Over the years, all products belonging to the lines:

- Barattolino in all its types (including 3 layers and new 2020)
- Fruttiamo
- Amando

have been studied and investigated with the scientific approach of the life cycle, conducting, also thanks to the support of Spinlife researchers, spin-off of the University of Padua, Life Cycle Assessment studies in relation to environmental aspects that are very important for the agro-food sector such as land use, the emission of greenhouse gases responsible for climate change and the use of water resources.

During 2019, the Parent Company Sammontana, in addition to updating data and studies, decided to implement an important methodological update that provided for the revision of all data of the production chain (with reference to secondary data or from databases) and the update of impact methods for water scarcity and land use so as to align with the guidelines of the European PEF (Product Environmental Footprint).

This activity has covered all the studies conducted so far, so as to keep valid the reference system against which to evaluate environmental performance.

In particular, the impact assessment methods for the Water Scarcity and Land Use categories have been modified to ensure alignment with the methodology European PEF (Product Environmental Footprint) and Made Green in Italy.

For Water Scarcity, the Relative Available Water REMaining (AWARE) indicator was adopted, i.e., a measure of the amount of water remaining in a basin after the demand for water resources for human and ecosystem activities has been met (Boulay et al. 2018).

This indicator assesses the potential for water deprivation, both for humans and ecosystems, based on the assumption that the less water remains available, the more likely it is that an additional user, be it a human or an ecosystem, will be deprived (Boulay et al., 2016).

The unit of measurement is the m³ water equivalent deprived.

For the Land Use category, the characterization factors defined by the JRC based on the LANCA® v 2.2 model were used (Bos et al., 2016). The Soil Quality Index (measured in Pt.) is composed of the sum of four LANCA model indicators, linked to four aspects of soil quality: erosion resistance, mechanical filtration, groundwater regeneration and biotic production.

The following is a comparison between the results obtained for a raw material (skimmed milk), applying the new set of impact methods and the outdated one.

COMPARISON OF THE SKIMMED MILK IMPACT PROFILE OBTAINED WITH THE TWO DIFFERENT ASSESSMENT METHODS

METHODS 2019

Impact category	Unit of measurement	Result
Climate Change	kgCO ₂ eq	1.40000
WSI	m ³ eq	0.00364
Land Use	kg C deficit	11.20000

METHODS 2020

Impact category	Unit of measurement	Result
Climate Change	kgCO ₂ eq	1.40000
WSI	m ³ eq depriv.	0.79300
Land Use	Pt.	125.00000

It must be pointed out that the absolute results are higher for each of the products analyzed as proof that the world of environmental research is in continuous ferment and evolution, and that it is necessary to keep the evaluation system constantly updated.

All studies carried out by the Parent Company Sammontana are subject to third-party verification conducted by CSQA Certifications.



PACKAGING, PLASTIC REPLACEMENT WITH PAPER AND COMPOSTABLE PACKAGING

The Group's commitment to the packaging sector is increasingly important. The Group's intention is to study new solutions every year to increasingly reduce the impact of its product packaging by working in two directions:

- 1) reduce the impact of packaging materials to promote recycling or compostability at end of life;
- 2) communicate the commitment made more effectively to consumers.

This year, the main analyses carried out concerned two aspects: paper-based polythene packaging, which is attracting increasing interest, and the use of Sicilian almonds in the Amando product line.

With reference to paper-based packaging, the study of the parent company Sammontana has highlighted how the move to this solution can be a winning choice.

The analyses conducted so far have evaluated two product lines:

- **Barattolino Line:** passage for some references from the current packaging with polypropylene small bucket and lid in polystyrene to small bucket and lid in paper (FSC certified) polyethylene 100% recyclable in the paper fraction;
- **Fruttiamo Line:** passage for all GDO references, from the current packaging with polypropylene wrapping to paper/PLA wrapping (not FSC certified) 100% compostable.

With reference to the Barattolino, in a life cycle perspective, the polythene paper packaging allows to achieve a potential reduction of environmental impacts, from the Carbon Footprint point of view, between 79% (best case where the final disposal is 100% in the paper fraction) and 71% (worst case where the disposal is 100% in the undifferentiated collection) compared to the classic packaging made of plastic.

This improvement focuses in particular on the raw materials and end-of-life management phases.

With reference to the Fruttiamo line, from a life cycle point of view, the polythene paper packaging, compared to plastic packaging, allows a potential reduction of the Carbon Footprint equal to 10% if the final disposal is 100% in the organic fraction, while it shows a potential worsening of performance equal to 17% if disposal is 100% in the undifferentiated collection.

The dossier has therefore demonstrated the importance of the correct rejection of packaging by the final consumer.

Overall, the plastic packaging reduction index (KPI) value for 2019 for all packaging placed on the market is 0.264⁴.

Sammontana has set a goal of continuous reduction of this index over the years.



⁴ The indicator is calculated as the sum of the weights of primary and secondary packaging purchased from 01/01/19 to 31/12/19, which enter the direct production cycle, subject to CO.NA.I. contribution for the plastic material band / Sum of the weights of primary and secondary packaging purchased from 01/01/19 to 31/12/19, which enter the direct production cycle, subject to CO.NA.I. contribution for all the bands of material used (Plastic + Paper + Wood + Aluminium).



THE CREED OF EFFICIENCY





GENERAL INTRODUCTION

The Group, in order to improve its products and production processes to increase its competitiveness on the markets, has always made considerable efforts with regard to technical and technological investments. Moreover, it tries year after year to find innovative solutions to make the best use of its human and industrial resources, while also pursuing environmental sustainability objectives. In terms of resources in particular, the focus was on Energy, Water and production line performance.

EFFICIENCY OF RESOURCES

REDUCTION OF ENERGY REQUIREMENT

The Parent Company Sammontana, both in the ice cream division and in the frozen pastry division, pays particular attention to energy processes where, in a predominant position, there is the energy necessary for the functionality of the refrigeration system, which absorbs about 50% of the total energy used.

Important technological investments have therefore been dedicated to refrigeration processes over the years: in particular, at the Vinci and Colognola ai Colli establishments, high efficiency motors have been installed which, together with dedicated drives, allow to obtain the condition of maximum cooling performance.

In addition, in 2018 and 2019, Sammontana installed a significant number of meters in strategic points of its factories, in order to carry out precise energy monitoring and

subsequent detailed analysis, so as to be able to design interventions aimed at reducing consumption.

To reduce the dependence of Sammontana on the purchase of electricity, as early as 2016, the Group built a 2 MW Cogeneration Plant at the Empoli establishment. This plant is capable of self-producing more than 50% of the annual energy requirements of the same establishment.

In 2019, the Co-generator was combined with an Absorber, thus obtaining a Tri-Generation process: in addition to the production of electricity, as mentioned, which covers more than half of the annual requirements of the Empoli establishment, thermal energy is also produced, a part of which (in the summer period) is used through an absorption process⁵ to produce water chilled to 7°C, suitable for use in the air-conditioning process.

⁵ The heat produced by thermal energy, instead of being dispersed, is "stored" by the absorber and released into the company's energy processes, thus saving electricity.

Given the excellent results obtained from the use of the Cogeneration Plant at the Empoli establishment, it was decided to install a further Tri-generation Plant at the Cognola ai Colli establishment, also with a capacity of 2 MW.

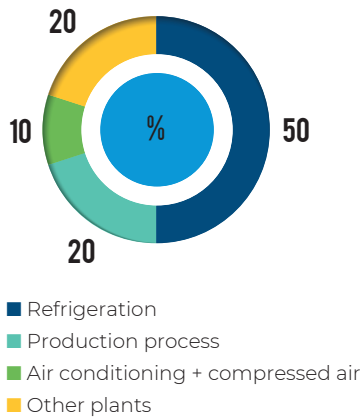
This plant will make its contribution in terms of energy savings from July 2020.

Each of these interventions has enabled the company to reduce its overall energy consumption.

This reduction made it possible to avoid the emission of 6,396 tons CO₂eq in 2019 alone, compared to those that would have been obtained with the energy performance of 2015 (base year).

This reduction corresponds to the emissions generated by a mid-engined vehicle that has covered 35,455,663 km.

ENERGY BREAKDOWN OF ESTABLISHMENTS



WATER

Fresh water and its use is a topic on which the Group focuses a lot of its attention, since, on a global level, a substantial part of the same water is dedicated to food production.

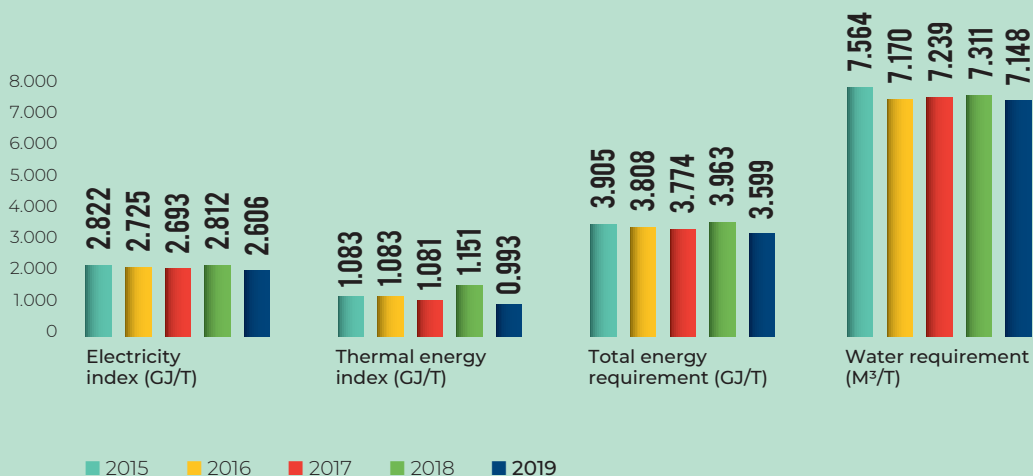
For this reason, some targeted investments have been decided, both in technologies and in efficiencies, of processes involving this resource.

In fact, since 2019, the excess hot water from the pasteurization phases of the Empoli factory has been collected in a special tank and then reused in intermediate rinses during the washing phases of the production lines, thus avoiding the use of new water.

In addition, in 2019, a new drinking water monitoring system was installed to record instantaneous and progressive consumption, functional as a database for checking any abnormal consumption and for the design of interventions aimed at reducing consumption.

It should also be noted that, as early as 2018, a Reverse Osmosis Plant was installed at the Vinci establishment, which has allowed a significant reduction in the amount of water taken from wells and the consequent reduction of the same discharged into industrial wastewater.

PRODUCTION INDEXES



MORE PERFORMING PRODUCTION LINES AND INCREASED FLEXIBILITY

The Parent Company Sammontana has always aimed at obtaining high quality production at competitive costs compared to the market.

This objective, among other things, is also pursued with the purchase of new production lines, which make it possible to achieve greater productivity and a reduction in waste of primary resources (edible raw materials and packaging).

The demand for the finished product supply of the various distribution chains, which increasingly follows the logic of just in time, and the consequent search for better production efficiency of suppliers, requires major investments in innovative processes and industrial technologies.

In recent years, the following have been purchased primarily for this purpose:

- a new frozen pastry production line at the Colognola ai Colli establishment and another one at the Vinci establishment (highly automated, they have allowed the Group to increase hourly production with less waste and better quality of the finished product);
- a new production line of Barattolino ice cream at the Empoli establishment, which will allow already in 2020 to produce also the Barattolino package in paper, with the same performance of the one currently on the market in plastic. The introduction of this new line at the Empoli establishment has also made it possible to create a back-up of the production process of the same product at the Colognola ai Colli establishment.

Further investments on the factories go in the same direction: to create more production flexibility in order to guarantee customers an increasingly better product and service that is always safe and secure.

Finally, it should be noted that, for the correct management of these new lines with high industrial automation content, it was necessary to carry out specific training for production and maintenance personnel (in the logic of Training 4.0).



NEW RAW MATERIAL/PACKAGING WAREHOUSE AND NEW PRODUCTION AREAS

The need to be able to use new production areas and the intention to carry out a rationalization of the various warehouses of raw materials and packaging have been pursued through the creation of a new automated warehouse for the storage and handling of pallets of packaging and raw materials.

This important new investment, adjacent to the Empoli establishment, will allow the Group, from 2020, to drastically limit vehicle transfers between the existing warehouses and the Empoli establishment itself.

In addition, the investment has also been designed to optimize the use of personnel in charge of incoming pallets and raw material handling.

From a realization point of view, the construction of this new warehouse involved the construction of an elevated tunnel, consisting of a corridor, which crosses the road below

at a safe height, physically connecting the warehouse itself with the production establishment in Empoli.

The highly automated and digitized processes of the new structure are connected to the company's IT systems.

The new structure will allow storage for a total capacity of more than 4,000 pallet spaces and this fact will make it possible, in the near future, to free up areas of about 1,000 m² inside the plant and another 2,400 m² in other existing warehouses.

This new realization has enabled the Group to make the tax leverage more efficient, as it benefits from the facilitations related to the Industry 4.0 plan.

STRUCTURED INITIATIVE FOR THE REDUCTION OF WASTE - SLIM PROJECT

The SLIM (Sammontana Lavorando Insieme Migliora) initiative is a Lean Manufacturing approach that the parent company Sammontana began to implement at the Colognola ai Colli establishment in 2019.

This is an initiative of efficiency and continuous improvement, aimed at increasing the quality of finished products and the efficiency of production lines, through a strict fight against any kind of waste in the company's production processes.

The initiative is based on the involvement of personnel at all levels in order to eliminate all forms of inefficiency from production processes. The first pillars on which the work was based were focused learning, quality, autonomous maintenance and personal skills development.

This initiative includes, in addition to the clear definition of key indicators at the various performance review meetings, the setting of increasingly ambitious targets and the generation of corrective actions needed to eliminate waste.

It is underlined that the part of the training of personnel in the classroom and in the workplace at various levels is an important part of this methodological approach.

As tangible results of the work, already in 2019, the Colognola ai Colli factory has achieved significant improvements in the fight against waste of the various primary resources used for the production of ice cream and frozen pastry products.

This initiative is reinforced by the increased availability of productive data that the new AX IT system has provided since 1 January 2019.

In 2020, we will start to expand the SLIM initiative also in Vinci and Empoli given the good results obtained.



THE I.C.E. PROJECT (INTEGRATED COLLABORATIVE ERP)

Also from an IT point of view, over the years, the Group has followed a path of targeted renewal, aiming to make its processes more efficient.

In fact, as early as 2015, with the involvement of the entire Sammontana Management, which underwent specific interviews, many areas of improvement of the corporate Information Systems in use were highlighted, such as for example:

- suffering in carrying out the business due to the lack of quality, consistency, integrity of the data made available by the systems in operation;
- difficulties in dealing with emerging levels of complexity (internationalization, retail, cost control, new business reading needs);
- effects of technological obsolescence, together with the scarce evolutionary opportunities of the systems in use at the time and risks related to the continuity of operation and service of the entire IT system.

Thus, the intention to deal with these sufferings, giving life to the I.C.E. Project, which had as its ultimate goal to:

- solve the critical issues highlighted above;
- allow more cohesive work between the different business functions in a logic of flow and not of individual processes limited to each function;

- pursue the objective of fully covering the evolutionary needs linked to the business developments envisaged in the company's strategy.

The preliminary study identified **Microsoft Dynamics AX** as the software best suited to cover the company's needs, and **Capgemini** as the System Integrator best suited to the implementation of the IT solution.

PROJECT MILESTONES AND INNOVATIVE/IMPROVED FUNCTIONALITY

The Project Plan has gone through the following phases:

- the **Design** phase (Solution Design) → from 2015 until May 2016;
- the **Build** and **Testing** phase (Implementation of the Solution, through a series of prototypes, and related tests) → from May 2016 until April 2018;
- the **Training** phase (Training of users, first Key Users then End Users, including users of third-party companies involved) → from April 2018 until November 2018;
- the **Go-Live** phase (start of the new system) → from January 2019.

With a view to increasing efficiency, the following are some of the main examples of innovative or improved functionalities of the new Information System compared to previous operating systems:

- Unique Integrated System for Asset and Liability Cycle, previously on different systems (and with multiple difficulties for double coding of articles, customer data, etc.);
- management of Customer/Product Economic Accounts, to facilitate the analysis of the relative marginality;
- integrated management by serial number of all commercial equipment with simultaneous balancing with Asset Register;
- integrated management of Quality Assurance procedures, until previously on another system;
- progress of the Production Order with direct involvement on the system by the Managers of the various production establishments;
- integrated traceability of expiring lots for Raw Materials and Finished Products (also Secondary Logistics warehouses - Branches and Service Centres);
- integrated travel planning for Logistics;
- possibility of placing orders by Dealers directly on the Company Portal (with visibility of promotional logic in order to encourage the purchase of certain products);

- integrated monitoring for credit management (Collections Dashboard);
- integrated management of Agent Commissions, Advertising Material and Promotions by users of the Commercial Area, previously on separate systems;
- integrated management of the Project modules (for Maintenance, Investment, Research and Development);
- possibility of involvement of the Marketing Area for integrated management of R&D Projects and related work progress.

Finally, it should be noted that in parallel with the ICE Project, a Business Intelligence System (BI) has been introduced, which has the function of analyzing company performance both through indicators and operational reports and through specific management synthesis dashboards: for 2019, BI analysis has been introduced for the Production, Purchasing and Logistics areas, then in 2020, the other areas will be involved (QA, Research & Development, Management Control, Credit, Maintenance).





ATTENTION TO THE LITTLE THINGS

In recent years, the Group has considered the part relating to IT systems to be of increasing importance and for this reason, in addition to the development of the ICE project mentioned above, it has also paid increasing attention to the part relating to infrastructure, network and IT security.

In particular, infrastructure projects were implemented in 2019 regarding:

- computer security in the broad sense, such as the adoption of special measures for data encryption;
- efficiency of systems measured as availability and speed of access to data (adoption of full flash technologies for storage);
- consolidation of already existing solutions to ensure security based on different technologies (improvement of analysis tools based on the logs of anti-intrusion systems, complete management of DNS requests, switch to newer versions of data copy management tools).

In addition, solutions are maintained and improved over time for the prevention, management and restoration of structures, systems and data more generally derived from computer accidents that may occur during the performance of daily work.

It should also be noted that the Information Systems Department has made a significant contribution to the design and implementation of automation systems such as the Automated Raw Materials Warehouse mentioned in the previous paragraphs.

There is an operating unit composed of internal resources able to listen to the needs of the business, analyze them and translate them into projects and solutions aimed at improving efficiency and effectiveness.

This structure is governed by internal personnel who make use of high value-added providers for areas requiring highly specialized skills.







OPERATING PERFORMANCE





ECONOMIC PERFORMANCE

The financial statements that we are submitting to your attention show a Production Value of nearly Euro 400 million (399,600,500), an increase of about Euro 23.1 million compared to the previous year, thanks mainly to the increase in net sales (14.7 million).

EBITDA (Gross Operating Margin of Euro 49.34 million) increased (+0.2%) compared to the previous year

thanks in particular to a number of factors such as:

- an improvement in the sales mix, in terms of Euro/kg, of ice cream products sold in large-scale distribution and steady sales in the Café-Horeca channel;
- a summer season characterized by an excellent climate (in July, we recorded record sales increases) which compensated for the bad start to the season, which in May, had recorded sales down by more than 30%.

Pre-tax profit, amounting to Euro 16.4 million, decreased compared to 2018 (Euro 20.4 million) due to an increase in both the cost of tangible and intangible amortization and depreciation (the latter increased by +1.2 million due to the commissioning of the new IT system) and extraordinary personnel costs

(1.5 million total, +1 million compared to the previous year: relating to the indemnities paid to employees following an agreement finalized at the end of 2019 and relating to the planned closure of the Pomezia plant, completed in March 2020, specifying that part of the workforce was relocated to the other Group establishments). Also in anticipation of the closure of the aforementioned production activities, a provision of approximately Euro 1.2 million has been set aside for probable risks.

Net profit of Euro 20,783,754, an increase of Euro 6.3 million compared to 2018

benefits from the positive contribution of the tax component as a result of the following key factors:

- the benefit of super and over-amortization;
- recognition of the benefit for an amount of approximately Euro 6.9 million deriving from the Patent Box for the period 2015-2019 following the agreement signed with the Revenue Agency in 2019.

This report will illustrate, in addition to as required by article 2428 of the Civil Code, the context in which your Group has operated and the main strategic choices that have guided its management.

MAIN ECONOMIC DATA

The 2019 income statement reclassified to Added Value and Added Value Net Net is shown below, highlighting certain performance margins. The table also shows the 2018 figures and the respective changes.

ADDED VALUE INCOME STATEMENT (Figures in thousands of Euro)

	2019	2018	Change
PRODUCTION VALUE ⁽¹⁾	397,861	375,488	22,373
Total external costs ⁽²⁾	275,224	255,979	19,246
ADDED VALUE	122,637	119,510	3,127
Total personnel	73,297	70,283	3,015
M.O.L. (Gross operating margin) / E.B.I.T.D.A. ⁽³⁾	49,340	49,227	113
Total amortization and depreciation ⁽⁴⁾	31,508	26,863	4,645
M.O.N. (Net Operating Margin)	17,832	22,364	(4,533)
Total financial income	340	387	(46)
E.B.I.T.	18,172	22,751	(4,579)
Total financial expenses	1,434	1,940	(507)
ORDINARY RESULT	16,738	20,810	(4,072)
Total non-recurring income and expenses ⁽⁵⁾	(292)	(405)	113
PRE-TAX RESULT	16,446	20,406	(3,959)
Total income taxes	4,337	(6,013)	(10,351)
RESULT OF THE YEAR	20,784	14,393	6,391

Note 1: The Production Value in this table differs from the Production Value in the statutory financial statements due to the reclassification (of approximately Euro 1.3 million) of the non-recurring assets area under Total non-recurring income and expenses. For details of the latter aggregate, please refer to paragraph 3.1 of this Report on Operations.

Note 2: This item includes B 6) - Costs for raw and ancillary materials, consumables and goods, B 7) - Costs for services, B 8) - Costs for rents and leases (with the exception of financial lease fees), B 11) - Change in inventories of raw and ancillary materials and goods, B 14) - Other operating expenses.

Note 3: In order to calculate the margin in question, compared to the previous year's financial statements, for the 2018 financial year the impact of the non-recurring area has been eliminated, reclassifying it under a specific item. The reclassification was carried out in order to improve comparability with the 2019 financial year.

Note 4: This item includes B 10) Amortization, depreciation and write-downs, B 12) Provisions for risks, B 13) Other allocations together with financial lease instalments accrued during the year and accounted for using the equity method.

Note 5: For details of the items included in this aggregate, please refer to paragraph 3.1 of this Report on Operations.

ADDED VALUE INCOME STATEMENT WITH PRODUCTION VALUE NET NET

(Figures in thousands of Euro)

	2019	2018	Change
Revenues from typical sales NET NET ⁽¹⁾	340,649	332,177	8,472
Change in inventories of products in progress, finished	6,425	(2,160)	8,585
Other revenues and income ⁽²⁾	6,229	6,205	24
PRODUCTION VALUE	353,303	336,222	17,080
Total external costs ⁽³⁾	230,666	216,713	13,953
ADDED VALUE	122,637	119,510	3,127
Total personnel	73,297	70,283	3,015
M.O.L. (Gross operating margin) / E.B.I.T.D.A. ⁽⁴⁾	49,340	49,227	113
Total amortization and depreciation ⁽⁵⁾	31,508	26,863	4,645
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PRE-TAX RESULT	16,446	20,406	(3,959)
Total income taxes	4,337	(6,013)	(10,351)
RESULT OF THE YEAR	20,784	14,393	6,391

Note 1: The item includes only Revenues from the sale of products, net of discounts and commercial contributions, the latter classified in a statutory income statement under B7) as costs for services.

Note 2: This item also includes revenues from the sale of advertising material and revenues for goods held for resale for a total of 2.7 million, which in the statutory financial statements are included under A1 Revenues from sales and services. In addition, this aggregate was adjusted by approximately Euro 1.7 million relating to the non-recurring asset area. This value was included in the aggregate Total non-recurring income and expenses. For details of the latter aggregate, please refer to paragraph 3.1 of this Report on Operations.

Note 3: This item includes B 6) - Costs for raw and ancillary materials, consumables and goods, B 7) - Costs for services, except for commercial costs reclassified net of Sales Revenues in A1) as per note 1, B 8) - Costs for rents and leases (with the exception of financial lease fees), B 11) - Changes in inventories of raw and ancillary materials and goods, B 14) - Other operating expenses.

Note 4: In order to calculate the margin in question, compared to the previous year's financial statements, for the 2018 financial year the impact of the non-recurring area has been eliminated, reclassifying it under a specific item. The reclassification was carried out in order to improve comparability with the 2019 financial year.

Note 5: This item includes B 10) Amortization, depreciation and write-downs, B 12) Provisions for risks, B 13) Other allocations together with financial lease instalments accrued during the year and accounted for using the equity method.

Note 6: For details of the items included in this aggregate, please refer to paragraph 3.1 of this Report on Operations.

KEY BALANCE SHEET FIGURES

Below is a balance sheet reclassified by areas of operating relevance, reporting the company's investments and the method used for their financing.

BALANCE SHEET OF OPERATING RELEVANCE (Figures in thousands of Euro)

Balance sheet assets	2019	2018	Change
Investments related to the Operating Cycle	124,703	111,871	12,832
Investments related to the Structure	160,742	151,204	9,538
Financial investments	13,786	28,151	(14,365)
Total assets	299,231	291,226	8,005

Balance sheet liabilities	2019	2018	Change
Financing related to the Operating Cycle	92,731	76,281	16,450
Financing related to the Structure	12,442	12,168	274
Financial payables	78,738	103,227	(24,489)
Net Capital	115,320	99,550	15,770
Total liabilities	299,231	291,226	8,005

KEY PRODUCTIVITY, PROFITABILITY AND FINANCIAL INDICATORS

In accordance with the new article 2428 of the Civil Code, below are the Group's key productivity, profitability and financial indicators at 31 December 2019 compared with the previous year, in order to facilitate understanding of the Group's situation and operating performance.

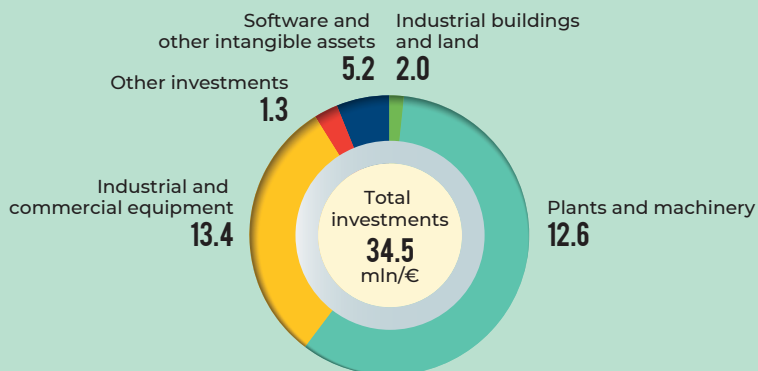
Profitability indicators	2019	2018
ROE	18.02%	14.46%
ROI	9.36%	11.22%
ROS	4.60%	6.00%
ROD	1.82%	1.88%
Duration indices	2019	2018
Average supplier extension	67.86	58.63
Average customer extension	55.18	54.08
Ability to Repay the Financial Debt	2019	2018
NFP (net Bond)/EBITDA	1.06	1.03
NFP (gross Bond)/EBITDA	1.36	1.58
Liquidity indices	2019	2018
Availability index	1.048	1.246
Treasury index	0.737	0.954

INVESTMENTS

Investments of approximately Euro 34.5 million were made in 2019, as detailed in the following table.

Investments **increased by more than Euro 9 million** compared to the previous year. The main reasons for this are undoubtedly to be found in the company's continuous philosophy of investing in cutting-edge technical plants and machinery both to keep up with the times and to take advantage of the tax advantages linked to investments in Industry 4.0.

INVESTMENT CATEGORIES (Figures in millions of Euro)



The technical investments in Industry 4.0 consist of assets the operation of which is controlled by computerized systems or managed through appropriate sensors and drives. In particular, the asset must be characterized by some technical-functional specifications, including the following:

- it is controlled by means of a programmable logic controller (plc);
- it is designed to be interconnected to the factory computer systems;
- it is prepared to be integrated in an automated way with the logistics

system or with the supply network and/or with other machines of the production cycle;

- it includes a simple and intuitive man-machine interface;
- it meets the most recent occupational safety, health and hygiene standards;
- it is equipped with remote maintenance and/or remote diagnosis and/or remote control systems;
- it is able to monitor working conditions and process parameters by means of appropriate sets of sensors.

In general, Industry 4.0 investments have been made ensuring to achieve technical improvement of the machine or line in its design, operation and subsequent operating diagnostics.

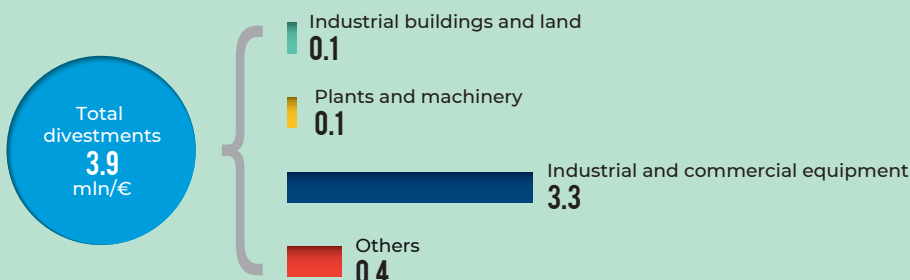
The intangible component of investments mainly concerns the continuous updating of the software necessary to keep pace with the company's development with the technological evolution in progress. Investments continued in the new Microsoft Dynamics AX information system, which has been in operation since 1 January 2019.

New acquisitions of tangible assets refer to production machinery/plants (some of which will come into operation in 2020) and investments in Co-generation and Tri-Generation, in addition to ongoing investments for the construction of the new highly automated raw materials warehouse.

As mentioned above, the Group's willingness to innovate has been particularly significant in recent years, resulting in greater sums spent on the investment of these production factors. There was also an increase compared to 2018 in investments in equipment, mainly related to the purchase of refrigerated conservators and ovens to be loaned to customers in support of commercial activities.

Divestments of technical assets amounted to Euro 3.9 million, valued at historical cost. This amount consists mainly of approximately Euro 3.3 million from the disposal of obsolete refrigeration equipment, most of which has been fully depreciated, belonging to Sammontana S.p.A. and Euro 0.4 million from the disposal of vehicles and other assets of the subsidiary Transfrigo S.r.l.. From their disposal, there was a positive balance between gains and losses of about Euro 95 thousand.

DIVESTMENTS OF TECHNICAL ASSETS (Figures in millions of Euro)



PORTIONS SOLD AND REVENUES

In terms of portions, 2019 also saw an increase in the quantity of products sold compared to the previous year (+5.34%).

In Italy, the considerably hot summer season allowed **ice cream** sales to record an overall +7.4%, also thanks to the decisive contribution of the Private Label, which has continued to grow over the years.

Foreign ice cream sales, on the other hand, are slightly down.

Frozen pastry has grown by over one and a half percentage points. This result is to be considered flattering, given the actions of the competition in previous years.

Sales of products in the **lunch-snack** category confirm the positive trend (+8.6%).

SALES 2019 (Figures in millions of portions)

Products	2019	2018	Diff.%
Ice cream Italy	692.5	634.3	9.2%
of which BAR-HORECA brand	120.3	120.2	0.1%
of which GDO brand	301.0	289.5	4.0%
of which private label (GDO)	271.2	224.6	20.8%
Ice cream foreign	73.7	75.1	(1.9%)
Total ice cream	766.2	709.4	8.0%
Frozen pastry Italy	473.7	464.9	1.9%
of which BAR-HORECA	419.5	410.6	2.2%
of which GDO	54.2	54.2	-
Frozen pastry foreign	4.8	5.1	(5.9%)
Total frozen pastry	478.5	470.0	1.8%
Total snack lunch	34.1	31.2	9.3%
Total portions	1,278.8	1,210.6	5.6%

Gross turnover (which differs from the item Revenues from sales and services in the Income Statement because it is gross of the discounts applied on invoices and credit notes issued by us) amounted to Euro 671.3 million, an increase of more than 5.0% compared to the previous year.

GROSS SALES 2019 (Figures in millions of Euro)

Products	2019	2018	Diff.%
Ice cream Italy	405.0	377.3	7.3%
of which BAR-HORECA brand	104.6	103.5	1.1%
of which GDO brand	256.1	235.2	8.9%
of which private label (GDO)	44.3	38.6	14.8%
Ice cream foreign	14.6	14.8	(1.3%)
Total ice cream	419.6	392.1	7.0%
Frozen pastry Italy	229.8	224.0	2.6%
of which BAR-HORECA	205.6	200.2	2.7%
of which GDO	24.2	23.7	2.1%
Frozen pastry foreign	2.6	2.7	(3.7%)
Total frozen pastry	232.3	226.6	2.6%
Total snack lunch	19.3	17.7	9.0%
Total company	671.3	636.3	5.5%

Also in this year, the turnover values grew at a slightly more than constant rate compared to sales, thanks to the updating of price lists.

In particular, there is a more than proportional trend of this phenomenon in sales of branded **ice cream** to the large-scale distribution trade, which, with quantities increased by 3.8%, recorded sales of +8.14%.

The turnover of **frozen pastry** also registered a more than proportional growth (+2.46%) compared to the pieces sold.

Sales of service products (**lunch-snack**) were slightly against the trend but still positive (+8.4%).

From Gross Turnover, represented in detail in the table above, after deducting invoice discounts and credit notes, we arrive at **Revenues from sales and services**, which in the year reached Euro 387 million, up by Euro 14.7 million compared to 2018 (+4%).

COSTS

The table below shows the main items of operating expenses in millions of Euro.

Description	2019	2018	Change
Cost for raw materials and goods	144	137	7
Cost for services	122	108	14
Rents and leases	9	9	-
Personnel cost	75	71	4
Amortization, depreciation and write-downs	30	25	5
Changes in raw materials	(1)	-	(1)
Allocations	1	1	-
Other operating expenses	3	3	-
Total	382	354	28

The performance of some expense items is directly related to the operating performance of sales revenues (in this year mainly, Services and Personnel Costs).

As shown in the table above, it should be noted that the increase in these items compared to the previous year was affected by the increase in sales revenues described in previous paragraphs of this Report.

The increase in service costs is particularly significant (+13.7 million) which, as mentioned, is closely related to the trend in sales revenues, although in this case more than proportionally.

Depreciation and amortization were affected by the increased investments made by the Group in recent years, recording +2.7 million on 2018.

There were prudential allocations due to the closure of the Pomezia establishment for approximately Euro 1.2 million.

Other cost items, on the other hand, and other operating expenses are substantially in line or slightly down compared to the previous year.

Further considerations regarding the dynamics of the main corporate costs are referred to the Notes for more specific details.

EXTRA COSTS AND INCOME

The following tables show the main non-recurring assets and liabilities.

The classification in the financial statements of the items shown below is indicated in the section next to the numerical amounts, shown in millions of Euro.

NON-RECURRING EXPENSES 2019

Description	Amount	Classification in the financial statements
Costs for documents not pertaining to the year	0.36	IS B7) - Costs for services IS B14) - Other operating expenses
Costs for settlement deeds	0.14	
Extraordinary personnel costs	1.53	IS B9e) - Other personnel costs
	2.03	

The most significant amount is represented by Extraordinary personnel costs for a value of approximately Euro 1.5 million. As mentioned in the introductory paragraphs of this Report, the vast majority of these costs relate to retirement incentives paid to

employees during the year. There are also documents for items with incorrect accrual (about Euro 360 thousand) and transactions payable for Euro 138 thousand. The expenses listed above are attributable almost entirely to the Parent Company Sammontana S.p.A..

NON-RECURRING INCOME 2019

Description	Amount	Classification in the financial statements
Contingencies for items not pertaining to the year	0.30	IS A5) - Other revenues
Contingencies for closure Accruals previous years	1.41	IS A5) - Other revenues
Other extraordinary income	0.02	IS A5) - Other revenues
	1.73	

In non-recurring income, the most significant amount is represented by the contingencies deriving from the closure of previous year allocations of approximately Euro 1.4 million.

We also note the registration of document assets pertaining to 2018 for about Euro 300 thousand. The income listed above is attributable almost entirely to the Parent Company Sammontana S.p.A..

TAXES

The tax burden for 2019 is broken down as follows:

Description	Amount in millions of Euro
IRES	2.68
IRAP	1.29
Patent Box Benefits Previous years	(6.95)
Deferred tax liabilities/assets	(0.57)
IMU	0.57
Advertising tax	0.35
Total	(2.63)

With regard to taxes, there was a positive tax burden of current taxes (IRES and IRAP) in 2019 of approximately Euro 3.9 million, mainly due to the decrease in the taxable base following the Patent Box benefit for the parent company Sammontana S.p.A.. It should be noted that in previous years, since the agreement with the Revenue Agency had not yet been concluded, the Group had not yet accounted for the possible benefit.

This tax benefit therefore had an impact in 2019 for an additional Euro 6.95 million, relating to the calculation of the facilitation for the years 2015-2016-2017-2018.

Overall, with regard instead to IMU property tax and the Advertising tax, the amounts are substantially in line with the previous year.



FINANCIAL SITUATION

In 2019, financial expenses amounted to approximately Euro 1.45 million, down approximately Euro 480 thousand compared to the previous year. This decrease is due to the composition of the debt, which has seen the amount of the Bond reduced by Euro 12 million, due to the repayment of the instalment scheduled at the end of the year and on which interest accrues at a fixed rate of 3.5% gross. As balancing entry, net payables to the banking system increased slightly, on which interest was paid below half a percentage point on the medium-term component and below 0.2% on the short-term component.

Income, on the other hand, came to a total of Euro 352 thousand, slightly down (Euro 20 thousand) compared to the previous year.

However, it is reported that the overall NFP decreased by approximately Euro 10.3 million as shown in the table below.

The average cost of all financial sources was 1.82%, slightly down (-0.08%) on the previous year. The cost of money from the banking system and bonds is instead 1.68%.

The ratio of net financial expenses (net of income) and sales revenues was 0.28% (about 0.42% in 2018). This improvement, in addition to the decrease in absolute value of financial

expenses, was achieved thanks to an increase in net sales of approximately Euro 14 million, also compared to the previous year.

Average monthly gross debt to the banking system in 2019 amounted to approximately Euro 72.5 million.

The net financial position (NFP) with banks alone, at 31 December 2019, showed a negative balance of approximately Euro 49.9 million, worsened compared to 2018 by approximately Euro 3.8 million.

Considering that, as in the previous year, an instalment of Euro 12 million of the Bond was also repaid in 2019, the total value of the NFP stood at around Euro 67.3 million compared to around Euro 77.7 million in 2018, showing a marked improvement.

It is recalled that the financial side is also impacted by the monetary weight of the greater technological investments that the Group has put in place with more strength in the last two/three years. However, these investments in industrial innovation and information technology, above all, aim both to keep the Group in step with its main competitors in the sectors where it is engaged and to make the most of the benefits deriving from the tax benefits of Industry 4.0.

The table below details the composition of the sources of debt.

Sources of funding	2019	2018	Diff.
Short-term bank payables	(22,324,181)	(22,832,415)	508,234
Medium/long-term bank payables	(39,649,021)	(50,007,927)	10,358,906
Cash and accounts receivable	12,023,138	26,706,463	(14,683,325)
Total NFP net banking	(49,950,064)	(46,133,879)	(3,816,185)
Financial payables	(1,818,981)	(3,354,164)	1,535,183
Lease payables ⁽¹⁾	(547,468)	(1,218,757)	671,289
Financial receivables	6,152	5,372	780
Total NFP (excluding Bond)	(52,310,361)	(50,701,428)	(1,608,933)
Bond	(15,000,000)	(27,000,000)	12,000,000
Total NFP	(67,310,361)	(77,701,428)	10,391,067

Note 1: These are financial payables for leases belonging to the Parent Company Sammontana S.p.A., represented in the financial statements according to the equity method. For details, please refer to the Notes (paragraph on tangible assets).

The marked seasonality that characterizes the business and, therefore, also the monetary cycle of the Parent Company's operations, leads to a higher level of debt in the first half of the year, which is covered using the commercial self-liquidating portfolio and resorting for the remaining part to short-term financing. The composition of the Group's debt has always guaranteed balance and solidity.

It should also be taken into account that the Parent Company Sammontana S.p.A. has a VAT receivable totalling approximately Euro 12.3 million, which will be gradually reabsorbed by the VAT payable during 2020 with a possible partial request for reimbursement to the Revenue Agency.

INFORMATION ON RISKS AND UNCERTAINTIES

As required by the first paragraph of article 2428 of the Civil Code, the main risks and uncertainties to which the Group is exposed are set out below.

With reference to the company's uncertainties, given the type of activity carried out, the main criticalities identified are essentially related to the significant seasonality of ice cream, which weighs about 60% of sales and contributes more than 50% to the formation of the gross operating margin.

In fact, it should be considered that nearly 70% of ice cream sales (over 40% of total annual sales) are achieved in the three summer months (June, July and August). The climate factor can therefore have a decisive influence on company performance.

With regard to financial risks, the following positions are active, which were created with medium-term maturities:

- Bond, fully subscribed by the members of the Bagnoli family, for a residual nominal value of Euro 15 million; a portion of Euro 12 million is expected to be repaid by 2020 and Euro 3 million in 2021;
- Mediobanca unsecured loan with a residual value of Euro 22 million maturing in 2022.
An instalment of 7 million was repaid in February 2020, while the balance of 15 million will be paid in 2022;

- Banca Intesa unsecured loan with a residual value of Euro 15 million maturing in 2021. The capital value of Euro 3,750,000 will be repaid in six-monthly instalments starting from June 2020;
- Credit Agricole unsecured loan, residual value of Euro 5.0 million repayable in six-monthly instalments of Euro 1.25 million maturing in September 2021;
- Banca MPS unsecured loan, residual value Euro 6.67 million repayable in six-monthly instalments of Euro 1.11 million maturing in December 2022;
- Credito Emiliano unsecured loan residual value of Euro 1.3 million repayable in quarterly instalments of Euro 291,000 maturing in January 2021.

The analysis of future cash flows shows that the activities of the Parent Company Sammontana S.p.A. will be able to generate sufficient liquidity to repay the portions of the expected amortization plans.

The loans were taken out at a variable rate based on a parameter (Euribor 1, 3 or 6 months) plus a spread. In the current scenario, the chosen parameter (Euribor 1 or 3 months in the various cases) is at an all-time low. According to the forecasts of the main international economic bodies, and on the basis of recent statements by the new ECB President, Christine Lagarde, the current monetary policy will

maintain the rate policy unchanged, allowing the 3-month Euribor to remain at very low levels for a few more years. It was not deemed appropriate, given the economic situation, to activate instruments to hedge the risk of interest rate fluctuations.

With regard to general credit risk, it should be noted that the Group is exposed to potential losses arising from the failure of customers to meet obligations.

This risk is constantly analyzed both with reference to the current situation and to its foreseeable evolution and significant risks are appropriately addressed and prudentially quantified for the purpose of recognizing specific write-downs in the financial statements. The Parent Company, Sammontana S.p.A., selects its customers also on the basis of solvency criteria and has internal procedures for assessing their exposure. In addition, allocations are made in its financial statements that are deemed adequate.

It is not expected that the terms on which customers will fulfil their payment obligations will deteriorate.

With regard to exchange rate risks, the Parent Company Sammontana S.p.A., as part of its international operations, uses the domestic currency (Euro) as the contractual currency for the majority of its sales, significantly reducing the exchange rate risk deriving from the currencies

of the various countries in which it operates. Nevertheless, also in light of the expansion strategy, it cannot be excluded that possible fluctuations in currencies other than the Euro, with respect to the latter, may have negative effects on the Parent Company's operating margins and, consequently, on its economic, equity and financial situation.

Finally, as regards risks associated with the prices of production factors, production costs are exposed to the risk of fluctuations in energy and raw material prices. The Parent Company Sammontana S.p.A. has chosen to manage this risk by implementing plans to reduce energy consumption and specific training activities on energy saving. Should the Parent Company be unable to pass on any increase in sales prices, its economic and financial situation could be affected.

As explained under Key events after year-end in the notes, the COVID-19 pandemic and the consequent measures taken by various governments to contain the spread of the virus have affected our activities since March 2020. In addition to the effects already known, macroeconomic uncertainty has caused disruption in economic activities and to date, the potential long-term impacts on our business are unknown. The main risks arising from the current uncertainty surrounding COVID-19 are:

- a) Revenues and profitability: the Company maintained turnover



levels for the first two months of 2020 that were up on the previous 2019 period. Following the beginning of the pandemic, the Group was certainly exposed to the restrictive measures imposed in these days by the government as about 70% of its margin derives from sales outside large-scale distribution.

b) State measures to support businesses: the Company

has sought, where available, government support to mitigate the effects of the pandemic. In particular, a redundancy fund has been requested for its employees in order to contain the effects of the restrictive measures imposed by the Italian Government.

c) Financial position and liquidity: the Group is financially sound and has adequate credit lines as described above.

RELATIONS WITH NON-CONSOLIDATED SUBSIDIARIES, ASSOCIATED COMPANIES, PARENT COMPANIES AND COMPANIES SUBJECT TO CONTROL OF THE LATTER

As early as 2005, the Parent Company Sammontana Finanziaria S.r.l. started its activity as operating holding company, providing qualified services to the Group.

In particular, the following are recalled:

- the cash pooling contract open to all Group companies except for Sammontana Holding Hong Kong and its subsidiary, which has enabled significant improvements in the integrated liquidity management of the participating companies;
- the framework contract with a leading national insurance broker for risk management from a Group perspective;
- the contract of adhesion to the national tax consolidation pursuant to articles 117 et seq. of the

Consolidated Income Tax Act and which, by providing special rules for determining the consolidated tax base, allows the overall optimization of the income tax payments of the Companies involved.

With its sister company Immobiliare Industriale S.r.l., there are contracts for the lease of properties used for logistics and corporate activities.

All relations with these companies are regulated at market conditions.

There were no relations with the non-consolidated subsidiary Gelfrigo S.r.l. or with the subsidiary Sammontana Holding Hong Kong.

Below is a summary of intragroup economic and financial transactions 2019:

	Receivables	Payables	Costs	Revenues
Sammontana Finanziaria S.r.l.	519,103	(*) 4,442,313	4,332,329	806,606
Immobiliare Industriale S.r.l.	146	416,008	1,377,016	25,146
Gelfrigo S.r.l.	-	-	-	-
Sammontana Holding Hong Kong Ltd	-	56,412	-	-
Bagnoli Icecream Co. Ltd. (Shanghai)	-	-	-	-
Fattoria La Leccia S.agr. a r.l.	5,368	136,877	126,249	9,200
Total	524,617	5,051,610	5,835,594	840,952

(*) Of which Euro 1,437,800 for cash pooling relating to the Parent Company Sammontana S.p.A. and Euro 324,770 for cash pooling relating to Transfrigo S.r.l.



SHARES IN PARENT COMPANIES AND TREASURY SHARES

Group companies do not hold and have not held treasury shares or shares in the parent company (not even through trust companies or third parties), nor were there any transactions on them during the year.

STATUTORY AUDIT

These financial statements have been audited by PricewaterhouseCoopers S.p.A..

OTHER INFORMATION

Pursuant to article 2427 point 22 bis and point 22 ter of the Civil Code, it should be noted that there are no transactions carried out with related parties of significant value that have not been concluded at current market values and there are no off-balance sheet agreements that have equity or economic effects.

It should also be taken into account that the Parent Company Sammontana S.p.A. has a VAT receivable totalling approximately Euro 12.3 million, which will be gradually reabsorbed by the VAT payable during 2020 with a possible partial request for reimbursement to the Revenue Agency.

KEY EVENTS AFTER YEAR-END

There were no specific key events after year-end, other than the evolution of the COVID-19 contagion and the possible economic impact it could have on the world economy in general, and on our Group's activities in particular. As indicated in the paragraph Information on risks and uncertainties, our business volume and consequently the margin created will certainly be affected by the restrictions imposed to stem the spread of the epidemic. In order to reduce diseconomies as much as possible, since the beginning of the emergency, a crisis committee has been held every morning at 9:30 a.m. with all company functions to evaluate the interventions to be made at every level of the organization.

However, at present, having made the necessary assessments on the basis of the information available, since it is not possible to determine with a sufficient degree of reliability any impacts that could affect the economy and the reference sector in the first few months of 2020 and the following months - and taking

into account the possibility that such an emergency may occur in the following months depending on the containment measures envisaged by the governments, the competent authorities and the central banks of the countries affected by the spread of the virus - it is considered, also thanks to the Group's financial solidity, that this circumstance does not represent an impact on the Management's estimation process with reference to the financial statements for the year ended 31 December 2019.

As regards the parent company Sammontana S.p.A., it should be noted that in March 2020, a binding offer was received for the purchase of the Milano-Lambrate area (former Tre-Marie establishment) for an amount above Euro 10 million. The Board of Directors that approved the draft of these financial statements resolved to accept this offer, which arrived after lengthy negotiations and adapted to the new Territory Government Plan (PGT) recently approved by the Milan City Council.



OUTLOOK

In the first months of 2020, the main economic indicators confirmed a certain slowdown.

The spread of the COVID-19 and the continuous evolution of the situation make it difficult to predict the impact that this emergency may generate at all levels.

It is news these days that the FED has intervened with a 0.50% reduction in interest rates, a measure not seen since the Lehman Brothers crack and that all major governments are developing massive financial instruments to support the world economies.

In the first two months of the year, sales volume and turnover were higher than in the previous year (+6.5% in terms of quantity and +5.3% in terms of value). Unfortunately, our turnover for the first two months of the year represents only 7% of the total of the year.

Early March figures indicate a sharp drop in sales in the Café-Horeca channel due to the restrictions adopted by the Italian government on out-of-home consumption throughout the country.

Ordinary investments will be about 20% lower than last year because, in the three-year period 2017-2019, they have maintained a very high average in order to make the most of the tax benefits deriving from the Industry 4.0 facilitations.

The Net Financial Position will also be negatively affected by the decline in sales in the Café-Horeca channel and by the difficulties of our distribution network in meeting agreed payment deadlines. As partial compensation, we will be able to enjoy the benefits obtained from the prior agreement for the Patent Box, which will practically neutralize the tax liability for the entire year, a liability that had already been reduced thanks to the tax benefits of Industry 4.0 and the tax credit for Research and Development.

Empoli, 27 March 2020

The Chair of the Board of
Directors of the
Parent Company Sammontana S.p.A.

Loriano BAGNOLI







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**CONSOLIDATED
FINANCIAL
STATEMENTS**





FINANCIAL STATEMENTS



BALANCE SHEET ASSETS

(Figures in Euro)	31.12.2019	31.12.2018	Change 2019/2018
B) Fixed assets			
<i>I. Intangible assets</i>			
3) Industrial patent rights	3,756,119	624,262	3,131,857
4) Concessions, licenses and trademarks	18,875,405	21,223,620	(2,348,215)
5) Goodwill	7,839,798	8,789,993	(950,195)
7) Others	785,516	807,688	(22,172)
	31,256,838	31,445,563	(188,725)
<i>II. Tangible assets</i>			
1) Land and buildings	60,467,631	61,037,758	(570,127)
2) Plants and machinery	40,766,140	38,955,584	1,810,556
3) Industrial and commercial equipment	19,600,705	14,213,434	5,387,271
4) Other assets	2,171,889	1,453,130	718,759
5) Assets in progress and advances	6,478,952	4,098,753	2,380,199
	129,485,316	119,758,659	9,726,657
<i>III. Financial assets</i>			
1) Investments in:			
a) subsidiaries	100,609	35,531	65,078
d-bis) other companies	41,195	41,195	-
	141,804	76,726	65,078
d-bis) others			
- beyond one year	1,603,960	1,362,399	241,561
	1,603,960	1,362,399	241,561
	1,745,764	1,439,125	306,639
Total fixed assets	162,487,918	152,643,347	9,844,571
C) Current assets			
<i>I. Inventories</i>			
1) Raw and ancillary materials and consumables	15,867,842	14,714,687	1,153,155
2) Work in progress	212,798	121,698	91,100
4) Finished products and goods	23,214,224	16,880,118	6,334,106
	39,294,864	31,716,503	7,578,361
<i>II. Receivables</i>			
1) Customers			
- within one year	55,819,372	53,269,213	2,550,159
- beyond one year	4,181,993	3,462,086	719,907
	60,001,365	56,731,299	3,270,066

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>> BALANCE SHEET ASSETS

(Figures in Euro)	31.12.2019	31.12.2018	Change 2019/2018
4) Parent companies			
- within one year	512,753	3,049,708	(2,536,955)
	512,753	3,049,708	(2,536,955)
5) Companies subject to the control of the parent companies			
- within one year	5,538	248	5,290
	5,538	248	5,290
5-bis) Tax receivables			
- within one year	13,634,792	10,331,977	3,302,815
	13,634,792	10,331,977	3,302,815
5-ter) Deferred tax assets			
- within one year	7,789,035	7,197,704	591,331
	7,789,035	7,197,704	591,331
5-quater) Others			
- within one year	2,914,911	2,318,504	596,407
	2,914,911	2,318,504	596,407
	84,858,395	79,629,440	5,228,955
<i>III. Current financial assets</i>			
5) Derivative financial instruments receivable	11,067	-	11,067
7) Financial assets for centralized treasury management	6,152	5,372	780
	17,219	5,372	11,847
<i>IV. Cash and cash equivalents</i>			
1) Bank and postal deposit accounts	11,852,125	26,534,497	(14,682,372)
3) Cash and equivalents on hand	171,013	171,966	(953)
	12,023,138	26,706,463	(14,683,325)
Total current assets	136,193,616	138,057,778	(1,864,162)
D) Accruals and deferrals			
- others	549,630	525,035	24,595
	549,630	525,035	24,595
Total accruals and deferrals	549,630	525,035	24,595
Total assets	299,231,164	291,226,160	8,005,004

BALANCE SHEET LIABILITIES

(Figures in Euro)	31.12.2019	31.12.2018	Change 2019/2018
A) Shareholders' equity			
I. Capital	21,600,003	21,600,000	3
III. Revaluation reserves	26,159,647	26,159,647	-
IV. Legal reserve	4,320,003	4,320,003	-
VI. Other reserves	42,445,569	33,053,065	9,392,504
- Extraordinary reserve	39,731,255	30,162,088	9,569,167
- Merger surplus reserve	2,714,314	2,890,977	(176,663)
VII. Reserve for expected cash flow hedging transactions	11,067	24,321	(13,254)
IX. Profit for the year	20,783,754	14,392,505	6,391,249
Total shareholders' equity	115,320,044	99,549,541	15,770,503
B) Provisions for risks and charges			
1) Provisions for pensions	2,014,005	1,922,011	91,994
2) Provisions for taxes, including deferred	5,368,881	6,184,018	(815,137)
3) for derivative financial instruments payable	-	11,187	(11,187)
4) Others	2,099,915	1,212,545	887,370
Total provisions for risks and charges	9,482,801	9,329,761	153,040
C) Employee severance indemnity (TFR)	8,328,028	9,022,486	(694,458)
D) Payables			
1) Bonds			
- within one year	12,000,000	12,000,000	-
- beyond one year	3,000,000	15,000,000	(12,000,000)
	15,000,000	27,000,000	(12,000,000)
4) Payables to banks			
- within one year	22,324,181	22,832,415	(508,234)
- beyond one year	39,649,021	50,007,927	(10,358,906)
	61,973,202	72,840,342	(10,867,140)
5) Payables to other lenders			
- within one year	-	32,648	(32,648)
	-	32,648	(32,648)

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>> BALANCE SHEET LIABILITIES

(Figures in Euro)	31.12.2019	31.12.2018	Change 2019/2018
7) Payables to suppliers			
- within one year	49,932,350	39,841,160	10,091,190
	49,932,350	39,841,160	10,091,190
11) Payables to parent companies			
- within one year	4,442,313	3,472,263	970,050
	4,442,313	3,472,263	970,050
11-Bis) Payables to companies subject to the control of the parent company			
- within one year	552,885	417,909	134,976
	552,885	417,909	134,976
12) Tax payables			
- within one year	3,966,063	2,941,983	1,024,080
	3,966,063	2,941,983	1,024,080
13) Payables to social security institutions			
- within one year	3,938,778	3,131,172	807,606
	3,938,778	3,131,172	807,606
14) Other payables			
- within one year	26,265,440	23,646,893	2,618,547
	26,265,440	23,646,893	2,618,547
Total payables	166,071,031	173,324,370	(7,253,339)
E) Accrued and deferred liabilities			
- others	29,260	-	29,260
	29,260	-	29,260
Total accrued and deferred liabilities	29,260	-	29,260
Total liabilities	299,231,164	291,226,158	8,005,006

INCOME STATEMENT

(Figures in Euro)	31.12.2019	31.12.2018	Change 2019/2018
A) Production value			
1) Revenues from sales and services	387,693,775	372,987,616	14,706,159
2) Change in inventories of FP and goods	6,425,206	(2,159,709)	8,584,915
5) Other revenues and income:			
- others	5,317,575	5,528,802	(211,227)
- contributions in the year	163,944	99,902	64,042
	5,481,519	5,628,704	(147,185)
Total production value	399,600,500	376,456,611	23,143,889
B) Production costs			
6) Raw and ancillary materials, and goods	(143,693,776)	(137,444,205)	(6,249,571)
7) Services	(121,679,299)	(107,951,044)	(13,728,255)
8) Rents and leases	(9,432,638)	(9,260,787)	(171,851)
9) Personnel			
a) Wages and salaries	(47,431,516)	(46,153,198)	(1,278,318)
b) Social security contributions	(15,946,659)	(15,222,505)	(724,154)
c) Employee severance indemnity (TFR)	(3,640,533)	(3,671,003)	30,470
e) Other costs	(7,813,017)	(5,833,631)	(1,979,386)
	(74,831,725)	(70,880,337)	(3,951,388)
10) Amortization, depreciation and write-downs			
a) Amortization of intangible assets	(5,403,139)	(4,151,406)	(1,251,733)
b) Depreciation of tangible assets	(21,201,745)	(19,627,715)	(1,574,030)
d) Write-downs of receivables	(2,901,577)	(1,575,074)	(1,326,503)
	(29,506,461)	(25,354,195)	(4,152,266)
11) Changes in inventories of RM and goods	1,153,155	150,877	1,002,278
12) Provisions for risks	(1,256,880)	(800,000)	(456,880)
14) Other operating expenses	(2,813,050)	(2,957,461)	144,411
Total production costs	(382,060,672)	(354,497,152)	(27,563,520)
Difference between production value and costs (A - B)	17,539,827	21,959,459	(4,419,632)

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>> INCOME STATEMENT

(Figures in Euro)	31.12.2019	31.12.2018	Change 2019/2018
C) Financial income and expenses			
15) Income from investments:			
d) income other than the above:			
i) third parties	34,996	112,004	(77,008)
iv) parent companies	305,389	274,770	30,619
	340,384	386,774	(46,390)
17) Interest and other financial expenses:			
i) third parties	(1,442,549)	(1,929,936)	487,387
iv) parent companies	(3,628)	(2,858)	(770)
	(1,446,177)	(1,932,794)	486,617
17-bis) Exchange rate gains and losses			
- gains	83,278	52,995	30,283
- losses	(70,825)	(60,647)	(10,178)
	12,454	(7,652)	20,106
Total financial income and expenses	(1,093,339)	(1,553,672)	460,333
Pre-tax result (A - B + C + D)	16,446,488	20,405,787	(3,959,299)
20) Income taxes for the year			
- current taxes	2,928,112	(6,973,222)	9,901,334
- deferred tax (liabilities) assets	1,409,154	959,941	449,213
	4,337,266	(6,013,281)	10,350,547
21) Profit (Loss) for the year	20,783,754	14,392,506	6,391,248

CASH FLOW STATEMENT

(Figures in Euro)

	2019	2018
A. Cash flows from operating activities		
<i>Profit (loss) for the year</i>	20,783,754	14,392,505
Income taxes	(4,337,266)	6,013,281
Interest expenses (income)	(1,786,561)	1,553,672
(Gains) losses from disposal of assets	(95,217)	(178,976)
1. Profit (loss) for the year before income taxes, interest, dividends and gains/losses on disposals	14,564,711	21,780,482
<i>Adjustments for non-monetary items that had no balancing entry in net working capital</i>		
Allocations to provisions	4,897,413	4,548,765
Amortization/Depreciation of fixed assets	26,604,884	23,779,121
Other adjustments for non-monetary elements	(13,254)	1,575,075
Value adjustments of financial assets/liabilities of derivative financial instruments that do not involve monetary changes	(22,254)	(14,551)
2. Cash flow before changes in net working capital	46,031,499	51,668,892
<i>Change in net working capital</i>		
Decrease/(increase) in inventories	(7,578,361)	2,008,832
Decrease/(increase) in receivables from customers	(3,270,066)	(8,193,319)
Increase/(decrease) in payables to suppliers	10,091,190	(1,809,944)
Decrease/(increase) in accrued and deferred assets	(24,595)	91,513
Increase/(decrease) in accrued and deferred liabilities	29,260	-
Other changes in net working capital	7,855,666	(5,090,812)
3. Cash flow after changes in net working capital	53,134,593	38,675,161
<i>Other adjustments</i>		
Interest collected/(paid)	1,786,561	(1,553,672)
(Income taxes paid)	(677,816)	(5,667,881)
Taxes reimbursed	-	904,864
(Use of provisions)	(4,704,501)	(5,201,807)
4. Cash flow after other adjustments	49,538,837	27,156,666
Cash flow from operating activities (A)	49,538,837	27,156,666

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>> CASH FLOW STATEMENT

(Figures in Euro)	2019	2018
B. Cash flows from investment activities		
<i>Tangible assets</i>		
(Investments)	(31,801,952)	(24,301,938)
Divestments	968,767	554,190
<i>Intangible assets</i>		
(Investments)	(5,222,163)	(1,562,150)
Divestments	7,747	5,000
<i>Fixed financial assets</i>		
(Investments)	(1,378,650)	(187,622)
Divestments	1,072,010	59,493
<i>Current financial assets</i>		
(Investments)	(780)	-
Cash flows from investment activities (B)	(36,355,022)	(23,916,433)
C. Cash flows from financing activities		
<i>Third-party assets</i>		
Increase (decrease) in short-term payables to banks	(3,370,185)	(18,890,788)
New loans	10,000,000	20,710,885
(Repayment of loans)	(17,496,955)	(9,366,047)
Bond repayment	(12,000,000)	(12,000,000)
<i>Equity</i>		
Paid capital increase		
Dividends (and interim dividends) paid	(5,000,000)	(5,000,000)
Cash flow from financing activities (C)	(27,867,140)	(24,545,950)
Increase (decrease) in cash and cash equivalents (A + B + C)	(14,683,325)	(21,305,717)
Cash and cash equivalents at the beginning of the year	26,706,463	48,012,180
of which:		
bank and postal deposit accounts	26,534,497	47,033,413
cash and equivalents on hand	171,966	978,767
Cash and cash equivalents at the end of the period (E)	12,023,138	26,706,463
of which:		
bank and postal deposit accounts	11,852,125	26,534,497
cash and equivalents on hand	171,013	171,966
Total cash flow (D - E)	(14,683,325)	(21,305,717)





NOTES





CRITERIA FOR PREPARATION OF THE FINANCIAL STATEMENTS

The Financial Statements for the year ended 31 December 2019 and these Notes have been prepared in accordance with the provisions of the Italian Civil Code on Consolidated Financial Statements as reformed by Legislative Decree no. 139/15 (implementing European Directive 2013/34).

The Financial Statements consist of the Balance Sheet (prepared in accordance with the format provided for in articles 2424 and 2424 bis of the Civil Code), the Income Statement (prepared in accordance with the format provided for in articles 2425 and 2425 bis of the Civil Code), the Cash Flow Statement (the contents of which, in compliance with article 2425-ter of the Civil Code, are presented in accordance with the provisions of accounting standard OIC 10) and these Notes, drawn up in accordance with the provisions of articles 2427 and 2427-bis of the Civil Code.

The following Notes analyze and integrate the figures of the financial statements with the additional information deemed necessary for a true and correct representation of the figures illustrated, taking into account that no exemptions were made pursuant to articles 2423 and 2423-bis of the Civil Code.

With regard to additional information on the Group's situation and operating performance, as a whole and in the various sectors in which it has operated, with particular regard to costs, revenues and investments, as well as a description of the main risks and uncertainties to which the Group is exposed, reference should be made to the Report on Operations of the Board of Directors.

In compliance with the provisions of article 2423 of the Civil Code, the Financial Statements were prepared in accordance with the general postulates of clarity and true and fair view of the financial position of the Company and the economic result for the year.

In compliance with article 2423 bis of the Civil Code, the following principles were observed in the preparation of the financial statements:

- the valuation of the items must be made based on prudence and on a going concern basis and taking into account the economic function of the asset or liability considered;
- recognition and presentation of the items is made taking into account the substance of the transaction or contract;
- only the results achieved at the end of the financial year have been indicated;
- income and expenses indicated are those for the year, regardless of the date of collection or payment;

- income and expenses for the year have been taken into account, regardless of the date of collection or payment;
- risks and losses pertaining to the year, even if they became known after its closure were considered;
- heterogeneous elements included in the individual items have been valued separately.

There were no exceptional circumstances that required the use of exceptions under article 2423, 4th paragraph of the Civil Code.

In accordance with article 2423-ter paragraph 5 of the Civil Code, the amount of the corresponding item of the previous year is shown for each item in the Balance Sheet and Income Statement. If the items are not comparable, those of the previous year are appropriately adjusted and the non-comparability and the adaptation or impossibility thereof are reported and commented in the Notes.

SCOPE OF CONSOLIDATION

The consolidated financial statements of the Sammontana Group include the financial statements of the Parent Company and those of the companies that Sammontana S.p.A. controls directly or indirectly through the majority of the votes that can be exercised at the ordinary meeting, the companies over which it has sufficient votes to exercise a dominant influence at the ordinary meeting, the companies over which it has a dominant influence by virtue of a contract or a clause in the articles of association, where permitted by applicable law, and the companies over which it has independent control of the majority of the voting rights based on agreements with other shareholders.

The scope of consolidation at 31 December 2019 includes the companies:

Sammontana S.p.A.

Parent Company

Registered office in Empoli (FI), Via Tosco Romagnola 56

Registered at the Chamber of Commerce of Florence under no. 03957900487

Production and marketing of ice cream and pastry products.

Transfrigo S.r.l.

100.00% controlled


Consolidated on a line-by-line basis

Registered office in Vinci (FI), Via Provinciale di Mercatale 258

Registered at the Chamber of Commerce of Florence under no. 01530010485

Food transport activities.

There were no changes in the scope of consolidation compared to the previous year.



Sammontana S.p.A. also fully controls the company Gelfrigo S.r.l., with registered office in Vinci and share capital of Euro 10,000, which produces, distributes and sells fresh, preserved, refrigerated, frozen, deep-frozen food products and other ancillary activities. To date, the company has not yet started its operations.

In compliance with the provisions of article 28 of Legislative Decree 127/1991, the Company was excluded from consolidation because it is irrelevant for the purposes of clarity and a true and fair representation of the Group's economic, equity and financial position.

Sammontana S.p.A. also fully controls the company Sammontana Holding Hong Kong Ltd and the company Bagnoli Icecream Co. Ltd. (Shanghai) (indirectly controlled). To date, both companies have not yet started operations. In compliance with the provisions of article 28 of Legislative Decree 127/1991, the Companies were excluded from consolidation because they are irrelevant for the purposes of clarity and a true and fair representation of the Group's economic, equity and financial position.

PRINCIPLES OF CONSOLIDATION

The financial statements used for consolidation purposes are those for 2019. These financial statements have been appropriately reclassified and adjusted in order to bring them into line with the accounting standards and valuation criteria of the Parent Company.

In preparing the consolidated financial statements, the assets and liabilities and the income and expenses of the companies included in the consolidation are included in full. Receivables and payables, income and expenses, profits and losses originating from transactions between companies included in the consolidation are instead eliminated.

The book value of investments in companies included in the consolidation is eliminated against their corresponding fractions of the shareholders' equity of the investee companies.

The difference between the book value of investments and the corresponding portion of equity is attributed to the assets and liabilities of the companies included in the consolidation based on the current values determined at the date of acquisition, i.e. the consolidation difference, in the item goodwill of the balance sheet of the Consolidated Financial Statements and charged to the Income Statement according to the criteria provided for goodwill.

The effects deriving from the procedures described above have been summarized in the reconciliation between the Parent Company's equity and result of the year and as resulting from the consolidated financial statements.

VALUATION CRITERIA

The valuation criteria adopted comply with the provisions contained in article 2426 of the Civil Code and have been supplemented, where the law has not specifically provided for, by those indicated by the Italian Accounting Body. The most significant valuation criteria adopted are the following:

INTANGIBLE ASSETS

They are recorded at historical cost, including ancillary expenses and shown net of amortization during the financial years and charged to the individual items with the prior consent, where necessary, of the Board of Statutory Auditors.

Start-up and expansion costs, recorded with the consent of the Board of Statutory Auditors, are shown under the appropriate asset item and amortized over their economic life, and in any case not exceeding five years.

Industrial patents and intellectual property rights are amortized on the basis of their presumed duration of use, in any case not greater than that established by license contracts.

Concessions, licenses, trademarks and similar rights recorded under assets are amortized on the basis of the expected duration of use, in any case no longer than that set out in the purchase contract; if the period of use cannot be determined or the contract does not exist, the duration is set at five years.

The consolidation difference emerges when preparing the consolidated financial statements when the book values of investments are eliminated against the corresponding fractions of equity of the investee companies. Any excess, not attributable to individual items of the assets of the companies included in the consolidation, is recorded as an adjustment of consolidated equity, or, if the necessary conditions are met, it is recorded under goodwill; this item is amortized over a period of time within which the economic benefits are expected to be achieved. Please refer to the specific paragraph in the notes for further details.

In the event that, regardless of the amount already recorded, there is an impairment loss, the asset is written down; in subsequent periods if the reasons for the write-down are no longer valid, it returns to its original value, net of accumulated depreciation.

Research, development and advertising costs are charged in full to the income statement for the year in which they are incurred.

Research and development costs are expensed during the year and are therefore not capitalized under fixed assets.

TANGIBLE ASSETS

They are recorded at purchase cost, including ancillary expenses, and adjusted by the corresponding accumulated depreciation.

Tangible assets were revalued based on laws (special, general or sector) and there were no discretionary or voluntary revaluations, the maximum limit of the revaluations is the value in use of the same, objectively determined.

The depreciation charged to the income statement was calculated according to the use, allocation and economic-technical life of the assets, based on the criterion of remaining useful life, unchanged from the previous year and reduced by half in the year of entry into operation of the asset and is as follows:

Description	Rates in the first year	Rates in subsequent years
Buildings	1.5%-2%	3%-4%
Plants and machinery	7.5%	from 7.5% to 15%
Conservators	12.5%	25%
Miscellaneous and small equipment	20%	40%
Office furniture and equipment	6%	12%
Electronic machines	10%	20%
Cars	12.5%	25%
Trucks	10%	20%

The different rates used depend on the heterogeneity of the production activities carried out by the companies belonging to the Group, and therefore entail a different degree of use of the assets subject to the depreciation process based on the activity carried out.

The plants, machinery and industrial equipment used in the production process of frozen pastry have continuous operation at low speed in contrast to the production process of ice cream carried out on high speed step-by-step discontinuous motion packaging machines with much higher forces and accelerations which therefore cause faster wear of the technological asset. In the year in which the asset is purchased, depreciation is reduced by half, as this represents a reasonable approximation of the time distribution of purchases during the year.

In the event that, regardless of the amount already recorded, there is an impairment loss, the asset is written down; in subsequent periods if the reasons for the write-down are no longer valid, it returns to its original value, net of accumulated depreciation.

INVESTMENTS IN NON-CONSOLIDATED SUBSIDIARIES

Investments in subsidiaries and non-consolidated companies are valued at purchase or subscription cost because they are not material.

INVENTORIES

The assets included in the inventories are initially recognized on the date on which the risks and benefits associated with the asset purchased are transferred. The transfer of risks and benefits usually takes place when ownership title is transferred in accordance with the contractually agreed terms.

Inventories are initially recorded at purchase or production cost and subsequently carried at the lower of cost and the corresponding estimated realizable value determined by the market. [CC 2426 paragraph 9]

The purchase cost is defined as the actual purchase price plus related costs, excluding financial expenses. The purchase cost of materials includes, in addition to the price of the material, also transport and customs costs, other levies and other costs directly attributable to the material. Returns, trade discounts, rebates and premiums are deducted from costs.

Production cost refers to the purchase cost plus industrial production costs and includes all direct and indirect costs for the portion reasonably attributable to the product related to the manufacture period and up to the time from when the asset may be used, considered on the basis of normal production capacity. The production cost does not include general and administrative costs, distribution costs and research and development costs.

The purchase or production cost is determined using the weighted average cost method.

The realizable value inferable from market trends in raw and ancillary materials, goods, finished products, semi-finished and work in progress is equal to the estimated selling price of goods and finished products in the normal course of business, taking into account information available on the market, net of estimated completion costs and direct selling costs. Obsolete or slow-moving materials are also considered inventories.

Inventories whose realizable value based on the market trend is less than its carrying value are therefore written down.

If the reasons for the write-down no longer apply, in whole or in part, as a result of the increase in the market realization value, the value adjustment made is reversed within the limits of the cost originally incurred.



RECEIVABLES (INCLUDING THOSE CLASSIFIED AS FINANCIAL ASSETS)

Receivables are recognized in the financial statements according to the amortized cost criteria, taking into consideration the time factor and the estimated realizable value. Receivables due from the parent company for cash pooling, with no collection constraints as per contract, are classified under Financial assets for centralized treasury management at the parent company under Financial assets not held as fixed assets, in compliance with the provisions of the new OIC 14.

The Group has availed itself of the option granted by article 12, paragraph 2, of Legislative Decree 139/2015 not to apply amortized cost and, at the same time, not to discount any items related to transactions before 1 January 2016.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents represent the positive balances of bank and postal deposit accounts and cheques, as well as cash and equivalents on hand at year-end.

Bank and postal deposit accounts and checks are measured at the estimated realizable value, money and duty stamps at nominal value while cash in foreign currency is measured at the exchange rate prevailing at year-end.

PAYABLES

Payables are recognized in the financial statements according to the amortized cost criterion, taking into account the time factor and the estimated payment value. In particular, the initial recognition value is represented by the nominal value of the payable, net of transaction costs and all premiums, discounts and rebates directly deriving from the transaction that generated the payable.

Transaction costs, any commission income and expenses and any difference between initial value and nominal value at the due date are included in the calculation of the amortized cost using the effective interest criterion.

It is specified that, as permitted by Legislative Decree 139/15, at 31 December 2019, payables already outstanding at 31 December 2015 are recorded at nominal value.

The Group has availed itself of the option granted by article 12, paragraph 2, of Legislative Decree 139/2015 not to apply amortized cost and, at the same time, not to discount any items related to transactions before 1 January 2016. From 1 January 2017, financial payables are recorded in the financial statements using the amortized cost method.

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges represent specific, certain or probable liabilities, with indeterminate date of occurrence or amount. In particular, provisions for risks represent liabilities with a specific nature and probable existence, the values of which are estimated, while provisions for charges represent liabilities of specific nature and certain existence, estimated in the amount or date of occurrence, related to obligations already undertaken at the reporting date, but that will be recorded in subsequent years.


Allocations to provisions for risks and charges are recorded in the income statement under the items of operating assets to which the transaction refers, with the criterion of classification by type of costs prevailing. The amount of allocations to provisions is measured with reference to the best estimate of costs, including legal fees, at each reporting date. If the measurement of allocations results in the determination of a range of variability of values, the allocation represents the best estimate feasible between the maximum and minimum limits of the range of variability of values.

The subsequent use of the provisions is carried out directly and only for expenses and liabilities for which the provisions were originally established. Any negative differences with respect to the charges actually incurred are recorded in the income statement in line with the original allocation, while if the surplus arises as a result of the positive evolution of situations that occur in a company's business, the elimination or reduction of the surplus provision is recorded among the positive components of the income of the class having the same nature.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are recorded at fair value, even if embedded in other financial instruments, both at the date of initial recognition and at each subsequent reporting date, pursuant to article 2426, paragraph 1, number 11-bis, of the Civil Code and OIC 32.

Changes in fair value are recognized in the income statement or, if the instrument hedges the risk of changes in the expected cash flows of another financial instrument or a planned transaction, directly in a positive or negative reserve in equity; this reserve is recognized in the income statement to the extent and over a period of time corresponding to the occurrence or change in the cash flows of the hedged instrument or the hedged transaction. If the fair value at the reference date is positive, it is recognized under the item derivative financial instruments receivable under financial assets or financial assets not held as fixed assets. If the value is negative, it is recognized under the item derivative financial instruments payable under provisions for risks and charges. If the transaction qualifies as a hedge, the Company recognizes the cash flow hedge instrument in the balance sheet at fair value, with a balancing entry under item A) VII Reserve for expected cash flow hedging transactions for



the hedge component deemed effective (net of deferred tax effects), while for the ineffectiveness component, calculated for hedging relationships that do not qualify as simple, section D) of the income statement. This reserve, in accordance with article 2426, paragraph 1, number 11-bis of the Civil Code, is not considered in the calculation of equity for the purposes set out in articles 2412, 2433, 2442, 2446 and 2447.

If the transaction does not qualify (or is not designated) as a hedge, changes in fair value are recognized in the income statement in section D) Value adjustments of financial assets and liabilities; gains arising from the valuation of derivative financial instruments not designated as hedges are allocated to non-distributable equity reserves.

A transaction in derivative financial instruments is designated as hedge when:

- a) the hedging relation only consists of eligible hedging instruments and eligible hedged items under OIC 32;
- b) there is a close and documented correlation between the characteristics of the hedged instrument or transaction and the hedging instrument within the meaning of article 2426, paragraph 1, number 11-bis of the Civil Code; the documentation concerns the formalization of the hedging relation, the Company's objectives in risk management and the hedging strategy;
- c) the hedging relation meets all of the following requirements:
 - 1) there is an economic relation between the hedged item and the hedging instrument;
 - 2) the effect of the credit risk of the counterparty of the derivative financial instrument and the hedged item, if the credit risk is not the hedged risk, does not prevail over the changes in value resulting from the economic relation;
 - 3) the hedging ratio equal to the ratio between the amount of derivative financial instruments used and the amounts of hedged items is determined (to the extent that the ineffectiveness of the hedge is not impacted ex-ante).

The existence of eligibility criteria is verified continuously and at each closing date of the financial statements, the company assesses whether the hedging relation still meets the effectiveness requirements.

The Company prospectively ceases hedge accounting when:

- a) the hedging instrument expires, is sold or discontinued (without substitution already provided for in the original hedging strategy);
- b) the hedge no longer meets the conditions for hedge accounting.

If the change in the economic relationship between the hedged item and the hedging instrument is such that the hedging relationship is terminated and the risk management objective for the designated hedge remains the same, the company assesses the possibility of revising the hedge.

CASH FLOW HEDGES

Cash flow hedges are activated when the objective of the hedge is to limit the exposure to the risk of variability in cash flows attributable to an asset or liability recognized in the financial statements, irrevocable commitments, or highly probable planned transactions.

In a cash flow hedge related to an asset or liability recognized in the financial statements or to a highly probable planned transaction or irrevocable commitment, the amount of the reserve is recognized in the income statement in the same years in which the hedged cash flows have an effect on profit (loss) of the year and in the same item impacted by the cash flows.

In a hedge of the cash flows associated with a highly probable planned transaction or irrevocable commitment that subsequently results in the recognition of a non-financial asset or liability, the Company, when recognizing the asset or liability, eliminates the amount from the reserve for expected cash flow hedging transactions and includes it directly in the book value of the asset (within the limits of the recoverable value) or liability. If, however, in the presence of a negative reserve, it is not expected that all of the loss or part of the reserve will be recovered in one or more future years, the Company immediately recognizes in the income statement of the year the reserve (or the part of reserve) that it does not expect to recover.

EMPLOYEE SEVERANCE INDEMNITY (TFR)

Represents the actual amount accrued due to the employees in accordance with law and labour contracts in force, considering all forms of ongoing remuneration.

The provision corresponds to the total indemnities accrued due to employees at year-end, net of advances paid, and is equal to the amount that should have been paid to employees in the event of termination of employment on that date.

Following the amendments made to the TFR by Law no. 196 of 27 December 2006 (2007 Finance Law) and subsequent implementing decrees and regulations, the accounting criteria applied to the portions of TFR accrued at 31 December 2006 and those accruing from 1 January 2007 have been amended as from the 2007 financial year, in accordance with the procedures provided for by current legislation. As a result of the reform of the supplementary pension scheme (Legislative Decree 252/2005) for companies with at least 50 employees, the TFR portions accrued up to 31 December 2006 remained in the company, while the portions accrued from 1 January 2007, as a result of the choices made by employees, were allocated to supplementary pension schemes or transferred by the company to the Treasury Fund managed by INPS.



ACCRUALS AND DEFERRALS

Accrued assets and liabilities represent respectively portions of income and costs for the year with financial effect in subsequent years.

Deferred assets and liabilities represent respectively portions of costs and income with financial effect during the year or in previous years but related to one or more subsequent years.

These items therefore only include portions of costs and income, common to two or more years, the amount of which varies over physical or economic time. At the end of each year, the conditions that led to initial recognition are verified and, if necessary, the necessary value adjustments are made. In particular, in addition to the passage of time, for accrued assets, it is considered the estimated realizable value while for deferred assets, it is considered the existence of the future economic benefit related to deferred costs.

LEASES

Financial lease transactions are recognized in the financial statements using the equity method, recording in the income statement the fees paid according to the principle of accrual. A specific section of these notes provides additional information on the representation of lease contracts according to the financial method.

FACTORING

Receivables assigned to factoring companies without recourse (without recourse) are removed from the balance sheet when:

- a) the contractual rights on cash flows deriving from the receivable terminate (partially or totally); or
- b) the ownership of the contractual rights on the cash flows deriving from the receivable is transferred and with it substantially all the risks related to the receivable are transferred.

When the receivable is derecognized from the financial statements following a disposal transaction that involves the transfer of substantially all risks, the difference between the amount and the book value of the receivable at the time of disposal is recognized in the income statement under Financial expenses.

RISKS, COMMITMENTS AND GUARANTEES

The guarantees indicated in the Notes are shown at nominal value.

REVENUE RECOGNITION

Revenues from the sale of products are recognized at the time of transfer of ownership, which is normally identified with the delivery or shipment of the goods and/or transfer of the risks of sale and related to the buyer. Financial revenues and those deriving from service provisions are recognized on an accrual basis.

INCOME TAXES

Current taxes are calculated on the basis of a realistic estimate of taxable income of the year, determined in accordance with the tax law, and applying the tax rates in effect at the reporting date.

The related tax payable is recorded in the balance sheet at nominal value, net of advances paid, withholding taxes and tax receivables to be paid and not requested for reimbursement; if the advances paid, withholding taxes and receivables exceed the taxes due, the related tax receivable is recorded.

DEFERRED TAX LIABILITIES (ASSETS)

Deferred tax liabilities and assets are determined on the temporary differences between the taxable results and the results of the financial statements.

They are calculated on the basis of the rates in force at the time the temporary differences arise and are updated to take account of the rate in use at the end of each financial year.

Deferred tax assets are recognized only when there is a reasonable expectation of future economic results that they will be recovered.



EVENTS AFTER YEAR-END

Events after year-end that change conditions existing at the reporting date and that require changes to the values of assets and liabilities, in accordance with the reference accounting standard, are recorded in the financial statements according to the postulate of competence, to reflect the effect of said events on the financial and equity position and economic results at year-end.

Events after year-end that change situations existing at the reporting date, but which do not require changes in book value, in accordance with the reference accounting standard, as of competence of the subsequent year, are not recorded in the financial statements but are outlined in the report on operations when necessary for a more complete understanding of the company situation.

The term by which the event must occur to be taken into account is the date of preparation of the draft budget by the Directors, except in cases where between said date and the date scheduled for the approval of the financial statements by the Shareholders' Meeting, events occur that require changes to the draft financial statements.

TRANSACTIONS WITH PARENT, SUBSIDIARY, AFFILIATED AND RELATED COMPANIES AND KEY EVENTS AFTER YEAR-END

Transactions with parent, subsidiary, affiliated and related companies and key events after year-end are reported in the Report on Operations, although a summary is provided for 2019:

	Receivables	Payables	Costs	Revenues
Sammontana Finanziaria S.r.l.	519,103	(*) 4,442,313	4,332,329	806,606
Immobiliare Industriale S.r.l.	146	416,008	1,377,016	25,146
Gelfrigo S.r.l.	-	-	-	-
Sammontana Holding Hong Kong Ltd	-	56,412	-	-
Bagnoli Icecream Co. Ltd. (Shanghai)	-	-	-	-
Fattoria La Leccia S.agr. a r.l.	5,368	136,877	126,249	9,200
Total	524,617	5,051,610	5,835,594	840,952

(*) Of which Euro 1,437,800 for cash pooling relating to the Parent Company Sammontana S.p.A. and Euro 324,770 for cash pooling relating to Transfrigo S.r.l.

BALANCE SHEET (Figures in Euro)

INTANGIBLE ASSETS

Intangible assets	31.12.2019	31.12.2018	Change
Industrial patents and intellectual property rights	3,756,119	624,262	3,131,857
Concessions, licenses, trademarks and similar rights	18,875,405	21,223,620	(2,348,215)
Goodwill	7,839,798	8,789,993	(950,195)
Others	785,516	807,688	(22,172)
Total	31,256,838	31,445,563	(188,725)

The changes in intangible assets and related provisions recorded during 2019 are shown in an annex to the Notes (Annex 1).

The item Industrial patents and intellectual property rights includes the value of the cost by way of purchase of property and by way of a licence to use the various application software.

The item Concessions, licenses, trademarks and similar rights contains almost all the Tre Marie brand, amortized over 20 years and recorded following the allocation of the deficit resulting from the merger of GranMilano S.p.A. into Sammontana S.p.A., which took place in 2010, for an initial value of Euro 43.5 million.

The annual amortization of this brand is Euro 2.17 million.

The item Goodwill, wholly owned by Sammontana S.p.A., consists in particular of:

- Euro 7.5 million, i.e. the residual value of the deficit generated in 2010 (for a total of Euro 15.02 million) by the merger of GranMilano S.p.A. into Sammontana S.p.A.;
- Euro 294 thousand, i.e. the residual value of the deficit generated in 2010 (for a total of Euro 589 thousand) by the merger of GranMilano Distribuzione S.r.l. into Sammontana S.p.A.;
- Euro 299 thousand, i.e. the residual value of the deficit generated in 2017 (for a total of Euro 360 thousand) from the acquisition of the business unit of Bassignani S.r.l..

The amortization of the Goodwill values shown above is spread over a period of 20 years. The period is representative of the time horizon within which the intangible asset is expected to be recovered on the basis of the result flows from the merged companies.

The period also takes into account the valuations made by the Company at the time of acquisition.

Other intangible assets include leasehold improvements and the most significant long-term expenses incurred to obtain medium/long-term loans.

In 2019, amortization of intangible assets amounted to Euro 4.1 million.

It should be noted that no monetary revaluations or derogations from the statutory valuation criteria have been made on intangible assets still recorded in the financial statements at 31 December 2019.

TANGIBLE ASSETS

Tangible assets	31.12.2019	31.12.2018	Change
Land and buildings	60,467,631	61,037,758	(570,127)
Plants and machinery	40,766,140	38,955,584	1,810,556
Industrial and commercial equipment	19,600,705	14,213,434	5,387,271
Other assets	2,171,889	1,453,130	718,759
Assets in progress and advances	6,478,952	4,098,783	2,380,169
Total	129,485,317	119,758,689	9,726,627

The changes in tangible assets and related provisions recorded during 2019 are shown in an annex to these Notes (Annex 2).

Please refer to the Report on Operations for comments and details on the investments made during the year.

In 2019, depreciation of tangible assets amounted to Euro 19.6 million.

The item Land and Buildings includes all the properties where the industrial activity is carried out.

In 2019, the values of intangible assets and related revaluations shown below coincide with those of the Parent Company Sammontana S.p.A..

It should also be noted that the Parent Company Sammontana S.p.A. has a lease contract (signed in 2013) with GE Capital Servizi Finanziari for two machines.

The Parent Company has deemed it appropriate to make the investment in leasing in order to benefit both from state-of-the-art machinery built on the basis of specific needs and the financial flexibility that this type of investment

entails. As indicated in the paragraph Valuation criteria, financial leases are represented in the consolidated financial statements according to the equity method.

The following table shows the effects on the result of the year and shareholders' equity if the financial method had been adopted.

Effect on the Balance Sheet	31.12.2019
a) Contracts in progress	
Financial leased assets at the end of the previous year, net of depreciation	1,218,757
- <i>Financial leased assets redeemed during the year</i>	-
- <i>Depreciation portions of the year</i>	(471,614)
Financial leased assets at the end of the year, net of accumulated depreciation	747,143
c) Liabilities	
Implicit payables for financial lease transactions at year-end <i>of which:</i>	547,468
- <i>due within one year</i>	547,468
- <i>due from 1 to 5 years</i>	-
- <i>due in more than 5 years</i>	-
d) Total gross effect at year-end	150,788
e) Tax effect	(42,070)
f) Effect on shareholders' equity at year-end (d-e)	108,718
Effect on the Income Statement	31.12.2019
a) Reversal of fees on financial lease transactions	739,474
b) Recognition of financial expenses on financial lease transactions	42,963
c) Recognition of amortization portions:	
- <i>on existing contracts</i>	(471,614)
d) Effect on pre-tax result (a-c)	267,860
e) Recognition of the tax effect	(74,733)
f) Effect on the result of the year of the lease with the financial method (d-e)	193,127

Revaluations of assets carried out in previous years

The tangible assets recorded in the company's financial statements at 31 December 2019 for which monetary revaluations were carried out in previous years and derogations were made from the statutory valuation criteria.

Revaluations of law	Law 576/1975	Law 72/1983	Law 413/1991	Law 2/2009
Land and buildings	15,037	347,488	2,409,940	50,277,514
Plants and machinery	25,733	891,229	-	-
Other assets	737	62,200	-	-
Total	41,507	1,300,917	2,409,940	50,277,514

FINANCIAL ASSETS

Financial assets	31.12.2019	31.12.2018	Change
Equity investments	141,804	76,725	65,079
Receivables from others	1,603,960	1,362,400	241,560
Total	1,745,764	1,439,125	306,639

Equity investments

Equity investments	31.12.2019	31.12.2018	Change
Non-consolidated subsidiaries	100,611	35,531	65,080
Gelfrigo S.r.l.	35,531	35,531	-
Sammontana Holding Hong Kong	65,080	-	65,080
Other companies	41,194	41,194	-
Consorzio Italia del Gusto	2,500	2,500	-
Golf La Vecchia Pievaccia S.p.A.	12,395	12,395	-
Golf Club Alta Badia	10,329	10,329	-
Conai	4,047	4,047	-
Consortium 8 Gallery	519	519	-
Banco Popolare	11,404	11,404	-
Total	141,805	76,725	65,080

The aforementioned investments are held by the Parent Company Sammontana S.p.A..

Investments in non-consolidated subsidiaries

As previously reported, Gelfrigo S.r.l., under the complete control of the Parent Company Sammontana S.p.A., has not yet started its activity.

The corporate purpose includes the production, distribution and trade of fresh, preserved, refrigerated, frozen and deep-frozen food products and other ancillary activities.

In compliance with the provisions of article 28 of Legislative Decree 127/1991, the Company was excluded from consolidation because it is irrelevant for the purposes of clarity and a true and fair representation of the Group's economic, equity and financial position.

The investment has been recorded at cost.

In 2019, the Parent Company Sammontana S.p.A. set up a 100% owned subsidiary Sammontana Holding Hong Kong Ltd in Hong Kong. The corporate purpose of the company is to hold and negotiate equity investments.

In compliance with the provisions of article 28 of Legislative Decree 127/1991, the Company was excluded from consolidation because it is irrelevant for the purposes of clarity and a true and fair representation of the Group's economic, equity and financial position.

The investment has been recorded at cost.

Also in 2019 and for completeness of information, a company 100% owned by Sammontana Holding Hong Kong Ltd was incorporated in Shanghai (China). The corporate purpose of Bagnoli Icecream Ltd. is the marketing of frozen pastry and ice cream products on Chinese soil.

Company Name City	Share Capital	Shareholders' equity	Profit (Loss)	% ownership	Book value
Gelfrigo S.r.l. Empoli (FI)	10,000	9,864	(1,073)	100.00%	35,531
Sammontana Holding (Hong Kong)	10,000	65,079	-	100.00%	65,079

Investments in other companies

Investments in other companies	31.12.2019
Consorzio Italia del Gusto	2,500
Golf La Vecchia Pievaccia S.p.A.	12,395
Golf Club Alta Badia	10,329
Conai	4,047
Consortium 8 Gallery	519
Banco Popolare	11,404
Total	41,194

These are investments of modest value recorded at cost.

Receivables from others

The amount of Other receivables from customers refers to advances paid to customers on the portion of the discount to be accrued on the volume of purchases made.

This receivable relating to branch and ho.re.ca. customers is periodically offset against the year-end discount due to the customer by contract. The amount of this item, being directly proportional to the turnover for the year, cannot be predicted precisely.

Receivables from others are represented by the receivable due from Banca Fideuram S.p.A. following the stipulation of an insurance policy in 2005 to cover the amount to be paid as indemnity at the end of the term of office in favour of the member of the Board of Directors of Sammontana S.p.A., Leonardo Bagnoli. This receivable is balanced by the accounting item Board of Directors' pensions provision included in liabilities under the item Risks and charges.

The amounts refer almost entirely to the Parent Company Sammontana S.p.A..

INVENTORIES

Inventories	31.12.2019	31.12.2018	Change
Raw and ancillary materials	10,237,122	9,343,436	893,686
Technical material	6,530,720	6,271,251	259,469
Raw and ancillary materials and consumables	16,767,842	15,614,687	1,153,155
Inventory write-down provision RM	(900,000)	(900,000)	-
Finished products and goods	26,377,022	19,951,816	6,425,206
Inventory write-down provision FP	(2,950,000)	(2,950,000)	-
Total	39,294,864	32,616,503	6,678,361

With regard to the valuation criteria for Raw Materials and Finished Products, please refer directly to the general valuation criteria at the beginning of these notes.

The increase in inventories is mainly due to the increase in finished goods stocks compared to the previous year. In the current year, there were no changes in the inventory write-down provision, as the value of the previous year was considered adequate for a correct valuation of final inventories.

Inventories are entirely attributable to the Parent Company Sammontana S.p.A..

RECEIVABLES

Receivables	31.12.2019	31.12.2018	Change
Customers	60,001,365	56,731,299	3,270,066
Parent companies	512,753	3,049,708	(2,536,955)
Companies subject to the control of the parent companies	5,538	248	5,290
Tax receivables	13,634,792	10,331,977	3,302,815
Deferred tax assets	7,789,035	7,197,704	591,331
Others	2,914,911	2,318,504	596,407
Total	84,858,395	79,629,440	5,228,955

The balance is broken down by due date as follows:

Receivables	Within 12 months	Beyond 12 months	Beyond 5 years	Total
Customers	55,819,372	4,181,993	-	60,001,365
Parent companies	512,753	-	-	512,753
Companies subject to the control of the parent companies	5,538	-	-	5,538
Tax receivables	13,634,792	-	-	13,634,792
Deferred tax assets	7,789,035	-	-	7,789,035
Others	2,914,911	-	-	2,914,911
Total	80,676,402	4,181,993	-	84,858,395

Receivables from customers

Receivables from customers	31.12.2019	31.12.2018	Change
Customers	65,269,610	60,531,299	4,738,311
Provision for bad debts	(5,268,245)	(3,800,000)	(1,468,245)
Total	60,001,365	56,731,299	3,270,066

In 2019, the provision for bad debts showed the following changes:

Provision for bad debts	Provision pursuant to article 2426 of the Civil Code	Provision pursuant to article 71 Presidential Decree 917/1986	Total
Balance at 31.12.2018	3,521,250	278,750	3,800,000
Uses of the year	(278,750)	(1,154,582)	(1,433,332)
Allocation of the year	310,724	2,590,853	2,901,577
Balance at 31.12.2019	3,553,224	1,715,021	5,268,245

In particular, the provision consists of approximately Euro 4.9 million of allocations, subject to tax recovery, made in previous years and in the current year, following a prudential logic pursuant to article 2426 of the Civil Code in line with the results of the specific analyses carried out on credit quality. The remaining part (Euro 310 thousand) originates from the allocation made in accordance with article 106 of Presidential Decree 917/1986 and equal to 0.50% of the total gross amount of trade receivables recorded in the financial statements at 31 December 2019. This distinction has been maintained in order to ensure a better understanding of the calculation of advance taxation.

For a more complete assessment of the amount of trade receivables and the associated risk, account is also taken of receivables, recorded under financial assets, as other receivables from customers (Euro 1.23 million).

For the benefit of a complete understanding of the receivables area, it should be noted that the Parent Company Sammontana S.p.A. carried out rotary transfers of receivables to factoring companies for approximately Euro 41 million during the year.

At 31 December 2019, there were factoring receivables still to be collected for Euro 1.25 million.

Receivables from subsidiaries

There were no receivables from subsidiaries at 31.12.2019.

Receivables from companies subject to the control of the parent companies

Companies subject to the control of the parent companies	31.12.2019	31.12.2018	Change
Immobiliare Ind.le S.r.l.	5,514	208	5,306
Fattoria La Leccia S.agr. a r.l.	24	39	(16)
Total	5,538	248	5,290

The 2019 balance expresses the trade receivable of the Parent Company Sammontana S.p.A. from Immobiliare Ind.le S.r.l. and Fattoria La Leccia S.agr. a r.l..

Receivables from parent companies

Receivables from parent companies	31.12.2019	31.12.2018	Change
Trade receivables			
Sammontana S.p.A.	512,753	52,653	460,100
Other receivables			
Sammontana S.p.A.	-	2,962,042	(2,962,042)
Transfrigo S.r.l.	-	35,013	(35,013)
Total	512,753	3,049,708	(2,536,955)

Receivables of about Euro 500 thousand deriving from normal commercial relations are reported.

The decrease in Other receivables, on the other hand, for a value of approximately Euro 2.46 million, refers to the disposal of a receivable through factoring without recourse by the parent company Sammontana Finanziaria S.r.l.. The receivable was related to the IRES (corporate income tax) refund request for failure to deduct IRAP (regional business tax) relating to expenses for employees and similar (article 2, paragraph 1-quater, Decree Law no. 201 of 6 December 2011). The assignee, Sammontana Finanziaria S.r.l., disposed of this receivable in 2019, and in the same year, paid back the portion relating to each company of the group.

For 2019, there is no IRES receivable that Sammontana S.p.A. had from the parent company Sammontana Finanziaria for greater advances paid compared to the tax for the period calculated at 31.12.2019; the subsidiary Transfrigo, on the other hand, has one of the same nature, for Euro 35 thousand.

Tax receivables

Tax receivables	31.12.2019	31.12.2018	Change
VAT receivable	12,495,018	7,444,182	5,050,836
VAT receivables requested for reimbursement	-	2,095,136	(2,095,136)
Receivables for IRAP	319,589	7,909	311,680
Other receivables	820,185	784,750	35,435
Total	13,634,792	10,331,977	3,302,815

Also in 2019, the Parent Company Sammontana S.p.A. had a significant VAT credit of approximately Euro 12.4 million. Transfrigo has VAT receivables of about Euro 65 thousand. At the end of the current year, there were no VAT receivables requested for reimbursement.

The item Other receivables mainly consists of the request for a VAT refund on vehicles pursuant to Decree Law 258 of 15/09/2006. The Parent Company Sammontana S.p.A. has in fact taken advantage of the possibility granted by the aforementioned decree for the right to recover the part of non-deductible VAT on the purchase of cars and vehicles and on the incurring of ancillary expenses until September 2006 (about Euro 436 thousand).

Other items to highlight are:

- the tax credit granted to the Parent Company Sammontana S.p.A. for the 2018 costs incurred in research and development activities for approximately Euro 318 thousand and still to be collected;
- receivables on excise duties for the fourth quarter of 2019 for about Euro 45 thousand held by the subsidiary Transfrigo S.r.l..

Receivables for deferred tax assets

Deferred tax assets	31.12.2019	31.12.2018	Change
Deferred tax assets IRES	6,866,567	6,310,080	556,487
Deferred tax assets IRAP	922,468	887,624	34,844
Total	7,789,035	7,197,704	591,331

Deferred tax assets, belonging to the Parent Company, are recorded on the basis of the tax rates in force, corresponding to the rates that are expected to be applied when these differences are reversed, in compliance with the principle that they can only be recorded if there is reasonable certainty that they can be recovered in subsequent years. These taxes belong exclusively to the Parent Company.

Receivables from others

Receivables from others amounted to approximately Euro 2.9 million and the analytical structure of the item is shown in the following table:

Receivables from others	31.12.2019	31.12.2018	Change
Receivables from employees	72,895	16,422	56,473
Advances to suppliers	27,220	20,000	7,220
Receivable from Conai for repayment FY 2019	132,929	88,415	44,514
Receivables from agents	8,317	264,049	(255,732)
Receivables for factoring	1,225,587	1,518,390	(292,803)
Receivables from social security institutions	70,748	139,417	(68,669)
2019 R&D tax credit	365,744	-	365,744
Receivables for credit notes to be issued	655,129	-	655,129
Other receivables	356,337	271,812	84,525
Total	2,914,906	2,318,505	596,401

CURRENT FINANCIAL ASSETS

Current financial assets	31.12.2019	31.12.2018	Change
Derivative financial instruments receivable	11,067	-	11,067
Financial assets for centralized treasury management	6,152	5,372	780
Total	17,219	5,372	11,847

The amount of financial assets for centralized treasury management refers exclusively to interest receivables on cash pooling held by the subsidiary Transfrigo S.r.l. from Sammontana Finanziaria S.r.l..

Information on derivative financial instruments

The item Financial assets not held as fixed assets includes the Mark to Market value of the option contract signed by the Parent Company in 2019 with BNL:

Derivative financial instruments receivable	31.12.2018	Increases	Decreases	31.12.2019
Derivative financial instruments receivable	-	11,067	-	11,067
Total	-	11,067	-	11,067

In 2019, the Parent Company Sammontana S.p.A. signed an exchange rate risk hedging contract (option contract), with effect from 13 December 2019 and deadline 29 July 2020. The amount of currency purchased is GBP 1,000,000 for a Euro 1,177,856, against payment of a premium of Euro 21,940.

Pursuant to article 2427-bis of the Civil Code, and in application of OIC 32, the main information on the instrument is reported in the Notes:

- the positive fair value at the reporting date of the 2019 financial statements was Euro 11,067;
- the equity reserve changed during the year for Euro 11,067.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents	31.12.2019	31.12.2018	Change
Bank and postal deposit accounts	11,852,125	26,534,497	(14,682,372)
Cash and equivalents on hand	171,013	171,966	(953)
Total	12,023,138	26,706,463	(14,683,324)

The balance represents cash and cash equivalents and the existence of cash and equivalents at the end of the year.

The item cash on hand mainly refers to payments made by Branches in continuous cash in the last days of 2019 and credited by banks in the first days of 2020.

For further analysis, please refer to the cash flow statement.

ACCRUED AND DEFERRED ASSETS

Accrued and deferred assets	31.12.2019	31.12.2018	Change
Deferred assets on commercial costs	494,382	397,691	96,691
Other deferred assets	49,232	117,944	(68,712)
Accrued assets	6,016	9,400	(3,384)
Total	549,630	515,636	24,595

Deferred assets on commercial costs include the portion of contributions paid in advance to customers for contracts with a duration of several years. The breakdown of the item other deferred assets is mainly due to the method of accounting for the initial maxi fee advance on two lease contracts entered into in 2013 with duration 2013 - 2020 and involving the use of state-of-the-art plants and machinery by the Parent Company Sammontana S.p.A.. It should be noted that there are no deferrals beyond 5 years.

SHAREHOLDERS' EQUITY

Changes in Shareholders' Equity (Figures in thousands of Euro)

Description	Capital Share	Revaluation reserve	Legal reserve	Other reserves	Merger surplus reserve	Cash flow hedge reserve	Dividend Distribution	Profit (loss) for the year	Shareholders' equity
Balances at 31 December 2018	21,600	26,160	4,320	30,162	2,890,977	24	-	14,393	99,549
Allocation 2018 result				9,569			(14,393)		(4,824)
Change SE for distribution Dividends									-
Change SE for change Res Op hedging						(13)			(13)
Result for the period					(176)			20,783	20,607
Balances at 31 December 2019	21,600	26,160	4,320	39,731	2,890,801	11	-	20,783	115,320

The Share Capital consists of 21,600,000 Ordinary Shares with a nominal value of Euro 1 each and 3 Special Shares subscribed in 2019 with nominal value of Euro 1.

The capital increase was subscribed at the Extraordinary Shareholders' Meeting on 29 May 2019.

Reconciliation of Shareholders' Equity (Figures in thousands of Euro)

Description	SE 31.12.2019	2019 Result
Shareholders' equity and profit as reported in the parent company's financial statements	119,041	20,899
Reversal of the book value of consolidated investments	(3,845)	-
Portion of equity and results of consolidated investments	2,277	171
Consolidation difference + Trademark net of amortization	(2,891)	(360)
Deferred tax liabilities on brand	737	73
Total consolidation entries	115,320	20,784
Group equity	115,320	20,784
Total shareholders' equity	115,320	20,784

The expected cash flow hedge reserve includes changes in the fair value of derivative financial instruments generated as part of expected cash flow hedges, net of tax effects. This reserve, in accordance with article 2426, paragraph 1, number 11-bis of the Civil Code, is not considered in the calculation of equity for the purposes set out in articles 2412, 2433, 2442, 2446 and 2447.

PROVISIONS FOR RISKS AND CHARGES

The item Provisions for risks and charges can be broken down into the aggregates shown in the table below and the changes during the year are shown below.

Provisions for risks and charges	31.12.2019	31.12.2018	Change
For pension	2,014,005	1,922,011	91,994
For taxes	5,368,881	6,184,018	(815,137)
For derivative financial instruments payable	-	11,187	(11,187)
Others	2,099,915	1,212,545	887,370
Total	9,482,801	9,329,761	153,040

The supplementary customer indemnity provisions includes the payable of the Parent Company Sammontana S.p.A. in favour of agents determined in accordance with the C.C.N.L. of agents and representatives.

The post-term indemnity provision includes the Parent Company's debt to director Leonardo Bagnoli in the event of termination of office.

Provisions for taxes include deferred taxes determined on an accruals basis.

Deferred taxes were determined by applying the rates in force to the portions of gains deferred for tax purposes, to advance amortization and to the amortization of the brand to which the merger deficit generated by the incorporation of the subsidiary GranMilano S.p.A. in 2010 was principally allocated. The decrease in 2019 is due to the release of the provisions pertaining to the year.

The item Others in the Provisions for risks and charges changed as follows:

Others	31.12.2018	Increases	Decreases	31.12.2019
Provision for risks and charges	1,212,545	1,267,946	380,576	2,099,915
Total	1,212,545	1,267,946	380,576	2,099,915

The Provision for risks and charges has the function of protecting the Group from possible losses deriving from pending lawsuits, insufficient insurance coverage, write-downs of asset items and problems related to employees.

The increases during the year are mainly due to the creation of a specific risk provision for costs arising from the closure of the Pomezia establishment.

The decreases for the year relate to the closure of settlement deeds and costs in general relating to previous years and already considered in the provision for risks.

Almost all the amounts refer to the Parent Company Sammontana S.p.A..

EMPLOYEE SEVERANCE INDEMNITY (TFR)

Employee severance indemnity (TFR)

Amount at 1 January 2019	9,022,486
Uses of the year	(1,013,482)
Transfers F/Categ/Treasury	(3,452,274)
Allocation for the year	3,640,532
Other changes	130,765
Amount at 31 December 2019	8,328,028
Net change of the year	(694,459)

PAYABLES

Payables are valued at their nominal value and are the breakdown is as follows. A more detailed discussion is provided in the Report on Operations.

Payables	31.12.2019	31.12.2018	Change
Bonds	15,000,000	27,000,000	(12,000,000)
Payables to banks	61,973,202	72,840,342	(10,867,140)
Payables to other lenders	-	32,648	(32,648)
Payables to suppliers	49,932,350	39,841,160	10,091,190
Payables to parent companies	4,442,313	3,472,263	970,050
Payables to companies subject to the control of the parent companies	552,885	417,909	134,976
Tax payables	3,966,063	2,941,983	1,024,080
Payables to social security institutions	3,938,778	3,131,172	807,606
Other payables	26,265,440	23,646,893	2,618,547
Total	166,071,031	173,324,370	(7,253,339)

Below is a breakdown of payables by due date:

Payables	Within 12 months	Beyond 12 months	Beyond 5 years	Total
Bonds	12,000,000	3,000,000	-	15,000,000
Payables to banks	22,324,181	39,649,021	-	61,973,202
Payables to suppliers	49,932,349	-	-	49,932,350
Payables to parent companies	4,442,313	-	-	4,442,313
Payables to companies subject to the control of the parent companies	552,885	-	-	552,885
Tax payables	3,966,063	-	-	3,966,063
Payables to social security institutions	3,938,778	-	-	3,938,778
Other payables	26,265,440	-	-	26,265,440
Total	123,422,010	42,649,021	-	166,071,031

Bonds

Bonds	Within 12 months	Beyond 12 months	Beyond 5 years	Total
Bond	12,000,000	3,000,000	-	15,000,000
Total	12,000,000	3,000,000	-	15,000,000

On 19 June 2008, with the meeting minutes of the notary Vincenzo Gunnella, file no. 37.205/16.733, the Shareholders' Meeting of the Parent Company Sammontana S.p.A. resolved to issue a Bond for a total of Euro 79.5 million divided into bonds of Euro 1,000 each, maturing 31 December 2016. There was the issue of 159 registered bond certificates, each consisting of 500 bonds.

The Bond was fully subscribed by members of the Bagnoli families and refers to the acquisition of GranMilano S.p.A.. During 2011, the Parent Company repaid Euro 3 million to bondholders, while a further Euro 13.5 million was repaid in 2015.

On 18 November 2016, this loan was repaid for a further Euro 12 million. On 12 December 2016, with the meeting minutes of the notary Vincenzo Gunnella, file no. 47.511/23.366, the Shareholders' Meeting of the Parent Company Sammontana S.p.A. resolved to renegotiate the Bond for a total of Euro 51 million (amount equal to the residual debt) divided into bonds of Euro 1,000 each, maturing 31 December 2021.

There was the issue of 102 registered bond certificates, each consisting of 500 bonds.

At the end of 2017 and at the end of 2018, Euro 12 million was repaid for each year; the same amount was also repaid at the end of 2019.

Payables to banks

Below is information on medium/long-term loans:

	Year of disbursement	Year of maturity	Balance at 31.12.2019	Short-term part	Medium-long term part
CRF	2018	2021	15,000,000	7,500,000	7,500,000
Total			15,000,000	7,500,000	7,500,000

The loan of Euro 15 million was taken out in the previous year for normal financing needs and will be repaid half in 2020 and the other half in 2021.

	Year of disbursement	Year of maturity	Balance at 31.12.2019	Short-term part	Medium-long term part
Mediobanca	2015	2020	7,000,000	7,000,000	-
Total			7,000,000	7,000,000	-

The original mortgage of Euro 35 million, taken out in 2015, was taken out also in this case, both for normal financing needs and for the company's intention to reschedule its bank debt at the end of 2014.

	Year of disbursement	Year of maturity	Balance at 31.12.2019	Short-term part	Medium-long term part
Mediobanca	2018	2022	15,000,000	-	15,000,000
Total			15,000,000	-	15,000,000

The mortgage taken out in the previous administrative period, with maturity of the entire amount beyond 2019, was taken out both for normal financing needs and because of the company's intention to modulate bank debt in a balanced manner between medium/long-term and short-term bank debt.

	Year of disbursement	Year of maturity	Balance at 31.12.2019	Short-term part	Medium-long term part
Mediobanca	2019	2024	10,000,000	-	10,000,000
Total			10,000,000	-	10,000,000

In the current year, a mortgage was taken out for a total of Euro 10 million for normal company operating financing needs. The repayment of the capital is scheduled to commence in 2021.

	Year of disbursement	Year of maturity	Balance at 31.12.2019	Short-term part	Medium-long term part
Credit Agricole	2017	2021	5,000,000	2,500,000	2,500,000
Total			5,000,000	2,500,000	2,500,000

The mortgage, taken out in 2017 for a total of Euro 10 million, was taken out for normal financing needs. During 2020, a total of Euro 2.5 million will be repaid in two instalments.

	Year of disbursement	Year of maturity	Balance at 31.12.2019	Short-term part	Medium-long term part
MPS	2017	2022	6,666,667	2,222,222	4,444,445
Total			6,666,667	2,222,222	4,444,445

The mortgage of Euro 10 million, taken out in 2017, was taken out both for normal financing needs and for the company's intention to balance its bank debt between the medium/long-term and short-term part of 2017.

	Year of disbursement	Year of maturity	Balance at 31.12.2019	Short-term part	Medium-long term part
Credito Emiliano	2018	2021	1,460,885	1,169,885	291,000
Total			1,460,885	1,169,885	291,000

The mortgage taken out during this administrative period was taken out for normal company financing needs.

It should be noted that the above tables show the nominal value of the loans and that for some of them, a lower amount is shown in the financial statements, due to the amortized cost criterion.

The bank debt is closed by the account overdrafts for approximately Euro 2 million, interest payable on mortgages pertaining to the financial year but of future financial manifestation and interest payable for account overdraft that will be debited by the banks in 2019 for a total of approximately Euro 40 thousand.

All the outstanding transactions described above refer to the Parent Company Sammontana S.p.A..

Covenants

The main loan contracts, in line with market practice for debtors of similar credit standing, provide for the observance of:

- financial covenants on the basis of which the company undertakes to comply with certain contractually defined financial indices, the most significant of which relate net financial debt to gross operating profit (EBITDA), measured on the Group's consolidated perimeter according to definitions agreed with the financing counterparties;
- negative pledge commitments under which the company cannot create real guarantee rights or other restrictions on company assets;
- pari passu clauses, according to which loans will have the same priority in repayment as other financial liabilities, and change of control clauses, which are activated in the event of loss of control of the company by the majority shareholder;
- limitations on extraordinary transactions that the company may carry out.

The measurement of financial covenants and other contractual commitments is constantly monitored by the Group. Based on the results at 31 December 2019, all the parameters were largely met.

Payables to suppliers

They are stated net of trade discounts; cash discounts are recognized at the time of payment. The nominal value of these payables has been adjusted, during returns or bonuses (invoicing adjustments), in the amount corresponding to the amount defined with the counterparty.

The amount increased by approximately Euro 10 million compared to the previous year to approximately Euro 49.9 million. This increase is part of the Group's normal operations, as in the first few days of 2020, all the suppliers falling due in that period were paid.

Payables to associated companies

At 31.12.2019, there were no payables to associated companies.

Payables to parent companies

The payable to the Parent Company Sammontana Finanziaria S.r.l. by Sammontana S.p.A. and Transfrigo S.r.l. is broken down as follows:

Payables to parent companies	31.12.2019	31.12.2018	Change
Financial payables			
Cash pooling Sammontana	1,437,677	3,185,206	(1,747,529)
Cash Pooling Transfrigo	324,770	168,958	155,812
Trade payables			
Trade transactions Sammontana	123	118,099	(117,976)
Taxes payable			
Ires Sammontana	2,665,775	-	2,665,775
Ires Transfrigo	13,968	-	13,968
Total	4,442,313	3,472,263	970,050

The payable to the Parent Company Sammontana Finanziaria S.r.l. refers to negative cash pooling balances of approximately Euro 1.4 million for Sammontana S.p.A. and Euro 324 thousand, payables for IRES (corporate income tax) of Euro 2.6 million and commercial positions of Euro 123.

Payables to companies subject to the control of the parent companies

Payables to companies subject to the control of the parent companies	31.12.2019	31.12.2018	Change
Immobiliare Industriale S.r.l.	415,998	416,715	(716)
Fattoria La Leccia Soc. Agr. a r.l.	136,887	1,194	135,693
Total	552,885	417,909	134,976

These payables represent trade payables to Immobiliare Industriale S.r.l. and Fattoria La Leccia Soc. Agricola r.l. Both amounts refer to payables of the Parent Company Sammontana S.p.A..

Tax payables

The item includes only liabilities for certain and determined taxes, as tax liabilities are probable or uncertain in the amount or at the date of occurrence, or for deferred taxes, recorded in item B.2 of liabilities (Tax provision).

The amount, essentially represented by withholding taxes on salaries and professional fees paid in January 2019, is broken down as follows:

Tax payables	31.12.2019	31.12.2018	Change
Sammontana S.p.A.	3,934,494	2,900,595	1,033,899
Transfrigo S.r.l.	31,569	41,388	(9,819)
Total	3,966,063	2,941,983	2,941,983

Payables to pension and social security institutions

This item includes liabilities relating to contributions for personnel, agents and insurance against accidents at work.

Other payables

Other payables	31.12.2019	31.12.2018	Change
Customers	17,602,077	15,948,557	1,653,520
Personnel	8,378,036	7,526,859	851,177
Others	285,327	24,527	260,800
Total	26,265,440	23,499,943	2,765,497

The item payables to customers refers to year-end bonuses linked to the achievement of sales targets. During the year, part of them were recognized so as to reduce both the real exposure of customers and the provisions at the end of the year.

In addition, this item also includes the reclassification of customer receivables balances for Euro 4.9 million.

Payables to personnel mainly consist of the following:

- approximately Euro 4.1 million payables to employees for deferred remuneration (additional monthly salaries, holidays and leave accrued but not taken) and the related contributions;
- Euro 2.4 million from remuneration relating to December 2019 paid in January 2020.

ACCRUED AND DEFERRED LIABILITIES

Accrued and deferred liabilities	31.12.2019	31.12.2018	Change
Accrued liabilities	29,260	-	29,260
Total	29,260	-	29,260

These are accrued liabilities on bank interest, debited to the current account at the end of March 2020. There are no accrued liabilities beyond 5 years.

INCOME STATEMENT (Figures in Euro)

PRODUCTION VALUE

Production value	31.12.2019	31.12.2018	Change
Revenues from sales and services	387,693,775	372,987,616	14,706,159
Change in product inventories	6,425,206	(2,159,709)	8,584,915
Other revenues and income	5,481,519	5,628,704	(147,185)
Total	399,600,500	376,456,611	23,143,889

Revenues from sales and services

Revenues from sales and services	31.12.2019	31.12.2018	Change
Sale of goods	385,207,187	371,177,198	14,029,989
Sale of accessories	2,386,188	1,710,018	676,171
Service provisions	100,400	100,400	-
Total	387,693,775	372,987,616	14,706,159

The change is strictly related to as outlined in the Report on Operations.

The turnover obtained in Italy represents over 97% of the total turnover. The turnover developed with foreign customers mainly consists of approximately Euro 3.5 million of sales in the United Kingdom, approximately Euro 4 million of sales in Germany and Austria, approximately 5 million of sales in Eastern Europe.

Change in inventories of work in progress, semi-finished and finished goods

At year-end, inventories decreased by Euro 6.4 million. This increase is entirely attributable to the Parent Company Sammontana S.p.A..

Other revenues and income

Details of other revenues are shown in the table below:

Other revenues and income	31.12.2019	31.12.2018	Change
Leases	42,626	70,925	(28,299)
Gains from disposal of assets	98,080	203,711	(105,632)
Recovery of distribution and general costs	352,077	255,086	96,991
Insurance recoveries	86,804	1,537,807	(1,451,003)
Revenues from the sale of other materials	1,188,330	755,087	433,243
Contributions in the year	163,944	14,678	149,266
Revenues for energy adjustments	616,183	729,681	(113,498)
Contingent assets (*)	1,723,013	928,708	794,305
Others	1,210,462	1,133,021	77,440
Total	5,481,519	5,628,704	(827,992)

(*) For details of contingent assets, please refer to the paragraph in the Report on Operations relating to non-recurring income/expenses receivable.

It should be noted that the item others contains a tax credit for Research and Development amounting to approximately Euro 370 thousand, relating to incremental R&D expenses computed on a fixed base given by the average of the same expenses for the years 2012-2014.

The tax credit relates to the Parent Company Sammontana S.p.A. for the entire amount.

PRODUCTION COSTS

Production costs	31.12.2019	31.12.2018	Change
Raw and ancillary materials and goods	143,693,776	137,444,205	6,249,571
Services	121,679,299	107,951,044	13,728,255
Rents and leases	9,432,638	9,260,787	171,851
Personnel	74,831,725	70,880,337	3,951,388
Amortization of intangible assets	5,403,139	4,151,406	1,251,733
Depreciation of tangible assets	21,201,745	19,627,715	1,574,030
Write-downs of receivables - current assets	2,901,577	1,575,074	1,326,503
Change in inventories of raw materials	(1,153,155)	(150,877)	(1,002,278)
Allocations for future risks and charges	1,256,880	800,000	456,880
Other operating expenses	2,813,050	2,957,461	(144,411)
Total	382,060,672	354,497,152	27,563,520

Costs for raw and ancillary materials, consumables and goods

Raw and ancillary materials and goods	31.12.2019	31.12.2018	Change
Raw materials	110,922,474	109,056,303	1,866,171
Goods	18,868,209	16,706,534	2,161,675
Consumables	6,971,557	2,053,824	4,917,734
Advertising materials	3,151,621	2,849,710	301,912
Other purchases	3,779,914	6,777,835	(2,997,921)
Total	143,693,776	137,444,205	6,249,570

These are essentially costs incurred for the purchase of raw materials for the production of ice cream and frozen pastry incurred by the Parent Company Sammontana S.p.A..

The costs for goods mainly relate to the purchase of ice cream, pastry products, savoury snacks and ready meals from third parties.

The total cost, which increased compared to the previous year for raw materials and goods, is directly related to the item sales revenues.

Please refer to the Report on Operations for further details.

Costs for services

Services	31.12.2019	31.12.2018	Change
Utilities	10,397,128	10,154,566	242,562
Administrative services	2,669,770	2,510,412	159,358
Transport and storage	29,643,339	27,704,277	1,939,061
Commercial services and consulting	1,320,113	926,242	393,870
Agents' commissions and costs	7,329,508	6,908,608	420,900
Commercial costs Dealers	17,291,836	15,859,058	1,432,778
Advertising costs	11,811,114	9,913,271	1,897,843
Commercial costs other distribution channels	27,917,849	23,709,550	4,208,299
Other commercial contributions	385,860	1,219,435	(833,574)
Industrial services	6,340,822	3,805,008	2,535,814
Maintenance	2,303,754	2,503,014	(199,260)
Other services	4,268,208	2,737,603	1,530,605
Total	121,679,299	107,951,044	13,728,255

The item Commercial costs Dealers contains the contributions paid to our sales network for the distribution service.

The cost incurred for advertising represents approximately 9.5% of total expenditure for Services and is in line with the previous year.

Administrative services include Directors' fees (about Euro 350 thousand), the Board of Statutory Auditors's fees (Euro 40 thousand) and accounting control fees (about Euro 100 thousand).

The item Industrial Services includes both costs relating to technical consultancy (Euro 1.3 million) and costs for waste disposal and other environmental expenses (Euro 0.4 million).

All the costs described above refer to the Parent Company Sammontana S.p.A..

Costs for rents and leases

Rents and leases	31.12.2019	31.12.2018	Change
Lease expenses	4,863,758	4,716,645	147,113
Industrial equipment leases	34,581	53,567	(18,985)
Vehicle leases	1,517,435	1,670,998	(153,564)
Other leases	1,042,641	949,057	93,584
Leases	744,716	708,712	36,003
Other costs	1,229,507	1,161,808	67,699
Total	9,432,638	9,260,787	171,851

The cost for rents and leases increased slightly compared to the previous year due to normal business operations.

It should be noted that the item Vehicle leases is essentially represented by the lease fees paid for the long-term rental of cars and that the other costs relate mainly to Royalties Liabilities for the exploitation of the trademarks of the property of others and software rental fees.

These expenses are almost entirely attributable to the Parent Company Sammontana S.p.A..

Personnel costs

Personnel costs	31.12.2019	31.12.2018	Change
Wages and salaries	47,431,516	46,153,198	1,278,318
Social security contributions	15,946,659	15,222,505	724,154
Employee severance indemnity (TFR)	3,640,533	3,671,003	(30,470)
Other personnel costs	7,813,017	5,833,631	1,979,386
Total	74,831,725	70,880,337	3,951,388

This item includes all remuneration and contribution expenses incurred for employees including bonuses, merit improvements, changes in category, cost of living increases, charges borne by the company for the supplementary pension fund (Alifond), the cost of holidays not taken and allocations made by law and collective contracts.

Personnel costs increased by Euro 3.7 million.

Employment figures and personnel training

Employees	31.12.2019	31.12.2018
Executives	26	24
Clerks	386	382
Workers	665	674
Total	1,077	1,080

Average number of employees	2019	2018
Executives	25	24
Clerks	395	399
Workers	775	771
Total	1,195	1,194

The workforce at 31 December 2019 includes 30 employees operating in the branches located throughout Italy, while the remaining units operate at the offices of Empoli (about 552 employees), Cognola ai Colli (193 employees), Pomezia (93 employees) and Vinci (192 employees), while 17 drivers are employed by the subsidiary Transfrigo S.r.l..

The seasonality of sales and, therefore, of the production activity required, during the year, the hiring of 263 people with seasonal fixed-term contracts, mainly with worker qualification. The staff was integrated with 5 interns.

The national employment contract applied is that of the food industry and that of industry managers.

Personnel Breakdown	Executives	Managers	Clerks	Workers
Men	25	38	212	451
Women	1	1	135	197
Average age	56	52	45	49
Seniority < 2 years	3	1	59	44
Seniority 2 < 5 years	3	-	54	38
Seniority 6 < 12 years	7	3	66	121
Seniority > 12 years	13	35	168	462

Depreciation and amortization of tangible and intangible assets

Depreciation and amortization were calculated on the basis of the useful life of the asset and its use in production and the related obsolescence process. Depreciation and amortization of tangible and intangible fixed assets for 2019 amounted to Euro 23.7 million, a decrease of approximately Euro 1 million compared to 2017.

We report these values analytically below:

Depreciation/amortization	31.12.2019	31.12.2018	Change
Amortization Intangible Assets	5,403,139	4,151,406	1,251,733
Depreciation Tangible Assets	21,201,745	19,627,715	1,574,030
Total	26,604,884	23,779,121	2,825,763

Write-downs of receivables included in current assets and cash and cash equivalents

As mentioned in the section on receivables, 0.50% of the amount of receivables from customers recorded in the financial statements at 31 December 2019 has been set aside in accordance with the provisions of article 106 of Presidential Decree 917/1986 for a value of approximately Euro 310 thousand.

In addition, as a precautionary measure, an additional allocation of approximately Euro 2.6 million was made.

The write-down of receivables is entirely attributable to the Parent Company Sammontana S.p.A..

Change in inventories of raw and ancillary materials, and consumables

The final inventory of raw and ancillary materials at 31 December 2019 increased by approximately Euro 1.5 million.

Inventories are entirely attributable to the Parent Company.

Provisions for Risks

The increase of Euro 1.25 million in the year is mainly due to the establishment of a specific risk provision for potential and future costs arising from the closure of the Pomezia establishment and, in particular, relating to general and specific plant buildings. This provision is entirely attributable to Sammontana S.p.A..

Other operating expenses

Other operating expenses	31.12.2019	31.12.2018	Change
Member fees	303,554	296,385	7,169
Donations	87,527	53,750	33,777
Representation expenses	298,629	221,871	76,758
Municipal Property Tax (IMU)	570,918	570,775	143
Other taxes and duties	759,009	960,407	(201,398)
Sanctions, penalties and fines	86,888	34,027	52,861
Other expenses	706,526	820,246	(113,720)
Total	2,813,049	2,957,461	(144,411)

This item contains various accounting items, most of which refer to specific tax charges and costs relating to trade associations (Euro 303 thousand).

Other taxes and duties are mainly represented by advertising tax (about Euro 400 thousand).

The items shown above essentially refer to the Parent Company in their entirety.

FINANCIAL INCOME AND EXPENSES

Financial income and expenses	31.12.2019	31.12.2018	Change
Other financial income	340,384	386,774	(46,390)
Interest and other financial expenses	(1,446,177)	(1,932,794)	486,617
Exchange rate gains and losses	12,454	(7,652)	20,106
Total	(1,093,339)	(1,553,672)	460,333

Other financial income can be broken down as follows:

Other financial income	31.12.2019	31.12.2018	Change
Bank and postal interest	34,996	50,092	(15,096)
Other income	305,389	336,682	(31,293)
Total	340,384	386,774	(46,390)

The item other income essentially includes interest income on group cash pooling management.

Interest and other financial expenses are detailed as follows:

Interest and other financial expenses	31.12.2019	31.12.2018	Change
Bank interest	28,367	50,092	(21,725)
Interest on loans	349,992	478,731	(128,739)
Interest on loans/bonds	939,822	1,357,521	(417,699)
Other expenses	127,996	46,450	81,546
Total	1,446,177	1,932,794	(486,617)

The decrease in this item is essentially due to the decrease in interest on the bond. This lower cost is due to the constant annual repayment of the same loan; in fact, it should be noted that in 2019 a further 12 million bond entirely relating to the Parent Company Sammontana S.p.A. was repaid.

At 31 December 2019, items in foreign currency generated the following exchange rate differences:

Exchange rate gains and losses	31.12.2019	31.12.2018	Change
Exchange rate gains	83,278	52,994	30,284
Exchange rate losses	(70,825)	(60,647)	(10,177)
Total	12,454	(7,653)	20,107

INCOME TAXES FOR THE YEAR

Current income taxes for the year amount to Euro +2,980,421 thousand. The change for the period is attributable to the accounting by the parent company Sammontana S.p.A. of the benefit deriving from the Patent Box for the period 2015-2019 following the agreement signed with the Revenue Agency in 2019.

It should be noted that the companies of the Group adhere to the national tax consolidation promoted by the holding company of Gruppo Sammontana Finanziaria S.r.l..

DEFERRED TAX ASSETS AND LIABILITIES

Deferred taxes have been calculated taking into account the cumulative amount of all temporary differences, based on the effective rate of the previous year.

Deferred tax assets have been recognized because there is reasonable certainty of the existence, in the years in which the related temporary differences will be reversed, of taxable income not less than the amount of the differences that will be reversed.

The balance of deferred tax assets and liabilities shows a positive balance of Euro 643,828.

OTHER INFORMATION

Commitments, guarantees provided and contingent liabilities not resulting from the Balance Sheet

MEMORANDUM ACCOUNTS

Guarantees provided	31.12.2019	31.12.2018	Change
Sureties provided by third parties on behalf of the Company	18,922,491	14,767,031	4,155,460
Total	18,922,491	14,767,031	4,155,460

The main sureties provided by third parties on behalf of the Company were issued by banks and insurance companies.

Revenues or costs of exceptional entity or incidence

Pursuant to article 2427, point 13 of the Civil Code, it is noted that no revenues or costs of exceptional entity or incidence were recorded.

Information pursuant to article 1, paragraph 125, of the law of 4 August 2017 no. 124

In relation to the provisions of article 1, paragraph 125 of Law 124/2017, concerning the obligation to disclose in the notes any sums of money received during the year as grants, contributions, paid assignments and in any case economic benefits of any kind from public administrations and the persons referred to in paragraph 125 of the same article, the Parent Company Sammontana S.p.A. certifies that it has received Euro 14,678 for photovoltaic contributions from the Energy Services Manager, against the injection of electricity into the grid, while the remainder is to be attributed to Transfrigo S.r.l., as a contribution/refund on fuel excise duties paid during 2019.

Contributions in the year	31.12.2019
Sammontana S.p.A. G.S.E. contributions	81,886
Transfrigo S.r.l. excise duty contributions	82,058
Total	163,994

Relations with subsidiaries, associated companies, parent companies and companies subject to control of the latter

With regard to transactions with subsidiaries, associated companies, parent companies and companies subject to the control of the latter, please refer directly to the Report on Operations in paragraph 14.

DIRECTORS AND AUDITORS' FEES

2019 Fees

Administrative Bodies	346,000
Board of Statutory Auditors	60,000
Independent Auditors	100,000

Statutory audit

<i>Company</i>	<i>Duration of assignment</i>
PricewaterhouseCoopers S.p.A.	Approval of 2021 financial statements

The fees due to the Independent Auditors referred to the fees for the statutory audit of the separate and consolidated financial statements amount to Euro 100 thousand (of which Euro 5 thousand referred to the separate financial statements of Transfrigo S.r.l.).

The Notes are completed by the annexed tables 1 and 2 relating to changes in intangible and tangible assets.



KEY EVENTS AFTER YEAR-END

There were no specific key events after year-end, other than the evolution of the COVID-19 contagion and the possible economic impact it could have on the world economy in general, and on our Group's activities in particular. As indicated in the paragraph Information on risks and uncertainties, our business volume and consequently the margin created will certainly be affected by the restrictions imposed to stem the spread of the epidemic. In order to reduce diseconomies as much as possible, since the beginning of the emergency, a crisis committee has been held every morning at 9:30 a.m. with all company functions to evaluate the interventions to be made at every level of the organization.

However, at present, having made the necessary assessments on the basis of the information available, since it is not possible to determine with a sufficient degree of reliability any impacts that could affect the economy and the reference sector in the first few months of 2020 and the following months - and taking into account the possibility that such an emergency may occur in the following months depending on the containment measures envisaged by the governments, the competent authorities and the central banks of the countries affected by the spread of the virus - it is considered, also thanks to the Group's financial solidity, that this circumstance does not represent an impact on the Management's estimation process with reference to the financial statements for the year ended 31 December 2019.

As regards the parent company Sammontana S.p.A., it should be noted that, in March, a binding offer was received for the purchase of the Milano-Lambrate area (former Tre-Marie establishment) for an amount above Euro 10 million. The Board of Directors that approved the draft of these financial statements resolved to accept this offer, which arrived after lengthy negotiations and adapted to the new Territory Government Plan (PGT) recently approved by the Milan City Council.

FINAL CONSIDERATIONS

These Consolidated Financial Statements, comprising the Balance Sheet, Income Statement, Cash Flow Statement and Notes, provide a true and fair view of the financial position and results for the year and correspond to the findings of the accounting records.

Empoli, 27 March 2020

The Chair of the Board of Directors
of the Parent Company Sammontana S.p.A.

Loriano BAGNOLI





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ANNEXES

ANNEX 1

TABLE OF CHANGES IN INTANGIBLE ASSETS

Intangible assets	Residual net 31.12.2018	Increases 2019	Decreases 2019	Amortization 2019	Residual net 31.12.2019
Industrial patents and intellectual property rights	624,262	4,754,832	-	(1,622,975)	3,756,119
Concessions, licenses, trademarks and similar rights	21,223,620	72,700	-	(2,420,915)	18,875,405
Goodwill	8,789,993	-	-	(950,195)	7,839,798
Long-term costs	550,321	59,800	-	(292,140)	317,981
Improvements on third-party assets	257,326	334,831	(7,707)	(116,915)	467,535
Total	31,445,522	5,222,163	(7,707)	(5,403,140)	31,256,838

ANNEX 2 TABLE OF CHANGES IN TANGIBLE ASSETS

Tangible assets	Net residual 31.12.2018	Increases 2019	Decreases 2019	Depreciation 2019	Net residual 31.12.2019
Land and buildings	61,037,758	2,048,305	(67,521)	(2,550,911)	60,467,631
Plants and machinery	38,955,584	12,643,784	(50,753)	(10,782,475)	40,766,140
Industrial and commercial equipment	14,213,434	13,429,747	(712,711)	(7,329,765)	19,600,705
Other assets	1,453,130	1,265,117	(7,764)	(538,594)	2,171,889
Assets in progress/advances	4,098,753	2,414,999	(34,800)	-	6,478,952
Total	119,758,659	31,801,952	(873,549)	(21,201,745)	129,485,317

**REPORT OF THE
INDEPENDENT
AUDITORS**





Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010

Sammontana SpA

Financial statements as of 31 December 2019



Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010

To the sole shareholder of Sammontana SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Sammontana Group (the Group), which comprise the balance sheet as of 31 December 2019, the income statement and statement of cash flows for the year then ended and related notes.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2019, and of the result of its operations and cash flows for the year then ended in accordance with the Italian laws governing the criteria for their preparation.

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 this report. We are independent of ABC SpA (the Company) pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 the Italian laws governing the criteria for their preparation and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated

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financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate Sammontana SpA or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed 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 the consolidated financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained 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;
- We obtained 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;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the 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;
- We evaluated 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.
- We obtained 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 on the consolidated financial statements.



We communicated 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 identified during our audit.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10

The directors of Sammontana SpA are responsible for preparing a report on operations of the Sammontana Group as of 31 December 2019, including its consistency with the relevant consolidated financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations with the consolidated financial statements of the Sammontana Group as of 31 December 2019 and on its compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations is consistent with the consolidated financial statements of Sammontana Group as of 31 December 2019 and is prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Florence, 26 May 2020

PricewaterhouseCoopers SpA

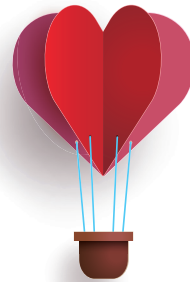
Signed by

Francesco Forzoni
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers. We have not examined the translation of the financial statements referred to in this report.





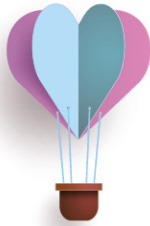


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