



Casillo

*Feeding Passion.
Since 1958.*

Integrated
Annual Report
2019

On the cover the silos in the port of Bari which were coloured in green, white and red: one of the ways in which Gruppo Casillo has communicated the proximity to ours Country during the emergency phase generated by Covid-19.

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INTEGRATED MANAGEMENT REPORT

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Our priority is the growth and the creation of value while strengthening the ability to innovate and to better serve our customers.



PASQUALE CASILLO

President and Chief Executive Officer of
Casillo Partecipazioni S.r.l.



Letter to Stakeholders

Dear stakeholders,

the publication of this report coincides with a historic moment where the Covid-19 global health crisis persists. In this delicate phase at both the national and international level the Group holds a huge social responsibility, as it operates in a sector which is vital for the global population, that is, production, trade and sale of durum and common wheat and its derivatives.

Casillo has implemented all the preventive measures that were deemed necessary in order to continue to carry out its activities, constantly adapting to the national and regional regulations, which have been gradually renewed over time. All our employees and collaborators have been working in complete safety by complying with ad-hoc protocols and procedures as well as doing smart working when possible. Thus, full operational continuity was always guaranteed, also throughout the period of lockdown.

In a landscape that - even prior to Covid-19 - has been evolving due to the adoption of more responsible market decisions, we have implemented our Strategic Plan 2020-2022. The goal is to foster the growth and sustainability of the Group, further improving the results achieved over the last 60 years of its history. Furthermore, we have identified - through projects and good practices - the Sustainable Development Goals (SDGs) of the United Nations (UN) 2030 Agenda to which we can tangibly and effectively contribute.

Our priorities are the Group's growth and value creation, to be pursued by enhancing our innovation capacity and our ability to respond to our clients' needs. Therefore, in 2019 we continued to implement projects in the fields of diversification, digital transformation as well as risk management, in order to effectively manage those risks the Group is exposed to.

At the same time, we have enhanced the quality of our non-financial disclosure by providing insights on new issues that allow the creation of a more transparent and up-to-date picture of our activities.

Finally, we constantly work on improving corporate governance mechanisms, internal process optimisation, the Group's reputation and brand, so as to be always aligned with the needs of our clients.

We have a strong tradition and our local resources are known for their tenacity. Our approach is forward-looking, we are ready to tackle the challenges that await us, with the passion that has always distinguished us and with the desire to offer the best products to the market.

Paolo Jover



Methodological Note

The Casillo Group regards sustainability as a hallmark of its history and identity. In particular, sustainability is meant as a strong commitment towards the responsible development of its business practices. In this respect, for several years the Group has been pursuing a process towards structured and transparent communication with its stakeholders, which has led it to present both the economic-financial and sustainability performances within a single report - namely, the Integrated Annual Report, highlighting the links that exist between company strategies, the management of relations and the main activities performed by the Group during each year.

The report has been drafted according to the GRI Standards of the Global Reporting Initiative (GRI), with a "Core" cover level and is based on the International Integrated Reporting Framework proposed by the International Integrated Reporting Committee (IIRC), outlining the financial and sustainability performance, the business model, governance and risk management, compliance, the competitive context, the strategy and capital resources obtained by the Casillo Group in 2019.

This year, for the first time, the report outlines the areas where Casillo contributes the most to the achievement of the United Nations Sustainable Development Goals (SDGs), which represent the 'common objectives'



For further information
please visit the corporate
website:

www.casillogroup.com



GOALS

that have to be pursued with respect to some spheres that are relevant for sustainable development. In order to do this, the Group examined the latest version of the document 'Linking the SDGs and the GRI Standards', published in March 2020 by the Global Reporting Initiative in collaboration with UN Global Compact and World Business Council for Sustainable Development and aimed at drawing a connection between the items of the GRI Content Index and the SDGs.

Casillo started the non-financial reporting in 2012, and it has published the Integrated Report since 2014; the 2019 Integrated Annual Report was again approved by the Parent Company's Board of Directors on June 26, 2020 and meets the Legislative requirements set forth in the Italian Civil Code.

The 2019 Integrated Annual Report consists of the "Integrated management report" and the "2019 Consolidated financial statements", plus the assurance reports and appendixes. The integrated report of the Casillo Group essentially satisfies the non-financial disclosure requirement envisaged by art. 5, paragraph 1, letter a) of Italian Legislative Decree 254/16. As regulated by paragraph 1.14 of the International <IR> Framework, the information established by art. 2428 of the Italian Civil Code for the management report has been integrated with the additional information required by the aforementioned Framework.

Therefore, the "Integrated management report" meets both the regulatory requirements set forth by law and the information required by the International <IR> Framework. Furthermore, the document indicates, in the GRI Table, the way the requirements envisaged by the Legislative Decree 254/2016 are already fulfilled by the Group, also in order to guarantee a more effective and complete disclosure of the social, environmental and economic impacts.

The information and data included in the report refer to the issues that have been regarded as relevant after carrying out a materiality analysis, as they can reflect the social and environmental impacts of the Group's activities as well as influence the decisions made by its stakeholders. The potential shortcomings affecting the disclosure, as well as the use of estimates or approximations while calculating some indicators, are pointed out in specific notes. The pertinence of the topics illustrated in the 2019 Integrated Annual Report is the result of an assessment conducted by the company departments and functions that participate in the sustainability reporting process, on the basis of the evidence observed during the course of the various stakeholder engagement initiatives performed by the Group. In particular, the information comes from in-house documents and information systems and, only to a small degree, from external sources.

Contacts:

Comments and opinions on the 2019 Integrated Annual Report can be sent via e-mail to: sustainability@casilogroup.it.

Thanks to the entire internal work group and the personnel involved that enabled the document to be produced.

Layout and coordination: Administrative Department of the Casillo Group.

Technical and scientific support: BDO Italia S.p.A.

Group Highlights



€48.8 million

GLOBAL GROSS ADDED VALUE
(GBS STANDARD)

Re-Branding Project



Standard Ethics Rating



International certification



Revenues

€ 1,493 million Turnover 2019.



Net Financial Position (NFP)

€ 318.3 million (+€ 107.3 million compared to the previous year). This figure results mainly from investments that the Group undertook in 2019.





8,688 MWh

OF ELECTRICITY PRODUCED FROM RENEWABLE SOURCES

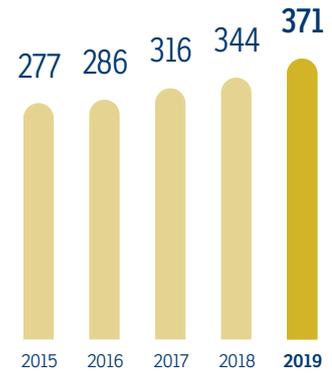
+1.1% compared to 2018



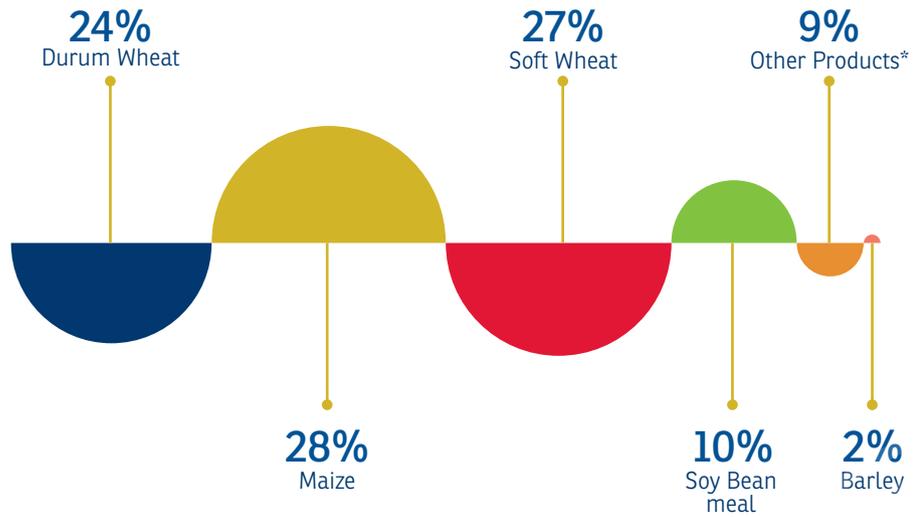
Graph →
Number of employees at the end of the year

+8%

Increase in workforce



Graph →
Quantity of sales products

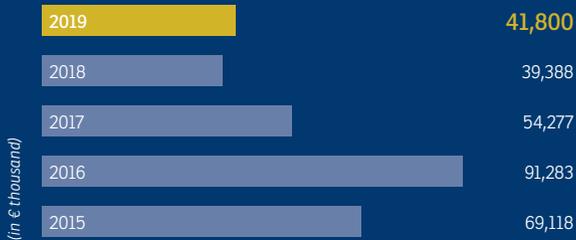


* The category 'other products' includes: metals, pasta, durum wheat flour and other commodities

EBITDA*

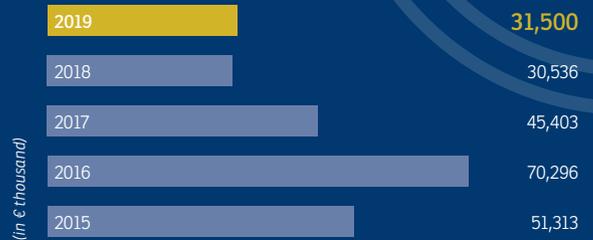
This amounted to € 41.8 million (+6.2% compared to the previous year).

* EBITDA adjusted means adjusted to take account of the exchange rate effect and the results of derivative transactions.



EBIT

This amounted to € 31.5 million, including amortisation, depreciation and reserves prudently regarded as worth € 10.4 million within the income statement (+€ 1.5 million compared to 2018).





1

Casillo Group

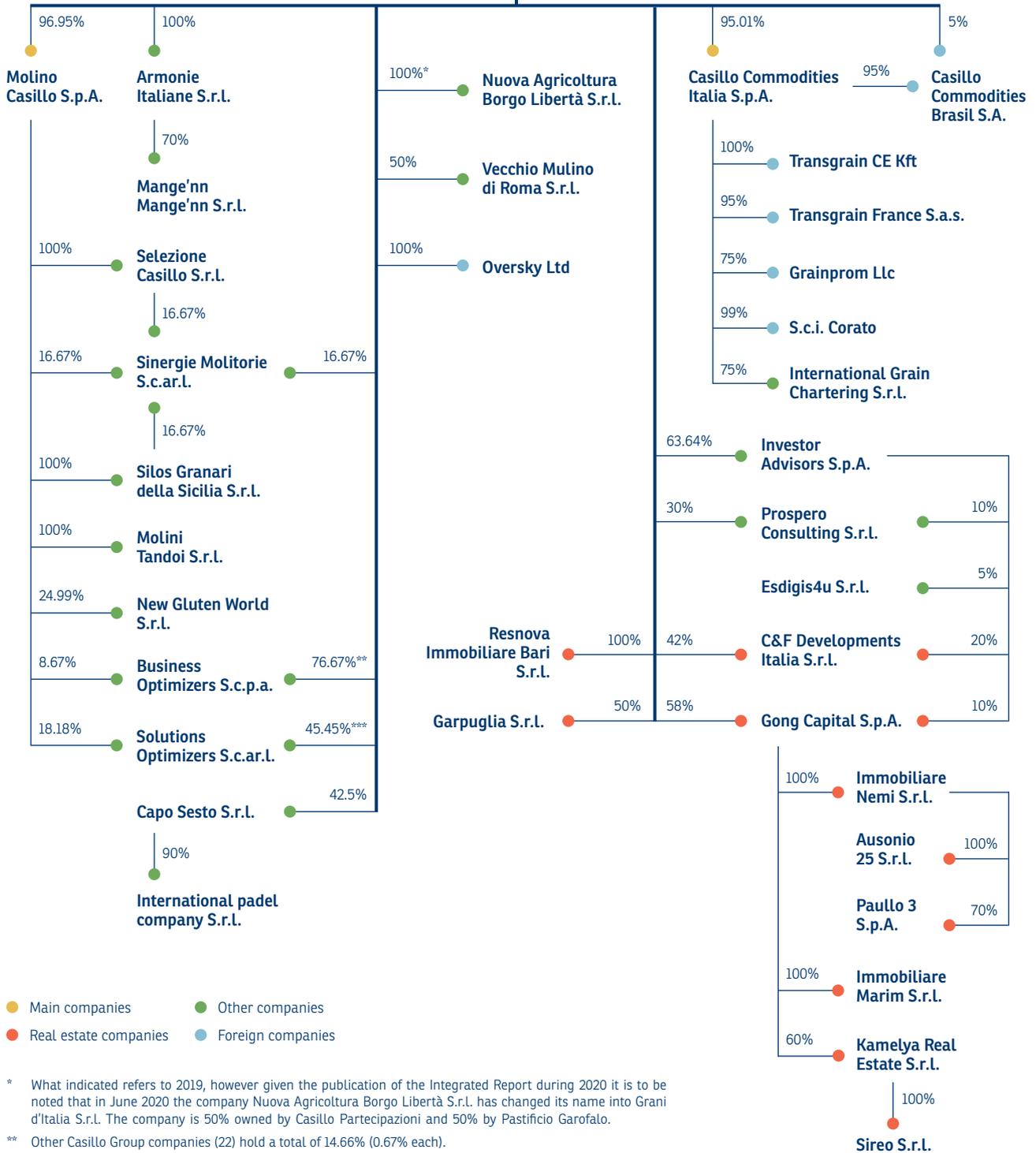
SGDs involved



In this chapter

- 1.1 Group Profile and geographical presence
- 1.2 Group history
- 1.3 Values and strategic approach
- 1.4 2020-2022 Strategic Plan and business model
- 1.5 Governance
- 1.6 Risk analysis and external context
- 1.7 Materiality analysis and stakeholder engagement

1.1 Group Profile and geographical presence



The Casillo Group is a composite enterprise and operates in **sectors** that are connected to each other: **milling industry, cereal storage, agricultural commodities trading and retail**. Business Optimizers S.c.p.a. provides accounting, administrative, fiscal and directorial services to all the other companies of the Group. With a view to business diversification, other companies are involved in real estate projects, as well as the development and start-up of new businesses.

The sale and transformation of durum and soft wheat represent the distinctive style of the Group, a global leader in these activities. The Group is one of the main suppliers of the major Italian pasta manufacturing plants and in just over 10 years, thanks to the work of the subsidiary Casillo Commodities Italia S.p.A., has become an important international player in the trading of agricultural commodities (soft

and durum wheat, maize, barley, etc.). Since 2015 the Trading segment has been strengthened through the creation of new subsidiaries abroad - France, Brasil, Hungary and Russia. With respect to this segment, in 2019 the Group started the implementation of a rationalisation process which will be completed in 2020 and will also result in a simplification of the corporate structure.

Storage and harbour logistics activities are included among those business functions supporting the industrial and trading sectors and are of the utmost relevance within the food industry. The Retail division, which is complementary to the milling one, stemmed from an innovative idea that has already been achieving increasing success and returns in terms of sales volumes.

New acquisitions and relevant business transactions in 2019



- **Acquisition of Molino Tandoi S.r.l.**, owner of a milling site in Corato.

Molino Casillo S.p.A. acquired 100% of the share capital of Molini Tandoi S.r.l. This acquisition was subject to the condition precedent to the approval of a pre-bankruptcy agreement with creditors that Tandoi presented to the Court of Trani. The debt-restructuring plan foresees the payment of secured, tax and unsecured creditors, as specifically indicated and by making use of € 4 million provided by Molino Casillo as well as € 3.6 million stemming from the operating revenues.

- **Merger of Casillo S.p.A.**

On 6 December 2019 the stipulation of the specific deed led to the merger by incorporation of companies Semolificio Moramarco S.p.A., Farine di Parma S.r.l., Molino di Lucca S.r.l., Molino di Sicilia S.r.l. and Molino dell'Adriatico S.r.l. within Molino Casillo S.p.A.

- **Divestiture of Solutions Optimizers S.c.ar.l.**

On 19 December 2019 the divestiture of Solutions Optimizers S.c.ar.l in Sinergie Molitorie S.c.ar.l. occurred.

- **Merger Serin S.r.l.**

On 19 December 2019 the merger by incorporation of Serin S.r.l in Vecchio Mulino Holding Immobiliare S.r.l. occurred. Furthermore, the growth within the real estate industry continued also in 2019 with the creation of new companies: Resnova Immobiliare, Immobiliare Marim, Ausonio 25, Esdigis4u S.r.l. (enhancement of renewable energy production plants), International Padel company (consultancy in the field of sports), Capo Sesto S.r.l. (holding activities), International Grain Chartering S.r.l. (completion of deals regarding the organisation and the management of sea freight) and Prsopero Consulting S.r.l. (rooms for rent).

← Graph

Geographical distribution of the Casillo Group in Italy

-  HEADQUARTERS
-  MILLING PLANTS
-  COMMERCIAL PLATFORM
-  TRADING COMPANY
-  STORAGE WAREHOUSE
-  PORT TERMINALS



ROVATO



PARMA



MONFALCONE



LUCCA



SANTA MARIA NUOVA



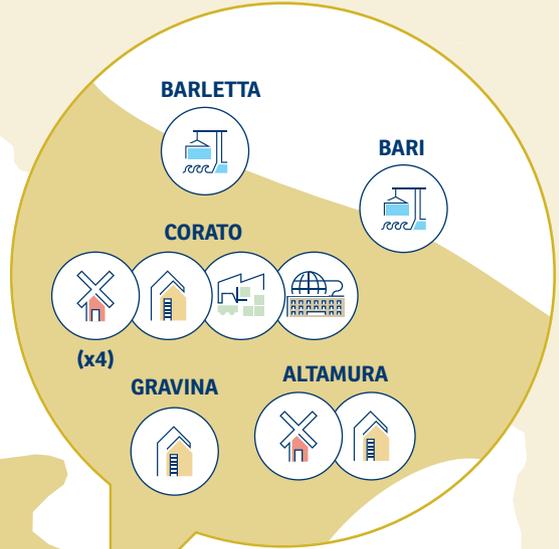
ORTONA



CERIGNOLA



SALERNO



CORATO

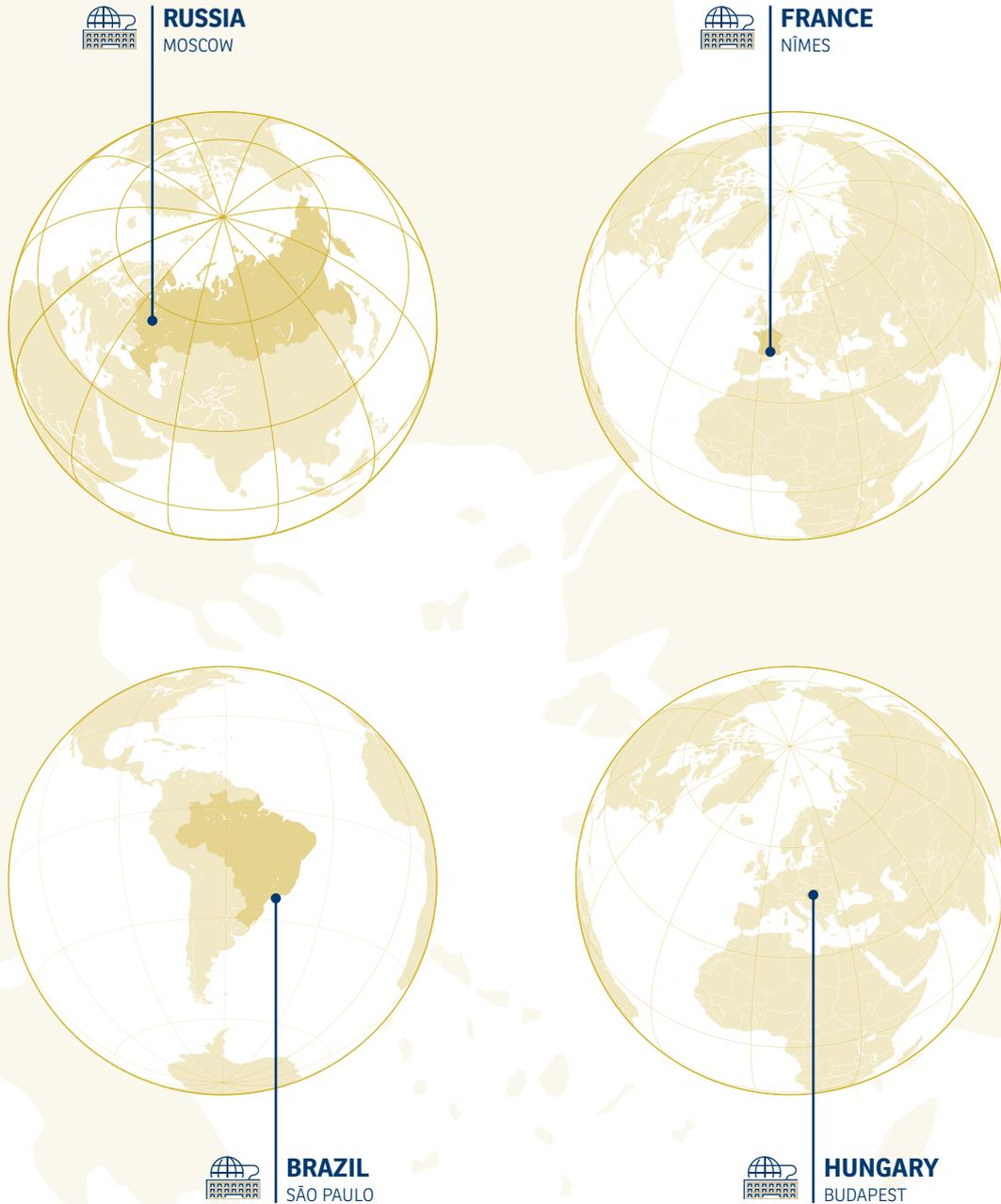


CATANIA



POZZALLO MODICA

Graph →
**Geographical distribution of the
Casillo Group throughout the world**



1.2 Group history

The Casillo Group's success story is the story of the Casillo family that has conducted business uninterruptedly **since 1958**, the year it was founded, when a small milling plant was acquired in Corato, with the very young **Vincenzo** chosen to manage it. The Casillo Group has had a long history of success and has been characterised, since 1958, by a single common thread: innovative

drive and love for its land, the guiding values of the Group, on which the Casillo Foundation is also based, established for the purpose of promoting cultural and social initiatives in the area and for the area. The **fundamental steps** along the path of growth of the Casillo Group are indicated below.

The Casillo family purchases a small milling plant, located in the town of Corato (Bari). The enterprise, a sole proprietorship at that time, is given the name of Molino Casillo Francesco. The very young Vincenzo Casillo is chosen to manage it.

1958 

Acquisition of Semolifici Andriesi S.r.l.

1970 



The firm Vecchio Mulino S.r.l. is established for the real estate development of Andria, the plant is later transferred to Corato.

1982 

Construction of a new plant targeted at maximising efficiency and productivity.

1992 

Establishment of Casillo Partecipazioni S.r.l., holding company of the Casillo Group.

1998 



Establishment of the trading company Cinque Cereali, now Casillo Commodities Italia S.p.A.

2003 

The Group assumes its current shareholder structure, with the complete departure of the Moramarco family.

2006 

Joint venture signed with Ascopiave. Acquisition of the raw materials storage warehouses of Altamura and Gravina.

2009 

 **1961** The plant is expanded several times. The construction of the first reinforced concrete silos built in the South of Italy was a significant event.

 **1979** Vincenzo Casillo and Antonio Moramarco establish Semolificio A. Moramarco S.p.A.



 **1983** A new plant enters operation in Corato, where the plant acquired in 1958 is moved.

 **1993** The Semolifici Andriesi S.r.l. plant is transferred and expanded, in an area neighbouring the Molino Casillo Francesco S.r.l. plant.

 **2002** Commissioning of a new experimental plant for the introduction of hulling, an innovative phase of the milling of cereal grains.

 **2005** Acquisition of all shares of Semolifici di Termoli S.r.l. by the Barilla Group.

 **2008** Start of industrial operations and sales activities in Sicily. Inter-company agreement reached with Alpe Adria, Trenitalia and Pasta Zara for the launch of the first "Block train" on the Giovinazzo-Trieste line. Establishment of Selezione Casillo S.r.l.

Renewal of the plants and expansion of the production capacity of Semolificio A. Moramarco S.p.A. The trading Company Cinque Cereali S.r.l. changes its name to Casillo Commodities Italia S.p.A.; the second Giovinazzo-Brescia block train starts service. Construction of the new office building of the Casillo Group.



2011



The Casillo Group provides a significant contribution to scientific research for the "Gluten Friendly" project. The Group obtains the SA8000 certification and was a finalist for the Financial Statements Oscar award.

2014



Launch of an important real estate initiative in the Municipality of Rome, increase in the shareholding held by Molino Casillo S.p.A. in New Gluten World S.r.l. and acquisition of management of a major milling complex in Salerno through a contract for the rental of a business unit owned by Pastificio Di Martino Gaetano & F.lli S.p.A. Said milling complex can grind around 10,000 bushels of durum wheat per day.

2016



Launch of origination and storage activities at the "Nuovo Borgo Libertà" site in Cerignola. Establishment of Nuova Agricoltura Borgo Libertà S.r.l.

2018



Continuation of the internationalisation process of the Group through the incorporation of the Transgrain Central Europe Kft subsidiary based in Budapest.

Consolidation in the real estate market through the development of new investment projects implemented by Gong Capital S.p.A., which acquired two companies operating in this sector, thus adding two more properties located in the Municipality of Milan - one of which hosts one of the 8 student residences run by the Bocconi University - to the assets owned by the Group.

Establishment of a new company, Kamelya Real Estate S.r.l., based in Rome.



2012

Acquisition of Silos Granari della Sicilia S.r.l. and its 4 harbour terminals located in the Centre and South of Italy. Commissioning of the milling plant of Rovato (BS). Acquisition, from the Ascopiave Group, of the shares of Serin S.r.l., operating in the renewable energies sector. Acquisition of Molino San Pietro a Vico S.r.l. and Molino Maionchi Silvio & C.S.n.c., Lucca-based milling companies producing soft and durum wheat flours, merged into the new Molino di Lucca S.r.l.



2015

Consolidation of growth. Internationalisation of the Group with the establishment of 2 new subsidiaries, Casillo Commodities Brasil S.A. and Transgrain France S.a.s. Take-over of the management of milling plants (soft wheat) of the former Molino Alimonti through the newco Molino dell'Adriatico S.r.l. Acquisition of De Franceschi S.p.A. - Monfalcone (mill, harbour infrastructures and silos).



2017

Incorporation of the subsidiary Grainprom based in Moscow, active in the formation of agricultural commodities and their sale. Launch of production of flours at the Parma plant.

Signing of supply chain agreement with Coldiretti to incentivise the production of organic wheat.

Opening of a Bistrot at Fico Eatly World in Bologna.

Acquisition of a major industrial complex in Salerno used for the grinding of durum wheat. Transfer of a significant share package of Serin S.p.A.



2019

Acquisition of a new strategic milling plant in Sorbolo (Parma).

Acquisition of a new industrial milling complex in Santa Maria Nuova - Ancona, in order to improve the production capacity of the Group within Italy.

Acquisition of Resnova Immobiliare Bari S.r.l., owner of a prestigious property located in Bari.

2020 Preview

In order to improve efficiency and in line with the guidelines defined within the Industrial Plan, the Group continues to pursue a rationalisation process by completing new mergers in the milling sector as well as in the photovoltaic and polyfunctional sectors. Moreover, Molino Casillo S.p.A. has presented a project proposal addressing the 'Agrifood tender' promoted by the Italian Ministry of Economic Development and entitled 'Production of a flour with nutraceutical properties to reduce the symptoms of metabolic syndrome', in partnership with the University of Bari.

1.3 Values and strategic approach

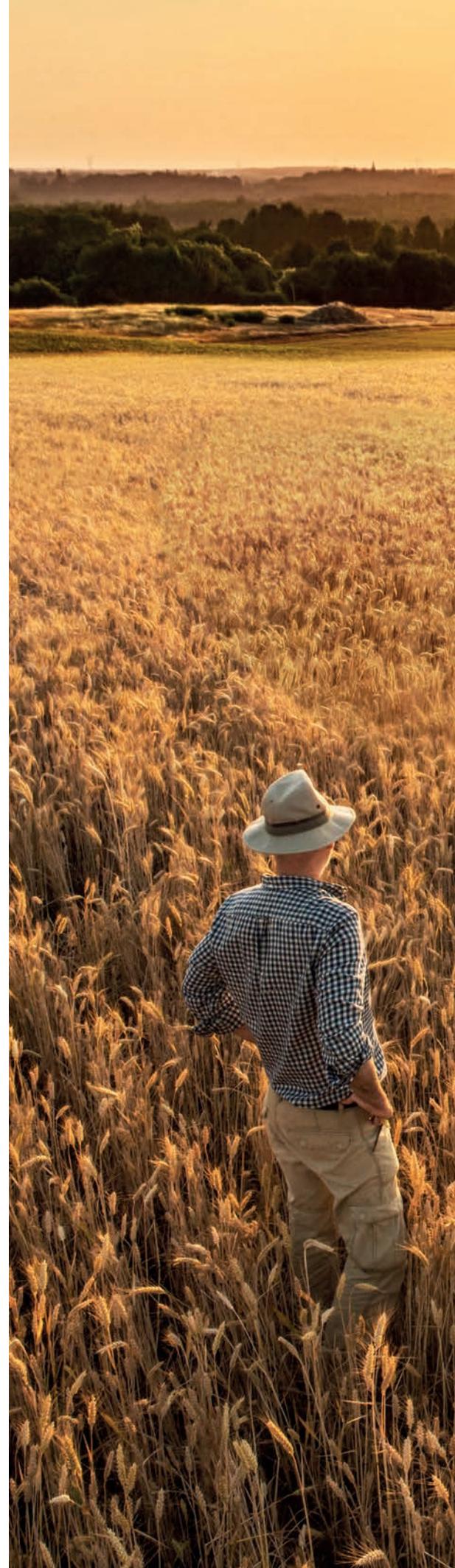
The corporate mission, based on values and principles bequeathed to the Casillo brothers by their father Vincenzo, is geared towards **product quality and safety** and **full customer satisfaction**. Furthermore, the Casillo Group bases its actions on values of **correctness, consistency, tradition, innovation, placing people first and protecting the environment**.

Since the Group is a leader in the processing and sale of durum and soft wheat as well as one of the world's largest market makers in the wheat sector - especially in the durum wheat industry - particular attention is paid to aspects such as the painstaking selection of the raw materials; the rigorous acceptance, production and finished products checks; the automation of the production processes. This is all made possible thanks to the flexibility and the dynamic attitudes possessed by the Group's employees, which allow the company to offer technologically advanced solutions that satisfy the needs of even the most demanding clients.

Relying on its consolidated know-how and market leadership, the Casillo Group is pursuing **dimensional and international growth**, which is supported by the continuous commitment to **R&D and innovation**, representing some of the Company's distinctive traits and success factors. With this in mind, the Group is active on several fields, e.g. technological innovation with digitalisation and the development of new lines capable of better meeting the needs of customers and consumers. Based on this approach and in response to health and new requests from consumers, the Group has invested in a special project dedicated to the certification and certainty of product traceability in order to meet growing demand and development of the organic products market.

Lastly, the Group pays great attention to nurturing its **relationship with the local areas** by implementing specific initiatives aimed at increasing the value of its proximity with the communities where it is present. Moreover, the Group also reveals its **desire to share its commitment in the field of sustainability** (or ESG - Environmental, Social, Governance) **with business partners and clients** by promoting supply chain collaborations that are aimed at the establishment of an innovative, responsible and avantgarde value chain.

Both the Group's strategic objectives and the decisions made by the executives and the Top Management stem from this basic orientation and represent the will to develop a holistic and responsible vision of the various areas and business functions, in order to contribute to the achievement of the UN Sustainable Development Goals (SDGs). The company's management defines the goals and periodic targets within the operational plans. Functional leaders, who contribute to identifying risks and opportunities as well as developing operational plans, make sure that these are implemented and supervise the achievement of the periodic economic, environmental and social targets.





Several years ago, the Casillo Group established a "dedicated" business unit called **CASILLO BIO** with entire plant for the transformation of **organic durum wheat** to obtain extremely high quality **organic semolinas**. Cutting-edge technologies, high production quality standards and accurate controls perfectly match with an efficient logistical and commercial system, which is organised in order to guarantee optimal maintenance and preservation of the flour that we deliver to partners and clients. The production capacity of the plant amounts to 400 tonnes per day; moreover, the plant features an optical sorting machine, dehulling equipment, an external silo with a capacity of 12,000 tonnes and a warehouse that can gather as much as 9,000 tonnes of grain. In 2015, the Casillo Group joined the "**Progetto Federbio**", based on an electronic platform - Federbio Integrity Platform (FIP) - able to manage acreage as well as **production and transaction traceability** involving organic raw materials for animal feeds, cereals and grain. The system entails the recording of product volumes and sales flows, so as to follow them along the entire supply chain. The platform is aimed at organising and optimising those computer programmes for transaction management that have been already developed by member Certification Bodies, which allows both companies and Certification Bodies to minimise risks and reduce costs.

Starting in **2018**, the "Federbio Project" evolved into the "**Oip Network Project**". The OIP network is a network contract between multiple certification bodies that has as its object the development of activities and products aimed at exchanging data and information aimed at creating the **coordination between the control activities of the certification bodies** operating in the sector of organic agriculture, with particular reference **to the verification of production and transactions as far as chains considered to be at the highest risk of fraud are concerned**.

In particular, the Network carries out development and management of the IT platforms of system for traceability of production and transactions and all related activities for system management of data and information.

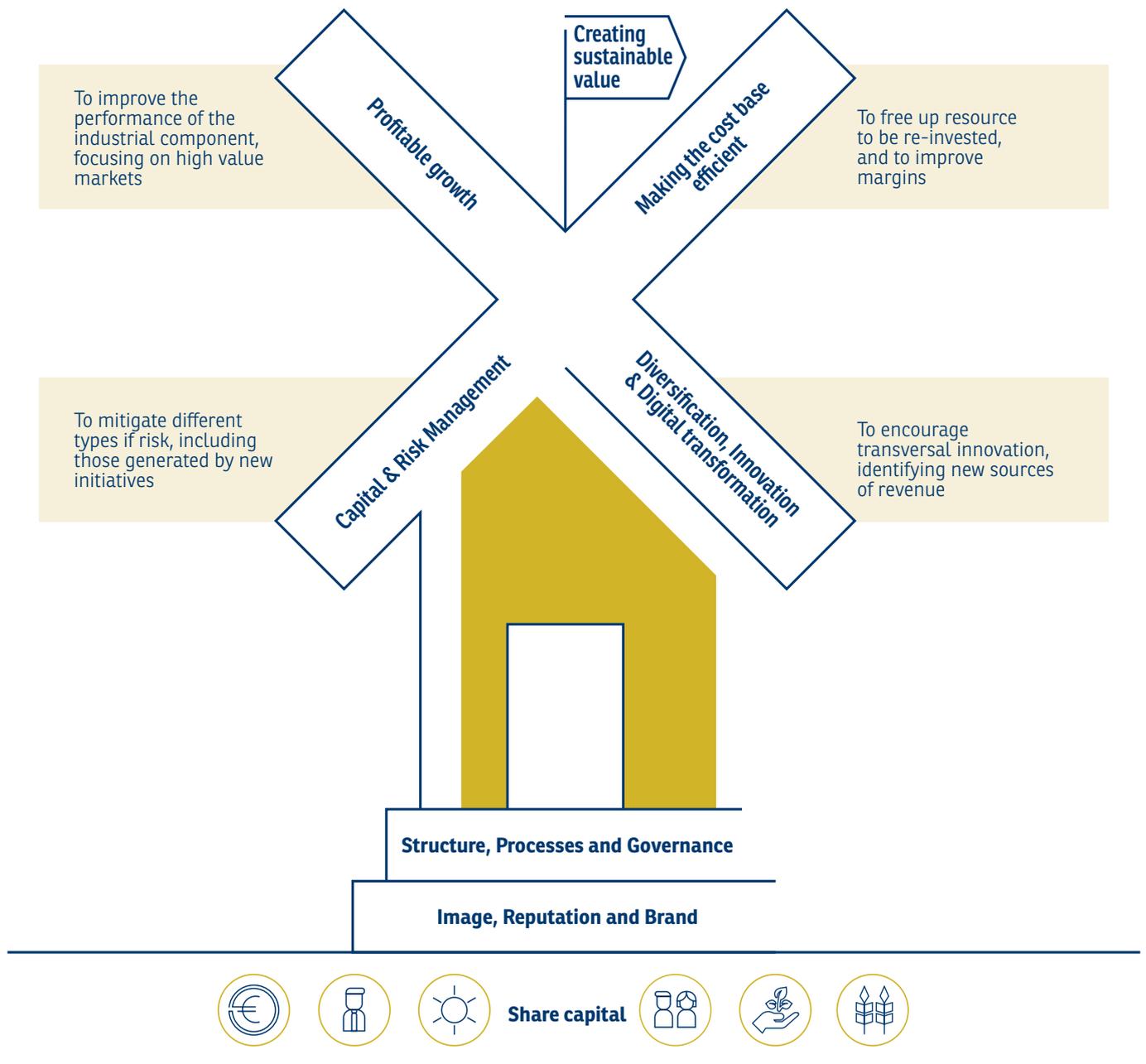
Therefore, through the "Oip network project" **a new traceability platform has been created for organic products - Organic Integrity Platform (OIP)** - as a fundamental tool for guarantee an increasingly safe and secure sector. Specifically, thanks to the integration between the data PAP (Annual Production Programs) contained in the DataBio database and participation direct of the main CBs (Certification Bodies) of the sector and of the supply chain companies, it is possible to check the quantities produced and marketed in time. Thanks to the platform it is possible to know in a transparent and unequivocal way the quantities produced and marketed: **the platform records product volumes and commercial flows, following them along the entire supply chain to verify its congruence ("state of integrity") with respect to production yields certified**.

The Casillo Group considers joining the project as an indispensable requirement in order to proceed the stipulation of contracts for the purchase and sale of organic wheat.

1.4 2020-2022 Strategic Plan and business model

The 2020-2022 Strategic Plan is still organised along **4 strategic drivers**, to foster the Group's growth and sustainability, increasing the margins and return on capital and reducing the related risks. Our top priority continues to be **value creation**, focusing on our ability to innovate and best serve our customers so as to generate strong,

safe and sustainable growth. Since the Strategic Plan was revised in 2019, its guidelines will be valid until 2022 and always greater attention will be paid to managing risks, increasing efficiency and pursuing positive economic results.



Graph → The strategic drivers of the new 2020-2022 Strategic Plan

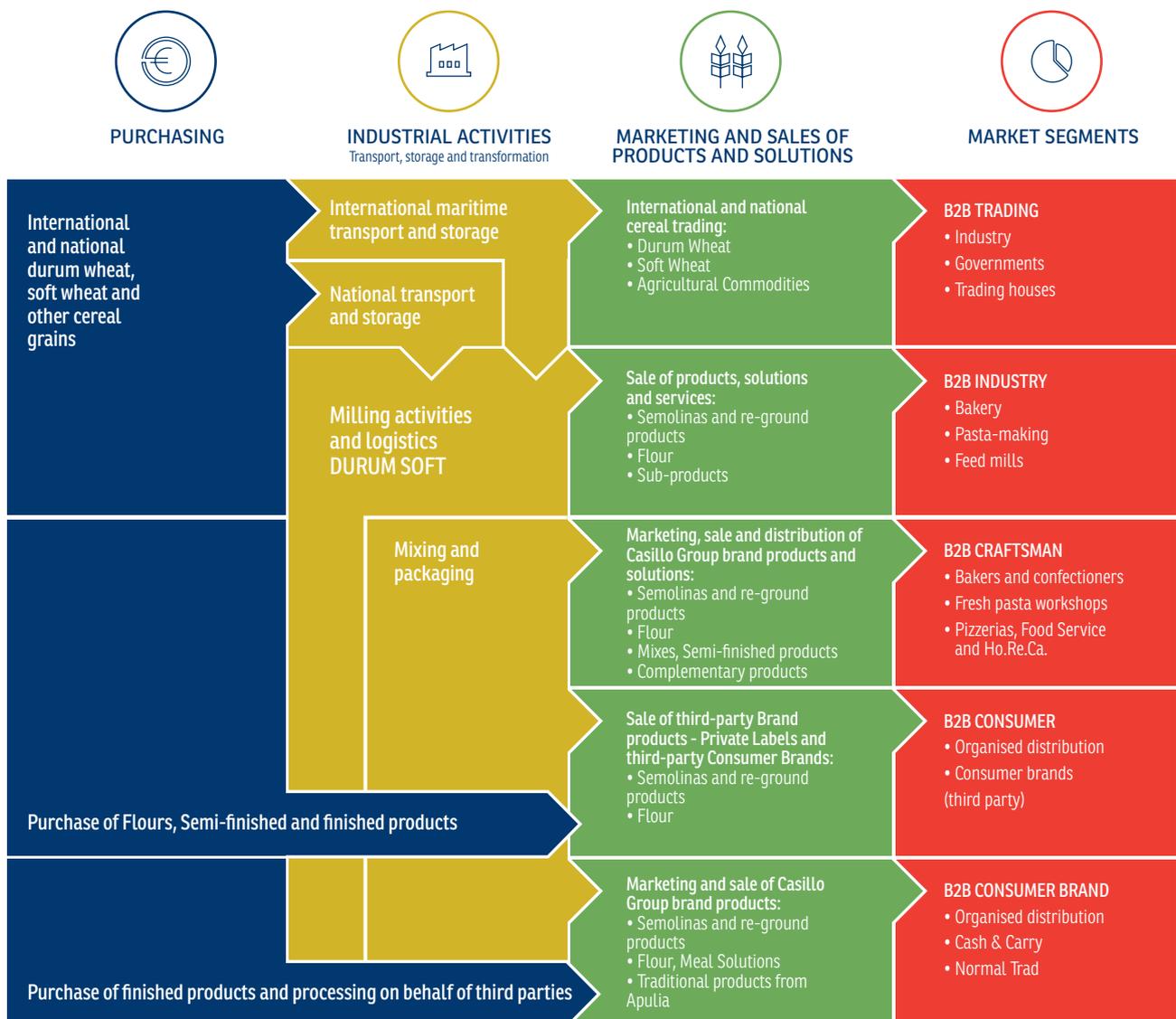
The value creation process is in line with the recommendations of the IIRC (International Integrated Reporting Council) and sums up the Group's strategy, based on multi-channel initiatives that cover the six main capital resources (financial, relational, intellectual, human, production and natural) and make it possible to generate value in the short, medium and long-term.

The Casillo Group has developed a diversified **business model**, creating the prerequisites for becoming a leading global Company in the trading (co-leader) and milling of durum and soft wheat; it represents

the top Italian Group in the milling sector, characterised by sustainable growth in margins and profits and offering, at the same time, equal opportunities for the area, people and all players involved in the production process.

Efficiency is guaranteed by a constant process of risk and performance monitoring, combined with the founding values of the Group such as tradition and connections with the land.

The business model envisages a fluid structure capable of diversifying the work in different business units.



Graph → Casillo Group business model

The minibonds: growth plan in the international market

On 19 June 2019, upon the resolution of the Board of Directors, Molino Casillo S.p.A. approved the issue of **two series of senior unsecured bonds**, launched in demat form and centralised at Monte Titoli S.p.A. Company.

These two bond loans, which are worth 35 million euro overall, were undersigned by two different cornerstone investors, namely Cassa Depositi e Prestiti S.p.A. and Fondo di Sviluppo Export - the latter is managed by Amundi Sgr and endorsed by SACE Simest as well as the European Investment Bank.

In this operation, Banca Internazionale S.p.A. acted as Paying Agent, whereas the subsidiary Securitisation Services S.p.A. was involved as Issuing Agent.

The issue of these minibonds aims to bring about the **technological renewal of the milling plants and the optimisation of the Group's production capacity**. Moreover, among the objectives that have been pursued in order to further develop the milling sector, it is also worth mentioning the goal of creating a new structure - resulting from the sum of each production plant - which should be able to effectively serve current and prospective clients, even those located abroad.

Thus, one strategic field in which the Group wants to invest concerns the significant increase in the production of flour and wheat aimed at foreign exports, thus enhancing its positioning on the most relevant international markets.

The following list includes the main initiatives implemented in 2019:

- Creation of a new storage facility for cereals, as well as a new packing plant at the milling plant located in Lucca.
- Creation of a new storage facility and a new logistic building within Corato milling plant.
- Creation of a new milling plant for the production of soft wheat - which has replaced an older one for the production of durum wheat - and a new packing plant, both aimed at boosting the processes carried out within the milling plant located in Monfalcone.
- Improvement of the current ability to transform cereals through the creation of a new section dedicated to the production of durum wheat at the Rovato plant.



1.5 Governance

In addition to the **Board of Directors**, the Governance of the Casillo Group consists of various **Committees**. The main control body is the **Board of Statutory Auditors**. In 2019, the **Supervisory Bodies (SB)** of the different companies that are part of the Casillo Group were appointed.

The Group's governance bodies, revised and reorganised in 2018, are structured as follows:

- Board of Directors;
- Board committees:
 - Risk Committee and Spending;
 - Investment Committee;
- Steering Committee;
- Inter-departmental Committees.

The **Board of Directors** is responsible for defining the Group's strategic choices.

The **Risk Committee** is a board committee chaired by an independent director and assisted by the Internal Audit, Compliance and Risk Management control departments, and it's responsible for monitoring and managing risk and safeguarding business value.

The **Spending/Investment Committee** is a board committee chaired by an independent director and assisted by the central department of Administration, Finance and Control, and it's responsible for monitoring and controlling the trends of costs and spending for investment at Group level, with a view to optimising them.

The **Steering Committee**, whose members are the heads of the Parent Company's central departments, is chaired by the General Manager and is responsible for contributing to Group strategy and for drafting the strategic plan and the budget, and implementing the relative plans.

The **Inter-departmental Committees** are inter-departmental work groups focused on specific issues, which meet periodically and provide guidelines and decisions on specific cases.

The Casillo Group's governance system envisages the direct involvement of executives in the economic, social and sustainability issues. This "modus operandi" makes it possible to create lean and rapid decision-making processes, which have always distinguished the Group's governance. Company Management interacts frequently with the various stakeholders on important sustainability matters, by also using other communication channels (meetings, specific focus groups, etc.).

The Parent Company's Board of Directors establishes the guidelines for the risk management and internal control system with a view to identifying, measuring, managing and monitoring the main risks related to the activities performed by the various Group Companies, identifying a level of risk that is compatible with the strategic objectives.

Composition of the bodies of Casillo Partecipazioni S.r.l.

Board of Directors

Pasquale Casillo
Chairman and Chief Executive Officer

Francesco Casillo
Director

Beniamino Casillo
Director

Beniamino Anselmi
Director

Board of Statutory Auditors

Francesco Venturelli
Chairman of the Board of Statutory Auditors

Mario Spagnuolo
Standing Auditor

Luigi Patella
Standing Auditor

Group General Manager

Cataldo Piccarreta

Supervisory Body

Alberto Longo
Chairman of the Supervisory Body

Rossana Vitone
Member

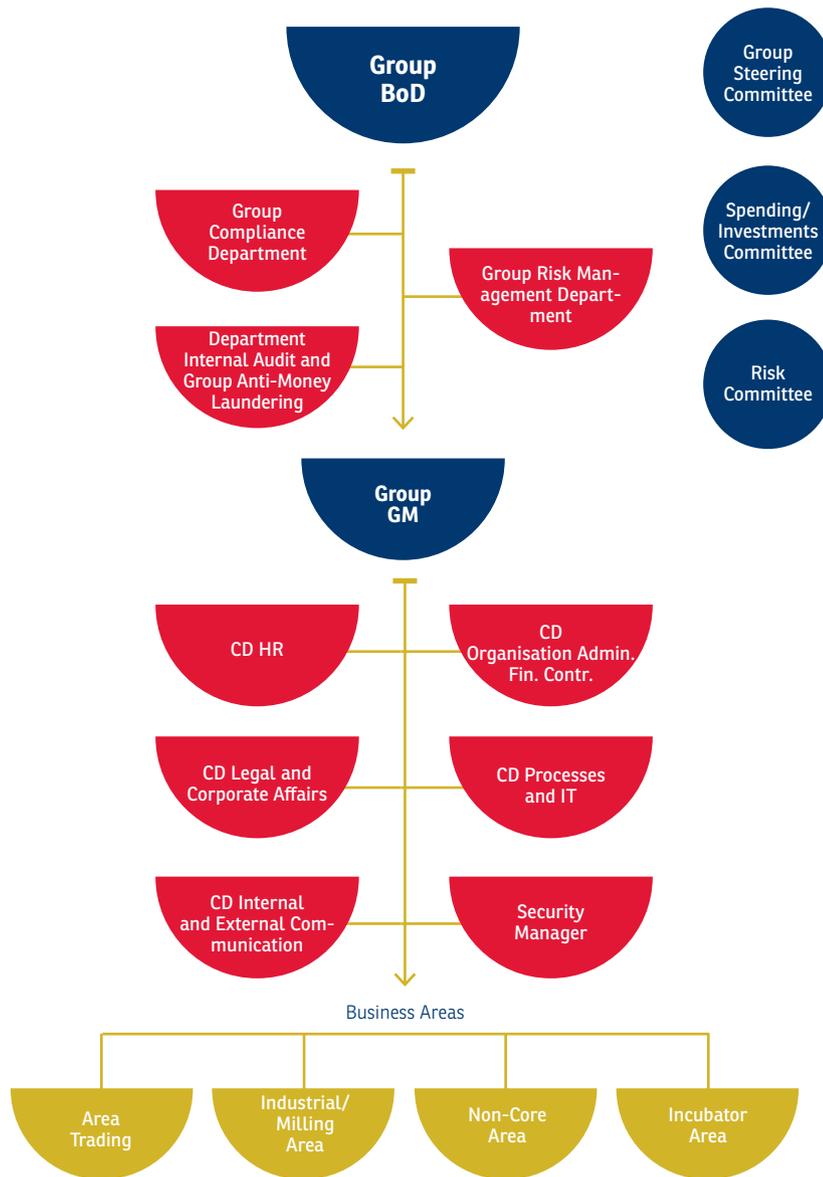
Enrico De Pascale
Member



The Group's management is supported by a structured system for reporting on business performance as well as the progress of fundamental projects. This also allows the correct implementation of the remuneration and incentive systems, with a view to sustaining and promoting merit and according to the level of achievement of the set targets, including environmental and social ones.

Organisational Chart

Organisational structure - 1st level



The Casillo Group possesses a matrix type organisational setup, which is structured as follows:

- Business Units, oriented towards the market;
- Cross-company Departments, which handle operations;
- Central Departments, which provide staff services.

The current organisation also envisages the progressive development of an updated performance assessment system and consequent improvements to remuneration mechanisms, in line with the Group's strategic plan.

Organisation, Management and Control Model pursuant to Italian Legislative Decree Law 231/2001

In 2015, the Board of Directors of Casillo Partecipazioni S.r.l. approved the Organisation, Management and Control Model that regards the prevention of the offences pursuant to Italian Legislative Decree no. 231/2001.

The BoD appointed the Supervisory Body to supervise the implementation of and compliance with Model 231/01, organising the relative updating. This body, together with company management, has the task of transforming legislative requirements into opportunities to improve the effectiveness and efficiency of the Internal Control System.

It should be noted that almost all of the Group companies have a SB (collegial or monochrome) and that the MOG is updated periodically.

Transparent approach to taxation

The Casillo Group is aware of the responsibility it has towards shareholders, governments, suppliers, employees and the community it is part of. Thus, Casillo is constantly committed to listening and engaging its stakeholders, as well as adopting an open and collaborative approach towards them.

As described in Section 2.1 ("Financial capital"), the Group distributes shared value through the payment of taxes, salaries and dividends, as well as by undertaking investments and purchasing goods and services from its suppliers.

Paying taxes creates an important link between governments, communities and businesses; thus, adopting a transparent approach to taxation allows the Group to show its responsibility. In 2019, Casillo voluntarily asked to obtain a so-called "**visto pesante**", which is a tax certification bringing about a substantial degree of control on the proper application of those tax laws that concern the determination, quantification and payment of taxes. Such "visto" can only be issued by auditors.

1.6 Risk analysis and external context

International and national economic scenario

The slowdown of global economic growth started in 2018 continued also in 2019, although some signs of improvement could be spotted towards the end of the year. The Covid-19 pandemic has further accentuated this trend, which has resulted in the recession of the manufacturing sector, lower production expectations and, consequently, fewer investments.

In a context characterised by trade tensions, a slowdown in household consumption and a contraction in the investments, the gross domestic product (GDP) of the US rose at an annual rate of 2.3% in 2019. Both the American Federal Reserve and the European Central Bank implemented an accommodative policy. As far as the European Union is concerned, the GDP of the Eurozone grew by 1.2% and that of the 27 EU member states rose by 1.5%, following the growth by respectively 1.9% and 2.1% recorded in 2018.

The growth rate of the Italian economy (+0.3%) was the weakest in the entire EU and marked a clear slowdown compared to 2018. As a consequence, the Italian GDP is still 4% lower than in 2007, which represents a unique and penalising phenomenon among the greatest European countries. The weight of the public debt on the Italian GDP, which had amounted to 134.8% in 2018, rose to 136.2% in 2019. Therefore, the economic growth in our country remains anaemic and essentially is steered by exports - which are slowing down - rather

than by internal consumption, whose recovery remains uncertain and weak. Over the second half of the year, moreover, the manufacturing sector recorded almost no growth, while the same period was characterised by a slight increase in the employment rate. At the end of last year, Banca d'Italia's forecasts outlined a 0.5% growth for the Italian GDP in 2020, followed by a 0.9% growth in 2021 and a 1.1% growth in 2022. However, these numbers have been recently reviewed and lowered due to the outbreak of the Covid-19 pandemic in Northern Italy, whose impact on the national economy is deep and broad at the same time. An initial estimate of the effects that the health crisis will have on the economy was provided by the preliminary GDP forecasts for the first quarter: the economic activity declined by 4.7% compared to the previous quarter, while the variation that has been estimated for 2020 as a whole amounts to -4.9%. The measures that were taken in March 2020 both in Italy and in other countries to contain the spread of the virus had negative effects on international trade. Retail purchases plunged for all goods other than food, whereas a significant increase in online shopping was recorded. Currently, the impact of the health crisis on prices consists, above all, of deflationary effects due to the decrease in the demand for goods. In Italy, this trend has been contained thanks to the slowdown of energetic falling thus reducing the negative gap with the rest of the Eurozone.



+1.2%

Growth of GDP in the EUzone



+0.3%

Italian economic growth in 2019 within the European Union



Italian food industry

The wheat and maize markets

According to the **World Agricultural Supply and Demand Estimates Report (WASDE Report)** issued by the US Department of Agriculture, the global production of wheat in the 2019/2020 harvests (April 2020) amounted to 764.46 million tonnes, up around 33 million tonnes compared to the previous year (+4.5%, in absolute terms 731.46). Thus, the global production of wheat during this harvest recovered up to the level reached in 2017/2018. Going against the trend registered in the previous year, the quantities consumed were lower the volumes collected, leading to an estimated 292.78 million tonnes increase in the total Stock (278.10 million tonnes at the end of the 2018/2019 harvest).

Production in the European Union grew by about 17.14 million tonnes compared to the previous year (+12.5%), with a wheat crop of 154 mil-

lion tonnes.

With respect to the maize market, the WASDE Report estimates **the global production of maize in the 2019/2020 harvest as 1.113 billion tonnes**, with a slight decrease compared to the previous year (1.123 billion tonnes). As far as the global Stock is concerned, a further 17 million tonnes reduction compared to the previous harvest is forecast (303.17 million compared to 320.94 million in 2018/2019 and 341.60 million in 2017/2018). The production of maize is expected to be in line with the previous campaign for all the main exporters/consumers: Argentina, Brazil, Ukraine, Mexico and China, the second largest producer after the US with a production of about 261 million tonnes.

The trend of the Italian food industry

Within the complex socio-economic context described above, **the food industry, once more, has proved resilient and anticyclical based on the data issued by Federalimentare. In 2019, indeed, the industry showed an expansive and extremely positive trend within the manufacturing sector.** This was not an unprecedented event, as last year the food industry was able to complete its recovery from 2007/2008 financial crisis exceeding the pre-crisis levels of productivity by +3.4%. Therefore, **it is clear that the food industry has been able to exhibit its best qualities over the last years.**

In 2019, overall domestic sales increased by +0.9% compared to 2018 in monetary terms, as well as by 0.1% in volume. The comparison between these two figures highlights that the sold out in the food sector has been affected by an appreciation per unit value; in particular, this appreciation has amounted to +0.8 points, against a depreciation that on average has been equal to -0.5 points for the other industries. However, this represents the only positive result within an absolutely stagnating food market. In 2019, exports amounted to 35,382.5 million euro, with a +5.2% increase compared to 2018. Moreover, both the US (+11.1%) and Japan (+8.7%) further enhanced their positive trends. In Europe, positive trends were recorded for Germany (+3.2%), France (+7.2%) and the UK (+1.4%). Also the expansive pushes of Russia (+8.5%) and, to a lesser extent, China (+4.5%) shall be mentioned.

Overall, the EU recorded a positive trend, but its growth rate (+3.4%) was lower than the global one.

Imports registered a marginally negative trend (-0.3%) compared to 2018 and amounted to 21,872.8 million euro. This led to a **positive trade balance of +13,509.7 million euro (+15.4% compared to 2018).** In 2019, exports reached **24.4% of turnover in the food industry**, while in the manufacturing sector considered as a whole, the same value has remained steady at about 36% for several years.

Furthermore, **Italian agriculture is currently regarded as "the greenest" in Europe**, as far as environmental sustainability is concerned, with:

- 297 Dop/Igp specialties recognised by the European Union, 415 Doc/Docg wines and 5,155 traditional products identified across the Peninsula;
- A strong leadership in the organic sector, with over 60,000 companies producing certified products and the choice not to grow GMOs;
- 40,000 companies committed to safeguarding endangered seeds and plants as well as the leadership in the field of food safety, with the lowest amount of agricultural products affected by the presence of residues of banned chemicals.



€35.3million

Export share in the food segment at the national level.
+5.2% compared to 2018



+5.1%

Increase in foreign sales of soft wheat flour.

Italian milling industry

Based on the data issued by ANACER, in 2019 **Italian imports of cereals, oilseeds and high-protein flours increased by 642,000 tonnes (+3.1%) and 298 million euro (+5.4%)** compared to the previous year. With respect to cereal grain, imports of durum wheat (+67,000 tonnes), maize (+639,000 tonnes) and minor cereals (+27,500 tonnes) increased, while imports of soft wheat (-640,000 tonnes), barley (-80,100 tonnes) and oatmeal (-11,200 tonnes) decreased. Looking at the other products, imports of processed/substitute products (-136,000 tonnes) and bran (-11,800 tonnes) fell, while an increase in the imports of both animal feeds based on cereal grains (+21,000 tonnes) and rice (+41,600 tonnes) was recorded. Annual imports of oilseeds and oil fruits grew by 384,000 tonnes (+17.3%) - +400,000 tonnes just considering soybeans - while imports of high-protein vegetable flours fell by -258,000 tonnes (-8.9%) - -209,000 tonnes just considering soy flour.

According to the data published by ANACER, in 2019 **Italian exports of the main products of this sector fell by -53,000 tonnes in quantity (-1.2%), but grew by 166.8 million euro in their economic value (+4.9%) compared to the same period of 2018.** The reduction in the volumes exported is mainly due to cereal grains (-116,000 tonnes of which -123,000 tonnes of durum wheat), rice (-44,700 tonnes overall, thus including milled rice, husked rice, paddy rice and broken rice), durum wheat semolina (-35,000 tonnes) and processed/substitute products (-8,000 tonnes). Conversely, foreign sales of soft wheat flour (+5.1%), animal feeds based on cereal grains (+9.2%) and alimentary paste (+6.2%) increased, with the latter setting a new record of 1.9 million tonnes sold.

Monetary movements relating to imports/exports in the cereals segment resulted in an outlay of 5,849.9 euro (5,551.9 euro in 2018) and an income of 3,587.5 euro (3,420.8 euro in 2018) for the whole year. Therefore, the net monetary balance amounted to -2,262.7 million euro, against -2,131.2 million euro in 2018.

2019, with respect to the segments of both durum and soft wheat, confirmed the demand - between 5% and 20% of the total amount that was sold, depending on the product category considered - **for products that are regarded as healthy by consumers (made of organic or whole flours/brans), products associated with some kinds of "services", innovative products** and, to a lesser extent, products obtained relying on regional or local wheat. The supply is mostly aimed at the domestic market. Such products, which have always been able to expand their market presence, can no longer be regarded as niche products - this consideration applies especially to specific segments, such as those concerning organic and whole products in particular - at least looking at the number of references and the contribution that they guarantee to the total turnover of the milling industry - which is a more relevant data to take into account than volumes sold. **The constant growth of this new approach to consumption, despite showing a slight slowdown compared to the past, stands out even when the demand for "lowprice" goods increases, which is a consequence of the general economic and social polarisation affecting the country.**

Average prices of flours and brans in 2019 and compared to 2018, recorded an ambiguous trend: in fact, quotations of durum wheat flours (+9.0%) and, to a lesser extent, soft wheat flours (+2.8%) rose constantly. On the other hand, there was a negative trend in the price of by-products deriving from the grinding of durum wheat and soft wheat, which fell by over 9% in both cases. As far as the flours and brans are concerned, also given the high incidence that the cost of raw materials has on turnover (about 68% in the segment of soft wheat and 82% in the segment of durum wheat), this trend reflects the evolution that the quotations of wheat, both soft and durum, have had on domestic market.

Risk analysis and external context

The Casillo Group believes it is fundamental, for the creation of sustainable value and to enable “fully informed” business decisions to be taken, to conduct **preventive and continuous monitoring of the nature and of the level of risks** resulting from its activities, in addition to constantly **monitoring and managing** these risks.

Over the last years, the Group has developed a culture based on controls and risk management that allows the pursuit of sustainable growth in the long term. The operational diversification carried out by the Group and the presence of multiple legal entities operating at an international level have required the adaptation of internal control structures. Besides the activities performed by the Internal Audit, Casillo has established a series of audits that guarantee first-level as well as second-level supervision and entail the involvement of specific business functions including Compliance, Anti-money laundering, Quality, Head in charge of the prevention and protection service, Risk Management, Security and Data Protection Officer. In order to avoid financial risks, the Group implements a risk management and reduction policy (hedging activity), which is done by adhering to procedures and restrictions set out in specific risk management policies.

Within this policy, the financial risks stemming from the implementation of the Group’s activities are constantly monitored, so as to assess in advance their potential adverse impacts and put in place suitable measures to mitigate them.

In the internal control system specific positions from the financial sector have been introduced in the field of anti-money laundering, in order to monitor the transactions undertaken with foreign counterparts at risk as well as verify those sectors regarded as critical such as that of property transactions.

As previously mentioned, the Risk Committee is the collective body responsible for risk monitoring. The Risk Committee is also supported by some operating functions, first and foremost the Internal Audit function and the Risk Management one. The Supervisory Bodies ex 231/01 of the individual companies are also included, as they contribute to making the Governance aware of the risks that have to be managed in order to comply with the Italian Legislative Decree no. 231/2001.

In 2019, the Group implemented a **“broad” initiative of risk mapping** that led - for some pilot companies - to the identification of the **main risks related to environmental, social and governance issues**. In particular, all these risks can be linked to four main macro-areas: compliance risks, strategic risks, operational risks and financial risks.

The main financial and non-financial risks to which the Group is exposed are described below.



LIQUIDITY RISK is the risk that the Group, despite being solvent, is unable to promptly meet its commitments, or is only able to meet them under unfavourable conditions. The risk management policies defined by the Group ensure the maintenance of:

- sufficient liquid funds to meet the expected commitments for an extensive period of time with no need for additional sources of funding;
- a sufficient liquidity buffer to meet unexpected obligations.

This risk is currently considered to be extremely low. However, being aware of the importance of guaranteeing responsible cash-flow management, the Group has been implementing efficiency measures to better carry out treasury management.



CREDIT RISK is the exposure to potential losses arising from counterparties' failure to fulfil their obligations. This risk is subject to continuous monitoring as part of the normal performance of management activities.

Through credit management activities, carried out by a dedicated team of the group to which it belongs, the Company can easily manage the risks connected with the reference markets. With regard to operations with foreign markets, the Company continuously assesses the political, social and economic risks in the areas involved.

Exposure to counterparty credit risk is also minimised using appropriate insurance instruments to protect the customer’s solvency..



MARKET RISK (exchange rates, prices, interest rates) consists of the possibility that changes in exchange rates, in the prices of raw materials/commodities, or in interest rates may negatively affect the value of assets, liabilities or expected cash flows.

The main market risks to which the Group is exposed are the exchange rate risk (operating to a considerable extent with foreign markets,

mainly in US Dollars - USD) and the risk of fluctuations in commodity market prices (agricultural commodities). In this regard, the Group has established a special team of in-house specialists in strategies for hedging and managing the risks of fluctuations of the exchange rates and commodity prices, which is in constant communication with the top management.

- As regards exchange rate risk, consistent with the guidelines set out in the risk management policy, the Group carries out transactions involving derivatives to minimise the effects of fluctuations in exchange rates, by stipulating contracts normally used in commercial practice, such as: futures, forwards and foreign currency options. For additional information, please refer to the Explanatory Notes to the Consolidated Financial Statements.
- With regard to the price risk, the high volatility of agricultural raw material prices is typical of the sector and it determines, owing to the nature of the Group's business, the risk of not being able to pass any rises in purchase prices on to the sales prices. To mitigate this

Non-financial risks

With respect to the so-called ESG risks (Environmental, Social, Governance), the Group has been implementing a project aimed at raising internal awareness of these risks and effectively managing them, also with the objective of obtaining a sustainability rating that could reward the adoption of a holistic approach to the observance of the UN principles and the inclusion of environmental, social and economic topics. In this regard, it should be noted that this activity, carried out in 2019, will see the achievement of the ESG rating of Standard Ethics in 2020 as indicated in this chapter. In the context in which the Group operates the main risks related to ESG issues can be summarised as follows:

- **Compliance risks:** the Group is committed to avoiding the establishment of any relationships with entities that could harm - even indirectly - its own reputation by being involved in situations of corruption, money-laundering and violation of the laws enforced in the various industries in which the Group operates.
- **Strategic risks:** business development and diversification are pursued by paying great attention to local contexts and the sustainability of such growth over time, taking into account not only the Group's clients but also its workforce.
- **Operational risks:** dealing with trading and milling activities, the Group can have negative impacts on both the environment and

risk, the Group has developed a margin stabilisation strategy that entails the early drawing up of contracts for sales on the basis of hedges already made on the raw materials procurement market. In this way, the Group avoids making "short" sales, i.e. without knowing the purchase price of raw materials. In addition, derivative contracts, futures and options are also stipulated in order to manage and alleviate the risks of fluctuations in commodity prices. For details on these instruments, please see the explanatory notes to the consolidated financial statements.

- The interest rate risk essentially consists of the financial debt, expressed mainly at a floating rate. Considering the trend in reference interest rates and the short- and medium-term forecasts, it can be objectively observed that this risk, constantly monitored, is extremely low at present.

Lastly, the Group covers its financial requirements with a careful disposal of its trade receivables, in order to minimise funding costs.

workplaces. Thus, the continuous commitment to making processes more efficient and safeguarding the health and safety of employees is central to the Group's growth and great attention is paid to the production and management of pollutants, as well as the protection and continuous training of personnel.

The activities carried out in 2019 with respect to integrated risk mapping and assessment highlight the growing awareness of ESG risks and the desire to manage them always more efficiently and effectively. ESG risks will receive increasing attention in coming years and include:

- **CYBERSECURITY** and data security management, in order to reduce the risks related to cyber attacks from the outside.
- The **REPUTATIONAL RISK**, which is influenced by multiple variables (operating counterparts, product quality, quality and professionalism of the people employed by the Group).

Even the **QUALITY OF PRODUCTS** and that of production processes remains essential in the eyes of Casillo. As mentioned in the following sections, attention is paid to the quality of transformation and preservation processes. Monitoring and management tools include the certifications possessed by the Group; a system of specific audits concerning quality in order to guarantee operational excellence. In 2020,

moreover, initiatives aimed at spreading and sharing awareness of the quality handbooks within the organisation will be put in place, so as to make the whole production chain more aware of the strict implementation of those practices that improve quality. This will allow us to homogenise and improve the quality of the different production sites, take out multi-site certifications that can be managed more efficiently and, finally, implement new projects in the field of sustainability, for which an increasing demand from the high-standing clients that the milling segment has the chance to serve can be registered.

Moreover, as far as safety is concerned, Casillo draws a distinction between:

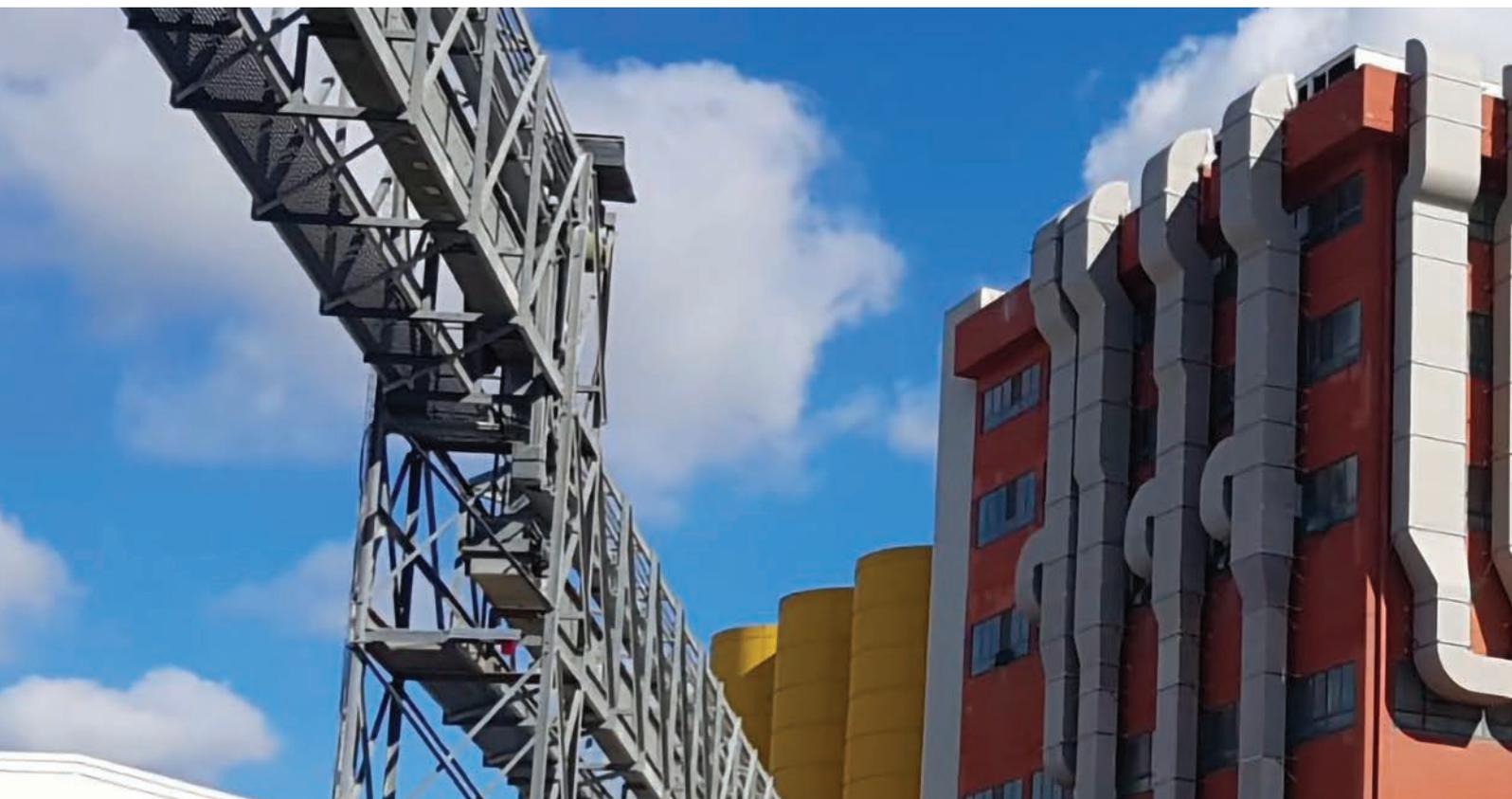
- **RISKS RELATED TO HEALTH AND SAFETY:** the Casillo Group has long adopted all the initiatives necessary to safeguard workplace health, as prescribed by the applicable laws. In 2019, a new pivotal professional figure was introduced at a central level, who enhanced the internal supervision and monitoring of health and safety issues on the workplaces.
- **RISKS RELATED TO "SECURITY",** which has to be considered in terms of general safety and is specifically supervised in the centralised control room monitoring the various production sites. In 2019, moreover, Casillo - which was among the first organisations that joined the project together with other relevant players - adhered to the compliance protocol TCR (Transport Compli-



ance Rating) for the selection of the carriers the Group collaborates with: TCR is the first international protocol aimed at improving the reliability and safety of transport. By joining this initiative, Casillo promotes the adoption of ethical principles along the entire value chain, boosting quality, safety and legality within logistics and transport systems.

Furthermore, the Group is committed to enhancing the safety levels of the production processes and those of the places where these processes are performed, with particular attention to environmental impacts. The **RISKS RELATED TO THE MANAGEMENT OF ENVIRONMENTAL ISSUES** are linked to the possibility that events that could harm the environment or hinder the health of the populations living in the areas where the Group operates occur; increasing attention is paid to these risks by both public regulatory bodies and a legislation that has become increasingly stricter.

The Group has adopted management systems and voluntary certification schemes that guarantee the constant monitoring of environmental performances. Among the most relevant environmental issues it is important to mention the **risks regarding climate change**, which refer to the possibility of the production and consumption of cereal grains being adversely impacted by climate conditions (e.g. lack of or excessive rainfall which may damage agricultural products). In this sense, the production of renewable energy is testament to the Group's commitment to combatting climate change.



Standard Ethics Rating (SER)

Standard ethics in an independent rating agency born in 2004 and fostering the adoption of the standard principles of sustainability and governance issued by the EU, the OCSE and the UN.

Its judgements on the levels of compliance of companies and countries to these sustainability principles are expressed through nine different rating categories (from EEE to F).

The nine different rating categories:

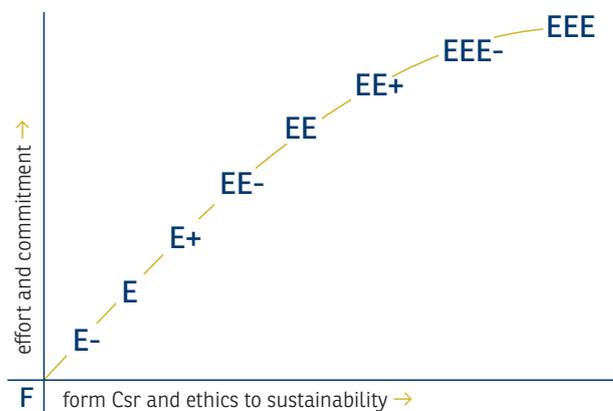
EEE	EEE-	EE+	EE	EE-	E+	E	E-	F
Full	Excellent	Very strong	Strong	Adequate	Non-compliant	Low	Very Low	Lowest level
Investment Grade					Lower Investment Grade		Non-investment Grade	

Standard Ethics provides the client with a detailed picture of its positioning using a methodology based on an algorithm with six groups of variables: Fair Competition, Shareholders' agreements, Market weight, Independent directorship, Corporate governance and sustainability.

The Group has taken out the assignment of the rating and has obtained a positive evaluation also in the long term. Standard Ethics has assigned an **EE- rating [Adequate]** to Casillo.

The **Long Term Expected SER** that has been attributed to Casillo is **EE [Strong]** and represents the rating that the company is expected to obtain in 2/3 years.

Graph → Standard Ethics Rating diagram of sustainability



1.7 Materiality analysis and stakeholder engagement

The Casillo Group updated its materiality analysis also in 2019, with a view to identifying the topics considered most important, both for the Group itself and its Stakeholders, as well as most significant and able to reflect the nature of the Group.

The analysis process was carried out by adhering to the methodology indicated by the principles of the GRI Standard. Material topics were identified by means of:

- an internal analysis based on different internal public and non-public sources;
- the direct involvement of external stakeholders by conducting a survey.

Each topic is given a score of 1 to 5 (from least relevant to most relevant), in order to identify the most significant issues related to the Group's impacts from an economic, environmental and social perspective.

The topics with a score above 2.5 (defined as the "materiality threshold"), on a scale of 1 to 5, for both axes, are considered material for the Casillo Group. New reporting issues have also been introduced, such as the adoption of a transparent approach to taxation, whose disclosure is in line with the new GRI 207 Standard.

2019 materiality matrix



- Governance and social responsibility
- Economic responsibility, suppliers and partners
- Environmental responsibility
- Customers product responsibility
- Human and responsibility for human resources

As shown by the outcomes of the analysis, the most relevant topics are in line with the approach that the Group has implemented and wants to pursue, also considering the further objective of contributing to the achievement of the SDGs (Sustainable Development Goals).

The Group's commitment towards these topics is borne out both by the continuous attention paid to the production of goods characterised by high levels of safety and quality, and by the implementation of processes and structures with lower environmental impacts (confirming the Casillo Group's focus on energy efficiency and ecosystem protection).

With a view to constantly improving the Group's performance and meeting the requests of consumers and the external context, the Group is placing increasingly more attention on the production of organic and Made in Italy products. Moreover, the Group has taken into account the topic of adopting a transparent approach to taxation, providing reliable information on taxes and on the initiatives that the Group implemented in 2019 with respect to fiscal transparency. Thus, the Sustainable Development Goals have been used to steer and bring about the determination of the Group's strategic priorities, which will have to be addressed through policies, targets and actions aimed at creating value. Given the nature of the business and in order to focus only on specific issues, Casillo has identified a set of SDGs, through projects and good practices, that deserve more attention, as illustrated below.

Table → Material topics and their links with the SDGs

	Governance, business ethics and compliance	Anti-corruption	Stakeholder engagement	Responsible management model	Relations with the local area	Innovation and relations with schools and universities	Partnerships with institutions	Product quality and safety	Customer satisfaction	Marketing and brand reputation	Health and safety of clients and end consumers	Donations and information to consumers	Responsible packaging and labelling	Responsible supply chain	Market presence, profitability and business value	Transparent approach to taxation	Diversity and equal opportunities	Professional development of human resources	Health and safety on the workplace	Industrial relations	Responsible management of resources	Energy consumption and efficiency	Ecosystem, raw materials and emissions	Carbon footprint and responsible management of soil
1 NO POVERTY					●							●												
2 ZERO HUNGER												●												
3 GOOD HEALTH AND WELL-BEING					●			●			●		●						●					
4 QUALITY EDUCATION						●												●						
5 GENDER EQUALITY	●																●							
7 AFFORDABLE AND CLEAN ENERGY																					●	●		
8 DECENT WORK AND ECONOMIC GROWTH		●					●							●	●					●				
9 INDUSTRY INNOVATION AND INFRASTRUCTURE						●		●	●	●			●											●
10 REDUCED INEQUALITIES												●					●			●				
11 SUSTAINABLE CITIES AND COMMUNITIES					●		●		●			●								●		●		
12 RESPONSIBLE CONSUMPTION AND PRODUCTION				●				●			●	●	●								●			
13 CLIMATE ACTION																					●		●	
15 LIFE ON LAND																					●		●	●
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	●	●	●				●		●	●		●				●								
17 PARTNERSHIPS FOR THE GOALS			●			●			●											●				

Casillo Group's stakeholders

The main dialogue, consultation and engagement initiatives implemented by the Group, which enable the ongoing understanding of the legitimate expectations and of the topics relevant to stakeholders, were as follows.



Table → Topics of interest and channels for dialogue and communication

CATEGORY	INFORM	LISTEN	CONSULT	ENGAGE	COLLABORATE
Clients and end consumers	<ul style="list-style-type: none"> Website Social Media Commercial documents Integrated Report 	<ul style="list-style-type: none"> Customer care Pre- and post-sales assistance Market analysis 	<ul style="list-style-type: none"> Management of digital channels Research centre 	<ul style="list-style-type: none"> Direct contacts International meetings 	<ul style="list-style-type: none"> Specific interviews
Suppliers	<ul style="list-style-type: none"> Website Integrated Report Code of ethics 	<ul style="list-style-type: none"> Feedback regarding quality 	<ul style="list-style-type: none"> Specific meetings 	<ul style="list-style-type: none"> Technical and periodic controls Direct contacts 	<ul style="list-style-type: none"> Supplier evaluation and support
Employees	<ul style="list-style-type: none"> Periodic Newsletter Reserved channel under the 231/01 Model Website SAP Cloud Platform 	<ul style="list-style-type: none"> Meetings with union representatives 	<ul style="list-style-type: none"> Internal environment assessment 	<ul style="list-style-type: none"> Team Building 	<ul style="list-style-type: none"> Programmes for improving safety
Shareholders	<ul style="list-style-type: none"> Consolidated financial statements and management report Integrated Report Website 	<ul style="list-style-type: none"> Conference calls Specific meetings National and international events 		<ul style="list-style-type: none"> Shareholder and board meetings 	
Environment	<ul style="list-style-type: none"> A.I.A. - Integrated Environmental Authorisation Certification of the environmental management system Website Integrated Report 	<ul style="list-style-type: none"> Public conventions 	<ul style="list-style-type: none"> Specific meetings concerning environmental topics 	<ul style="list-style-type: none"> Promotion and dissemination activities carried out by customers in favour of the environment 	<ul style="list-style-type: none"> Participation in work groups
Community	<ul style="list-style-type: none"> Corporate website Website Casillo Foundation Social media Integrated Report 	<ul style="list-style-type: none"> Conventions and co-organisation of events 	<ul style="list-style-type: none"> Support to and participation in local events 	<ul style="list-style-type: none"> Relations with local institutions Projects and initiatives for the local community 	<ul style="list-style-type: none"> Projects in collaboration with universities and training schools in Italy and abroad Participation in theme-based institutional work groups Participation in projects, calls for tenders and research

The correlation between the material topics for Casillo and the associated GRI standard indicators to which the report refers, is detailed below. The external and internal impact of the topics is also highlighted, as well as the related risks and existing policies at Casillo to cover them.

Table → Correlation between material topics and GRI standard requirements

Area	Material topics	SCOPE OF IMPACTS		Associated risks	Policies and tools to manage them
		Internal to the Group	External to the Group		
Governance and social responsibility	Anti-corruption	Whole Group	Advisors Agents Entities and institutions Local community Partners	<ul style="list-style-type: none"> Risks relating to offences of corruption Risks related to corporate offences Risks related to non-compliance or violation of the reference legislation or applicable regulations Reputational risk Possible unethical/ illegal behaviour by employees Failure of the company to integrate with the fabric of society 	<ul style="list-style-type: none"> Code of ethics Organisational Model 231 Environment, quality and safety management systems policies Standard ethics certification
	Governance, business ethics and compliance	Whole Group	Suppliers Shareholders Clients		
	Innovation and relations with schools and universities	Whole Group	Local community End consumers		
	Partnerships with institutions	Whole Group	Local community End consumers		
	Responsible management model	Whole Group	All stakeholders		
	Relations with the local area	Whole Group	All stakeholders		
	Stakeholder engagement	Whole Group	All stakeholders		
Responsibility for human resources and human rights	Professional development of human resources	Whole Group	Clients Suppliers	<ul style="list-style-type: none"> Risk of increase in turnover and loss of skilled and important personnel Risk of increase in accidents Risk of rise in work-related stress Risk of incompetence and negligence Risk of increase in the amount of cases of discrimination and unequal treatment along the supply chain 	<ul style="list-style-type: none"> Code of ethics ISO 9001 Quality Management System OHSAS 18001 Occupational Health and Safety Management System SA8000 Certification
	Industrial relations	Whole Group	Clients Suppliers Partners		
	Diversity and equal opportunities	Whole Group	All stakeholders		
	Health and safety on the workplace	Whole Group	Employees Suppliers		
Clients and product liability	Product quality and safety	Whole Group	Sales network End consumers	<ul style="list-style-type: none"> Risk of loss of competitiveness Possible late and/or inadequate response to expected levels of customer satisfaction Non-compliance of product information Reputational risk Possible difficulties resulting from the quality of products introduced to the market 	<ul style="list-style-type: none"> Certifications that are specific for the food sector (ISO 22005, Organic, Halal, Kosher, BRC, GTP, etc.)
	Customer satisfaction	Whole Group	Clients		
	Marketing and brand reputation	Whole Group	All stakeholders		
	Donations and information to consumers	Whole Group	Suppliers End consumers		
	Responsible packaging and labelling	Whole Group	Suppliers End consumers		
	Health and safety of clients and end consumers	Whole Group	End consumers		
Environmental responsibility	Ecosystem, raw materials and emissions	Whole Group	Suppliers Clients Community	<ul style="list-style-type: none"> Non-compliance with the legal and regulatory provisions governing environmental matters Amendments to the legislation with sanction risks 	<ul style="list-style-type: none"> ISO 14001 Environmental Management System ISO 14064-1 GHG Emissions Inventories and Verifications
	Energy consumption and efficiency	Whole Group	Suppliers Clients Community Shareholders		
	Responsible management of resources	Whole Group	Suppliers Clients		
	Carbon footprint and responsible management of soil	Whole Group	Suppliers Clients		
Economic responsibility, suppliers and partners	Responsible supply chain	Whole Group	Suppliers	<ul style="list-style-type: none"> Reputational risk owing to negative external factors transferred to supplier 	<ul style="list-style-type: none"> Code of ethics IFS certification GMP+ certification SA8000 certification Participation in the TCR compliance protocol "Visto pesante"(tax certification)
	Market presence, profitability, business value	Whole Group	Suppliers		
	Transparent approach to taxation	Whole Group	All stakeholders		



2

Performance and capital analysis

In this chapter

- 2.1 Financial Capital
- 2.2 Social and Relationship Capital
- 2.3 Intellectual Capital
- 2.4 Human Capital
- 2.5 Manufactured Capital
- 2.6 Natural Capital

2.1

Financial Capital

SDGs (Sustainable Development Goals)



1.5 billion

ANNUAL TURNOVER

€20.7 million

CONSOLIDATED NET PROFIT
(+17.7% compared to 2018)

€49 million

TOTAL GROSS ADDED VALUE

2019 FY HIGHLIGHTS

Economic and financial management



SIGNIFICANT EVENTS

- Establishment of **two new companies**.
- Continuation of the Group's **internationalisation process**.
- Extraordinary operation consisting of the **merger by incorporation** of the company Molino Casillo.
- Management of **post Covid-19 emergency**.



TURNOVER

- **Income from sales** amounts to € 1.5 billion.
- **Increase in sales in the trading segment**, especially in Europe.



ADDED VALUE

Constant capacity of the Group to **create wealth** through company business as a whole, needed to remunerate some **categories of stakeholders** with whom it has established financially important relations and who have provided relevant resources.

2.1.1 Highlights of the consolidated financial statements and significant events

Looking at the most relevant economic and financial data, it can be noted that 2019 closed with a **consolidated net profit of € 20,683,778** (€ 17,578,176 in 2018). The highlights of the 2018 consolidated financial statements, compared with 2017, are as follows:

Description	2019	2018	Change	% Change
Revenues	1,493,276,919	1.984,429,280	(491,152,361)	(24.8%)
Added value	43,920,042	76,544,881	(32,624,839)	(42.6%)
EBITDA	21,868,560	56,910,462	(35,041,902)	(61.6%)
EBITDA adj	41,834,742	39,387,563	2,447,179	6.2%
EBIT	11,514,322	48,058,652	(36,544,330)	(76.0%)
EBIT adj	31,480,504	30,535,753	944,751	3.1%
Income (loss) before taxes	28,244,927	28,370,873	(125,946)	(0.4%)
Total net profit	20,683,778	17,578,176	3,105,602	17.7%
Total shareholders' equity	247,789,123	229,717,550	18,071,573	7.9%
Net financial debt	318,310,327	211,031,812	107,278,515	50.8%
Net financial debt/Shareholders' equity	1.28	0.92	0.36	39.1%
Net financial debt/EBITDA	14.56	3.71	10.85	292.3%
Net financial debt/EBITDA adj	7.61	5.36	2.25	42.0%
Net operating working capital	175,710,818	155,207,959	20,502,859	13.2%

As shown in the table above, and as better commented below, in the year under review the Casillo Group registered a decrease of € 491 million in turnover (-24.8%) compared to the previous year, amounting to around € 2 billion. The decrease is mostly due to the fall in turnover registered by the foreign subsidiary Transgrain France S.a.s. In cash flow terms, the EBITDA before amortisation, depreciation, provisions and write-downs, amounted to € 22 million, i.e. 1.4% of turnover.

EBITDA adjusted, which takes into account the positive spread in derivative financial instruments, amounts to € 41.8 million, with an increase by 6.2% compared to the previous year.

In terms of profitability, the consolidated profit recorded an increase of € 3.1 million, reaching an overall amount of € 20.7 million.

In the light of the above, both economic and financial and capital management recorded positive results, confirming the Group's growth trend.

As commented more extensively in the explanatory notes to the consolidated financial statements, in 2019 the scope of consolidation, on a line-by-line basis, recorded the following changes:

- Establishment, on 16 October 2018, of Nuova Fit S.r.l., with registered office in Bari and share capital of € 10,000 entirely owned by the holding Casillo Partecipazioni S.r.l. After a shareholder meeting

that took place on 9 May 2019, the company was renamed Resnova Immobiliare Bari S.r.l. The company was formed to carry out real estate activities. 2019 fiscal year represented, for this company, the first year of its operations.

- Establishment, on 27 February 2020, of C&F Developments Italia S.r.l., with registered office in Corato and share capital of € 100,000, of which 42% owned by the subsidiary Gong Capital S.p.A. and 20% owned by the subsidiary Investor Advisor S.p.A. The company was formed to carry out construction and purchase/sale of real estate. In 2019, the company was consolidated on a line-by-line basis.
- Compared to the previous year, the following companies have been consolidated on a line-by-line basis: Kamelya Real Estate S.r.l., Immobiliare Marim S.r.l., Ausonio 25 S.r.l., Paullo 3 S.r.l., Sireo Immobiliari Fondi S.r.l.
- Consolidation of the company C&F Developments S.r.l. on a line-by-line basis.

With respect to the scope of consolidation through the shareholders' equity, the consolidation of the related company Vecchio Molino S.r.l. has been recorded. Established in 2016 and with registered office in Rome, this company is 50% owned by Casillo Partecipazioni S.r.l. and 50% owned by Garpuglia S.r.l., a firm with registered office in Corato which is itself 50% owned by Casillo Partecipazioni S.r.l.

The most important events that took place in 2019 included:

- With respect to the milling segment, the 2019 reporting period was characterised by an extraordinary operation which resulted in the merger by incorporation of the subsidiaries Semolificio A. Moramarco S.p.A., Farine di Parma S.r.l., Molino dell'Adriatico S.r.l., Molino di Sicilia S.r.l. and Molino di Lucca S.r.l. within Molino Casillo S.p.A. This extraordinary operation was part of a broader process of reorganisation of both the corporate structure and the technical-organisational arrangement of the Group, and was due, on the one hand, to the need for rationalising and concentrating the activities carried out by each of these companies, so as to obtain an operational integration of these firms within Molino Casillo S.p.A.; on the other hand, to the need for improving the management of the administrative, accounting and financial matters of the companies involved in the merger and making it more efficient by gathering all these firms within a single entity. Moreover, the merger has resulted in the

elimination of redundancies and overlaps at the organisational and administrative levels, with general savings obtained by allowing a single firm to carry out the entrepreneurial activities that used to be performed by six different companies. Therefore, the benefits stemming from this corporate reorganisation include: optimisation and rationalisation in the management of the resources linked to those activities that used to be carried out by the pre-existing companies; general savings; simplification of management procedures in the administrative and organisational spheres, thanks to the centralisation of such procedures within a single body.

- With respect to the organisational sphere, the process to review the Organisation and Management model, which had already started in the previous year, continued also in 2019 and was followed by substantial organisational changes, with a view to extending expertise and exchanging information between functions and to increasing the efficiency of the processes for all operating activities.



BENIAMINO CASILLO

Director of Casillo Partecipazioni S.r.l. and
Sole Administrator of Selezione Casillo S.r.l.

2.1.2 Operating performance

In 2019, the Group continued to grow in all business segments, enhancing its presence in both the domestic market and the international ones. The 2019 operating results were positive, both from a profitability and equity and financial perspective. Indeed, this is illustrated in the summary table of the results reported previously, and in the tables presented in the following pages:

- Sales revenues amounted to € 1,493,276,919. The decrease registered compared to 2018 is due, largely, to the subsidiary Transgrain France, whose standalone revenues fell by € 545 million. As far as the trading segment is concerned, a growth in the volumes mostly realised in Europe (+952,000 tonnes compared to 2018) and a drop in those realised in South America (-1,000,000 tonnes) were recorded. Finally, a significant increase in the amount of goods sold in Turkey (+202,000 tonnes) must be mentioned as well. With respect to the milling segment, the most important income is that related to brans and flours.
- EBITDA, i.e. the gross operating margin before amortisation/depreciation, provisions and write-downs, came to € 21.9 million, or 1.4% of turnover (2.9% in 2018). In 2019 the EBITDA was lower compared to 2018, which is mainly due to the results achieved by the Trading BU; in relation to this issue, a negotiation - which is still ongoing - has been carried out with important foreign clients in order to define the correct amount of rebilling of the costs already borne by Casillo Commodities Italia S.p.A. in 2019 and related to demurrages, which are worth € 14 million. In order to adopt the prudence concept, this revenue item has not been recorded in the accounting system.
- EBITDA adjusted, amounting to € 41.8 million and showing an upward trend of about € 2.4 million (+6.2%) compared to 2018, was

mainly impacted by the spread in derivative instruments which, in 2019, entailed the recognition of a total positive value of € 20.4 million, compared to the negative value of € 18.6 million in 2018.

- EBITDA adjusted (net operating margin) stood at € 31.5 million, and takes account of the amortisation/depreciation, write-downs and provisions prudentially booked to the income statement totalling € 10.4 million, up by around € 1.5 million compared to 2018.
- All the other main profitability ratios (ROE, ROI, ROS, etc.) recorded positive operating results.
- Pre-tax profit amounted to € 28.2 million while consolidated net profit in 2019 came to € 20.7 million. The comparison between 2019 and 2018, drawn up on a like-for-like basis, shows a pre-tax profit that is € 3.1 million higher (+17.7%).
- Consolidated shareholders' equity was strengthened due to the profits achieved, amounting to € 247.8 million as at 31 December 2019. The capital and financial ratios were extremely positive, proof of the Group's equity and financial strength.
- Net financial debt totalled € 318.3 million at the reporting date. The increase is primarily due to the need to finance working capital, made necessary due to the significant increase in the goods that were purchased, especially in the last part of the year. For an analysis of the net financial position and the relevant comments see below.
- Net working capital, a quick measure of the Group's ability to cover current liabilities through activities that can be carried out in the short term, amounted to € 175,710,818, with a 13.2% increase compared to 2018.

Cash flows

The table below summarises the cash flow changes in the year under review, compared with those of the previous year, as detailed in the statement of cash flows of the 2018 financial statements, to which ref-

erence should be made. The table is useful as it provides a summary of the cash flows, so that readers can immediately understand the changes in cash and cash equivalents.

Description	31/12/2019	31/12/2018	Change	Change %
Opening cash and cash equivalents	70,989,374	111,718,250	(40,728,876)	(36.5%)
Cash flow from operating activities	(47,234,896)	(12,066,514)	(35,168,382)	291.5%
Cash flow from investment activities	(47,353,108)	(41,845,844)	(5,507,264)	13.2%
Cash flow from financing activities	148,881,240	13,183,482	135,697,758	1029.3%
Closing cash and cash equivalents	125,282,610	70,989,374	54,293,236	76.5%

Net financial position

With regard to financial management, the net financial position is as follows:

Description	31/12/2019	31/12/2018	Change	Change %
A - Short-term monetary and financial investments				
Cash	(30,132)	(385,084)	354,952	(92.2%)
Banks	(125,252,478)	(70,604,290)	(54,648,188)	77.4%
Other current securities	(43,800,360)	(41,021,561)	(2,778,799)	6.8%
Rec. from subsid., assoc., parent comp. & affil. due within next year	(20,014,429)	(24,351,201)	4,336,772	(17.8%)
Other financial receivables due within next year	(3,974,123)	(13,246,286)	9,272,163	(70.0%)
Total (A)	(193,071,522)	(149,608,422)	(43,463,100)	29.1%
B - Short-term financial payables				
Payables to shareholders for loans due within next year	120,000	120,000	0	0.0%
Payables to banks due within next year	434,277,959	312,269,713	122,008,246	39.1%
Pay. due to subsid., assoc., parent comp. & affil. due within next year	0	2,153,516	(2,153,516)	(100.0%)
Payables to other lenders due within the next year	1,281,956	0	1,281,956	0.0%
Total (B)	435,679,915	314,543,229	121,136,686	38.5%
C - Net current financial debt C = (A+B)	242,608,393	164,934,807	77,673,586	47.1%
D - Medium/long-term financial assets				
Rec. from subsid., assoc., parent comp. & affil. due after next year	(6,510,975)	(2,698,475)	(3,812,500)	141.3%
Other fixed securities	(2,500,000)	(2,500,000)	0	0.0%
Other financial receivables due after next year	(892,606)	(934,639)	42,033	(4.5%)
Total (D)	(9,903,581)	(6,133,114)	(3,770,467)	61.5%
E - Medium/long-term financial payables				
Obligations due after next year	35,000,000	0	35,000,000	0.0%
Payables to shareholders for loans due after next year	56,408	176,408	(120,000)	(68.0%)
Payables to banks due after next year	50,472,648	51,977,252	(1,504,604)	(2.9%)
Pay. due to subsid., assoc., parent comp. & affil. due after next year	0	0	0	0.0%
Payables to other lenders after next year	76,459	76,459	0	0.0%
Total (E)	85,605,515	52,230,119	33,375,396	63.9%
F - Net non-current financial debt F = (D+E)	75,701,934	46,097,005	29,604,929	64.2%
G - Net financial debt G = (C+F)	318,310,327	211,031,812	107,278,515	50.8%

The net financial debt, or net financial position, came to € 318.3 million at the close of the year, recording an increase of € 107.3 million against last year. This increase is mainly due to the investments that the Group made in 2019 totalling € 60.4 million, and the remainder to the use of the liquidity needed to cover larger purchases of goods during the last

part of the year, needed to sustain the rise recorded in commodity sales. To complete the review of the Group's situation and of its operating performance, the reclassified financial statements are provided in the section below, along with the main alternative performance indicators.

Balance Sheet and Income Statement

To improve the readability of the 2019 consolidated financial statements, the balance sheet and income statement reclassifications follow, along with the main balance sheet ratios. The reclassified balance sheet is as follows:

Description	31/12/2019	31/12/2018	Change	Change %
A - Net fixed assets				
Intangible fixed assets	24,095,620	20,368,914	3,726,706	18.3%
Property, Plant and Equipment	129,544,901	98,160,252	31,384,649	32.0%
Equity investments	6,025,022	15,445,735	(9,420,713)	(61.0%)
Total (A)	159,665,543	133,974,901	25,690,642	19.2%
B - Working capital				
Inventories	184,659,365	105,485,925	79,173,440	75.1%
Trade receivables	223,071,769	270,317,226	(47,245,457)	(17.5%)
Trade payables	(84,923,973)	(107,234,086)	22,310,113	(20.8%)
Other current assets	115,983,582	74,259,089	41,724,493	56.2%
Other current liabilities	(20,421,467)	(19,462,410)	(959,057)	4.9%
Total (B)	418,369,276	323,365,744	95,003,532	29.4%
C - Gross invested capital C = (A+B)	578,034,819	457,340,645	120,694,174	26.4%
D - Provisions				
Provision for risks and charges	(7,902,026)	(12,774,553)	4,872,527	(38.1%)
Employee severance indemnity	(4,033,343)	(3,816,730)	(216,613)	5.7%
Total (D)	(11,935,369)	(16,591,283)	4,655,914	(28.1%)
NET INVESTED CAPITAL (C+D)	566,099,450	440,749,362	125,350,088	28.4%
<i>Covered by:</i>				
E - Shareholders' equity				
Paid-in share capital	90,000	90,000	0	0.0%
Reserves and retained earnings	206,965,724	205,528,011	13,349,466	6.5%
Net Group profit	15,174,085	8,560,923	6,613,162	77.2%
Capital, reserves and profit pertaining to minority interests	25,559,314	15,538,616	(1,891,055)	(12.2%)
Total (E)	247,789,123	229,717,550	18,071,573	7.9%
F - Net medium/long-term financial debt				
Payables to shareholders for loans due after next year	56,408	176,408	(120,000)	(68.0%)
Payables to banks due after next year	50,472,648	51,977,252	(1,504,604)	(2.9%)
Payables to other lenders after next year	35,076,459	76,459	35,000,000	45,776.2%
Net financial assets due after next year	(9,903,581)	(6,133,114)	(3,770,467)	61.5%
Total (F)	75,701,934	46,097,005	29,604,929	64.2%
G - Net short-term financial debt				
Payables to shareholders for loans due within next year	120,000	120,000	0	0.0%
Payables to banks due within next year	434,277,959	312,269,713	122,008,246	39.1%
Payables to other lenders due within next year	1,281,956	0	1,281,956	0.0%
Cash and cash equivalents and net financial assets due within next year	(193,071,522)	(147,454,906)	(45,616,616)	30.9%
Total (G)	242,608,393	164,934,807	77,673,586	47.1%
NET FINANCIAL COVERAGE (E+F+G)	566,099,450	440,749,362	125,350,088	28.4%
Gearing (Debt/Equity)	1.28	0.92	0.36	39.6%

The reclassified income statement is as follows:

Description	2019	2018	Change %
Net Revenues	1,510,944,138	2,001,882,313	(24.5%)
External Costs	(1,467,024,096)	(1,925,337,432)	(23.8%)
Value increase	43,920,042	76,544,881	(42.6%)
% of revenue	2.9%	3.8%	(0.9%)
Staff costs	(22,051,482)	(19,634,419)	12.3%
EBITDA	21,868,560	56,910,462	(61.6%)
% of revenue	1.4%	2.8%	(1.4%)
Exchange rate differences	(397,119)	1,036,117	(138.3%)
Differential from derivative instruments	20,363,301	(18,559,016)	(209.7%)
EBITDA adjusted	41,834,742	39,387,563	6.2%
% of revenue	2.8%	2.0%	0.8%
Amortisation, depreciation, write-downs and provisions	(10,354,238)	(8,851,810)	17.0%
EBIT adjusted	31,480,504	30,535,753	3.1%
% of revenue	2.1%	1.5%	0.6%
Financial Income	1,232,767	3,246,590	(62.0%)
Financial Expenses	(4,840,785)	(4,199,494)	15.3%
Profit/loss from ordinary operations - current	27,872,486	29,582,849	(5.8%)
% of revenue	1.8%	1.5%	0.4%
Revaluations	858,433	398,308	115.5%
Write-downs	(485,992)	(1,610,284)	(69.8%)
Pre-tax profit	28,244,927	28,370,873	(0.4%)
% of revenue	1.9%	1.4%	0.5%
Taxes	(7,561,149)	(10,792,697)	(29.9%)
Net income	20,683,778	17,578,176	17.7%
% of revenue	1.4%	0.9%	0.5%
Net income pertaining to the Group	15,174,085	8,560,923	77.2%
% of revenue	1.0%	0.4%	0.6%
Net income pertaining to minority interests	5,509,693	9,017,253	(38.9%)
% of revenue	0.4%	0.5%	(0.1%)

The capital, financial, economic and efficiency ratios are as follows:

CAPITAL AND FINANCIAL RATIO	31/12/2019	31/12/2018	Change
CASH			
Cash asset ratio	0.94	1.08	(0.14)
Current ratio	1.32	1.35	(0.03)
Net working capital	175,710,818	155,207,959	20,502,859
Net operating working capital	484,706,167	396,488,298	88,217,869
Treasury margin	(8,948,547)	49,722,034	(58,670,581)
FINANCIAL STRENGTH AND INDEPENDENCE			
Fixed asset coverage ratio	1.28	1.46	(0.18)
Secondary fixed asset coverage ratio	1.72	1.79	(0.07)
Debt/Equity Ratio	1.28	0.92	0.36
Equity minus fixed assets	75,815,207	86,386,557	(10,571,350)

Capital and financial ratios: key

Cash asset ratio = (short-term receivables + short-term financial assets + cash & cash equivalents) / short-term payables

Current ratio = current assets/current liabilities

Net working capital = (receivables due within next year + inventories + other short-term assets + cash and cash equivalents) - (payables due within next year and payables to banks within next year + other current liabilities + tax payables due within next year)

Net operating working capital = net working capital - (cash and cash equivalents - payables due to banks)

Treasury margin = net working capital - inventories

Fixed asset coverage ratio = shareholders' equity / fixed assets

Secondary fixed asset coverage ratio = (shareholders' equity + m/l term financial payables) / fixed assets

Debt/Equity Ratio = net financial debt /shareholders' equity

Equity minus fixed assets = shareholders' equity - non-current assets

ECONOMIC RATIOS	2019	2018	Change
PROFITABILITY			
ROE (Return on Equity)	8.3%	7.7%	0.7%
ROI (Return on Investment)	2.0%	10.9%	(8.9%)
ROI adj (Return on Investment adj)	5.5%	6.9%	(1.4%)
ROS (Return on Sales)	0.8%	2.4%	(1.7%)
ROS adj (Return on Sales adj)	2.1%	1.5%	0.6%
ROA (Return on Assets)	1.3%	6.5%	(5.2%)
ROA adj (Return on Assets adj)	3.6%	4.1%	(0.6%)
EFFICIENCY			
Rotation of invested capital	2.64	4.50	(1.86)
Average days for collection	54.26	49.61	4.65
Receivables rotation ratio	6.73	7.36	(0.63)
Average payment days	19.63	20.40	(0.77)
Stock rotation ratio	6.55	15.45	(8.90)

Economic ratios: key

ROE (Return on Equity) = net income / shareholders' equity

ROI (Return on Investment) = EBIT / net invested capital

ROS (Return on Sales) = EBIT / revenues from sales and services

ROA (Return on Assets) = EBIT / total assets

ROI adj (Return on Investment adj) = EBIT adj / net invested capital

ROS adj (Return on Sales adj) = EBIT adj / revenues from sales and services

ROA adj (Return on Assets adj) = EBIT adj / total assets

Rotation of invested capital = revenues from sales and services / net invested capital

Average days for collection = (trade receivables*365) / revenues from sales and services

Receivables rotation ratio = revenues from sales and services / trade receivables

Average payment days = (trade payables*365) / (costs of: raw materials + services + use of third party assets)

Stock rotation ratio = (costs of raw materials + change in stock of raw materials) / stock

2.1.3 Added Value

The Casillo Group, through the income deriving from ordinary operations and complementary operations, acquires the economic resources needed to carry out its activity. If the portions necessary to acquire raw materials and intermediate goods and services are subtracted from these incoming resources, what is left is the **“added value”**, i.e. **the Group’s ability to create wealth** through the business activities as a whole. This wealth is used to remunerate certain categories of stakeholders, who have economically relevant dealings with the Group and who have provided resources such as labour, investments,

loans, public utility services, socially useful programmes, thus contributing to the generation of the Casillo Group’s economic wealth. The added value of the Casillo Group was calculated according to the method proposed by the standard of the Social Report Study Group (GBS) and it entails, in particular, the use of two distinct statements detailed below:

- the Added Value calculation table;
- the Added Value allocation table.

In 2019, **the added value generated amounted to € 49 million**. Its breakdown is shown in the following table, with the amounts in thousands of €.

ADDED VALUE CALCULATION TABLE	2019	2018
A) Value of production	1,510,939,501	2,001,877,450
Revenues from sales and services	1,495,400,997	1,987,754,634
Change in inventories of finished products and goods	(825,942)	978,018
Own work capitalised	168,164	0
Other revenue and income	16,196,282	13,144,798
B) Intermediate costs of production	1,463,223,231	1,921,107,993
For raw materials, consumables and goods for resale	1,277,431,905	1,623,279,945
Costs for services	240,747,749	282,534,992
Leases and rentals	4,481,687	4,400,148
Provisions for risks	508,331	827,169
Other operating expenses and other allocations	6,572,305	3,067,005
Changes in inventories of raw materials, consumables and goods for resale	(67,060,060)	6,998,734
Write-down of receivables included in current assets	54,314	0
C) Gross added value from ordinary operations (C=A-B)	47,716,270	80,769,457
Exchange rate gains and losses	(397,119)	1,036,117
Added value from ordinary operations net of foreign exchange gains & losses	47,319,151	81,805,574
Balance from complementary operations	1,232,767	3,246,590
Total income from equity investments	341,587	762,492
Total other financial income	891,180	2,484,098
Value adjustments to financial assets and liabilities	372,441	(1,211,976)
Total revaluations	858,433	398,308
Total write-downs	485,992	1,610,284
Balance of non-recurring items	(172,456)	(187,888)
Non-recurring income	4,637	1,610
Non-recurring expenses	177,093	189,498
TOTAL GROSS ADDED VALUE	48,751,903	83,652,300

ADDED VALUE ALLOCATION TABLE	2019	2018	Var, %
Remuneration of personnel	24,804,074	22,260,547	11.4%
Wages and salaries	16,503,642	14,604,754	13.0%
Social security costs	4,406,122	4,018,268	9.7%
Employee severance indemnity	1,020,482	852,568	19.7%
Pension costs and similar liabilities	9,314	3,722	150.2%
Other costs	111,922	155,107	(27.8%)
Remuneration of personnel other than employees	2,752,592	2,626,128	4.8%
Remuneration of the Public Administration	8,878,524	12,347,773	(28.1%)
Income taxes for the year	7,488,921	10,339,568	(27.6%)
Direct taxes relating to previous years	72,228	453,129	(84.1%)
Operating grants	-	(3,253)	(100.0%)
Current indirect taxes and relating to previous years	1,317,375	1,558,329	(15.5%)
Remuneration of loan capital	(15,522,516)	22,758,510	(168.2%)
Interest expense	4,840,785	4,199,494	15.3%
Differential from derivative instruments	(20,363,301)	18,559,016	(209.7%)
Remuneration of the company	9,304,593	8,024,641	16.0%
Amortisation/depreciation of fixed assets	9,304,593	8,024,641	16.0%
Remuneration of Risk Capital	20,683,778	17,578,176	17.7%
Profit (loss) for the year attributable to minority interests	5,509,693	9,017,253	(38.9%)
Profit (loss) for the year attributable to the Group	15,174,085	8,560,923	77.2%
Donations, sponsorships and contributions to scientific research	603,450	682,653	(11.6%)
Donations, sponsorships and contributions to scientific research	603,450	682,653	(11.6%)
TOTAL GROSS ADDED VALUE	48,751,903	83,652,300	(41.7%)



Note: for the calculation method, please see Associazione Nazionale per la Ricerca Scientifica sul Bilancio Sociale (2013), Il Bilancio Sociale - GBS 2013 (National Association for Scientific Research on the Corporate Social Responsibility Report (2013)) Giuffrè Editore, available at: <http://www.gruppobilanciosociale.org/pubblicazioni/standard-gbs/>

2.1.4 Business outlook

On the reporting date, the important health emergency caused by the diffusion of Covid-19 virus (which started already in January 2020 in China) is still ongoing worldwide. In order to face this health crisis, the Italian Authorities have been issuing regulations, imposing strong limitations on the movement of people as well as bans on gatherings, while also reserving the right to gradually set further and stricter restrictions; furthermore, the adoption of strict health protocols has been demanded in order to keep people safe, especially in their workplace. Currently, it is still impossible to accurately predict the consequences of this emergency from an economic and financial point of view. The forecasts on GDP growth, which initially were positive at both the global and European level, could be revised downwards. In this landscape, the main central banks could enhance their accommodative policies. The Federal Reserve (FED) cut its benchmark interest rate at the beginning of March and could cut again the cost of money before the end of 2020. The European Central Bank (ECB) could continue to adopt the quantitative easing. Both could strengthen their policies to support credit and liquidity.

With respect to financial markets, fears about the impacts of Coronavirus on the real economy will keep risk-free returns low. However, the risk to assist to a further downward trend of the Eurozone's core returns is low. Despite having suffered a significant fall in the first part of 2020 due to the high level of uncertainty linked to Coronavirus and to the fears of its negative impact on the economy, the stock market continues to remain more attractive than bonds, yet with an extremely cautious attitude in the short term shown by investors. Whether contagions worldwide were to be higher than in the expected scenario, core Eurozone's government rates could record new lows and risky assets could be characterised by high volatility for a longer period.

As far as the cereal market is concerned, the general context is characterised by scares exchanges on the markets and trade has been stopped in several places. Potential market tensions could arise, first, due to a lower availability of raw materials in the domestic markets and, second, due to the difficulties faced while trying to purchase them from abroad. IGC's forecasts for the next and forthcoming 2020/2021 campaign do not highlight any critical elements that could have a significant impact on the wheat market. It is estimated that global wheat production in 2020-2021 will set a new record of 769 million tonnes, compared to 763 million tonnes produced in 2019-2020; this result will largely reflect the performance of India, the second largest wheat producer worldwide, which has recently issued its forecasts for the 2019-2020 period, predicting an extraordinary wheat production amounting to 106-21 tonnes (+2.5% compared to 2018).

With respect to the European Union, wheat production is expected to decline in the 2020/2021 campaign, largely due to the extremely difficult conditions in the UK and France. As always, much will depend on the sowing season and on the growing conditions in the coming weeks and months, while the impact of Covid-19 on harvesting will need to be carefully monitored. In response to the growing pandemic of Covid-19, some nations have implemented restrictive policies that influence the market. Restrictions on exports have been set by Russia since the beginning of April and Kazakhstan, which set a ceiling on the exports of wheat and wheat flour. Wheat exports from Ukraine have slowed too over the last weeks and prices have gone up. With respect to the domestic market, the "sowing intentions" disseminated by Istat are the only indications available and envisage a 1.1% increase in the investments on soft wheat, compared to the 531,000 hectares, 0.5% of durum wheat and over 1.2 million hectares of last year.

As far as maize is concerned, a new production record of 1.2 billion tonnes and a simultaneous increase in demand are estimated, which could lead to a contraction in final stocks.

In relation to the aforementioned health emergency, the agri-food industry has immediately drawn great attention as, on the consumer side, there has been an immediate and instinctive reaction leading to the purchase of food goods and, on the political front, the awareness has risen that the proper functioning of this supply chain as well as the ability to guarantee food supply would have represented an important signal from both an economic and social point of view. In fact, the agri-food sector has been, so far, among those that have been affected the least by the economic crisis stemming from the ongoing pandemic, largely confirming its anti-cyclical nature. Still, the unpredictable trend through which events have been evolving does not provide certainties for the future.

Important and crosscutting elements affecting the sector concern personnel and logistics. Despite the adoption of measures aimed at reducing its impact, the presence of the risk of being infected has made the functioning of the supply chains more complex, both as far as the procurement of raw materials as well as the shipment/delivery of products are concerned, but also in terms of higher production costs and less working ability. In some cases, the uncertain functioning of logistics services - especially at the international level - has already made it difficult for some companies to find raw materials or consumables (e.g.: packaging). The availability of services and/or spare components for machinery, which are vital to guarantee full efficiency of both farms and processing companies, is another issue directly connected with the previous one. The report issued in March 2020 by ISMEA identifies some

major trends which can be summarised as follows:

- Tendency to procure conservable products (pasta, rice, canned sea-food, canned tomatoes, etc.) to create home stocks and prepare for potential situations of future scarcity;
- Strong orientation to do shopping online;
- Strong orientation to purchase fourth and fifth selection products (ready to eat pizza and vegetables), with subsequent weakening of this trend;
- Below average increase in the beverage segment (+9%), a sector that in recent years had driven the dynamics of the Food&Beverage industry;
- Almost exclusive orientation towards large-scale distribution, with recourse where possible also to neighbourhood shops (fruit shops and butchers).

In this context, the ongoing Covid-19 pandemic puts the Italian processing firms in a condition of extreme vulnerability, precisely because they heavily rely on the imports of raw materials from abroad. Indeed, the huge demand coming from both domestic end consumers and in order to satisfy export requests could make it hard for processing companies to secure sufficient amounts of raw materials; this applies especially to

the procurement of foreign products and is due to the difficulties, for carriers, to cross the borders separating different countries. In general, difficulties exist for the procurement of raw materials from other EU countries and other adjacent countries, as most transports are done relying on trucks.

The situation for is even more critical considering maize and zootechnics: for both animal feed factories and farms it is impossible to secure abundant provisions. With respect to animal feed factories, the quantity of raw materials purchased and stored typically allows to carry out the processing activities performed at the plant for 3-5 days. This is because the plant produces different types of feed based on the received orders, thus scheduling its activities only few days in advance and purchasing specific raw materials according to these schedules.

Taking into account the specific effects on the Casillo Group with regard to the Trading segment, the trend of sales in 2020 is expected to be in line with that of the previous year, compatibly with the evolution of the general political context. As far as the milling segment is concerned, the actions implemented by Molino Casillo S.p.A. will be aimed at strengthening and broadening the market shares, through the adoption of an increasingly effective sales policy.

2.1.5 Other information

Transactions with non-consolidated subsidiaries, associated companies and other related parties

Pursuant to paragraph 5 of art. 2497-bis of the Italian Civil Code, appendix 1 shows information on transactions with non-consolidated subsidiaries and with associated companies at the Group's reporting date.

Types	Vecchio Mulino di Roma S.r.l.	Prospero Consulting S.r.l.	Capo Sesto S.r.l.	Oversky Ltd	Garpuglia S.r.l.	Molini Tandoi S.r.l.	S.c.i. Corato
Commercial transactions							
Receivables	540,944						
Payables				33,195		1,764,799	
Costs for goods and services						4,091,113	
Revenues for goods and services							
Financial and other transactions							
Receivables	18,639,408	112,500	45,000	1,008,021	2,136,099	4,752,314	356,977
Payables							
Expenses	182,883						
Income				14,610			7,523
Guarantees and Commitments							

2.2

Social and Relationship Capital

SDGs (Sustainable Development Goals)



€603thousand

DONATIONS AND SPONSORSHIPS

€300thousand

FINANCIAL RESOURCES ADDRESSED TO THE ACTIVITIES OF THE VINCENZO CASILLO FOUNDATION

€8.8million

TAX CONTRIBUTION TO PUBLIC ADMINISTRATIONS



14 Grinding plants

2019 FY HIGHLIGHTS Customers



BUSINESS SECTORS

- Milling industries.
- Retail.
- Trading.
- Cereal grain storage.



COMMUNICATION

Implementation of various **communication** projects, sponsorships and participation in **events** targeted at the end consumer and artisans.



SUPPLY CHAIN PROJECTS

- Line **PRIME TERRE**.
- Line **Food Service**.
- Range **Racconti del Campo**.



LOCAL COMMUNITY

Casillo directly supports many sporting, social and cultural initiatives through donations and sponsorships and the activities of the Vincenzo Casillo Foundation.

2.2.1 Customers and markets

Annually, the Casillo Group relates to **four main business sectors** - and the related customers - identified within the **milling industries, retail, trading and cereal grain storage**. For each sector, Casillo uses tools and new ways of working which ensure a continuous alignment between security and quality, as the main objectives and aims of the Company.

Business sectors

Milling Industries

The high quality of the Casillo products results from two main factors: the choice of the best raw materials and the high technology within the productive process. The availability of raw materials, which are selected from the highest qualitative and most interesting outset, provides customers with "tailor-made" semolina, which responds to their needs and expectations. The grinding production process, which has remained unchanged for about 100 years, was improved by introducing advanced technology

in the form of hulling and optical sorting systems, which have helped to increase the healthiness and quality of the product.

Annual production capacity of 2 million tonnes is guaranteed by 13 grinding plants.

The main customers are major Italian pasta manufacturers, feedstuff factories, zoo-technical companies and retailers.

Wheat processed

	2019	2018	2017
Biological Durum Wheat	5%	6%	4%
Soft Wheat	27%	29%	29%
Durum Wheat	68%	65%	67%

Aeraulic system

Plant designed for the purpose of controlling the flow and the quality of the air that is required by industrial mill to process both the raw material during the cleaning phase and finished products during the grinding phase.

Advantages

- significant reduction in the fluctuations of some critical parameters on which the quality of the finished product depends and increases the productivity of the plant because the stops and non-conformity are reduced;
- reduction of the evaporation effect of the water contained in the grinding products, an increase in production yield follows;
- stabilization of the system pressure, going from a condition of depression to one of slight overpressure compared to weather conditions;
- reduction of the bacterial load in the finished products due to the decrease in condensation and mold.

Impacts

- Food quality and safety;
- Increase in productivity.



Nir probes

In the milling industry, product quality control is fundamental.

The production of flour, in fact, having to meet precise compositional and functional requirements, poses the need to choose which grains to use, to understand how to perform the grinding in so as to maximize the yield both in economic and qualitative terms.

In this perspective, it is quite clear that the consolidated practice in the sector, which consists in carrying out qualitative tests on incoming raw materials or directly on the finished product, may be weak in that it cannot influence the process in order to achieve the production targets. The use of NIR probes is placed in this context, i.e. high-tech probes for measuring of the composition of wheat and flour by spectral analysis. Probes are applied directly to the plant in strategic points of the production process:

- **Pre-cleaning phase**, in order to monitor the grain before being stored;
- **Ceaning phase**, with the aim of verifying that the mixture respects the target parameters;
- **Grinding phase** to monitor the whole process;
- **Vehicle loading phase**, in order to check that the loaded product meets the customer's requests.

NIR probe technology is capable of successfully correlating spectral acquisitions in the neighbor infrared with the main commodity and rheological parameters of wheat and flours such as: humidity, proteins, gluten, ashes, Falling Number, alveographic, farinographic parameters (absorption, stability, development time) as well as extensographic (energy, extensibility). These parameters are the main product and yield evaluation metrics, with direct repercussions on the user the final. The advantage of this application, in addition to not requiring sample preparation operations due to the non-destructive nature of the measurement, is in providing the qualitative key parameters in real time. Furthermore, through 24/7 monitoring on the product leaving the grinding, it is possible to evaluate and control the effects of changes in plant design on the finished product, ensuring non-compliance and increasing plant productivity. NIR acts as an instrument with proven measurement reliability on the compositional parameters of wheat and flours, on the other you can think of expanding its function through the application of innovative algorithms. This was possible thanks to the collaboration with IDEA 75 and the Polytechnic of Bari with appropriate Machine Learning techniques with which it is possible to derive from the near infrared spectral measurements of the "features" of a diagnostic nature of the system, such as its operating regime, duration guaranteed of the grinding or the flow of the product on the measuring points.

Retail

This segment regards the products sold by Selezione Casillo S.r.l. and Armonie Italiane S.r.l.

On one hand, the Selezione Casillo' segment mainly includes semolina-based products packaged in bags and boxes and it is enriched by a series of services studied to satisfy the needs of all the actors included in the supply chain, able to represent the Company's values and promote the digital channels. Specifically, other than those services related to depth of the range, pre-and- post-sale services, Selezione Casillo provides financial, logistics and *edutainment (Education and Entertainment)* services. This last activity is established to develop the diverse operators' skills with the aim to improve the business and economic achievements of the Company.

The reference products sold under the "Selezione Casillo" brand, handled in 2019, include bags from 0.5 kg to 25 kg for professionals.

Armonie Italiane S.r.l. is the company that markets the products to "Agricola del Sole" brand. The Agricultural Society of the Sun extends over an area of about 800 hectares cultivated with vineyards, from which it is obtained grapes for harvesting and bottling of "Masseria Faraona" wine, orchards, olive groves and arable land. The territorial indication, i.e. the strong one belonging to the Apulian territory, it is finally a characterizing element of all the references in the portfolio. In addition, a logistics and commercial platform of around 12,000 m² capable of accommodating over 8,000 pallet places, it allows logistics management for both companies.

Casillo line projects



Expansion of PRIME TERRE line

PRIME TERRE is the regional controlled and certified supply chain project characterised by a pronounced local flavour, which ensures the genuineness and local origin of the milled wheats. The project emphasizes local production ensuring authenticity for each participating brand (Selezione Casillo, Maionchi, Molino Alimonti, Romana Macinazione e Molino di Sicilia) regarding their own semolina-based products, which are obtained from the grinding of 100% Italian wheat. Wheat is cultivated, harvested and grinded on site, and it gives life to flour and semolina that posse the fragrance and scent of the territories where they were born. The PRIME TERRE project was borne out of a desire to crystallise the love for the agricultural tradition that has always characterised regional and Italian companies. A journey through Italian and regional farming: Apulia, Tuscany, Sicily, Abruzzo, Lazio and Campania. Prime Terre also consists of a communication project embedded with the creation of different tools provided by sales network, which includes cookbooks, social contests, dedicated photo tour days, days dedicated in the tops retail outlets etc.

Expansion of the Food Service line

The *Food Service* line has been expanded to give more space to specific references in the channel of Specialized Distributors and of the world Ho.re.ca; both references and different types of formats increased and boosted. The main objective is to have a clear and distinctive positioning in respect to Selezione Casillo in this channel. The development activity of this line is to work on distribution and on the breakthrough of the line within channel of reference with different supporting activities: demo-communication at the retail points, press and social actions.

Expansion of the RACCONTI DEL CAMPO range

The RACCONTI DEL CAMPO range has been enriched with new reference products, namely for domestic and professional use. A complete range of special flours obtained from the grinding of different varieties of cereal grains with unique nutritional characteristics, to fully meet the increasingly more complex and diversified needs of consumers.

Their production stems from the desire to rediscover some alternative cereal grains: special flours are rich in fibers, vitamins, proteins and mineral salts and have various uses in the kitchen. A recipe book is also provided to make them easier to use. In addition, the elegant packaging recounts the story of alternative cereal grains.

Wheat trading

Casillo Commodities Italia S.p.A. is a key player in the sale of cereal grains on an international level, acting as a driver in the trading sector and ensuring synergism with the processing activities. In 2019, commodities sales reached a level of more than 3.3 million tons, with a significant diversification in terms of the types of products handled,

which demonstrates the Group's internationalization process.

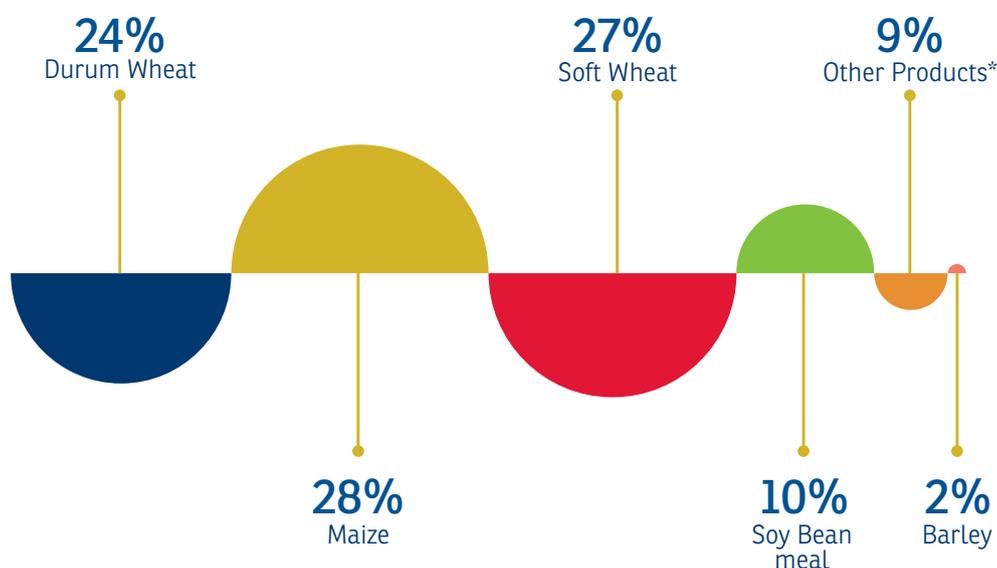
Casillo Commodities Italia S.p.A. also operates via its foreign subsidiaries, such as Transgrain France S.a.s.

- Nimes, Casillo Commodities Brasil S.A. - São Paulo, Grainprom - Moscow and Transgrain Central Europe - Budapest.

Quantity of sales by product typology

	2019	2018	2017
Soft wheat	27%	42%	54%
Barely	2%	13%	19%
Durum wheat	24%	13%	16%
Maize	28%	15%	7%
Soy Bean meal	10%	4%	1,5%
Other products*	9%	13%	2,5%

* Other products include: metals, pasta, durum wheat fine bran and other commodities



Cereal grain storage

Cereal grain storage is of paramount importance, and it is highly synergic with the milling and trading activities, insofar as it makes it possible to purchase various and substantial quantities of cereal grains in every period of the year, ensuring the customer with "constant" quality standards, which is an extremely valuable requirement for users of our products.

The productive sites are constituted by impressive metallic silos in which raw materials are stored. Therefore, such activity allows to buy

huge quantities of wheat differently through different periods of the year, by ensuring the clientele a constant qualitative standard which constitutes the necessary requirement for the users for Casillo products.

These productive sites are made of metallic and cement sites, in which raw material is stored. The group possess also port terminals which allow to own a capacity of storing the material while waiting for the custom clearance of importation.

	Storage capacity (t)		
	2019	2018	2017
Port Terminals	147,000	169,000	241,000
Barletta	0	22,000	22,000
Bari	28,000	28,000	28,000
Ancona	0	0	46,000
Catania	49,000	49,000	49,000
Palermo	0	0	26,000
Monfalcone	70,000	70,000	70,000
Storage silos	304,000	292,000	220,000
Altamura	30,000	30,000	30,000
Gravina	30,000	30,000	30,000
Pozzallo	24,000	24,000	24,000
Corato	136,000	124,000	76,000
Ortona	60,000	60,000	60,000
Lucca	24,000	24,000	-
Total	451,000	461,000	461,000

In 2018, Silos Granari della Sicilia, the holder of various concessions for covered and open state-owned land, organised the early return, with respect to the natural expiry, of the land and of the relative products regarding the Piave Pier of the Port of Palermo, and the South Pier of the Port of Ancona to the relative Port System Authorities.

Similarly, an early return was organized for those areas and other structures residing in the central pear of Barletta Port, where the demolition work will conclude by the end of 2020.

For those activities there are two macro-categories of costumers:

1) **Importers and final recipients of the goods**, namely companies that procure goods of European and/or overseas origin, which are

disembarked and temporarily stored in the port silos;

2) **import/export companies** that are not end consumers of the goods. Namely trading companies that import and/or export goods of European and/ or overseas origin, which are then sold to the end users/recipients.

Each office possesses a machinery with an instant detection system - INFRAMATIC 9500 - which processes qualitative and quantitative characteristics of the incoming goods, able to provide information in real time regarding: temperature, specific weight, proteins, humidity and gluten.

Renewable energy

The Casillo Group adopts solutions for the generation of electricity through "renewable systems" in order to reduce, first and foremost, supply costs and electricity procurement.

Until now, in Apulia photovoltaic implants have been installed with a

6.3 MWh potency. The only customer for the production of electricity is Gestore Servizi Elettrici (GSE). The energy released within the network is withdrawn by a single market trader: Sorgenia S.p.A.

2.2.2 Customer relations

The Group is highly committed to product quality and safety and full satisfaction of the customer. Casillo offers services and products to the biggest Italian bakeries, big Companies and entities that purchase wheat and other agricultural commodities. The Group cooperates with Italian and foreign market operators, who ask for personalized products based on the end use such as bread-making, pizzeria, baker and artisanal laboratories of fresh pasta.

Since 2015, Selezione Casillo S.r.l is considered to be one of the most important Large Scale Retailers.

In 2019, Casillo Group went forward with its interests towards the market in the world of **Ho.Re.Ca.** and **Specialized Distribution** with the aim to penetrate and conquer a highly strategic channel such as the one of pizzerias.

The effort in terms of innovation of the Casillo Group showed, over

time, also the increase and diversification of certain activities (from intermodal logistic trading to development of projects regarding renewable energy) Group's commitment to innovation has been borne out, over time, also by the increase and diversification of some activities (from trading to intermodal logistics to the development of renewable energy source projects) as well as the development of initiatives targeted at enhancing the value of durum wheat. Also in 2019, the Casillo Group continued to propose innovative ideas and solutions in order to promptly meet and anticipate the needs of its customers, by expanding the development of the lines of other cereal grains, such as the Prime Terre line, the line regarding mix of different cereals and semolina-based products, as well as specific flours for professional artisans in the *Food Service* Line.

In 2019, Casillo undertook a path to validate "the state of the brand's health", namely to assess the patrimony of the brand (or value of the brand) "Selezione Casillo", in order to verify the knowledge of the brand by the consumer and professional market. The Casillo Group wanted to review, after different stages of the brand's evolution, the current relationship among, brand, consumers and client, by analyzing its strength on the market (in terms of brand's value, distinctive features, uniqueness, brand's personality, coherence among events, loyalty, knowledge, perceived product quality, brand's association and competition). Moreover, the whole strategy of the commercial brand "Selezione Casillo" has been verified and redefined from both the professional world and consumers, through a naming analysis, and a study on hierarchy and commercial channel's needs.

Afterwards, such analysis required the development of an important rebranding and repositioning project of the brand through an innovative project addressed to the world of Ho.Re.Ca. and retail.

Evolution and innovation through the market's needs were necessary in order to address the new models of consumption insofar as to gain new segments of costumers in the field of the Ho.Re.Ca. and Food service market, specifically for sectors such as catering, pizzeria, bakery, fresh pasta and also consumer channels.

The Re-branding project is essential to **reposition the brand** through a path of requalification in terms of "**values**": **reputation - image - perception - quality**. The work on Brand Identity requires a comprehensive perception. In the activity of repositioning the brand, attention will be dedicated to the product: the development of a "special" line of reference, related to Casillo, with the aim to improve the perception of the Company's perception from all both clients and consumers.

The project foresees a tight collaboration of the Marketing Office with specialized agencies to define clear marketing and transversal communication strategy on consumer and professional channels.



Communication

The Group introduces itself to its clients with a comprehensive communication approach, by using both traditional tools and new interactive methods, through the main information channel - at a local and national level - other than its social media channels: website, Facebook page, Instagram and Twitter.

In 2019, the constant communication was pursued through the Selezione Casillo website and its positioning in the Selezione Casillo Facebook page, which have a double interface - consumer and professional ones - and provide a valid source of information to both professionals and consumers.

The pages are more eye-catching, dynamic and content-rich, so that users can intuitively browse the world of wheat and semolina-based products. The Group has invested considerably in web and social channels to improve the engagement of target users, in order to optimise the exposure of the content by setting in place photo contests, targeted campaigns on Facebook and by creating a high level of interaction with the consumer. In 2019, the Casillo Group implemented various communication projects targeted at end consumers and artisans; training courses were organized for clients as well as Italian and foreign distributors with the aim to better expose the Company and concretely test semolina-based products. Such work was possible thanks to essential and continuous communication efforts from the technical team and the ambassadors, who work everyday to spread the product's values by explaining its peculiarities and uniqueness.

Selezione Casillo with Way TV

The communication project through WAYTV involves an information service offered to the passengers on the Bari-Barletta and on the Ap-

pulo-Lucana Railway line through a complete news bulletin, accompanied by advertisement promoting the Casillo products.

National press campaign trade and consumer

The Group invested in a lot on food press at a consumer and professional level for a greater promotion of the brand through dedicated ADV campaigns, such as the one created for the Professional channel with a view on Sigep 2019 and for consumers on the line "Le Semole d'Autore" with the campaign "Un gusto unico in tutti i gusti".

Amazon

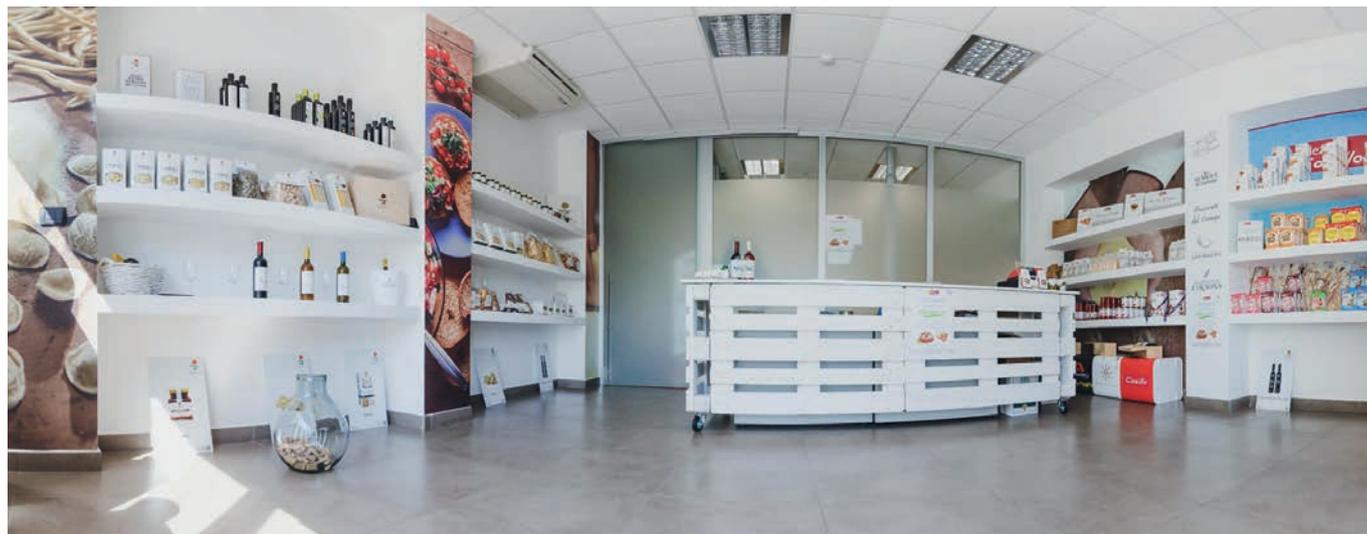
Selezione Casillo S.r.l. and Società Agricola del Sole S.r.l. are on the Amazon Italia Platform with an entire range of products for online sale in the Italian market.

Casillo SHOP

A welcoming sales outlet where a wide range of the Group's products can be purchased: from the flours and semolinas of Selezione Casillo ("Le Semole d'Autore", "Madre Pietra Padre Grano", "Racconti del Campo") to traditional Apulian food products from Agricola del Sole S.r.l. and Apulian wines under the Masseria San Magno and Masseria Faraona labels.

Activities on the professional and consumer channels

The Group companies have developed various initiatives for their customers and for prospective customers, in order to create a positive mood around the brand, increase loyalty and reward customers, profile and strengthen ongoing relations, incentivise the purchasing of Special Lines and expand the customer portfolio.



Below there are only few of the **projects and initiatives pursued in 2019**:

Photocontest "OPEN PIZZA"

Organised for the pizzeria channel, the contest aimed at developing new contacts by approaching clients of the pizzeria channel and increase the competition among each other in order to create a positive mood related to the brand. Each participant who took part in the contest made a pizza, uploaded its photo with their name and recipe. Facebook users voted for the photo of their favourite pizza with a like and the top 10 entrants took part in the 3rd challenge organized by Selezione Casillo at the "Hugo Simmen" Tennis Club in Barletta, as part of the 2019 "Citta della Disfida" OPEN, the ATP tournament in the male circuit "Challenge tour".

Co-marketing activities with stores

Interesting *co-marketing* activities were developed with various professional customers, in order to reach objectives compatible with one another, achieve consumer satisfaction and hence create a strong link with the brand. Moreover, various days were also organized, dedicated to promoting products both with artisans and large-scale retail trade, therefore targeted at the end consumer, such as the *In-store Promotion* activity, the testing activity on the *cash and carry* channel and training courses.

Education activities

In 2019, a rich education calendar was developed and it involved the following initiatives:

- training courses for the sales network on new productlines;
- master for customers with bread-making and pizza-making experts around Italy;
- promotional events at distributors and cash and carries;
- testing activities for the end consumer.

Puglia Come Mangi

Different activities under the format "Puglia Come Mangi" were developed at the Fico *Eataly World* of Bologna. It consists in a format where Puglia specialties are made with flours and semolinas of the Prime Terre Line, with the aim to promote the best semolina-based products around Italy. With different local schools, Casillo organized internships or training days at Fico in order to create opportunities for new generations to know the different productive processes of the most important Italian agri-food supply chains. The initiative roused interests among all the youngsters and their teachers.

Trade Marketing activities: Pull Marketing and Incentive Activity

Interesting trade marketing activities have been developed, with the goal of ensuring customer loyalty, and motivating as well as segmenting customers. The so-called Incentive Activity "LA QUALITÀ CHE TI PREMIA" on the SPECIAL LINES through CANVASS has the objective to promote, motivate, ensure loyalty and increase the sell-in of special flours. Moreover, Casillo organized different activities to promote Special Lines for different recipients: distributors, artisans and sales network.



Fairs and exhibitions

Set forth below are the main national and international exhibition in which Casillo Group took part in during 2019:

2019 exhibition and trade show	Description
SIGEP International Exhibitions Rimini, January 2019	Selezione Casillo participates in the International Trade Fair for Ice Cream Parlours, Pastry Shops and Bakeries. Demonstrations, workshops, show-cooking and refresher seminars make Sigep an unmissable opportunity for those wanting to learn about and share all the latest trends regarding raw materials, ingredients, preparation techniques and recipes that address taste, art and food professionalism, tradition and gastronomic innovation. Selezione Casillo is one of the exhibitors, presenting its rich range of durum and soft wheat and semolina-based products. Casillo products are also based ingredients for products of bakeries, pizzeria created in the laboratory called Laboratorio del Gusto in the Selezione Casillo booth where tasting was offered. Also, the vacuum pack represented a novelty for visitors.
2019 Gulfood Dubai World Trade Centre, February 2019	The Group participated at the 24th edition of <i>Gulfood</i> , the biggest food & beverage trade show held in <i>Dubai World Trade Centre</i> , which welcomes thousands of visitors and suppliers who show novelties of their own production. At the Consorzio Tradizione Italiana booth, Selezione Casillo illustrated the strengths of its lines of wheat and semolina-based products, always based on innovation in respect of tradition, and their ideal uses in the kitchen in the key sectors of excellent Italian gastronomy: bread-making, pastry-making, pizzerias and pasta-making.
International Pizza Expo Las Vegas, March 2019	Selezione Casillo and PFG Roma Food were in Las Vegas at the International Pizza Expo of Las Vegas. The true protagonist of the three days at the International Pizza Expo of Las Vegas was a pizza created by the maestro Camillo Caddeo, among the biggest consultant of the pizzeria sector of the Group. To ensure products with unaltered organoleptic characteristics, Selezione Casillo brought to Las Vegas semolina-based products packaged in the innovative vacuum pack: the cube of 12.5 kg is easily transported, protects from humidity and UV radiations, 2-years-long of shelf-line and the abovementioned inalterability of the organoleptic characteristics.
Gastro Alb Tirana, March 2019	Selezione Casillo join the 3rd edition of GASTRO ALB, an international gastronomic competition organized by the Association <i>Albanian Chefs & Cooks</i> in collaboration with the Association <i>Food and Welfare</i> , which is attended by many chefs from all over the world. Selezione Casillo gave to GASTRO LAB its own wheat, which is the protagonist of the different masterclasses that delighted visitors with 100% Italian pizzas.
Parizza Parigi, April 2019	Massive event in Paris, dedicated to pizza and pasta professionals and to <i>Italian food</i> , at which Casillo attended.
Casa della Semola Rome, April 2019	Selezione Casillo, as event partner, set up La Casa della Semola: an exclusive location where all visitors enjoyed pizzas created with durum wheat semolinas from the Selezione Casillo. The event "La Città della Pizza" lasts three days and is dedicated to the promotion of pizza where the best pizza makers of Italy were part of.
Molini a Porte Aperte Ortona, May 2019	Casillo was part of "Molini a Porte Aperte", an event created by Italmopa - Associazione Industriale Mugnai d'Italia, where the Casillo Mills are open to the public with the aim to reveal the secrets of the White Art. The visits to the establishments of Casillo of Ortona are free.
Tutto Food Milan, May 2019	In Milan, Selezione Casillo attended TUTTO FOOD, an international exhibition of B2B dedicated to food & beverage - ideal widow to present the Casillo products to the national and international market. Selezione Casillo presented its own products through numerous cooking shows, during which the excellencies of the Italian cuisine were revealed by using flours and semolinas of the Selezione Casillo Line: Prime Terre, Le Semole d'Autore and Madre Pietra Padre Grano.
BNL Internazionali d'Italia Rome, May 2019	Selezione Casillo was present in the Food Area where tennis fans were able to sample all typical Apulian products made with Prime Terre flours and semolinas. Thanks to the format 'Puglia Come Mangi' - Specialità Pugliesi da tenere tra le dita (Puglia Specialties to be cherished) project, a team of technicians and Ambassadors worked passionately to produce the Panzerotto from Apulian Semolina, a typical focaccia from Bari and Puccia Salentina, all of which were very successful.
Summer Fancy Food Show New York City, June 2019	Casillo participated in the 65th edition of the "Summer Fancy Food Show" held at the Jacob K. Javits Convention Center in New York City, the largest food trade fair in North America, which every year attracts visitors and industry operators from the United States - one of Italy's most important commercial partners - and from all over the world. Casillo, other than presenting its own flours and semolinas created in the Group establishments, with the help of Carlo Donadoni, President of FIC USA, during the Masterclasses cooked a <i>Pizza Gourmet</i> and a <i>Panzerotto Gourmet</i> .
Pizza Open Casillo Rome, June 2019	PIZZA OPEN CASILLO is a contest organized by Selezione Casillo, that unites all those pizza makers who share passion for their work and are driven by a healthy and competitive spirit. Pizza Makers coming from all over Italy, challenged themselves in front of an expert jury and in an exceptional location "Giulietta Pizzeria", in the splendid city of Rome. The special guest of the day was the Starred Chef, Cristina Bowerman.

Coldiretti Milan, July 2019	For several years and therefore in 2019, Casillo and "Villaggio Contadini" Coldiretti continued to tour in the most important Italian city, proud to host the biodiversity 100% made in Italy. From the 5th to the 7th of July 2019, one of the stops was Milan. Selezione Casillo, as sponsor, was an active protagonist of the event and its visitors enjoyed pizzas and focaccia exclusively made with wheat and semolinas of the supply chain product certified as PRIMA TERRE. In those three days, the project PRIME TERRE and the campaign "IO ADERISCO AL PROGETTO PRIME TERRE" were illustrated in every detail with the aim to show the Casillo Group's effort in emphasizing the short chain of 0 KM and territoriality.
Coldiretti Bologna, September 2019	Casillo participated at "Villaggio Contadini" of Coldiretti set up in Bologna. Selezione Casillo joined the initiative as sponsor and was present within the food section with all its production of pizzas and focaccias, exclusively made with flours and semolinas of Prime Terre.
HOST Milan, October 2019	HostMilano is a world-wide leader exhibition, dedicated to hospitality and the restaurant business as absolute leader in the sectors of Ho.Re.Ca., foodservice, retail, Large Scale Retail and hotels. In the HostMilano exhibitions, all the novelties were present both in terms of raw materials - including productive supply chains - and facilities & equipment with a view on futuristic trends. Casillo Group presented its new project with an important focus on PRIME TERRE.
ANUGA Cologne, October 2019	Anuga is the biggest exhibition in the world dedicated to the Food&Beverage sector, which reunites all the key operators, producers and buyers for the big world challenges of the market, and it reveals the new trends and innovation that characterize the agri-food sector of the future. The "Biennale" dedicated to the agri-food sector, interprets the trends of the sector at a global level and it enables meetings among the most important actors of the Food sector; it also has an influence for Casillo, which continues, more than ever, to pursue its policy of development in order to strengthen its place as privileged partner in the world-wide agri-food supply chain.
Coldiretti Matera, November-December 2019	Casillo took part in the "Villaggio Contadini" of Coldiretti, an initiative fully dedicated to the Italian biodiversity, which lasts three days in the beautiful city of Matera, whose topic is Italian production, the territory, gastronomic and agricultural roots of Italy. #stocoicontadini (#iamwiththefarmers) was the official hashtag of the event, which reunited 150 exhibitors coming from all over Italy and showed the importance of good agriculture. Selezione Casillo #stocoicontadini è stato l'hashtag ufficiale della manifestazione, che ha riunito 150 espositori provenienti da tutta Italia pronti a raccontare la buona agricoltura. Selezione Casillo, as sponsor, was an active protagonist of the event and its visitors enjoyed pizzas and focaccia exclusively made with wheat and semolinas of the supply chain product certified as PRIME TERRE.
Italian Food Tradition*	Selezione Casillo boasts participation, together with another 12 companies in the high-quality Italian agri-food sector, in the Tradizione Italiana - Italian Food Tradition consortium - which seeks to promote Italian high-quality food on foreign markets, support the marketing of products and develop synergies in production, marketing and distribution among its members, by participating at different show-cases such as Gulfood (Dubai), Summer Fancy Food Show (New York) e Anuga (Colonia). A strategic decision which puts Selezione Casillo at the center of a basket of varied products, albeit always based on the Italian essence and excellence of made in Italy in the food sector.

*In this regard, the event mentioned above are referred to the participation of Selezione Casillo in 219 thanks to the Italian Food Tradition Consortium.

Lastly, but not less important, are the many masterclasses held by masters and chefs of bread, pizza and pastries destined to Casillo customers, with the aim to present new products, taste them and explain the new working techniques through training activities including both practice and theory.

Also, several courses were held to reach out important distributors and related sales outlets and ultimately customers.

Moreover, there are **SPONSORSHIPS** activities that the Casillo Group develops in order to spread the knowledge of its own products and initiatives:

2019 Sponsorships	Description
Sponsorship on Telenorba with Anna Falchi	Selezione Casillo was sponsor of the broadcast "Anna e i suoi fratelli" lead by Anna Falchi on Telelombardia, which emphasizes the preparation of Apulian products; for 60 episodes, Selezione Casillo was the protagonist with its wide range of products. With the Casillo flours, purchased personally from Anna Falchi in the Casillo Shop of Corato, pizzas, focaccias, panzerotti and other specialties including deserts were prepared, all of which are part of the Apulian gastronomic tradition, the most appreciated in Italy and all over the world. In each episode, Anna Falchi had the opportunity to test her cooking abilities together with the Ambassadors of flavors, among which there are: Domenico Ragone, known as Mimmo, chef of Masseria del Parco; Luciano Sorbillo, of the historic family of pizza makers and owner of "Pizz'a' Street" in Naples; Vincenzo Florio, Maestro among pizza-makers already world champion in 2008; Annamaria Ieva, known in the network as Cicetta, author of the blog "Le Meraviglie di Cicetta"; Barbara, Daniele and Lucia, founders of the Badalù recipes; Davide Tedone, chef and owner of <i>Giuvida luxury events</i> and proved of banqueting and catering services.
Tournament Casillo Barletta Tennis Club	Supporter of the tennis world, the Casillo Group sponsored the "Trofeo Casillo", where in Barletta, Ugo Simmens showed its support for sport - as element of unity and a healthy activity that allows personal growth and competitiveness to flourish naturally - and for prestigious initiatives in Apulia, able to enhance the region at an international level.
Team Maserati - Casillo	The ancient passion for cycling of the Molino Casillo President - Francesco Casillo - made the creation of the Cyclist Team Casillo Maserati possible. A team of promising young talents is committed to compete with all the passion and strength that characterize an athlete. Francesco Casillo strived in supporting the event with enthusiasm by participating personally to few training sessions, which made the difference in terms of energy and passion conveyed to athletes.

2.2.3 Initiatives and charitable donations

The Casillo Group directly supports numerous sports, social and cultural projects through donations and sponsorships.

Social Solidarity initiatives	Description
Associazione Orizzonti	The Casillo Group supported, also in 2019, the Associazione Orizzonti which, since 2008, the year it was founded, has based its activities on the values of solidarity, integration and active participation for personal independence and, among other things, offers its support to the people most in need also through the supply of foodstuffs. The Association is committed to preventing poverty and social disadvantage, fighting hunger as a social prevention strategy, also with regards to the implementation of initiatives targeted at combatting food waste, simultaneously extolling the virtues of eco-sustainability.
Associazione Salute e sicurezza	This onlus (non-profit institution) operates in the city of Corato (BA) with the collaboration of its associates and supporters, which include Casillo, contributing concretely and proactively, as part of social and healthcare assistance. In particular, the onlus aims to improve prevention, as well as the quality of life of patients and their families, the levels of assistance from a quantitative and qualitative perspective, within and outside of healthcare facilities. It intends to conduct in-depth analysis of, disseminate knowledge of and have a positive impact on the physical and psychological problems of patients, in order to make the treatment processes easier. It also aims to spread knowledge, in particular among young people, and encourage the optimization of services already offered in the local area by assuming the role of assessor of the inefficiencies identified in the pursuit of the objectives of the association.
Progetto 10 e lode	Selezione Casillo is sponsor of the nonprofit organization "Salute e Sicurezza" of Corato and in collaboration with U.O.C of ORTHOPAEDICS AND TRAUMATOLOGY of P.O "DI VENERE" of the Bari Local Health Authority created the second edition of the project "10 e LODE ALLA TUA SCHIENA", a project for middle school students, which aims at preventing and raising awareness on muscular-skeletal diseases.
Correre Insieme	Again, with the Association Salute e Sicurezza, in May, Casillo organized and sponsored the Marathon "Correre Insieme" in Corato, with the aim to contribute and support the territory.
Corridendo	Selezione Casillo sponsored the charitable marathon in its 6th edition with the aim to create a day in which fun and well-being run at the same speed and to collect funds for the Scientific Research on non-Hodgkin's lymphoma. The event, which gathered many participants, was organized by the social organization "Il sorriso di Antonio - per la ricerca sui Linfomi non Hodgkin" and was supported by commercial activities and companies that are sensitive towards the activities promoted by the association.

Table → Trend of charitable donations made by the Casillo Group (Values in Euro units)

	2019	2018	2017
Donations, sponsorships and Research Contribution	603,450	683,000	155,000
Vincenzo Casillo Foundation	300,000	300,000	130,000
Total	903,450	983,000	285,000

Relations with the media

During the years, the Casillo Group had numerous agreements with the main medias to communicate its initiatives and innovations to stakeholder. The chosen means of communication mainly involve specialized print media, use of advertising spaces, billboards, advertorials dedicated to specific subjects such as new R&D projects, *management* interviews, as well as *corporate* and commercial events. An equally significant factor regards the use of internet and social networking, while TV and radio are used at a lower degree.

Press review is an active service with the aim to monitor the presence

and reputation of the Group and its media, but also identifies and fosters advertising campaigns and editorials. Contact with the press is maintained both directly by the Casillo Group, and by the press office. The relation with journalists is continuous; on one hand, statements and "press kit" for vacations, events and other innovative projects are released, on the other hand the Company answers and satisfies the journalists requests in terms of information, interviews, sampling of press services and materials.

2.2.4 Vincenzo Casillo Foundation

In the knowledge of the important role it plays in the business sphere, not only in its local area, but also at domestic and international level, in its relations with the community, the Casillo Group seeks to meet its social responsibilities by promoting and supporting concrete, measurable and clear-cut projects.

The Group pays particular attention to the needs of the local areas in which it operates in, by setting in place concrete initiatives in the communities in question, to consolidate a climate of mutual trust and appreciation. The Foundation was established because Vincenzo Casillo firmly believed that work and company values are a means for a person to express himself and state his dignity, for social inclusion and to develop the local area.

The Vincenzo Casillo Foundation is committed to directly and indirectly **promoting, supporting and managing** activities and initiatives that seek to enhance the **wellbeing of local communities and to improve their living conditions**, especially those that live in situations of hardship. To pursue this goal, the Foundation promotes and supports:

- the instruction, education and development of the skills of individuals throughout their lives;
- the establishment and the development of profit and non-profit enterprises, with specific reference to female business women and young people and, in general, those that find themselves in situations of hardship;
- scientific research and culture;
- promoting and sustaining social security activities and projects.

The Casillo Foundation is special in that it operates directly in the field, in direct contact with its beneficiaries and cooperating with all organisations that are directly or indirectly involved in the projects.

In 2019, the Casillo Group dedicated financial resources of € 300,000 to the activities of the Vincenzo Casillo Foundation that supported several projects (For more information, look at the table below). The Vincenzo Casillo Foundation is determined by priceworthy projects and an extensive network of organizations and agencies, which are supported not only in financial terms but through specific guidance as an added value to the professional figures who are the heart of the Foundation.

This kind of approach aims at opposing one of the biggest risks the Foundation could face, such as contributing with human and financial resources to projects with less impact on the local community. This kind of risk could displace precious resources and possibly invest time and resource management in less efficient, or misleading, projects.

In the first two years, this kind of approach ensured the nature and the activity of the foundation thanks to the internal professionals. Similarly, starting from 2019, the Foundation trained to grow even more in terms of professionals, able to identify praiseworthy projects thanks to the guidance of experts in planning, management, accounting of co-financed projects through public and private funds with a focus on the non-profit world. The "Haumi" - defined as "supporter of success and promoter of growth" - is a methodology at the heart of such careful selection of agencies and projects; such experimental method supports organizations by reducing the "risk" to invest in non-efficient Foundations or public agencies, thanks to the "pay for success" approach.



Photos of the short film called "Cacciaguida" on the life of Vincenzo Casillo



Method "supports success and promotes growth"

The three phases:

1. Scouting and first evaluation:

The scouting activity involves research and action through specific evaluation criteria with the aim to identify projects that can be categorized as "good practices" or "culturally" oriented, which are created and organized by small organizations of the third sector and operating in the territory and small communities.

2. Arrangements of the projects and the organizations:

Identification of certain organizations (within the limits of the budget supplied by the financial agency) that already had a successful impact through projects selected in the scouting phase. Therefore, the foundation does not choose a project but the organization itself. Such organizations are then arranged by the financial agency with technical assistance of professionals of the same agency. The arrangement procedure involves co-planning activities with the agency by using the Goal Oriented Project Planning (GOPP), which defines tools of financial support, it monitors the project, the payments and the achieved goals.

3. Creation of the project

In 2019, the Vincenzo Casillo Foundation has started using such experimental method and it has identified two agencies, considered to be worthy of support, and started to collaborate with the them in two specific projects.

Table → List of the main supported initiatives as at 31st December 2019, divided by scope

CULTURAL Scope	WORKING Scope	EDUCATIONAL Scope	TERRITORIAL Scope
<p>SUPPORT to INITIATIVE with CULTURAL CHARACTERISTICS, such as:</p> <ul style="list-style-type: none"> Cultural Association Calliope in Ruvo di Puglia for the 2019 edition of the creative reading project for children called "Confabulare - libri fuori dagli scaffali"; Rama Cooperativa in Ruvo di Puglia, which aids with children at risks and disabled youngsters; Theater company of the Borgia Theater, which deals with cultural education and social inclusion; Cultural Association Artes di Polgliano a mare for the edition of 2019 of "Festival del libro possibile"; <p>Contribution in favor of:</p> <ul style="list-style-type: none"> Cultural Association "Borgo Antico di Bisceglie" for the edition of 2019 of the Festival "libri nel borgo antico"; Creation in Corato of a cultural centre promoted by the Dioceses; Social Promotion Association called "Città d'infanzia" of Trani for the event "La notte bianca dei bambini"; Cultural Association "Il tempio di Serapide" of Corato for a show called "tracce di luce e trame di oro"; Days for Vita, as member of the editorial board. 	<p>SUPPORT to SKILLS DEVELOPMENT and WORKING PLACEMENT, such as:</p> <ul style="list-style-type: none"> International Association <i>New Humanity</i> for quarterly internships to deal with ethical leadership and transversal skills, useful for diplomatic work; Project called "Sprint" for training the youngster in those skills most required in the working field, training of talents and enterprise acceleration; Project called "a mano libera" promoted by the Association "Amici di San Vittore Onlus" of Andria for the job placement of inmates; Activity of the Company Arc En Ciel S.r.l. for the working placement of unemployed immigrants and Italians. <p>Moreover:</p> <ul style="list-style-type: none"> Participation to the working and social integration project of "Fare Sistema Oltre l'Accoglienza" for young immigrants and italians with severe unemployment conditions, promoted by "Azione per un Mondo Unito Onlus, Azione Famiglie Nuove Onlus" and Coop. Fo.Co; Contribution for the co-working space called "<i>Sophia di Bisceglie</i>" for "digital weekend" and "<i>digital accademy</i>" events. 	<p>SUPPLY OF SCHOLARSHIPS, for the following:</p> <ul style="list-style-type: none"> Two Apulian students attending the fourth year of high school at "Rondine, Città della Pace" for specific training on peace and non-violence; Two Doctors: one is of Moroccan origin and is committed to a prevention project for paediatric congenital heart diseases, organized by <i>European Heart for Children Association</i>; the other one is of <i>Apulian origin and is committed to a prevention project for paediatric congenital heart diseases in Morocco</i>, organized by the Association "Associazione Bambini cardiopatici nel mondo"; Three students took part in the "Centro di Cultura per lo Sviluppo Giuseppe Lazzati" of Taranto to participate at the Summer School 2019 on civil economics and innovation economics; Four young individuals, two of whom of Apulian origins, were foreign students for a year (thanks to the scholarship Fondazione Intercultura Onlus). <p>Moreover, support in favor of:</p> <ul style="list-style-type: none"> Polo Liceale Sylos - Fiore di Terlizzi and the project "Dai vita ai sogni" for a summer volunteering experience in Peru for 10 students; School Library of the primary school "L. Arbore" of the "Istituto comprensivo Imbriani-Piccarreta" in Corato, where new books were purchased. 	<p>SUPPORT to LOCAL ORGANIZATIONS, such as:</p> <ul style="list-style-type: none"> Web portal "Buon Campo", as guide of the third sector, mainly for the Apulian territory; Association "LCU Onlus" of Palermo in collaboration with the Church "Parrocchia Maria SS delle grazie" for the project "tiriamo fuori il meglio", addressed to kids from "deviance risk" Roccella of Palermo; Voluntary Service Centre "San Nicola" of Bari, on the occasion of the 83rd exhibition called "Fiera del Levante" subscribed a Memorandum of Understanding with the same agency; Publishing House "Città Nuova" aims at creating a specific insert for the monthly magazine "Big" addressed to parents, guardians and educators; Italian Association for disabled individuals "Associazione Italiana Persone Down" of Bari, for the "Downtour 2019"; Sport and Cultural Association "Associazione Sport e Cultura Francesco Ludovico Tedone" of Corato for the event Komorebi; Association "Onda d'Urto - Uniti contro il cancro Onlus" of Andria, for the 2019 prevention Day; The Non profit organization "Casa Famiglia della Mamma Onlus" of Corato, for the evening dedicated to solidarity "premio della solidarietà"; Cultural Association in Apulia (Corato) for a cutting and stitching workshop called; Sport Association for blind individuals "Associazione Sportiva Dilettantistica dell'Unione Italiana Ciechi" of Bari.

2.2.5 Public Institutions and Trade Association

In 2019, the Casillo Group paid € 8 million in tax contributions to Public Administrations, broken down in the following table.

REMUNERATION OF THE PUBLIC ADMINISTRATION <i>(in thousands of Euros)</i>	2019	2018	2017
Income taxes for the year	7,489	10,340	10,462
Direct taxes relating to previous years	72	453	434
Operating grants	-	-	-
Current indirect taxes and relating to previous years	1,317	1,558	1,810
Remuneration of the Public Administration	8,878	12,348	11,835

The Casillo Group continues to form collaboration with excellent research centres in the field of grain and cereals, with the aim to protect and study the variety of ancient wheat from the Apulian territory. In 2016, the Group signed the convention with CREA of "Foggia Council

for Agricultural Research and Agrarian Economy" aiming at exploring, from a scientific and technical perspective, the conservation of purity of those ancient cultivation of grains.

Table → List of associations of which Casillo Group was a member as at 31st December 2019

ACMI	Confindustria Toscana Nord
AITI	Consorzio di Bonifica Pianura Isontina
Assiterminal	Consorzio per la Tutela dei Vini DOC
Assobio	Confindustria Chieti - Pescara
ASSOCIATION AGRO PARIS BOURSE	Elettricità futura Unione per le imprese
Associazione Granaria di Milano	Federazione lavoratori dell'agroindustria
Associazione Granaria Emiliana Romagnola	Federholding
Associazione Industriali Mugnai e Pasta - ITALMOPA	Fitalog service società cooperativa
Associazione Industrie Beni di Consumo	Food Trend Foundation
Associazione Meridionale Cerealisti	GAFTA - THE GRAIN AND FEED TRADE ASSOCIATION
Associazione Nazionale Cerealisti	Giovani Imprenditori
Associazione nazionale tecnici industriali	Incograin, Syndicat de Paris
Assoholding	Movimento turismo del vino pugliese
Assologistica	Passione Pizza
CIB - Consorzio Italiano Biogas	Prodotti di Qualità Puglia
Club Imprese per la cultura Confindustria BAT	Registrar Corp
Confimprese	Sicindustria
Confindustria	SYNACOMEX Syndicat national du commerce extérieur des céréales
Confindustria Assafrica e Mediterraneo	Unione Italiana Food

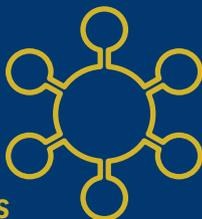
2.3

Intellectual Capital

SDGs (Sustainable Development Goals)



15
MAIN
Casillo
Group Brands



**"Gluten
Friendly"**
patented
chemical physical process



2019 FY HIGHLIGHTS R&D e Innovation



TECHNOLOGICAL INNOVATION

Continuous investments in **research, development and innovation**.



PROJECTS

Participation at the call for tenders "Fabbrica intelligente e *agrifood*" (Smart Factory and *agrifood*), with the **Project "Produzione di una farina con proprietà nutraceutiche per ridurre i sintomi della sindrome metabolica"** (Production of flour with nutraceutical substance to reduce the symptoms of Metabolic Syndrome).



AWARDS RECEIVED

- Zingarelli Award.
- Top Employers Certificate.

2.3.1 Innovation, Research and Development

Casillo Group has always been committed to research & development activities, inasmuch as its main objective is the continuous improvement in product quality & safety, and full customer satisfaction. First and foremost, these objectives can be achieved by investing in innovation, research and development, thanks to the strong values embedded in the origins of the Casillo Group history, such as consistency, tradition, dynamism, flexibility, central role of man and respect for nature, which make this industry a consistent role player in the social field.

Through both subsidiary companies Molino Casillo S.p.A. and Sinergie Molitorie S.c.ar.l., the main investments occurred in the milling sector for development activities concerning technological innovation of the industrial processes optimization and the energy efficiency of milling processing plants, including the automation systems. These pluri-annual projects aim at a continuous improvement of their processes and the related technological efficiencies of the industrial plants. The Research & Development (R&D) activity is strictly related to improvement of efficiency, productivity, quality and competitiveness: an environment in constant evolution encourages an innovative approach, which becomes the leading factor to success, where innovation brings major competitive advantages able to generate values for costumers. In general, R&D investments, coordinated by the new "Technological Innovation" business unit, are directed towards applying the enabling technologies identified by the "Industry 4.0" guidelines in the field, with the aim to achieve the objectives and obtain the benefits of this fourth industrial revolution. The main areas of intervention are control and production management systems, developed between level 1 and level 3; more specifically, it regards the development of automation systems capable of developing intelligent systems within the machines, and therefore ensuring their ability to make automatic ad-

justments and produce specific information on their operating status and performance.

The initiatives implemented in the Milling Industries division concerned:

- **Integrated site management:** organisation of manufacturing activities targeted at optimising the work sequences of the various departments and the distribution of the workload between the different adjacent production systems to maximise production efficiency. To this end, tools created on the ERP (Enterprise Resource Planning) system have been implemented, developed and appropriately programmed to manage and distribute the workloads organically between the different production lines, automatically performing checks on the consistency of the quantities to be produced and the production capacities used.
- **Technological upgrade:** procedures have been adopted to maximise the so-called Overall Equipment Effectiveness (OEE), the index used to evaluate the effectiveness of a production process. A standard monitoring condition is used in each facility, based on the main cumulative statistics of the facility (the energy is here absorbed by the transformation station, where the quantity of product is processed by macro cereal grain grouping, wheat and semolina-based products, and by-products like bran), but specific line **KPIs** (Key Performance Indicators) and **EnPI** (Energy Performance Indicators) have been introduced, together with the installation of measurement instruments and specific technological equipment in order to directly monitor or indirectly estimate the quantities concerned in full, partial and instantaneous form. In addition, the systems at the Corato production hub were modernised to bring them into line with "**Industry 4.0**", i.e. they are now automated in such a way that production is adjusted automatically to meet the given requirements.

Main initiatives

The research and prototyping work continues as the **Gluten Friendly™** method reaches the industrial phase between the Company and **New Gluten World S.r.l.** (a university spin-off that is the licensee for the process of gluten proteins detoxification from cereal grains and owns the associated patent). Such initiative deals with a physical chemical process, unique in the world, that can detoxify the gluten protein existing within the wheat. Such initiative could help the 70 million consumers in the world affected by Coeliac disease, 5 million of which are diagnosed only in Europe, as many epidemiological surveys report.

Gluten Friendly™ is a low-cost, low-environmental impact method, whose formula is protected by Italian patent no. 0001414717, issued in 2015 and extended to 105 countries. The chemical-physical process consists of a cycle of exposure to high temperatures and water, under precise environmental conditions, which cause the necessary conformational changes in the proteins of the gluten within the grains of wheat, where the proteins are deposited in small separate "cells". The *Gluten Friendly™* method reduces the toxic potential of the gluten in the heart of the wheat itself.

In the next future, the Company will produce wheat and semolina-based products from a variety of Durum and Aestivum, which do not trigger in celiac consumers the so called "inflammatory cascade", an autoimmune reaction which produces considerable damages to the intestinal vile affecting the consumption of nutrients, able to cause severe dysfunctions. Hopefully, the *Gluten Friendly™* flour will put an end to the nutritional barrier and the social hindrances of those suffering from coeliac disease and gluten-intolerant people. The detoxification process does not impair the technological and organoleptic properties of the semolina and the flours. The flours become bread, pasta, pizzas, and bakery products that are safe and delicious for all. The genuine hope is that people affected by coeliac disease can experience or rediscover the real taste of wheat-flour based products. The benefits of products obtained through this method can not only be extended to those suffering from coeliac

disease, but also to those affected by gluten sensitivity - estimated at almost 50 million people in Europe - and to healthy consumers who use *Gluten Friendly™* products as a life style choice.

Thanks to the subsidiary company Molino Casillo S.p.A., the Group presented, in collaboration with Consis S.c.ar.l. and Bari University, a project proposal under the call for tenders "Fabbrica intelligente e *agrifood*" (Smart Factory and *agrifood*) held by the Ministry for Economic Development under a Directorial Decree from the 20th of November 2018. The parties submitted an "application for assistance" in developing a R&D industrial project called **Produzione di una farina con proprietà nutraceutiche per ridurre i sintomi della sindrome metabolica**" (Production of flour with nutraceutical substance to reduce the symptoms of Metabolic Syndrome) .

Awards recieved

Zingarelli Award - for the added value of poetry and novelts

The special award "Non omnia possumus omnes" is a great honour granted by the Committee of the Zingarelli Award, which always appoints the most deserving in the literary field. In 2019, the award was

presented to Beniamino Casillo during the award ceremony held in the Mercadante Theatre of Cerignola.

Top Employers Italy Certification

The Casillo Group reentered among the 113 companies certified by Top Employers Italy 2020 (independent organisation that examines and analyses the working conditions of companies throughout the world, evaluating them according to recognised international standards). For the third consecutive year, the Group obtained the certification after a long process of analysis and evaluation based on objective data and confirmed documents. The core of the *Top Employers* procedure consists in an in-depth and rigorous analysis of Human Resources conditions and Management policies provided through an analytic and accurate submission of the HR Best Practices Survey (600 HR Best Practices) and the following audit, both with the aim to demonstrate the achievement of high international standards, evaluated and validated through systematic benchmarks with similar objectives and purposes. The responses registered by the Survey represent a way of reflecting on the HR policies developed during the previous year of certification, and on the possible developments to launch in the field of Human Resources.

The feedback session held by the *Account Manager of Top Employers*

with the HR Team, confirmed that the 2019 implementation of technological support, through the Enterprise Platform, was one of the priorities pursued by the Group and it allowed to obtain a better score regarding *Learning and Professional Development Performance* practices in respect to the previous years.

The areas in which the practices were implemented systemically by the group over the years are the following:

- **Talent strategy:** maintaining and attracting the best professionals within the Company;
- **Strategic Planning of the labour force:** aligning business strategy with the labour force's requirements and needs;
- **On-boarding:** introducing newly hired employees to the Company's reality.

Certification is not only an honour and testifies concrete evidence of the HR effort, but it also represents the commitment and the dedication to willingly develop new and optimal solutions able to make the Casillo Group "the best place to work in".

2.3.2 Main Group trademarks



It is the historic brand of Molino Casillo S.p.A.; it identifies our semolinas and flours for the pasta industry and bakery products



Semolinas obtained from milling mixes of fine wheat; they are employed for innovative uses such as pastry and pizza making



It identifies the wheat and semolina-based products packaged by Selezione Casillo S.r.l. for the Artisans and Large Scale Retail segments



Identifying flours and semolinas produced from the painstaking selection of ancient, natural stone-ground grains



The brand identifying the semolinas produced in the Sicilian plant by the same name for the industrial and artisans segments



Semolinas and flours produced using special cereal grains like spelt, kamut, chickpeas, rice



The brand of our semolinas produced in the plant by the same name in Lucca and intended for the industrial and artisans segments



Historical name of De Franceschi - Monfalcone for semolinas obtained from milling maize



The brand of our packaged and unpackaged flours produced in the plant by the same name in San Pietro a Vico - Lucca and intended for the industrial and artisans segments



Bakery products, pasta, preserves, almonds and oils



Historic brand that identifies the packed flours produced by Molino dell'Adriatico S.r.l. mainly for the distributors' channel



Wines and extra virgin olive oils obtained from directly owned raw materials



Historic brand that identifies the packed flours produced by Molino dell'Adriatico S.r.l. mainly for the artisans' channel



Local wines of Alta Murgia



Selected flours and semolina. Region by region.

2.4

Human Capital

SDGs (Sustainable Development Goals)



+8%
increase in
workforce
COMPARED TO 2018

10.25

ACCIDENT FREQUENCY INDEX
(-28% compared to 2018)

56%
TRAINING PLACEMENTS-
INTERNSHIPS TRANSFORMED INTO
EMPLOYMENT CONTRACTS

2019 FY HIGHLIGHTS Personnel



PLACEMENT AND PROFESSIONAL GROWTH

Knowledge Empowerment assessment system to enhance technical, IT and linguistic skills; onboarding process for new employees.



CASILLO CAMPUS

Project aimed at identifying, selecting and recruiting 10 talented professionals across Italy in order to allow them to undertake a specific training programme for future master millers.



SA 8000

Maintenance of the Social Accountability management system for Molino Casillo S.p.A. and Selezione Casillo S.r.l.

2.4.1 Management of Human Capital

Within the Casillo Group, people management is based on the desire to constantly strengthen the professional and managerial skills of the employees, so as to obtain full alignment between the entrepreneurial strategy of the Group and its organisational development.

To this end, in 2019 the efforts of the Human Resources Department were focused on improving the competence assessment process, keeping investing on employee training, continuing the search and selection of individuals with specific technical skills and digitalising the procedures, with the dual objective of enhancing the organisational structure and strengthening that of the milling plants.

The first important aspect to report is the **digitalisation of the Personnel Assessment System** on a company platform boosting both the collaboration among the parties involved and the sharing of fast and clear operations for all.

The Personnel Assessment System, which was first implemented in 2017, involves all the executives, managers and professionals¹ and includes evaluation interviews on behavioural aspects, technical skills and individual performances. It allows to periodically examine the professional characteristics as well as the productivity of each employee based on a set of homogeneous criteria. Therefore, this system fosters the development of new skills, the improvement of performances, the motivation of workers as well as the profession-

al growth of people through customised **Knowledge Empowerment Programmes**.

As far as the milling plants are concerned, in 2019 the HR Department and the Operations Department closely collaborated and created a structured working group with the objective of enhancing the organisational structure of the mills, which are all located in different and heterogeneous regions. The employees from the mills were involved in technical/professional training programmes that fostered the development of specific role skills to bring about the achievement of excellent production standards.

In 2019, recruitment activities were mostly focused on hiring recent graduates in the fields of Logistics and Quality and dispatch them to different Italian mills. In particular, the participation in specific recruiting events across the country was key to identify and select talented professionals from all Italian regions.

In order to take advantage of technological support to facilitate the integration of new employees, the HR Department has developed an on-boarding process that allows them - despite being located in different geographical areas - to become quickly acquainted with the company by getting immediate access to procedures, regulations, tools, business platforms, and so on.



Project Casillo Campus

With respect to the milling activity, the Group invested in the implementation of the **Casillo Campus**, a significant project addressing the issues of staff selection and recruitment that was aimed at identifying 10 talented professionals at country level and engaging them in a structured training programme for future master millers, a position that requires the possession of a strong expertise on the milling art, the related technologies and people management.

For the first edition of the Casillo Campus not only the Plant Manager, but also master millers and other employees were involved right from the planning phase (determination of the job characteristics, required skills, etc.). The 10 professionals were selected after the screening of all the candidatures had been carried out (preliminary interviews, aptitude tests, etc.) and an "assessment day" had taken place (group tests, individual interviews, etc.).

The training programme provided within the Casillo Campus consisted of both technical training and passive job shadowing; it also entailed the active involvement of several employees, such as the master millers and the managers responsible for Occupational Safety, Quality, Logistics, etc. The programme rounded off with a series of individual interviews and technical tests and led to the hiring of 5 new employees with high potential who are still completing their "on the job" training at different mills. 2 of them are women, which is a remarkable figure in this industry.

¹ This term refers to all those employees who are not accountable for the performances of other workers or specific areas.

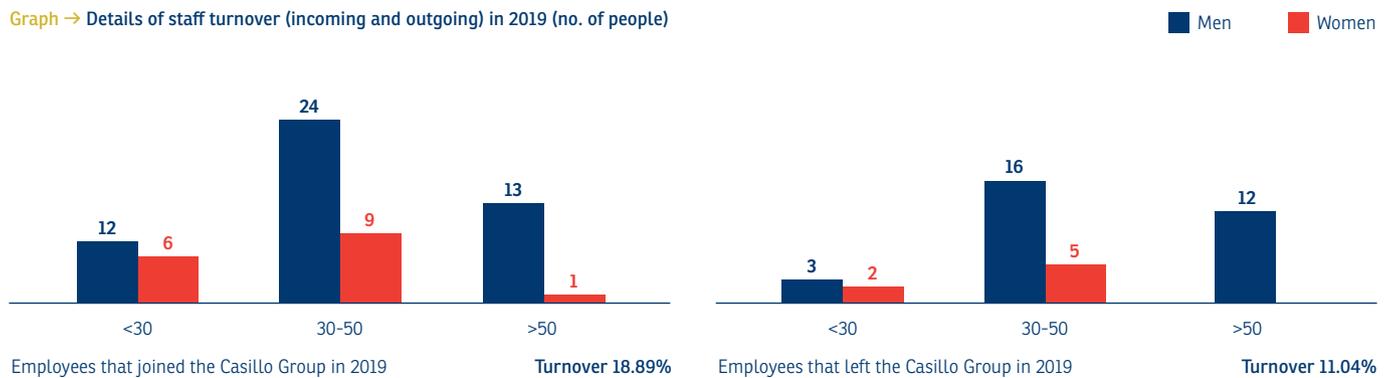
2.4.2 Composition and characteristics of the staff

As at 31 December 2019, the Casillo Group employed 371 people in Italy compared to 344 as at 31 December 2018, marking a growth trend particularly in executive, staff and production functions.

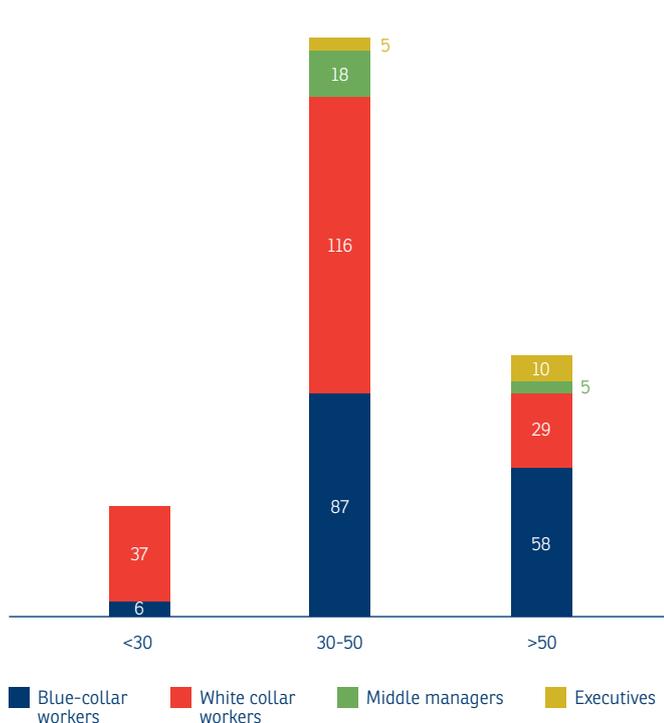
Over the last three years, there has been a 17% increase in the workforce and in 2019 95% of the company population was employed through permanent contracts. Moreover, in the last year the number

of employees who were younger than 30 years of age increased by 54% and 56 workers - most of whom dealing with production processes - were employed under staff leasing contracts. Finally, it is important to report that the number of women within the Group has risen by 38% since 2017.

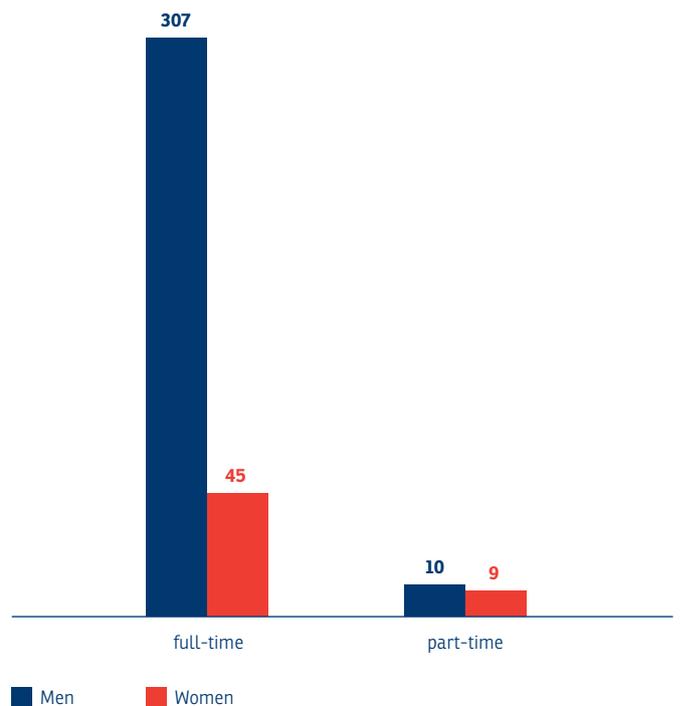
Graph → Details of staff turnover (incoming and outgoing) in 2019 (no. of people)



Graph → Number of employees broken down by age bracket and position



Graph → Number of employees broken down by gender and contract type

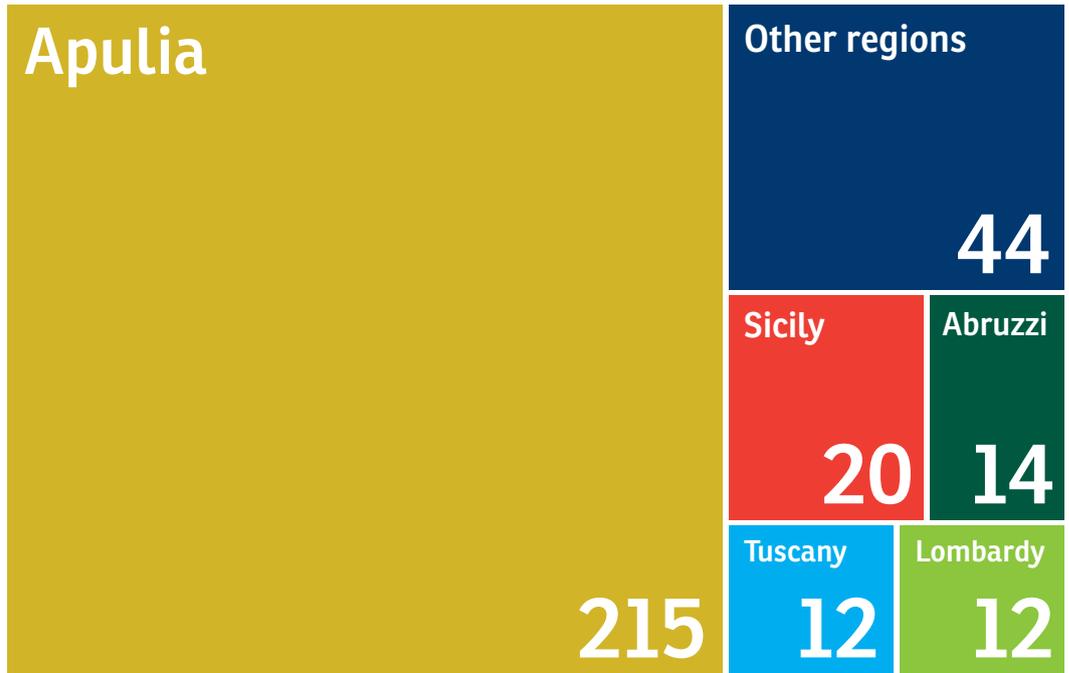


Even though most of the staff members have their place of residence in Apulia, the growing number of employees located in other Italian regions bears out Casillo Group's development across the whole country.



Graph →
Distribution of the employees based on their place of residence*

*The term "other regions" refers to: Campania, Emilia-Romagna, Friuli-Venezia Giulia, Lazio, Marche, Basilicata, Molise, Piedmont and Sardinia.



Training and apprenticeships

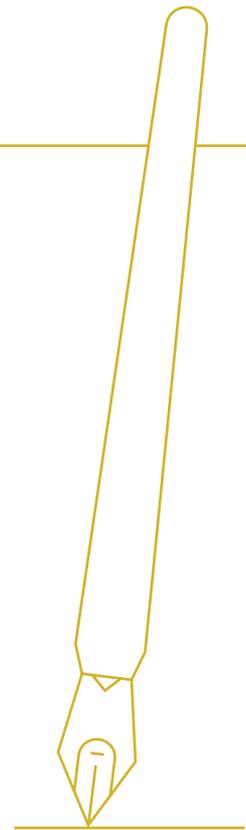
The constant relationship between Casillo Group and the world of training is confirmed by the multiple agreements signed with Universities (Bari, Turin, Padua, etc.), ITS (Istituti Tecnici Superiori - technical schools) and accredited training entities. The tailor-made work experiences that are part of the training programmes are first agreed upon by the intern and their tutor: on the one hand, this allows interns to choose their professional career with more awareness and responsibility; on the other hand, it also makes it possible for the Casillo Group to identify recent graduates keen on extending their experience within the company after completing their training programme.

In 2019, internal personnel were involved in **over 4,000 hours of mentoring**, enabling students to gain practical experience in the company.

Over the same year, the internal organisation sought to increase the amount of various forms of collaboration as a catchment area for new hiring opportunities:

- **16 curricular training placements-internships;**
- **7 extracurricular training placements-internships.**

In 2019, 10 training placements-internships were transformed into employment contracts and 7 employment contracts were transformed from temporary to permanent ones.



2.4.3 Personnel training and growth

Human capital represents an investment for the Group, which aimed not only to attract new talents but also increase employee satisfaction by developing their technical, professional and managerial skills through specific training programmes.

As previously mentioned, the Casillo Campus Project - which was started in September 2019 and rounded off in December of the same year - put the Mill and the milling art at the center of a training programme aimed at recruiting young talents and improve their skills through a structured classroom- and on-the-job training path, so as to lay the foundation for the future development of the milling art itself.

Throughout the Campus, the participants got insights on all the topics related to raw materials, cleaning procedures, milling techniques, wheat silage and all the other activities that are to be performed in order to obtain the end products. The programme also dealt with other topics that a future master miller has necessarily to be acquainted with, such as machine engineering, planning of orders, packaging, logistics and all the issues related to quality control and quality assurance procedures. Finally, the programme provided the participants with some hints on the way a mill is managed from a financial point of view, on how production is monitored through the adoption of specific KPIs as well as - through job shadowing - on the use of the internal management software SAP. The Project aroused enthusiasm not only among the participants, but also among the colleagues that were willing to train them. Thus, the Project allowed not only to recruit new personnel, but also to promote knowledge-sharing and the active involvement of internal employees.

While the Casillo Campus was taking place, the company also reviewed the training needs representing the outputs of the boss-worker assessment system in place. In 2019, the outputs of the assessment pointed towards a growing request for training on both hard-skills and soft-skills development, which was given based on the company's business priorities and strategies and with the interactive and proposal-making involvement

of all participants through feedback sessions and discussions on the strengths and weaknesses of the various projects in progress.

In 2019, 273 employees were involved in training activities (**980 hours in total**) aimed at developing both those technical and transversal competences which were regarded as vital in order to successfully respond to market challenges. Employees of different areas and functions, for instance, took part in a 3-day course on the topic of project management. The training modules that were specific for employees belonging to certain functions included courses on "Cassificazione Doganale delle Merci" and the related Special Customs Regimes, Master in Financial Modelling, Master in Tax Law, Master in HR Specialist, Master in Maintenance Engineering and courses on Management Systems and environmental issues for production staff. Great importance is always attributed to raising awareness on certification programmes such as SA8000, BRC, ISO45001 and GMP+.

The employees had also the chance to attend courses on Logistics, Anti-Fraud, Privacy and Document Handling; moreover, high attention was given to providing the entire personnel with training on the relevant procedures and business management systems adopted by the company.

As previously mentioned, in 2019 a decisive push was given to the digitalisation of the HR processes. It was a significant and crucial year for the whole corporate population and for the HR Department in particular, as a decision was made to renew the management software and implement 3 Apps to handle attendances and expense accounts, as well as allow for a quicker access to the contents included in the portal through smartphones. All these initiatives required the supply of constant training to the members of the HR Department in order to design and implement together the new tools for all the employees, who were trained themselves to make use of the new features and potentialities of the portal as well as the new Apps, so as to become always more autonomous and responsible while using them.

2.4.4 Company well-being and work-life balance

The well-being of those who work in the Group is an essential requirement for the competitive and positive development of the entire company. This assumption leads to ideas that seek to meet the requests of the employees by providing new benefits and services.

In 2019, the Casillo Group organised in collaboration with AVIS a one-day event that was open to all its employees and their families, its suppliers and its clients in order to promote the blood donation service implemented at the Headquarters in Corato thanks to the availability of a blood drive truck offered by AVIS and the presence of some doctors of the Polyclinic Hospital of Bari.

Another relevant initiative was the implementation of a **specific support plan for those affected by work-related stress**, which was initially aimed at top managers only and progressively made available to the entire company population.

In 2019 the Group also kept offering to its personnel a **food education programme** that entailed individual interviews conducted at the company head office to receive professional advice on eating habits and psycho-physical well-being by an experienced nutritional biologist.

Finally, **listening and counselling initiatives** were enhanced by the opening, on the 17th day of each month, of a counselling service managed by the Human Resources Function and dedicated to the reporting of any issues and needs for clarification relating to the job, as well as by setting up a specific e-mailbox and time slots for phone calls.

Given the central role of its employees, the Group continues to use all the tools necessary to guarantee healthcare assistance by subscribing to special funds in the sector, such as the Fasa Fund, Est Fund, Metasalute, Prevedi, Fasa and Fonte.

2.4.5 Health and safety

The Casillo Group's objectives include ensuring the well-being of all its workers, in terms of work-satisfaction, physical safety and healthy work environments. The Casillo Group's commitment to health and safety is borne out by the certification of its Workplace Health and Safety Management System according to the international standard BS OHSAS 18001:2007, which applies to the Corato facilities (Selezione Casillo S.r.l. and Sinergie Molitorie S.c.ar.l.). The adoption of this voluntary certification scheme demonstrates the Group's will to continue to improve not only the customer's level of satisfaction, but also the conditions of safety under which the workers perform their tasks. The main advantages of implementing a Workplace Management and Safety System include:

- maintenance of worker health and safety standards with a view to continuous improvement;
- efficient organisation of control and prevention tools with the involvement of the stakeholders;
- direct and indirect economic benefits (reduction in INAIL - national

institute of insurance against accidents at work - rates applied; reduction of absences due to illness and/or accidents, etc.);

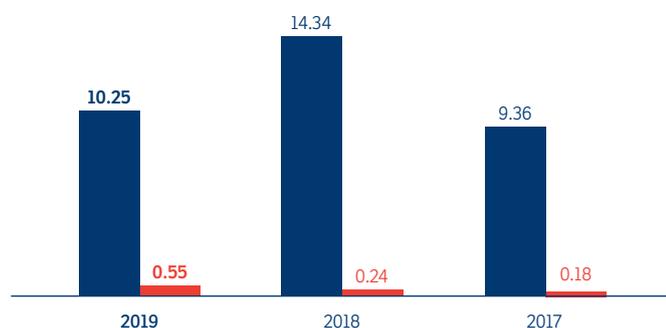
- strengthening of the company image in the eyes of the control authorities.

In order to reinforce its aforementioned commitment to worker well-being, the Group has maintained (for the Corato sites of the companies Molino Casillo S.p.A. and Selezione Casillo S.r.l.) the management system pursuant to the SA8000 standard (Social Accountability). The majority of production plants have reached again the "zero accidents" target and also the accident frequency rate has decreased compared to 2018. This only motivates the Group to continue in its commitment to spreading a culture of safety among its employees. In 2019, the Group registered the occurrence of 7 minor on-the-job injuries that only involved male workers. Furthermore, neither injuries on the way to and from work, nor any cases of occupational diseases were recorded.

Table → Employee accident rates

	As at 31 December 2019		
	Men	Women	TOTAL
IR - INJURY RATE No. accidents*1,000,000/hours worked	10.25	0	10.25
LDR - LOST DAY RATE No. days lost/total workable hours*1,000	0.55	0	0.55
AR - ABSENTEE RATE No. days lost/workable days*100	1.03	1.90	1.78

Graph → Focus on the trend in accident frequency and severity rates



■ Accident frequency rate
■ Accident severity index

The Group constantly invests its resources and energy to reduce and/or eliminate the risks at its plants. Again last year the Group continued to implement an intense refresher training plan for its workers health and safety issues.

2.4.6 Industrial relations

In 2019 the interactions between the Group and the trade union organisations that are present in the different milling plants were characterised by a continuous dialogue and debate aimed at renewing the second-level Agreements and responsibly managing issues and requests. In this regard, the Group and the trade union organisations arranged some meetings in order to find an agreement that could better fit the organisational model chosen to achieve highly competitive production and qualitative targets.

As far as the renewal of the second-level Agreements is concerned, the objective was to identify a set of suitable KPIs to foster the implementation of a good policy in the spheres of Quality, Food Safety, Occupational Safety and Environment. The shared goal is the adop-

tion of good practices that all workers employed along the production process must respect so as to ensure the maintenance of high standards in the fields of Quality (customer satisfaction and product safety), Safety (occupational safety of workers) and Environment (environmental and workplace protection) and align with a general system of sustainability.

In general, the meetings organised by the Group and the trade union organisations led to the involvement of staff members as well, who had the chance to take part with the company in debates where proposals for technical/production improvement, occupational safety, maintenance of facilities and other issues were discussed.

2.4.7 In-house communication and involvement

Over the last few years, the Group, with the support of the HR Department, implemented an institutional communication system to cover organisational changes, entry of new personnel, change of positions, roles, hierarchical and functional reporting structures, etc. This communication is sent via e-mail and published on the New HR Portal, which can also be accessed via an App.

In 2019 the Group continued to use the same communication and engagement channels that were already in place in the previous years: staff meetings, e-mails, newsletters and update meetings on strategic and organisational projects. Particularly important was the

workshop that involved the Top Management and the corporate population and that was entitled "Teamwork", which was a moment of debate on the Group's strategy and the rearrangement of those milling plants representing the "playground of a team" that, in order to be successful, needs clear and shared rules aimed at reaching a shared target: Value.

In order to allow the employees from all Casillo Group sites to take part in this workshop as well as in other information and sharing meetings held at the Group's Headquarter in Corato, the Webinar participation format has been introduced.



FRANCESCO CASILLO

Director of Casillo Partecipazioni S.r.l.

Breakdown of personnel

Table → No. employees broken down by age bracket and position

No. employees	2019				2018				2017			
	<30	30-50	>50	Total	<30	30-50	>50	Total	<30	30-50	>50	Total
Blue-collar workers	6	87	58	151	5	87	54	146	7	82	55	144
White-collar workers	37	116	29	182	23	120	24	167	21	102	23	146
Middle managers	0	18	5	23	-	13	5	18	0	13	7	20
Executives	0	5	10	15	-	4	9	13	0	2	4	6
Total	43	226	102	371	28	224	92	344	28	199	89	316

Table → No. employees broken down by gender and position

No. employees	2019			2018			2017		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Blue-collar workers	150	1	151	144	2	146	141	3	144
White-collar workers	131	51	182	126	41	167	112	34	146
Middle managers	22	1	23	18	-	18	19	1	20
Executives	14	1	15	12	1	13	5	1	6
Total	317	54	371	300	44	344	277	39	316

Table → No. employees broken down by gender and contract type

No. employees	2019			2018			2017		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Full-time	307	45	352	291	36	327	269	30	299
Part-time	10	9	19	9	8	17	8	9	17
Total	317	54	371	300	44	344	277	39	316

Table → No. employees broken down by gender and type of employment

No. employees	2019			2018			2017		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Permanent contract	31	15	46	23	6	29	32	8	40
Fixed-term contract	286	39	225	277	38	315	245	31	276
Total	317	54	371	300	44	344	277	39	316

2.5

Manufactured Capital

SDGs (Sustainable Development Goals)



€50,003 thousand

INVESTMENTS IN TANGIBLE ASSETS AND INTANGIBLE FIXED ASSETS (+27.6% compared to 2018)

325,955

NUMBER OF ANALYSIS CONDUCTED (+4.6% compared to 2018)

€1,073 thousand

INVESTMENTS IN RESEARCH AND TECHNOLOGICAL INNOVATION (+31% compared to 2018)

2019 FY HIGHLIGHTS

Products and suppliers



REASERCH & DEVELOPMENT

Continuous investments in tangible assets and intangible fixed assets.



SUSTAINABILITY CERTIFICATIONS

ISCC Plus-International Sustainability & Carbon Certification: Certification received for verifying the sustainability of feed and food.



FOOD SAFETY LAB

Qualitative analysis to grand the security of products.



SUPPLIERS

Suppliers of raw materials and services qualified on a two-yearly basis and audited in respect to human and labour rights.

2.5.1 Investments in production capital

During the year under review, the Group made significant investments in both tangible fixed assets and intangible assets. The most significant investments are the following:

- Investments of 1.073€ for R&D activities in the field of technological innovation and optimization of industrial processes and energy efficiency for milling processing plants;
- Purchase of an industrial complex, subject to bankruptcy procedure, and located in Santa Maria Nuova (AN), for an amount of 2.272 €, with both milling processing plants and cereal storage facility for an additional amount of 2.907 €;
- Purchase of an industrial plant and underlying lands in the site of Sorbolo (PR) with a transfer decree form deriving from an arrangement with creditors, for an amount of 4.497 €;
- Purchase of 8 MicroNir probes with highly efficient technology for an amount of €213 million;
- Purchase of new equipment for Laboratory Analysis for €190 thousand;
- Investments amounting at €530 thousand in the installation of new

production lines and in the fabrication of new stages of production for raw materials, with the aim to renew the technology of the productive cycles of different Group sites;

- Investments in current tangible fixed assets for an amount of € 13.316 thousands concerning mostly milling processing plants and mixing plants in the Monfalcone site (€ 4.647 thousands) and storage silos in the production complex of Corato (€ 1.905 thousands), storage silos for the production complex of Salerno (€ 2.792 thousands), prototype for high level probes of storage silos (€ 132 thousands), restoration and adaptation work in the plant in Santa Maria Nuova (€ 927 thousands);
- Property owned by the subsidiary company Immobiliare Marim S.r.l., in the Milan site (address: Via Varese 18), for a book value of € 25.005 at the 31st of December 2019.

For additional information on the Group's production capital, please refer to the explanatory notes to the Consolidated financial statements.

2.5.2 Relations with suppliers and partners

As already mentioned, quality and security of raw materials are for Casillo the main aspect of the whole productive process. The Casillo Group only purchases raw materials that are authorised by EU regulations, and subjects all raw material to rigorous assessment from a quality and food safety perspective, as well as assessments as to its environmental impact and worker safety.

In accordance with EU regulations, the Casillo Group applies a self-control plan comprised of procedures based on the principles of the HACCP system, which seeks to identify potential hazards and control them. In the specific case of suppliers, the self-control plan envisages checking for the absence of contaminants by means of the activities illustrated below:

- information and awareness of suppliers of raw materials as regards food safety;
- information and awareness of suppliers of transport service as re-

gards food safety;

- sampling plans for raw materials and finished products, which establish the procedures and the frequency of the analyses for various types of risk.

Furthermore, in accordance with the adopted policies and mechanisms, Casillo is committed to promote a culture of quality concerning food security, respect for the environment and of people, in order to ensure that all those involved, including suppliers, are engaged in social responsibility. Particularly, the Group defined a monitoring programme for suppliers, following the implementation of the management system *Social Accountability 8000*, which classifies suppliers as "core" or "supercore". The programme verifies the commitment to guarantee the respect of certain standards concerning human and labour rights by identifying the related risks.

Suppliers or raw materials

Suppliers of raw materials (such as soft wheat and durum wheat) are assessed by checking that they are in possession of the necessary registrations for the commencement notice (D.I.A.)/Health authorisation, and the registration required by EC Regulation no. 852/2004.

For suppliers of organic products, a check is performed on whether they are in possession of a special, valid certificate of conformity issued by an accredited certification body. The suppliers' qualification is updated every two years.

The supply test also checks that the product is accompanied by technical certificates, such as the vehicle washed certificate, the health certificate that guarantees the healthy condition of the goods and the necessary tax documentation.

On the goods purchased and sampled in accordance with the official methods, a special external laboratory - **Food Safety Lab** - (accredited in accordance with the ISO/IEC 17025 standard) conducts the following analyses:

- product parameters;
- residues of antiparasitic;
- microbiological parameters;
- mycotoxins (Aflatoxin B1 and total, Deoxynivalenol, Zearalenone, Ochratoxin A);
- heavy metals;
- genetically modified organisms.

Service Providers

The Casillo's suppliers and services, and mostly the contractors of each site, are regularly examined in accordance to their technical-professional suitability through the documentation provided (such as titles, CCIAA, DURC, list of officials, the risk assessment documentations etc.) and thanks to the audits on site aimed at ensuring that safety and environmental rules are complied with.

The qualification of service providers for the transport and deposit of goods in storage silos is supported by a check of the documentation necessary to carry out their activity, that is:

- D.I.A./Health authorisation;
- Documented cleaning plan;
- HACCP plan containing the hygiene measures applied to prevent contamination of both transported and stored goods, the risk analysis and the list of CCP identified, monitored and documented.

For what regards the **analyses service providers** (laboratories) on the purchased goods, the qualification is supported by controlling the certificate in their possession, namely the accreditation (e.g. ACCREDIA) of the tests carried out.

Providers of waste collection and disposal services is verified through their presence on the Environmental Manager register for the categories required, which determines their qualification.

Lastly, for **engineering test service providers** (electrical systems, load and/or person lifting systems, pressure equipment, gas coolants, etc.), it is verified the presence of the provider on the list of notified and/or authorised bodies for the aforesaid tests.

To monitor suppliers of "critical" services (such as, for example security guards and cleaning services), in addition to the documents indicated above, certifications of social security payments are required, while suppliers of transport services are required to produce documentation relating to their vehicles (in particular MOT and insurance).

In addition to the qualification process, from the second half of 2019, once the expenses management procedures have been fully implemented, a campaign to monitor supplier qualifications was launched. In accordance with the current health emergency which occurred the first months on 2020 and the consequent impact on mobilization, by the end of 2020, the Group intends to institute a qualification, monitoring and auditing process for its suppliers. The aim is to implement a better audit system which will see audit activities at suppliers' sites in alignment with the overall production process where packaging and primary services suppliers (such as transports, storage and cleaning services) play an important role.

2.5.3 Product safety and traceability

Safe and secure products are not only Casillo's final aim but also the guide in managing the entire supply chain. Starting from the risk analysis of the production process, from the gathering of raw materials to the final product, the quality system is based on preventive activities regarding both the control of the production process and of the product in each phase of its transformation.

Thanks to the governance and control mechanisms along with certificated management systems from third and independent parties, Casillo responds to its stakeholders' expectations, pursues high quality standards and minimizes its environmental impact.

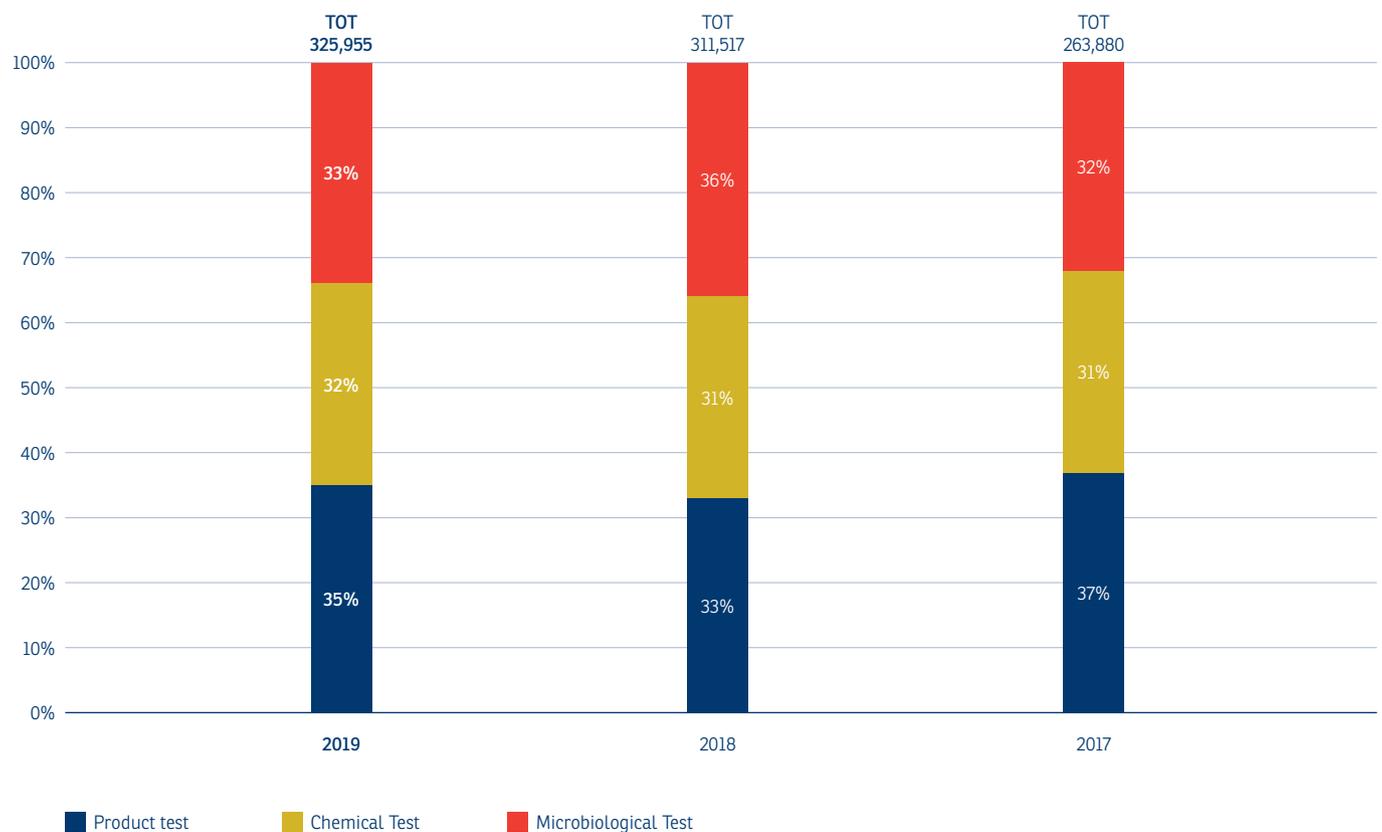
Food safety is the European Community's centre of attention and it is granted thanks to the number of European Regulation. For instance, the European Union regulates the safety of wheat, whose main objective is to prevent the possibility of coming across contaminated wheat. The Casillo Food Safety Lab allows to pursue sophisticated product, chemical and microbiological tests. The analytic activity occurs in three units, logistically independent from one other, but managed by

the main Accountable Laboratory: chemical test-units; microbiological test-units; product test-units. The Laboratory uses an "electronic nose", which is a sophisticated system with the ability to recognize olfactory features of cereal grains for the qualitative reaserch of mycotoxins.

Furthermore, in 2019 the automated methodology for **traceability of lots**, and consequentially the reduction of errors in the manual management became operational. Through this new methodology, the Casillo Group ensures the traceability of lots of wheat purchased op to the finished product stage by taking into account the different management policies:

- Silage activity (lots unified for silo/ layer management);
- Logic of creating mass;
- transfers between sites/plants;
- wheat mixtures;
- semolina/flour mixtures.

Graph → Number of quality analyses conducted by the Food Safety Lab



Certifications and Quality

The Casillo Group is also subject to periodic qualification or supervisory audits, conducted by second parties (customers) and third parties (Certification entities). Even during 2019, different national and international clients conducted a secondary party audit in sales offices and production facilities of the Group.

All audits closed with the confirmation of the company's positive qualification; in a few cases, some minor non-conformities, observations or suggestions for improvements came to light, which were subject to corrective actions, revisions of activities and documents, in order to satisfy customers' requirements.

Customer satisfaction: the quality management system requires the use of indicators for monitoring customer satisfaction; the data col-

lected also refer to product complaints with respect to the number of products delivered.

Product non conformities are communicated by the clients via email or telephone and are managed punctually by the dedicated function of Quality. During 2019, there were 169 complaints, none of which had an impact on the legality of the product.

Innovation, qualitative progress of the product, careful after-and-pre-sale support provided, along with the Casillo Group certifications, a production of the highest qualitative standards, able to satisfy each client's need. The certificated management systems and the product certification represent the Group's efforts towards improvement, as the numerous obtained certifications reported below can testify.

Table → Certification obtained by the Casillo Group

Company	Organic products	HALAL	BRC - Food Safety	BRC - Storage and Distribution	ISO 22005	ISO 22005 100% TOSCANO	ISO 9001	ISO 14001	BS OHSAS 18001	KOSHER	SA 8000	GTP	ISO 14064-1	IFS	GMP
Armonie Italiane S.r.l.	•												•		
Business Optimizers S.c.p.a.													•		
Casillo Commodities Italia S.p.A.	•											•	•		
Molino Casillo S.p.A. Monfalcone	•						•						•		•
Molino Casillo S.p.A.	•	•			•		•			•	•		•		•
Molino dell'Adriatico S.r.l.	•	•					•			•			•		
Molino di Lucca S.r.l.	•					•	•						•		
Molino di Sicilia S.r.l.	•						•						•		
Selezione Casillo S.r.l.	•	•	•				•	•	•	•	•		•	•	
Semolificio A. Moramarco S.p.A.	•						•						•		
Serin S.p.A.													•		
Silos Granari della Sicilia S.r.l.							•						•		
Sinergie Molitorie S.c.ar.l.													•		
Stab. Altamura	•		•										•	•	
Stab. Corato	•		•					•	•		•		•	•	•
Stab. Modica	•		•					•					•	•	
Stab. Lucca	•		•										•	•	
Stab. Ortona	•		•										•	•	
Stab. Salerno			•										•	•	
Stab. Sorbolo								•					•	•	
Stab. Rovato				•											
Stab. Santa Maria Nuova	•														
Solutions Optimizers S.r.l.													•		

Last but not least, for the sake of continuously improving the Company's performance, the Casillo Group decided to voluntarily resort to qualified auditors for the enforcement of internal auditors in all grinding plants of the Group, with the aim to verify the responsiveness of management and operative procedures of international standards in regard to Quality and Food Security.

Furthermore, the Casillo Group extended its list of certifications, which includes the certification on sustainability "ISCC plus" (*Internal Sustainability & Carbon Certification*), whose aim is to preserve the environment by promoting biodiversity and reducing the use of chemical agents and more.

International certification



The Casillo Group has a strategic orientation based on economic, social and environmental sustainability and shares such commitment with partners and clients.

The ISCC plus certification obtained during 2019 is evidence of the Casillo Group's willingness to share its commitment with its clients. The ISCC scheme - International Sustainability & Carbon Certification - was born as a reference *standard* regarding Biofuel, in order to verify the sustainability of different categories of biomass and biofuel, which extended eventually from sustainable management of those groups to feed and food with the ISCC Plus *standard*.

Such scheme, of voluntary nature, allows to monitor and demonstrate the sustainability of products through the control of sustainability requirements, traceability and mass balance of the entire system. It is based on a series of voluntary and mandatory requirements, which concern sustainability in the field of production and chain of custody: sustainable management of cultivation; implementation of sustainable criteria towards the environment, and the social and ecological sphere; supplying of raw materials without deforestation; avoiding the conversion of highly biodiverse areas and promote their preservation; environmental management and increasing of biodiversity; classification of chemical substances with gradual elimination of hazardous substances; reduction of water consumption; fuel and electricity; non-GMO production chain; traceability of supply chain and transformation of raw materials into final products.

Logo	Certification	Brief definition/description
	Biological Productions	Biological logo of the European Union for food of biological origin, which indicates the compliance to the European regulations regarding biological food and beverages.
	HALAL	Halāl (حلال, halāl, halaal) Arab word which means "lawful" and is generally used for food prepared in compliance with the rules of Islamic law.
	BRC Global Standard for Food Safety	Food safety standard recognised by the Global Food Safety Initiative (GFSI), devised to guarantee that products bearing this mark are obtained according to well-defined quality standards.
	BRC Storage and Distribution	It defines the requirements for storage, distribution and wholesale marketing of pre-packaged and unpackaged food products, packaging materials and non-food products. It was developed to assist and aid retailers and other users to meet their legal obligations and protect consumers.
	ISO 22005 Traceability in the feed and food chain	The ISO 22005 standard is the international reference document for the certification of feed and food chain traceability systems. It transposes the Italian standards UNI 10939:01, relating to "Traceability system in feed and food chains" and UNI 11020:02, relating to "Traceability system in feed and food entities" and it applies to the entire food industry, including animal feed productions.
	ISO 9001	It is the internationally recognised reference standard for the quality management of any organisation which intends to simultaneously carry out corporate processes, improve effectiveness and efficiency in manufacturing the product and in performing the service, to obtain and increase customer satisfaction.
	ISO 14001	An international standard with voluntary adoption, applicable to any type of public or private Organisation, which specifies the requirements of an environmental management system.
	BS OHSAS 18001	This Standard specifies the requirements for a Workplace Health and Safety Management System, to enable an Organisation to control its Workplace Health and Safety risks and improve its performance. When we talk about "sicurezza" we are referring to the English meaning of "safety" and not "security".
	KOSHER	The Kosher certification is a useful marketing tool for firms that aspire to sell their products to the large-scale distribution network. The market of Kosher certified products does not comprise only practicing Jews, but also Muslims, as well as millions of vegetarians or persons with intolerance to certain foods.
	GTP (good trading practices)	The code issued by the Coceral (European association representing traders of cereal grains, oil seeds, cheeses, olive oil, greases and other farm equipment) with the goal of establishing precise rules for managing storage, transport, analysis and sampling activities in accordance with the principles of the HACCP. The GTP certification was implemented at Casillo Commodities Italia S.p.A., the Company that trades raw materials in the Group.
	SA 8000	The SA 8000 standard pertains to Social Accountability with regard to workers' conditions (human rights, persons' development, empowerment, training and professional growth, workers' health and safety, anti-discrimination, minor and youth labour) and its requirements extend to the entire chain of suppliers and sub-suppliers.
	UNI EN ISO 14064-1:2012	The certification specifies the principles and requirements, at organisational level, for the quantification and reporting of greenhouse gas emissions and their removal.
	IFS International Food Standard	The International Food Standard aims to promote the effective selection of suppliers of retailer branded food products, on the basis of their ability to provide safe products, which conform to contractual specifications and legal requirements.
	GMP+ International	The purpose of this standard is to guarantee the safety of animal feed in all components of the feed supply chain.

2.6

Natural Capital

SDGs (Sustainable Development Goals)



-3.4%

ELECTRICITY CONSUMED

2,947 tCO₂e

EMISSIONS AVOIDED WITH PHOTOVOLTAIC POWER

72%

OF WASTE TRANSFERRED FOR RECOVERY

2019 FY HIGHLIGHTS Environment



ISO 14064-1

Management System adopted in order to monitor and quantify the amount of CO₂ caused by the Group's activities .



AREAS OF ENVIRONMENTAL IMPACT

- Energy consumption.
- Transport.
- Emissions.
- Waste.



RENEWABLE ENERGY SOURCES

- 6 photovoltaic plants.
- 1 hydroelectric plant.

2.6.1 Environmental policy

The Casillo Group firmly believes that the environment is an asset that has to be protected in everyone's interest and the Environmental Policy adopted is based on these principles of action.

Therefore, the Group is committed to preventing and minimising the environmental impacts of its processes and products through a series of actions, which concern:

- **responsible energy consumption**, endorsing the supply from renewable sources with low environmental impact;

- constant **training and awareness raising** on the most important environmental issues;
- **awareness raising and communication** initiatives towards the outside world.

The Group operates in compliance with the national and regional regulations of the countries in which it is present, in order to preserve the natural environment for the benefit of future generations.

2.6.2 Management systems

The Casillo Group has implemented several projects and initiatives in order to progressively reduce its environmental impacts and improve resource use efficiency. The Group's commitment is borne out by the environmental certifications obtained over the years:

- the **Environmental Management System (EMS)** certified in accordance with the **ISO 14001 standard** for the Corato, Modica and Sorbolo plants. This certification makes it possible to ensure that the environmental impacts of the various production phases are systematically kept under control;
- **Management System pursuant to Standard UNI EN ISO 14064-1**

in order to monitor and quantify the amount of CO₂ produced by the Group's activities and objectively evaluate the emissions reduction programmes.

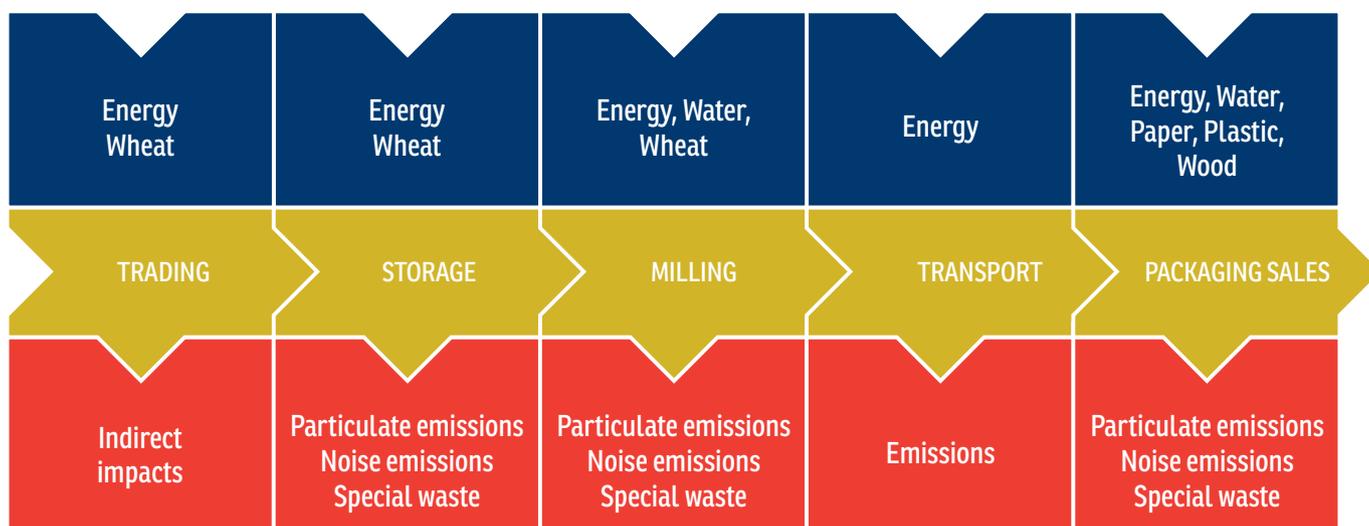
In order to pursue sustainable development, it is vital to acknowledge the interdependence existing between the economic sphere and the environmental one. It is a two-way relationship: on the one hand, the way in which the economy is managed influences the environment; on the other hand, environmental quality influences economic performance. The Casillo Group, which has turned a natural asset like wheat into an economic resource, is fully aware of this.



2.6.3 Environmental impacts

As far as environmental impacts are concerned, the Casillo Group is committed to minimising every potential impact stemming from both its direct activities and indirect ones. In particular, this commitment concerns the following areas:

- Energy consumption.** The extremely large number of machines that are present in a mill, as well as their engines, make it a highly energy-intensive plant. Also, in 2019, the Group implemented several initiatives aimed at reducing energy consumption, which were in line with those of previous years.
- Transport.** A significant indirect impact of the Group's activities stems from the transportation of the cereal grains, wheat and semolina-based products. Regardless of the investments undertaken to acquire plants located throughout the country and the use of rail transport, the growth of the national market has inevitably led to an increase in the volume of transport.
- Emissions.** Milling and packaging activities produce emissions of particulate matter into the external environment and noise. These factors are constantly monitored, thus guaranteeing full compliance with the law.
- Waste.** Industrial activities produce a considerable amount of special waste. Also, through the adoption of an Environmental Management System, the Group constantly monitors waste production, always guaranteeing its regular disposal, promoting its separated collection and privileging recovery where possible.



The rational use of energy and the collection of energy derived from renewable sources are among the Group's key objectives. For this reason, the implementation of the project to optimise the use of energy resources and, first and foremost, **the installation of plants to produce alternative energy** have continued.

In 2019, the Group completed the preliminary design of new plants for the production of electricity from solar power. The plants will be installed at some of the Group's milling sites with the aim of reducing energy costs and maximising the environmental benefits related to

the use of clean and renewable energy generated directly in loco.

Other projects regard research on plants for the production of biogas from agro-industrial biomass (waste from the food supply chain) and from OFMSW - Organic Fraction of Municipal Solid Waste - as well as natural gas liquefaction plants to produce and store Bio-LNG to be used to fuel heavy vehicles. Currently, this is the only technology that allows to obtain totally renewable fuels with zero CO₂ emissions for heavy vehicles and the sea transport sector.

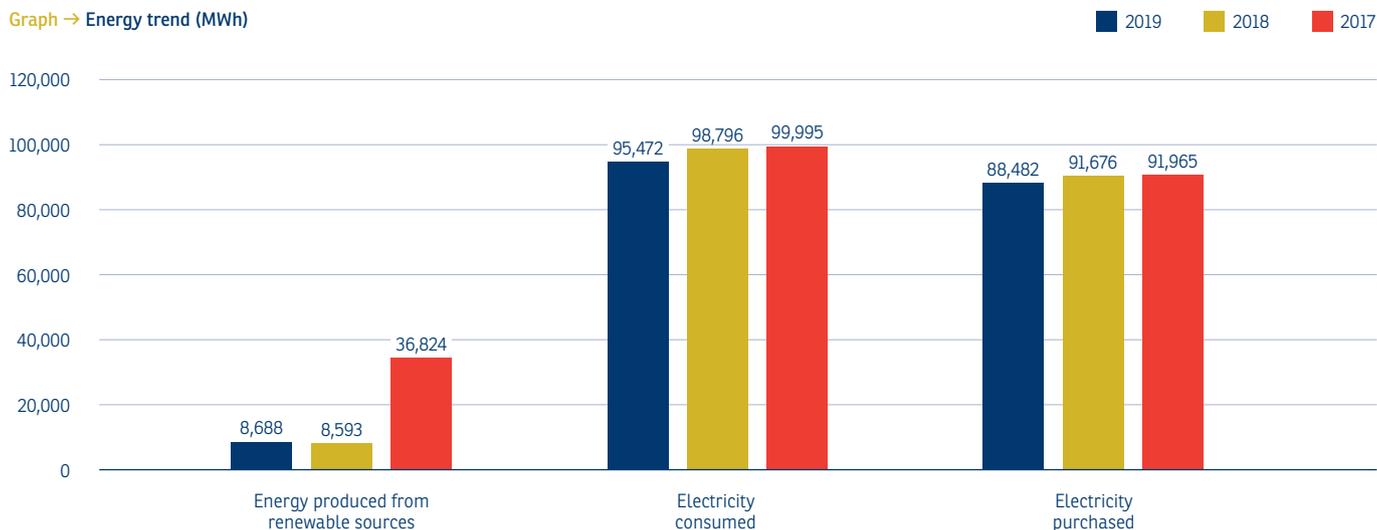
Renewable sources

The **slight drop in energy consumption (-3.4%)** was essentially due to the definitive closure of the durum milling plant in Lucca and the partial unavailability of the milling plant located in Rovato (due to the revamping of production underway). Moreover, the significantly lower energy consumption registered at the Corato plants was compensated for by the higher electricity consumption registered at the milling

plants of Salerno (SA) and Sorbolo (PR) and by the further increase in electricity consumption linked to the acquisition of a new mill in Santa Maria Nuova (AN).

Total electricity use includes the amount of self-consumed electricity, which in 2019 accounted for just over 7% of the total.

Graph → Energy trend (MWh)



The production of electricity from renewable sources is the overall amount of energy produced over the year by the current **7 renewable energy plants**, of which **6 are photovoltaic ones and 1 is hydroelectric**. The significant fall in the amount of energy generated is due substantially to the deconsolidation of the figures relating to the business of energy production from renewable sources operated by Serin and

its subsidiaries. Instead, the increase in energy production compared to 2018 (+1.1%) essentially stemmed from the higher solar radiation registered in 2019 and the better performances guaranteed from the plants, which only rarely stopped running due to internal breakdowns or disruptions occurred to the electricity grid.

Energy Efficiency

The theme of energy efficiency remains central to the industrial investments undertaken by the Group and has been integrated within a wider strategic programme of ongoing technological innovation projects, which are aimed at reaching the objectives set out in the National Industry 4.0 Plan. In line with the initiatives implemented in previous years, also in 2019 the Casillo Group continued to pursue two main lines of action:

- the application to peripheral plants of those technological standards and efficiency solutions that have been already implemented successfully the main plants;
- the execution of constant improvement actions aimed at maintaining and enhancing the performances recorded thanks to the plant

revamping plan implemented in 2012.

These initiatives delivered significant benefits for the Casillo Group's energy budget and led to record not only an improvement in energy performance, but a reduction in CO₂ emissions as well.

The initiatives that were put in place were directly implemented on the plant machinery, with the objective of optimising the processes. The main ones are:

- power quality analysis and control (balancing and distribution of energy, power factor correction of loads, automatic and continuous monitoring of functional parameters);
- automation and increase in efficiency of mechatronics;
- adoption of highly efficient LED lamps;

- advance control techniques for the principal and auxiliary plants;
- data integration and cognitive automation platforms.

In March 2019, in compliance with the legal obligations, the energy savings achieved in comparison with the previous year were communicated to the Agency for New Technologies, Energy and Environment. In addition to the need to comply with the provisions of the European Union, the analyses represent a clear opportunity to identify additional margins of improvement in energy use and reduce consumption, while increasing the competitive advantage of the Group.

To this end, in 2019 the installation of **Energy Management Systems** for all the most energy-intensive production sites was completed, with the goal of pursuing energy optimisation targets by relying on an accurate energy consumption management and continuous mon-

itoring system.

In 2019, the innovative project in the field of energy efficiency that had already entailed the installation of energy conditioners on the electricity grid of the milling plant in Corato (BA) was implemented at the mill located in Salerno (SA) as well, with the goal of obtaining energy savings through the reduction of those losses due to low power quality. The outcomes of the project are being currently examined and evaluated by certified Experts in Energy Management. In 2020, the same installations will be performed also at all the other milling sites, as production plants generate almost 90% of the overall electricity demand of the Group.

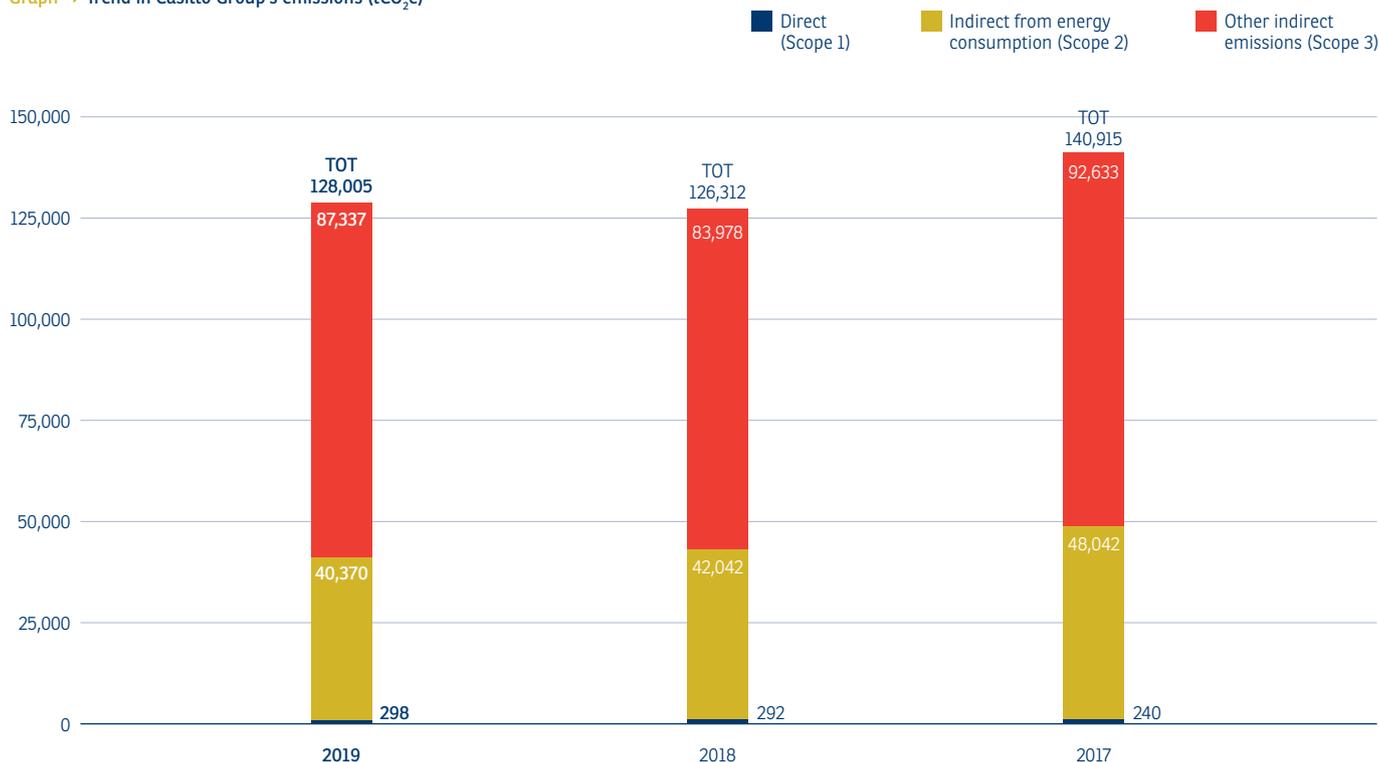
Emissions

Emissions and calculation of carbon footprint

The climate emergency still represents the main epochal environmental crisis that can influence and drastically alter the living conditions of entire communities, while also threatening crops agriculture has traditionally relied on to produce foodstuffs. The Casillo Group, that has always been committed to addressing environmental and sustainability issues, has decided to contribute to this initiative also in 2019, by ensuring that an assessment was conducted on its production process in order to identify potential areas of improvement and implement further

initiatives aimed at reducing the emissions of carbon dioxide (CO₂). The voluntary nature of this analysis for the companies that are part of the Casillo Group, which do not fall into those categories that are obligated to undergo the Emission Trading mechanism, bears out the organisation's attention to and awareness of environmental protection and the related communication, with the objective of playing a leading role also with respect to suppliers, customers and, generally speaking, all other entities involved in the operating processes.

Graph → Trend in Casillo Group's emissions (tCO₂e)



The category referred to as “other indirect emissions” accounts for the largest part of the total emissions, contributing to the extent of 87,337 tCO₂e. This is followed by the indirect emissions stemming from energy consumption, which account for 40,370 tCO₂e. Finally, the lowest emissions produced by the organisation are the direct ones, which are equal to 298 tCO₂e. Almost all carbon dioxide emissions (over 99.78% of the total) are indirect, and therefore cannot be controlled directly by the organisation, which conversely has full control of direct emissions only, accounting for less than 0.2% of the total.

For a better understanding of the distribution of this data, the three emission categories, broken down for the different companies falling

within the scope of the study, are analysed here below:

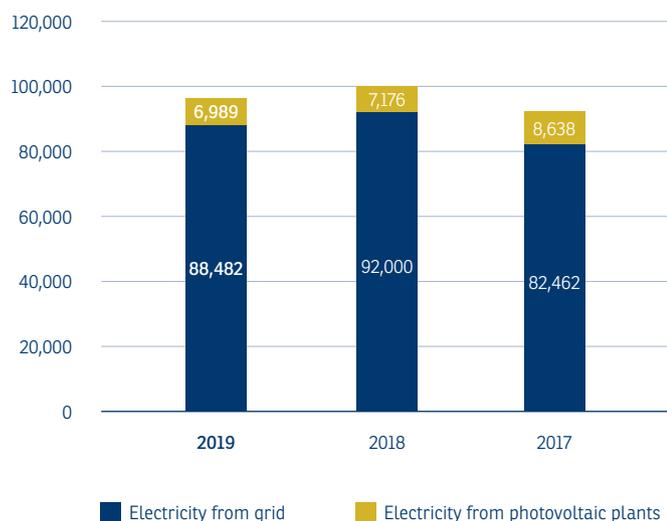
1. the “direct emissions” category (Scope 1) encompasses the consumption of fuel caused by Casillo Group’s company cars;
2. with respect to the “indirect emissions from energy consumption” category (Scope 2), Sinergie Molitorie S.c.ar.l. is the company that reports the largest amount of greenhouse gas emissions, which is ultimately due to the nature of its activities. This company carries out the milling activities, which are the core business of the Casillo Group;
3. the “other indirect emissions” category (Scope 3): mainly includes freight transport commissioned to external suppliers, which are not under Casillo Group’s direct control.

Managing and offsetting emissions

The Casillo Group calculated its **carbon footprint** in compliance with the **ISO 14064:2018 standard** and based on the relevant data as at 2019, which was chosen as the new reference year for the study. From an operational perspective, also in 2019 production recorded an up-trend, as in previous years. The number of tonnes of ground wheat

rose by around 3.8%, from 1,421,075 in 2018 to 1,474,870 in 2019. Scope 1 and Scope 2 emissions that the organisation must document in order to comply with the ISO 14064:2019 standard totalled around 40,668 tCO₂e.

Graph → Emissions from electricity consumption (MWh)



The largest part of the indirect emissions comes from the considerable amount of electricity that is necessary to satisfy the energy demand of the milling activities and from the need to rely on external suppliers for freight transport. However, thanks to the production of electricity generated from the Group’s photovoltaic plants, the consumption of electricity drawn from the grid was reduced, thus avoiding part of the indirect GHG emissions related to energy consumption.

In 2019, a total of 95,472 MWh was used, of which 7.3% drawn from the photovoltaic plants. From an environmental perspective, the **indirect emissions avoided** by using photovoltaic power amounted to around **2,947 tCO₂e**.

With respect to electricity, the equivalent emission factor adopted to calculate the indirect emissions (Scope 2) is the peculiar one of the national electrical mix, which is equal to 0,444 kgCO₂e/kWh¹.

Total emissions	2019 tCO ₂ e	2018 tCO ₂ e	2017 tCO ₂ e
Scope 1	298	292	240
Scope 2	40,370	42,785	48,042
Scope 3	87,337	83,978	92,633

1 Equivalent emission factor - Greenhouse gas emission factor within the national electricity sector and in the other main EU countries - ISPRA Report n.317/2020

Water demand

In 2019 the Casillo Group used 99,406m³ of water (78,747m³ in 2018, 103,493m³ in 2017). The water is mostly used throughout production and, to a minor extent, for sanitary uses, fire protection and irrigation of the gardens around the plants. The wastewater produced is essentially represented by the water coming from the toilets and chang-

ing rooms. Thus, it is similar to household wastewater in its type and quantity and is regularly channelled to authorised receiving containers. The wastewater quality parameters are well below the limits laid down in the legislation in force.

WATER CONSUMPTION (m³)

	2019
Overall water consumption in all regions	99,406
Overall water consumption in areas affected by a significant water stress	54,469

Waste management

The waste produced by the Casillo Group principally stems from the production processes, the maintenance of systems/plants and the scrap from the packaging processes. The waste produced by the office activities, which is comparable to urban waste (paper, plastic, residual wet and dry waste), is disposed of through the normal urban waste

collection channels and completely separated.

Given the increase in industrial activities related to both production and innovation, the waste production trend rose in 2019, up from 849.25 tonnes in 2017 to 880.12 tonnes in 2018, to 1,240.89 tonnes in 2019, recording a rise of 29% over the last year.

Graph → Waste type

99.13%
Non-hazardous

0.87%
Hazardous



The attention paid to waste management allowed the Group to achieve extremely significant targets in relation to separate collection, with **over 72% of the total amount of waste set to be recovered**, despite the increase by 29% in the total amount of waste produced. It is also worth reporting that almost all the waste produced by the Group can be classified as non-hazardous.

The temporary storage of waste occurs particularly at production sites. It is carried out complying with the legislation in force and using

specific containers to store the different types of waste. This allows not only to optimise the separate collection of waste, but also to avoid spills in the environment.

Moreover, the Group has implemented suitable procedures to continuously monitor its suppliers, from the collection of waste to the final destination. This allows to reduce as much as possible the risks related to waste management, thus safeguarding the environment and the Group's responsibilities.



3

Consolidated financial statements

In this chapter

- 3.1 Consolidated Balance Sheet
- 3.2 Consolidated income statement
- 3.3 Statement of cash flows
- 3.4 Explanatory notes

3.1 Consolidated Balance Sheet

CONSOLIDATED BALANCE SHEET	31/12/2019	31/12/2018
ASSETS		
A) SUBSCRIBED CAPITAL UNPAID	0	75,000
B) FIXED ASSETS		
I - Intangible Fixed Assets		
1) Start-up and expansion costs	55,268	127,810
3) Industrial patent and intellectual property rights	150,893	236,726
4) Concessions, licences, trademarks and similar rights	30,949	27,500
5) Goodwill	7,013,600	5,972,930
6) Fixed assets in progress and payments on account	4,930,655	3,848,831
7) Other	11,914,255	10,155,117
Total intangible fixed assets (I)	24,095,620	20,368,914
II - Property, plant and equipment		
1) Land and buildings	72,853,880	55,426,666
2) Plant and machinery	27,210,149	25,186,780
3) Industrial and commercial equipment	1,279,484	1,133,682
4) Other assets	643,387	802,273
5) Fixed assets in progress and payments on account	27,558,001	15,610,851
Total property, plant and equipment (II)	129,544,901	98,160,252
III - Financial fixed assets		
1) Equity investments in		
a) Non-consolidated subsidiaries	3,054,275	65,188
b) Associates	2,423,590	12,455,088
d-bis) Other enterprises	547,157	2,925,459
Total equity investments (1)	6,025,022	15,445,735
2) Receivables		
a) From non-consolidated subsidiaries		
Due within the next financial year	1,330,021	3,768,463
Due after the next financial year	4,262,376	262,376
Total receivables from non-consolidated subsidiaries (a)	5,592,397	4,030,839
b) From associates		
Due within the next financial year	18,684,408	0
Due after the next financial year	2,248,599	2,436,099
Total receivables from associates (b)	20,933,007	2,436,099
d-bis) From others		
Due within the next financial year	3,974,123	13,246,286
Due after the next financial year	892,606	934,639
Total other receivables (d-bis)	4,866,729	14,180,925
Total receivables (2)	31,392,133	20,647,863
3) Other securities	2,500,000	2,500,000
Total financial fixed assets (III)	39,917,155	38,593,598
Total fixed assets (B)	193,557,676	157,122,764

C) CURRENT ASSETS		
I - Inventories		
1) Raw materials and consumables	58,362,820	37,887,336
4) Finished products and goods for resale	125,121,645	66,536,753
5) Payments on account	1,174,900	1,061,836
Total inventories (I)	184,659,365	105,485,925
II - Receivables		
1) From customers	221,972,714	269,727,916
2) From non-consolidated subsidiaries	558,111	115,221
3) From associates	540,944	21,056,827
5-bis) Tax receivables		
Due within the next financial year	47,729,954	25,077,433
Due after the next financial year	331,746	353,869
Total tax receivables (5-bis)	48,061,700	25,431,302
5-ter) Deferred tax assets	7,337,238	10,004,185
5-quarter) Due from others		
Due within the next financial year	56,715,836	36,523,020
Due after the next financial year	1,256	0
Total other receivables (5)	56,717,092	36,523,020
5-quinquies) Assets for substitute tax from realignment		
Due within the next financial year	60,873	60,873
Due after the next financial year	608,725	669,598
Total assets for substitute tax from alignment (5-quinquies)	669,598	730,471
Total receivables (II)	335,857,397	363,588,942
III - Current financial assets		
5) Derivative financial instruments	2,051,325	282,192
6) Other securities	43,800,360	41,021,561
Total current financial assets (III)	45,851,685	41,303,753
IV - Cash and cash equivalents		
1) Bank and postal deposits	125,252,478	70,604,290
2) Cheques	514	274,428
3) Cash at bank and on hand	29,618	110,656
Total cash and cash equivalents (IV)	125,282,610	70,989,374
Total current assets (C)	691,651,057	581,367,994
D) ACCRUALS AND DEFERRALS	1,146,629	1,212,919
TOTAL ASSETS	886,355,362	739,778,677

LIABILITIES	31/12/2019	31/12/2018
A.1) GROUP SHAREHOLDERS' EQUITY		
I - Share capital	90,000	90,000
III - Revaluation reserves	25,904,342	25,904,342
IV - Legal reserve	18,000	18,000
VI - Other reserves		
Extraordinary reserve	7,309,159	7,309,159
Consolidation reserve	13,066,312	15,025,754
Reserve from translation differences	-	117,530
Other reserves	382,093	382,093
Total other reserves (VI)	20,757,564	22,834,536
VIII - Retained earnings	160,285,818	156,771,133
IX - Profit for the year	15,174,085	8,560,923
Total Group shareholders' equity (A.1)	222,229,809	214,178,934
A.2) MINORITY INTERESTS		
I - Capital and reserves pertaining to minority interests	20,049,621	6,521,363
II - Profit for the year pertaining to minority interests	5,509,693	9,017,253
Total minority interests (A.2)	25,559,314	15,538,616
Total consolidated shareholders' equity (A.1 + A.2)	247,789,123	229,717,550
B) PROVISIONS FOR RISKS AND CHARGES		
1) Pension and similar obligations	384,271	329,926
2) Taxes, including deferred taxes	1,138,250	1,841,675
2-bis) Consolidation provision for future risks and charges	131,474	65,866
3) Derivative financial instruments - liabilities	411,972	754,760
4) Other	5,836,059	9,782,326
Total provisions for risks and charges (B)	7,902,026	12,774,553
C) EMPLOYEE SEVERANCE INDEMNITY	4,033,343	3,816,730
D) PAYABLES		
1) Obligations		
Due after the next financial year	35,000,000	0
Total Obligations (1)	35,000,000	0

3) Payables to shareholders for loans		
Due within the next financial year	120,000	120,000
Due after the next financial year	56,408	176,408
Total payables to shareholders for loans (3)	176,408	296,408
4) Payables to banks		
Due within the next financial year	434,277,959	312,269,713
Due after the next financial year	50,472,648	51,977,252
Total payables to banks (4)	484,750,607	364,246,965
5) Payables to other lenders		
Due within the next financial year	1,281,956	0
Due after the next financial year	76,459	76,459
Total of payables to other lenders (5)	1,358,415	76,459
6) Payments on account	1,075,580	317,245
7) Trade payables	82,053,594	106,916,841
9) Payables to non-consolidated subsidiaries	1,764,799	0
11) Payables to parent companies	0	2,153,516
11-bis) Payables to businesses subject to the control of the parent companies	30,000	0
12) Tax payables		
Due within the next financial year	3,303,952	7,377,977
Due after the next financial year	1,562,572	0
Total tax payables (12)	4,866,524	7,377,977
13) Payables to social security institutions	1,714,819	1,621,609
14) Payables to others		
Due within the next financial year	10,645,774	8,567,311
Due after the next financial year	792,155	0
Total payables to others (14)	11,437,929	8,567,311
Total Payables (D)	624,228,675	491,574,331
E) ACCRUALS AND DEFERRALS	2,402,195	1,895,513
TOTAL LIABILITIES	886,355,362	739,778,677

3.2 Consolidated income statement

CONSOLIDATED INCOME STATEMENT	2019	2018
A) VALUE OF PRODUCTION		
1) Revenues from sales and services	1,493,276,919	1,984,429,280
2) Change in inventories of work in progress, semi-finished and finished products	(825,942)	978,018
4) Own work capitalised	168,164	0
5) Other revenue and income		
Operating grants	2,124,078	3,328,607
Others	16,200,919	13,146,408
Total other revenue and income (5)	18,324,997	16,475,015
Total value of production (A)	1,510,944,138	2,001,882,313
B) COSTS OF PRODUCTION		
6) For raw materials, consumables and goods for resale	1,277,431,905	1,623,279,945
7) For services	243,793,721	285,512,750
8) Use of third-party assets	4,481,687	4,400,148
9) Personnel:		
a) Salaries and wages	16,503,642	14,604,754
b) Social security costs	4,406,122	4,018,268
c) Employee severance indemnity	1,020,482	852,568
d) Pension costs and similar liabilities	9,314	3,722
e) Other costs	111,922	155,107
Total personnel costs (9)	22,051,482	19,634,419
10) Amortisation, depreciation and write-downs:		
a) Amortisation of intangible fixed assets	3,489,269	2,004,940
b) Depreciation of property, plant and equipment	5,815,324	6,019,701
d) Write-down of receivables recorded under current assets and cash and cash equivalents	541,314	0
Total amortisation, depreciation and write-downs (10)	9,845,907	8,024,641
11) Changes in inventories of raw materials, consumables and goods for resale	(67,060,060)	6,998,734
12) Provisions for risks	508,331	827,169
14) Other operating expenses	8,376,843	5,145,855
Total costs of production (B)	1,499,429,816	1,953,823,661
Difference between value and costs of production (A-B)	11,514,322	48,058,652
C) FINANCIAL INCOME AND EXPENSES		
15) Income from equity investments		
from associates	339,487	760,392
from other companies	2,100	2,100
Total income from equity investments (15)	341,587	762,492
16) Other financial income:		
a) From receivables classified as fixed assets		
From non-consolidated subsidiaries	25,503	25,502
from associates	182,883	187,999
from other companies	0	1,378,240
Total financial income from receivables classified as fixed assets (a)	208,386	1,591,741

b) From securities classified as fixed assets that do not constitute equity investments	140,000	141,875
c) From securities recorded under current assets that do not constitute equity investments	74,926	497,855
d) Other income		
from others	467,868	252,627
Total financial income other than the above (d)	467,868	252,627
Total other financial income (16)	891,180	2,484,098
17) Interest expense and other financial expenses		
Others	4,840,785	4,199,494
Total interest expense and other financial expenses (17)	4,840,785	4,199,494
17-bis) Exchange rate gains and losses	(397,119)	1,036,117
17-ter) Net gains and losses on derivative financial instruments	18,685,380	(7,739,439)
Total financial income and expenses (C) (15+16-17+-17-bis+-17-ter)	14,680,243	(7,656,226)
D) VALUE ADJUSTMENTS TO FINANCIAL ASSETS		
18) Revaluations:		
a) of equity investments	95,257	0
c) of securities recorded under current assets that do not constitute equity investments	763,176	398,308
d) of derivative financial instruments	2,735,085	22,987,058
Total revaluations (18)	3,593,518	23,385,366
19) Write-downs:		
a) of equity investments	360,142	24,284
b) of financial fixed assets not representing equity investments	125,850	0
c) of securities recorded under current assets that do not constitute equity investments	0	1,586,000
d) of derivative financial instruments	1,057,164	33,806,635
Total write-downs (19)	1,543,156	35,416,919
Total adjustments (D) (18-19)	2,050,362	(12,31,553)
PROFIT BEFORE TAX (A-B+-C+-D)	28,244,927	28,370,873
20) Income taxes for the year; current, deferred and prepaid		
Current taxes	6,153,745	12,247,004
Income from tax consolidation	(528,108)	(207,983)
Substitute tax from realignment	60,873	60,873
Income taxes of foreign entities	296,458	115,673
Direct taxes relating to previous years	72,228	453,129
Deferred tax liabilities	(698,825)	803,878
Deferred tax assets	2,204,778	(2,679,877)
Total income taxes for the year (20)	7,561,149	10,792,697
21) CONSOLIDATED PROFIT FOR THE YEAR	20,683,778	17,578,176
Profit attributable to the Group	15,174,085	8,560,923
Profit attributable to minority interests	5,509,693	9,017,253

3.3 Statement of cash flows

STATEMENT OF CASH FLOWS OF CHANGES IN CASH AND CASH EQUIVALENTS	31/12/2019	31/12/2018
CASH FLOWS FROM OPERATING ACTIVITIES (INDIRECT METHOD)		
Profit (loss) for the year	20,683,778	17,578,176
Income taxes	7,561,149	10,792,697
Interest expense/(interest income)	3,590,261	1,526,055
(Dividends recognised in the income statement)	(2,100)	(762,492)
(Capital gains)/losses from transfer of other assets	(803,443)	(970,322)
1. Profit (loss) in the year before income taxes, interest, dividends and capital gains/losses from transfer	31,029,645	28,164,114
<i>ADJUSTMENTS FOR NON-MONETARY ELEMENTS WITH NO CONTRA-ITEM IN NET WORKING CAPITAL</i>		
Allocations to provisions	2,053,694	5,547,814
Amortisation/depreciation of fixed assets	9,304,593	8,024,641
Write-downs due to impairment	1,027,306	1,610,284
Non-monetary value adjustments to financial assets and liabilities - derivative financial instruments	(1,677,921)	10,819,577
Other adjustments for non-monetary elements	(858,433)	(398,308)
2. Cash flow before changes in net working capital	40,878,884	53,768,122
<i>CHANGES IN NET WORKING CAPITAL</i>		
Decrease/(increase) in inventories	(79,173,440)	(8,985,313)
Decrease/(increase) in receivables from customers	47,213,888	(53,846,861)
Decrease/(increase) in receivables from subsidiaries, associates, parent companies, affiliates	20,072,993	695,627
Increase/(decrease) in trade payables	(24,863,247)	(3,106,143)
Increase/(decrease) pay. due to subsid., assoc., parent comp. & affil.	1,794,799	0
Decrease/ (increase) in accrued income and prepaid expenses	66,290	21,279
Increase/(decrease) in accrued expenses and deferred income	506,682	434,345
Other changes in net working capital	(31,412,030)	7,831,918
3. Cash flow after changes in net working capital	(24,915,181)	(3,187,026)
<i>OTHER ADJUSTMENTS</i>		
Interest collected	148,644	200,564
(Interest paid)	(268,172)	(3,607,577)
(Income taxes paid)	(16,534,292)	(1,423,030)
Dividends collected	2,100	762,492
(Use of provisions)	(5,667,995)	(4,811,937)
CASH FLOW FROM OPERATING ACTIVITIES (A)	(47,234,896)	(12,066,514)
CASH FLOWS FROM INVESTMENT ACTIVITIES		
<i>PROPERTY, PLANT AND EQUIPMENT</i>		
(Investments)	(50,869,066)	(26,219,204)
Disinvestments	14,133,049	117,047
<i>INTANGIBLE FIXED ASSETS</i>		
(Investments)	(7,286,975)	(3,989,894)
Disinvestments	71,000	-

<i>FINANCIAL FIXED ASSETS</i>		
(Investments)	(649,145)	(20,130,392)
Disinvestments	19,332,806	710
Interest collected	348,386	1,733,616
Decrease/(increase) in receivables from subsidiaries, associates, parent companies, affiliates	(20,058,466)	5,481,700
<i>SHORT TERM FINANCIAL ASSETS</i>		
(Investments)	(5,449,623)	662,718
Disinvestments	3,000,000	-
Interest collected	74,926	497,855
CASH FLOW FROM INVESTMENT ACTIVITIES (B)	(47,353,108)	(41,845,844)
CASH FLOWS FROM FINANCING ACTIVITIES		
<i>THIRD PARTY FINANCING</i>		
Increase/(decrease) in payables to banks	96,352,887	47,344,460
(Interest paid)	(3,894,045)	(350,513)
Obtainment of loans	76,010,000	23,000,000
(Loan repayment)	(51,859,245)	(36,379,264)
Taking out of a debenture loan	35,000,000	
Increase (decrease) in sundry financial payables due to third parties (change in items D5 and D8)	1,281,956	
<i>SHAREHOLDER AND GROUP EQUITY</i>		
Increase (decrease) in payables to shareholders for loans	(120,000)	(120,000)
Increase (decrease) in financial payables to subsidiary, associated and affiliated companies	0	(2,408,489)
<i>EQUITY</i>		
Paid share capital increase	9,823,215	11,975
(Dividends paid)	(13,713,528)	(17,926,917)
CASH FLOW FROM FINANCING ACTIVITIES (C)	148,881,240	13,183,482
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A ± B ± C)	54,293,236	(40,728,876)
EXCHANGE RATE EFFECT ON CASH EQUIVALENTS		
Opening cash and cash equivalents	70,989,374	111,718,250
of which:		
Bank and post office deposits	70,604,290	111,104,402
Cheques	274,428	577,347
Cash at bank and on hand	110,656	36,501
Cash and cash equivalents at year end	125,282,610	70,989,374
of which:		
Bank and post office deposits	125,252,478	70,604,290
Cheques	514	274,428
Cash at bank and on hand	29,618	110,656

3.4 Explanatory notes

Introduction

The consolidated financial statements of the Casillo Group, drawn up in accordance with the provisions contained in articles 2423 and pursuant to the Italian Civil Code and to Italian Legislative Decree 127/91, interpreted and integrated by the accounting standards issued by the Italian Accounting Body (the 'OIC accounting standards') consists of the following documents: Balance Sheet, Income Statement, Statement Of Cash Flows and Explanatory Notes.

The Statement of Cash Flows is the accounting statement that presents the reasons for the positive or negative changes in cash and cash equivalents during the year. The cash flow statement was drafted in accordance with the guidelines of national accounting standard OIC 10, according to the reference scheme called "Cash flow from operating activities determined using the indirect method".

The Balance Sheet, the Income Statement and the Statement of Cash Flows have been drafted in Euro, without decimal places, while the Explanatory Notes have been prepared in thousands of Euro (abbreviated to "k€"), unless otherwise indicated, in compliance with the structure and numbering of the items of the Balance Sheet and Income Statement as required by the regulations referred to. Items with a zero amount, both for the current year as well as in the previous year, have been omitted from the financial statements.

Wherever the information required by specific legislative provisions is not sufficient to provide a truthful and correct picture, additional information is provided for this purpose. More specifically, the following information is provided in tables in the Explanatory Notes:

- the statement of reconciliation between shareholders' equity and the profit (loss) for the year of the Parent Company and the shareholders' equity and profit (loss) for the year of the consolidated financial statements;
- the statement of changes in consolidated shareholders' equity.

With reference to related party transactions, note that, pursuant to art. 38, paragraph 1, o-quinquies) of Italian Legislative Decree no. 127/1991, no transactions were performed in 2019 that were not concluded on an arm's length basis, both in terms of "price" and the reasons leading to the decision to enter into them. In particular, it should be pointed out that the transactions conducted with related parties took place on an arm's length basis, with the exception of non-interest bearing loans granted to associates and non-interest bearing loans received from the shareholders commented on below. These transactions fall under the Group's ordinary and typical operations.

In addition, pursuant to art. 38, paragraph 1, o-sexies) of Italian Legislative Decree no. 127/1991, there are no off-consolidated balance sheet agreements, whose risks and/or benefits are significant for the purposes of an evaluation of the Group's equity and financial position and economic result.

Please refer to the report on operations for an analysis of the activities performed during the year and to the additional specifications contained in the explanatory notes.

The significant events that took place after the end of the year and the total amount of commitments, guarantees and potential liabilities not included in the balance sheet are illustrated in specific paragraphs of these Explanatory Notes.

Casillo Partecipazioni S.r.l., parent company, is also controlled by FCH S.r.l., with registered office in Corato in Via Sant'Elia Z.I. (address), which draws up the Consolidated Financial Statement of the largest body of the Casillo Group's undertakings. Such Consolidated Financial Statement will be available to the public with the modalities and within the terms provided by the regulations in force.

Scope of consolidation

The scope of consolidation includes the Parent Company Casillo Partecipazioni S.r.l. and the companies in which it holds, either directly or indirectly, the majority of voting rights (legal control) or de facto control.

The scope of consolidation not only includes the Parent Company, but also the following companies:

Table → Equity investments consolidated on a line-by-line basis

Company name	Registered Office	Share capital (thousands of €)	% share held directly	% share held indirectly
Molino Casillo S.p.A.	Corato	5,900	96.95	
Casillo Commodities Italia S.p.A.	Corato	5,210	95.01	
Armonie Italiane S.r.l.	Corato	12.2	100.00	
Nuova Agricoltura Borgo Libertà S.r.l.	Corato	10	100.00	
Business Optimizers S.c.p.a.	Corato	150	76.67	16.66
Investor Advisors S.p.A.	Milan	1,100	63.64	
Gong Capital S.p.A.	Milan	1,000	58.00	6.36
Ausonio 25 S.r.l.	Milan	100		64.36
Kamelya Real Estate S.r.l.	Milan	15,000		38.62
Paullo 3 S.p.A.	Milan	50		45.05
Immobiliare Nemi S.r.l.	Milan	46.8		64.36
Immobiliare Marim S.r.l.	Milan	31.2		38.62
Sireo S.r.l.	Milan	25		38.62
Solutions Optimizers S.c.ar.l.	Corato	22	45.45	35.67
Casillo Commodities Brasil S.A.	S.Paolo (BRA)	220	5.00	95.26
Transgrain Central Europe Kft	Budapest (UNG)	93.7		95.01
Transgrain France S.a.s.	Nimes (FRA)	4,000		90.26
Grainprom Llc	Moscow (RUS)	42.9		71.26
Silos Granari della Sicilia S.r.l.	Corato	5,000		96.95
Sinergie Molitorie S.c.ar.l.	Corato	60	16.67	48.48
Selezione Casillo S.r.l.	Corato	2,000		96.95
Mange'nn Mange'nn S.r.l.	Corato	10		70.00
Resnova Immobiliare S.r.l.	Corato	10	100.00	
C&F Developments Italia S.r.l.	Corato	100	42.00	12.73

Some subsidiaries issued special category shares that do not attribute the holders with voting rights at the shareholders' meeting. The percentages reported are net of said special shares.

The table below reports non-consolidated subsidiaries whose equity and economic values were insignificant as at 31 December 2019.

Company name	Registered Office	Share capital (thousands of €)	% share held directly	% share held indirectly
Oversky Ltd (**)	Birchircara (MALTA)	2	100	
S.c.i. Corato	Nimes (FRA)	1.2		94.06
International Grain Chartering S.r.l. (**)	Genova (ITA)	50		71.26

(**) 2019 figures not available in time and/or irrelevant for consolidation purposes

It should be noted that, pursuant to Art.28 of the Italian Legislative Decree 127/91, the company Molino Tandoi S.r.l. - in composition with creditors proceedings of the business continuity - acquired in July 2019 by Molino Casillo S.p.A. and controlled by Casillo Partecipazione S.r.l. for 96.95%, has not been fully consolidated due to restrictions on de facto control, in view of the control carried out by the Trani Tribunal for the current creditors proceedings.

Changes with respect to the scope of consolidation of the previous year:

- Consolidation of the following Companies: Kamelya Real Estate S.r.l., Immobiliare Marim S.r.l., Ausonio 25 S.r.l., Paullo 3 S.r.l., Sireo Immobiliari Fondi S.r.l.
- The 6th of December 2019, through the notarial merger deed executed

by the designated rotary Capozza Francesco (Directory n.6817, Collection n.4770), Molino Casillo S.p.A. incorporated all the Companies controlled by Molino di Sicilia S.r.l., Semolificio A. Moramarco S.p.A., Molino di Lucca S.r.l., Molino Dell'Adriatico S.r.l. and Farine di Parma S.r.l. The merger produced legal effects from the 31st of December 2019, while the effects for accounting and tax purposes - pursuant of Art.2504 bis. c. c. (3) - backdated to the 1st of January 2019 and attributed to the Consolidate Financial Statement of the incorporating company, as intended by the merger.

- Consolidation of C&F Developments Italia S.r.l.
- Acquisition of Resnova Immobiliare S.r.l.: on the 5th of March 2019, 100% of the shared capital was acquired for trading activities of real estate.

Reference date of the consolidated financial statements and closing dates of the financial statements to be consolidated

The reference date of the consolidated financial statements and the closing dates of the financial statements to be consolidated coincide with those of the Parent Company and of all companies included in the scope of consolidation.

Consolidation Principles

The consolidation principles applied in drafting the consolidated financial statements are shown below:

The consolidated financial statements represent the sum total, item by item, of the separate financial statements as at 31 December 2019 of the parent company Casillo Partecipazioni S.r.l. and the subsidiaries identified above, approved by the respective directors, if necessary reclassified and adjusted in order to make them consistent with the Group's accounting standards. The Group's accounting standards used to draft the consolidated financial statements are primarily those adopted by the consolidated companies.

Asset and liability items with identical or similar designation and content, contained in the financial statements of Group companies, which will be combined in the same items of the consolidated financial statements are measured with the same criteria.

The line-by-line consolidation procedure takes place by means of the following steps:

- adjustments to comply with Group accounting standards as well as any other adjustments needed for consolidation purposes, such as reclassifications;
- aggregation of financial statements or of financial information to be consolidated regardless of the percentage of equity investment. The income statements of companies acquired or disposed of during the year are aggregated on the basis of the period for which they were owned by the Group;
- elimination of the recognition value of equity investments in consolidated companies as a balancing entry to the corresponding quotas of shareholders' equity of the subsidiary held by the Group on the acquisition date.

The difference from said cancellation, if positive, is booked, where possi-

ble, to each identifiable asset acquired, to the extent of the present value of said assets, and in any event, for values not exceeding their recoverable value, as well as to each identifiable liability acquired, including the relative tax. In the event that the positive cancellation difference is not entirely allocated to the assets and liabilities acquired, identifiable separately, the residual amount is booked to the "Goodwill" of intangible assets, unless it should be wholly or partly booked to the income statement. The allocation of the residual amount of the cancellation difference to goodwill is made on condition that the requirements for the recognition of goodwill envisaged by the reference accounting standard are met.

Any further residual value that cannot be allocated to assets and liabilities or to goodwill, is booked to the income statement under "Other operating expenses".

If the cancellation difference is negative, it is allocated, where possible, to reduce the assets recognized at values higher than their recoverable value and the liabilities recognised at values lower than their discharge value, net of the relative tax. Any negative surplus amount, if not relative to the forecast of unfavourable economic results but to a successful deal, it is recognised in a specific reserve of shareholders' equity "Consolidation reserve".

Any further unallocated negative cancellation difference, if related wholly or partly to the forecast of unfavourable economic results, is recognised in the "Consolidation provision for future risks and charges" which is used in future years so as to reflect the assumptions made for its estimation at the time of the purchase and in any event regardless of whether the expected negative economic results were actually recorded.

The undivided profits and the other shareholders' equity reserves of the subsidiaries, as well as any changes of the shareholders' equity items of the subsidiaries that arose after the acquisition date, are booked, for the

quota related to the Group, as an increase in consolidated shareholders' equity, usually under "Retained earnings/(losses)", with the exception of those due to changes in exchange rates of foreign companies, the treatment of which is illustrated below:

- d) elimination of balances and of transactions performed between companies included in the scope of consolidation and of internal or intercompany profits and losses;
- e) recognition of any deferred tax assets and/or liabilities;
- f) elimination of dividends received from consolidated companies and of write-downs of equity investments included in the scope of consolidation, in order to avoid double entries;
- g) reclassification of the shares of the Parent Company held by consolidated companies under item A) X "Negative reserve for own shares in portfolio";
- h) calculation of the part of consolidated shareholders' equity and of the consolidated profit (loss) for the year pertinent to the minority shareholders of the consolidated investee companies in order to show them separately in the consolidated financial statements;
- i) valuation of non-consolidated controlling interests, of associated interests and those jointly-controlled using the equity method;
- l) analysis and correct representation in the financial statements of the acquisition of further equity investments in companies already consol-

idated or of the disposal of equity investments with or without losing control, as well as other changes in the scope of consolidation;

m) preparation of the consolidated financial statements.

The financial statements or the financial information of foreign investee companies drawn up in currencies other than the Euro are first converted into Euro. Any adjustments needed to align these financial statements/financial information with Group accounting standards are made before conversion into Euro.

The conversion procedure is performed using:

- the spot exchange rate on the date of the financial statements for the conversion of assets and liabilities;
- the average exchange rate for the year for income statement items and for the cash flows in the statement of cash flows (this is the practical solution permitted by the standard);
- the historic exchange rate at their time of formation for shareholders' equity reserves (different to conversion differences reserve).

The net effect of the conversion is given in a specific "Conversion differences reserve" under consolidated shareholders' equity. This reserve is wholly or partly reclassified into an available reserve in the event of the total/partial disposal of the foreign investee company.

The exchange rates applied for the conversion into Euro are as follows:

Description	2019		2018	
	Exchange rate at 31 December	Average exchange rate	Exchange rate at 31 December	Average exchange rate
Russian ruble	69.9563	72.4553	79.7153	74.0416
Hungarian forint	330.5300	325.2967	320.9800	318.8897
Brazilian real	4.5157	4.3646	4.4440	4.3087

General preparation assumptions of the consolidated financial statements

Financial statements items have been measured on the basis of the general assumptions of prudence and the accruals principle, with a view to the going concern; the recognition and the presentation of the items was made taking the substance of the transaction or contract into account, where compatible with the provisions of Italian Legislative Decree 127/1991 and of OIC accounting standards. The assumptions relating to measurement criteria consistency, relevance and comparability of information have been respected.

In application of the above-mentioned assumptions:

- the measurement of the elements comprising the separate asset and liability items was made separately, to avoid that the earnings of some elements could offset the losses of others. More specifically, profits were only included if made before the closing date for the year, while the risks and losses pertaining to the year were taken into account, even if known after the end of the same;
- the income and expenses pertaining to the year were taken into account regardless of the collection or payment date. The accruals principle has

been applied to book positive and negative income items to the income statement in order to calculate the profit (loss) for the year;

- the Directors have estimated the company's future ability to represent a functioning economic entity able to generate income for an envisaged future period of time, relating to a period of at least twelve months from the reporting date of the financial statements. The estimation made did not identify significant uncertainties as to said ability;
- the identification of rights, obligations and conditions is based on the contractual terms of transactions and on their comparison with the provisions of accounting standards to ascertain the correctness of the recognition or of the cancellation of balance sheet of income statement elements;
- the measurement criteria have not been changed from the previous year, so that the results of the Group have been measured on a like-for-like basis over the years.

During the year, no exceptional cases emerged that made the use of the exemption from measurement criteria set forth in art. 2423, paragraph

5 of the Italian Civil Code necessary, insofar as incompatible with the truthful and correct representation of the Group's equity and financial situation and its economic results. Furthermore, no revaluations of assets pursuant to special laws were made during the year;

- the relevance of the separate elements that comprise financial statement items has been assessed on the basis of the financial statements

Measurement criteria

The measurement criteria used for the consolidated financial statements are those used by the Parent Company. Whenever the consolidated financial statements contain equity elements that are not present in the financial statements of the Parent Company, then the criteria applied to measure the balance sheet items by the majority of the consolidated com-

panies as well as those established in articles 34 and 35 of Italian Legislative Decree no. 127/1991 will be used; no exceptional cases arose that required the use of the exemptions set forth in art. 29, paragraphs 5 and 6 of Italian Legislative Decree 127/1991.

The corresponding values for the previous year are indicated for each item in the Balance Sheet, the Income Statement and the Cash Flow Statement. Wherever the items are not comparable, previous year values have been adjusted, with associated comments provided in the Explanatory Notes.

Intangible fixed assets

Intangible fixed assets are recorded, with the consent of the Board of Statutory Auditors where applicable, at purchase or internal production cost, and are stated net of amortisation and any write-downs. The purchase cost also includes accessory charges. The production cost includes all directly attributable costs and the other costs, for the portion reasonable attributable, relating to the production period and up to the moment in which the fixed asset can be used.

Intangible fixed assets are systematically amortised on a straight-line basis: the amortisation charged to each year refers to the allocation of the cost incurred over the entire duration of use. Depreciation takes effect from the moment the fixed asset is available and ready for use. The systematic nature of amortisation is based on the correlation of the expected benefits.

Start-up and expansion costs are amortised on a straight-line basis over five years.

Industrial patent and intellectual property rights are amortised on a five-yearly basis, with the exception of rights of use with a shorter duration, as well as software applications acquired under ownership or licence, amortised on a three-yearly basis.

Goodwill is amortised on a straight-line basis over eighteen years, in consideration of the analysis of the residual useful life carried out by directors and updated for the preparation of these financial statements. In this regard, the Group made use of the option granted by art. 12, paragraph 2 of Italian Legislative Decree no. 139/2015, and, therefore, amortised the goodwill booked to the financial statements prior to the year starting on 1 January 2016 according to the original estimated useful life.

The item "Other" consists of long-term expenses amortised over five years. Fixed assets in progress are not subject to amortisation. The amortisation process starts when these values are reclassified to the respective relevant intangible fixed assets.

The cost of fixed assets whose use is limited over time is systematically depreciated each year based on the economic-technical rates, determined in the relation to the residual useful life. Depreciation takes effect from the moment the fixed asset is available and ready for use. In application of the principle of relevance set forth in art. 29, paragraph 4 of Italian Legislative Decree no. 127/1991, and the provisions of the reference accounting standard, in the first year of depreciation the rates are halved, considering that the depreciation obtained does not differ significantly from that calculated at the moment the asset is available and ready for use.

Land is not subject to depreciation; if the value of buildings also incorporates the value of the land on which they sit, the value of the building is split

Property, Plant and Equipment

Property, plant and equipment are booked at purchase or production cost, adjusted by the respective accumulated depreciation and any write-downs. The purchase cost is the amount actually paid to acquire the asset and includes accessory costs.

Ordinary maintenance costs, relating to maintenance and recurring repairs to keep the assets in a good state of repair to ensure their original expected useful life, capacity and productivity, are recognised in the income statement in the year in which they are incurred. By contrast, extraordinary maintenance costs, which incorporate expansion, upgrades, replacements and other improvements relating to the assets that produce a significant and measurable increase in capacity, productivity or safety of the assets or that prolong their useful life, are capitalised up to the limits of the asset's

recoverable value.

Land is not subject to depreciation; if the value of buildings also incorporates the value of the land on which they sit, the value of the building is split

off, also based on estimates, to determine its correct depreciation.

The value to be depreciated is the difference between the cost of the fixed asset and, if determinable, the residual value at the end of the useful life period, which is estimated at the time of the drafting of the depreciation plan and reviewed periodically in order to verify that the initial estimate is still valid. Depreciation is suspended if, following an update to the estimate, the presumed residual value is equal to or greater than the net carrying amount.

The minimum and maximum depreciation rates used are as follows:

- Buildings: 2% - 4%
- Photovoltaic plants: 4%
- Plant and machinery: 4% - 10%
- Industrial and commercial equipment: 10% - 20%
- Other assets: 12% - 25%.

Impairment of property, plant and equipment and intangible assets

In the presence on the reporting date of impairment indicators for intangible assets or property, plant and equipment, then an estimate of their recoverable value is made. If their recoverable value, that is, the higher between value in use and fair value, net of selling costs, is lower than the corresponding net carrying amount, then the asset is written down.

Financial fixed assets

(i) Introduction

Financial fixed assets consist of equity investments, receivables and debt securities.

Equity investments and debt securities that are expected to be held over the long-term among company assets, reflecting the company management's desire and the actual ability of the Group to hold them for a prolonged period of time, are classified under financial fixed assets. Otherwise, they are recognised as current assets. Any change in use between fixed assets and current assets, or vice versa, is recorded in accordance with the specific measurement criteria of the portfolio of origin.

Receivables are classified under financial fixed assets and current assets based on the criterion of use of said assets with respect to ordinary activities and, therefore, regardless of maturity, financial receivables are classified under financial fixed assets while trade receivables are classified under current assets. The criterion for measuring receivables is reported hereunder.

(ii) Equity investments in associates

Equity investments in associates are booked at equity.

At the time of first recording, the purchase cost of the equity investment is compared with the value of the corresponding quota of shareholders' equity on the acquisition date or, alternatively, resulting from the last financial statements of the investee company.

In the event of a positive initial difference, if the same is due to higher values of the balance sheet asset of the investee company, or to the presence

The carrying amounts of the assets, net of accumulated depreciation, do not exceed those based on reasonable expectations of their use and recoverability in subsequent years. Any write-downs due to impairment are not maintained in subsequent years if the reasons for their recognition no longer apply.

Property, plant and equipment managed under a finance lease are booked to balance sheet assets at the moment the right of redemption is exercised. In the lease period, lease payments are booked to the income statement under production costs, in the relevant periods. The Explanatory Notes indicate the effects on the balance sheet items, on shareholders' equity and on the result for the year that would have resulted from the application of the so-called "financial method".

of goodwill, the equity investment is recognised at the purchase cost including said positive initial difference. Otherwise, the equity investment is written down and said difference is booked to the income statement under "write-downs of equity investments".

In the event of a negative initial difference, if the same is due to the achievement of a successful deal, the equity investment is recognised at the higher value of the adjusted shareholders' equity of the investee company with respect to the cost price, recording a reserve of non-distributable shareholders' equity as a balancing entry. If the negative initial difference is due instead to the presence of assets recognised at higher values than their recoverable value or to liabilities recognized at lower values than their discharge value, or, even, to a forecast of unfavourable economic results, the equity investment is initially recognised at a value equal to the cost incurred and said difference represents a "Provision for future risks and charges". Said provision, recorded off-balance sheet, is used in future years to adjust the results of the investee company so as to reflect the assumptions made at the time of the purchase.

For the purpose of measurements with the equity method, the financial statements for the year ending 31 December 2019 were used, approved by the respective shareholders' meetings of the investee companies, or drafts of financial statements formally drawn up by the management bodies of the investee companies, if the approval of the shareholders' meeting has not yet been given.

The result (profit or loss) for the year shown on the financial statements of the investee company and the relative shareholders' equity are sub-

ject to the same adjustments envisaged for consolidation. The result of the financial statements of the investee company, after said adjustments, changes the value of the equity investment by an amount corresponding to the fraction of capital held, with a balancing entry in the income statement, while the dividends received are deducted from the value of the equity investment. The changes in the shareholders' equity of the investee company that have not contributed to forming the economic result for the year lead to an increase or decrease of the value of the equity investment, and of the specific non-distributable reserve, without being booked in the income statement. If the value of the equity investment becomes negative due to losses, then the equity investment is zeros and, if the Group is legally or otherwise committed to sustaining the investee company, the losses exceeding the zeroing are recorded under provisions for risks and charges. In the event of impairment, the equity investment is written down also if this means that the same is recorded at a value lower than calculated applying the equity method.

(iii) Equity Investments in other companies

Equity investments in other companies are recorded at purchase or subscription cost, adjusted if necessary by impairment.

Inventories

(v) Inventories of raw materials and finished products milling activity

Inventories are initially recorded at purchase or production cost and subsequently measured at the lower between the cost and the corresponding market realizable value.

Purchase cost means the actual purchase price plus accessory costs. The purchase cost of materials includes, in addition to the price of the material, also the costs of transport, customs, other duties and other costs directly attributable to said material. Returns, sales discounts, allowances and bonuses are deducted from costs.

Production cost means all direct and indirect costs, for the portion reasonable attributable to the product, relating to the production period and up to the moment in which the asset can be used, considered on the basis of the usual production capacity. Expenses relating to the funding of production, whether internal or from third parties, have been added only for assets that require a significant period of production and to the extent of the realisable value of the asset. The production cost does not include overheads or administrative costs, distribution costs and research and development costs.

Raw materials are measured at average weighted cost, while finished products and goods acquired for resale are measured at the specific cost of production.

The realisable value based on market trends is equal to the estimated sale price of goods and finished products during normal business operations, net of presumed completion costs and direct selling costs. When calculat-

(iv) Securities

Debt securities held consist of bonds issued by bank counterparties. Flows of liquidity generated by these securities, in addition to the repayment of principal at maturity, derive from the payment of interest by the issuer. Investment securities are booked at purchase cost, including accessory charges, generally consisting of banking and financial intermediation costs, directly attributable advisory costs, or commissions, expenses and stamp duty.

Debt securities are measured using the amortised cost criterion, except for cases in which the impact resulting from the application of said criterion is not relevant or the cash flows generated by the securities cannot be determined.

Any impairment of a fixed income security is recognized when, for reasons linked to the repayment capacity of the issuer, the Group reasonably and justifiably believes that the cash flows - in terms of the principal or interest - envisaged by the contract, can no longer be fully received. If the reasons that led to the adjustment of the carrying amount of the fixed income securities no longer exist, the value of the security is reinstated up to a maximum of the original cost, taking any residue or subscription/trading premiums accrued into account.

ing the realisable value based on market trends, the stock obsolescence rate and the stock turnover rate are also considered.

Raw and auxiliary materials that contribute to the manufacturing of finished products are not written down if it is expected that said finished products may be sold for a price equal to or higher than their production cost. Moreover, if the price of raw and auxiliary materials should fall, the cost of finished products exceeds their realisable value, the raw and auxiliary materials are written down to the net realisable value, assuming their market price as the best estimate.

Therefore, inventories whose realisable value based on market trends is lower than the relative carrying amount are written down.

If the circumstances for the write-down should no longer wholly or partially exist due to an increase in the realisable value based on market trends, then the value adjustment is cancelled to the extent of the cost originally incurred.

(vi) Inventories of real estate relative to the real estate business

Inventories of real estate, classified under finished products, are measured at the lower between the historical cost and the presumed realisable value. The historical cost is calculated on the purchase cost of the land and the buildings, additional purchase expenses, any development costs, as well as the cost of any work carried out. The fees for the sale of said real estate assets are considered paid on the date of signature of the contract of sale.

Receivables

The receivables recorded in the financial statements represent rights to receive fixed amounts or may be determined by the cash availability of customers or other parties.

Receivables originating from the sale of goods and the provision of services are recorded according to the requirements indicated in the paragraph relating to revenue. Receivables that arise for reasons other than the exchange of goods and services are recorded in the financial statements where there is a "right" to the receivable, that is, they actually represent a third party obligation towards the Group.

Receivables are recorded according to the amortised cost method, on an accrual basis and at the presumed realisable value. The amortised cost method is not applicable in cases where its effects are irrelevant, generally for short-term receivables or when transaction costs, paid between the parties and any other difference between the initial value and the value at maturity of the receivable is insignificant.

These receivables are initially recorded at their nominal value, net of bonuses, discounts and of allowances envisaged contractually or in any event granted and re subsequently measured always at the nominal value plus interest calculated at the nominal interest rate, less the amounts received for principal and interest and net of estimated write-downs and of losses on receivables recorded to adjust the receivable to the presumed realisable value.

When the amortised cost method is applied, the initial value recorded is represented by the nominal value of the receivable, unless discounting is necessary as illustrated below, net of all bonuses, discounts and allowances, and includes any costs directly attributable to the transaction that generated the receivable. Transaction costs, any commission and any difference between the initial value and the nominal value at maturity are included in the calculation of the amortised cost using the effective interest rate method, the rate of which is calculated at the time of the initial recording of the receivable and is maintained in subsequent valuations, unless the contractual interest rate is variable and indexed to market rates. At the end of each year, the value of the receivables measured at amortised cost is equal to the present value of future cash flows, also less any write-downs of the presumed realisable value, discounted at the effective interest rate.

Current financial assets

Current financial consists of debt securities and derivative financial instruments.

Debt securities are recorded according to the amortised cost method, on an accrual basis and at the presumed realisable value. The amortised cost method is not applied in cases where its effects are irrelevant, generally for short-term receivables or when accessory charges, generally consist-

Trade receivables due beyond 12 months from the time of their initial recording, without paying interest or with contractual interest significantly different to market interest rates, are initially recorded at a value determined by discounting the future cash flows at market interest rate. The difference between the initial recording value of the receivable calculated in this way and the end value must be recorded in the income statement as financial income for the duration of the receivable using the effective interest rate method.

With reference to the presumed realisable value, the value of the receivables is adjusted through a bad debt provision to take account of the likelihood of the receivables having been impaired. For such purposes, indicators, whether specific or based on past experience and any other useful information which suggests that receivables are likely to have been impaired is taken into consideration. The bad debt provision is estimated through the analysis of the single receivables that are individually significant and at portfolio level for the remaining receivables, determining the losses that are expected to be incurred on the existing receivables at the reporting date. In the case of application of the amortised cost method, the amount of the write-down is equal to the difference between the book value and the value of estimated future cash flows, reduced by the amounts that are expected to be uncollected, discounted at the original effective interest rate of the receivable. With reference to insured receivables, the allocation is limited to the portion not covered by the insurance policy, only where there is reasonable certainty of recognition of the compensation.

In relation to transactions involving the assignment of receivables, the Group eliminates the receivable from the financial statements when the ownership of the contractual rights to the cash flows deriving from the receivable is transferred and all risks relating to the receivable are substantially transferred (without recourse assignment). For the purposes of the measurement of the transfer of risks, account is taken of all contractual clauses. By contrast, in the event in which the transfer of ownership of the right does not coincide with the transfer of the risks (with recourse assignment), the receivable remains booked in the financial statements. For transfers that do not involve the elimination of the receivable, in the event of the advance payment of a part of the consideration agreed by the assignee, a financial payable is recognized as a contra-item to the advance payment.

ing of banking and financial brokerage costs, directly attributable advisory costs, or commissions, expenses and stamp duty of the security have little significance.

Financial derivative instruments are recorded according to the requirements indicated in the relative paragraph.

Cash and cash equivalents

These represent the positive balances of bank and post office deposits and cheques, as well as cash in hand on the reporting date. Bank and post office deposits and cheques are measured at their presumed realizable

value, cash and tax stamps in hand are measured at their nominal value, while foreign currency in hand is measured at the exchange rate in force on the reporting date.

Accruals and deferrals

Accrued income and expenses respectively represent the amounts of income and costs pertaining to the year that will be paid or collected in subsequent years. Prepaid expenses and deferred income respectively represent the amounts of costs and income that were paid or collected during the year or in previous years but which pertain to one or more subsequent years.

Therefore, these items only include shares of costs and income common to one or more years, the entity of which changes depending on the physical

or economic time.

At the end of each year, the conditions that determined the initial recognition are verified and, if necessary, the appropriate value adjustments are made. In particular, in addition to the passage of time, for accrued income, the presumed realisable value is also considered, while for prepaid expenses, the existence of a future economic benefit related to deferred costs is considered.

Provisions for risks and charges

Provisions for risks and charges represent given liabilities, which are certain or likely to occur but whose date of occurrence or amount could not be determined.

Allocations to provisions for risks and charges are primarily recorded under the income statement items of the pertinent classes, with the criterion of classification by the nature of the costs prevailing, and represent the balancing entry in the income statement (expense or loss) related to the balance sheet entry, pertaining to the year, in provisions for risks and charges, carried out on the basis of the best estimate of the liability at the reporting date.

The subsequent use of the provisions is made directly and only for those expenses and liabilities for which the provisions had been originally estab-

lished. Any negative differences or surpluses with respect to the charges actually incurred are recognised in the income statement consistently with the original allocation.

Provisions for risks represent given liabilities that are likely to exist, whose values are estimated. These potential liabilities therefore relate to situations that already exist on the reporting date, but that are characterized by a state of uncertainty, the outcome of which depends on whether one or more future events occurs.

Provisions for expenses represent given liabilities that are likely to exist, whose amount or date of occurrence are estimated, related to obligations already assumed at the reporting date, but which will be paid in subsequent years.

Employee severance indemnity

The employee severance indemnity represents the amount that an employee has a right to in the event of the termination of the contract of employment pursuant to art. 2120 of the Italian Civil Code and considering the legislative changes made by Italian Law 296/2006. It corresponds to the total indemnities accrued, considering all forms of continuative remuneration, net of advances paid and any partial early payments made under collective labour agreements or company agreement for which no reimbursement is requested as well as net of the amounts transferred to supplementary pension funds or to the social security fund managed by INPS.

Payables

Payables are given liabilities that are certain to exist, which represent obligations to pay fixed amounts or that may be determined by available liquid funds to lenders, suppliers and other parties.

The general principles underlying the initial recording of payables are as follows:

- trade payables originating from acquisitions of goods are recorded in the balance sheet when significant risks, charges and benefits related to ownership have been transferred. Payables relating to services are recorded when the services have been rendered, i.e. the service has been performed;
- financial payables that have arisen due to loan transactions and payables that have arisen for reasons other than the acquisition of goods and services are recorded when there is an obligation of the enterprise to the counterpart. For financial payables, this usually coincides with the disbursement of the funds.

Payables are recorded in the financial statements according to the amortised cost method, on an accrual basis.

The amortised cost method is not applicable in cases where its effects are irrelevant, generally for short term payables or when transaction costs, paid between the parties and any other difference between the initial value and the value at maturity of the payable is insignificant. These payables are initially recorded at their nominal value, net of bonuses, discounts and of allowances envisaged contractually or in any event granted and are subsequently measured always at the nominal value plus interest expense calculated at the nominal interest rate, less the amounts received for principal and interest.

When the amortised cost method is applied, the initial value of recording is represented by the nominal value of the payable, unless discounting is necessary as illustrated below, net of transaction costs and all bonuses,

discounts and allowances directly attributable to the transaction that generated the debt. Transaction costs, initial commission income and expense, expenses and issue premiums and discounts and any other difference between the initial value and the nominal value at maturity are included in the calculation of the amortised cost using the effective interest rate method, the rate of which is calculated at the time of the initial recording of the payable and is maintained in subsequent valuations, unless the contractual interest rate is variable and indexed to market rates. At the end of each year, the value of the payables measured at amortised cost is equal to the present value of future cash flows discounted at the effective interest rate.

Trade payables due beyond 12 months from the time of their initial recording, without paying interest or with contractual interest significantly different to market interest rates, and the relative costs, are initially recorded at a value determined by discounting the future cash flows at market interest rate. The difference between the initial recording value of the payable calculated in this way and the end value is recorded in the income statement as a financial expense for the duration of the payable using the effective interest rate method.

With regard to financial payables, the difference between the cash and cash equivalents received and the present value of future cash flows, calculated using the market interest rate, is recorded under financial income or charges on the income statement at the time of initial recording, unless the substance of the transaction or of the contract does not lead this component to be considered of a different nature and therefore treated differently in the accounts.

Payables are wholly or partly eliminated from the financial statements when the contractual and/or legal obligation is extinguished through fulfilment or other reason, or is transferred.

Foreign currency transactions, assets and liabilities

Upon initial recording, the revenue and income, costs and charges relating to foreign currency transactions are calculated at the current exchange rate on the date on which the relative transaction is performed. Assets and liabilities resulting from a foreign currency transaction are initially recorded in Euro, applying the spot rate between the Euro and the foreign currency in force on the date of the transaction to the foreign currency amount.

As regards the conversion of foreign currency items, in accordance with the requirements of national accounting standard OIC 26, a distinction is made between monetary elements, namely assets and liabilities that entail the right to collect or the obligation to pay, at future dates, given or calculatable amounts in cash in foreign currency, and non-monetary element, which do not have said rights and obligations, and for which, as indicated in OIC 26, the exchange rate effect represents an uncertain element that may not necessarily be realised. More specifically:

- foreign currency monetary entries, such as cash and cash equivalents, receivables, debt securities, provisions for risks and charges, accrued income and expenses, are converted in the financial statements at the spot exchange rate on the reporting date. The associated exchange earnings and losses are recorded in the income statement for the year, under item

C17- bis "Foreign exchange earnings and losses";

- non-monetary items in foreign currency, such as inventories, property, plant and equipment and intangible fixed assets, equity investments, advances for the purchase or sale of goods and services, prepaid expenses and deferred income, are recorded in the balance sheet at the exchange rate applicable at the time of their purchase (historic exchange rate). Therefore, positive or negative exchange differences do not give rise to an autonomous and separate recording. Account is taken of the year-end spot exchange rate for measuring any impairment of fixed assets and equity investments in foreign currency.

Item C17-bis) "Foreign exchange earnings and losses" includes the realised exchange earnings and losses (not relating to derivative financial instruments), deriving from the conversion of assets and liabilities in foreign currency collected or paid in the year, and the unrealised exchange earnings and losses, deriving from the conversion of assets and liabilities in foreign currency still not settled at the closing date of the year. Unrealised net exchange earnings are recorded in the item "Reserve for exchange earnings" of other reserves of shareholders' equity at the time of the allocation of profit for the year.

Grants

Capital grants

Capital grants means the amounts disbursed by the Government or by other Public Entities to the Group for initiatives that entail the construction, re-opening or extension of property, plant and equipment, proportional to the cost of the same. The capital grants in question are entered in the financial statements on condition that the requirement of reasonable certainty is fulfilled, which may depend either on obtaining formal concession resolutions adopted by the awarding Public Entities or on automatic processes envisaged by specific legislative provisions. The aforementioned capital grants received are initially recorded as "deferred income" under balance sheet liabilities, and subsequently credited to the income state-

ment under "other revenue and income" depending on the useful life of the assets to which they refer.

Operating grants

Operating grants means the amounts disbursed by the Government or by other Public Entities to the Group to reduce the costs and charges incurred. These grants are entered in the financial statements on an accrual basis, on condition that the requirement of reasonable certainty is fulfilled, which may depend either on the issue of a formal concession decree or on an automatic process envisaged by specific legislative provisions.

Transactions involving derivative financial instruments

A derivative financial instrument is a financial instrument or other contract that possesses the following three characteristics:

- a) its value changes as a consequence of changes in a certain interest rate, price of financial instruments, price of goods, exchange rate, price or interest rate index, credit rating or credit index or other variable, on condition that, in the event of a non-financial variable, said variable is not specific to one of the contractual counterparts (also known as the underlying);
- b) it does not require a net initial investment or requires a net initial investment that is less than the amount that would have been requested for other types of contract that would have envisaged a similar response to changes in market factors;
- c) is settled at a future date.

On each reporting date, the derivative financial instruments are measured at their fair value and classified in the balance sheet under the appropriate current or fixed asset items (where hedging fixed assets or liabilities due in over 12 months) in the case of positive fair values or under provisions for risks and charges in the case of negative fair values. The fair value is the price that would be received for the sale of an asset or that would be paid for the transfer of a liability in a regular transactions between market operators on the valuation date and, in the case of unlisted derivatives, it is calculated by the Company using the appropriate valuation techniques, by means of assumptions, parameters and fair value hierarchy levels envisaged by the reference accounting standard.

As the Group operates in the international trading of cereal grains and other agricultural commodities, it is exposed, like the other industry operators, to exchange rate risk, specifically to the risk of fluctuations of the USD/EUR exchange rate (due to the fact that the majority of trading transactions are negotiated or settled in US dollars), and to the risk of fluctuations in the prices of commodities, naturally subject to high volatility. For these reasons, with a view to the shrewd and responsible management of the enterprise, the Group can mitigate these risks through transactions in derivative instruments. In this regard, company management has drawn up specific risk management policies that envisage the use of derivatives

usually employed in business practice, such as:

- *Futures on exchange rates and commodities;*
- Forwards on exchange rates;
- Options on exchange rates and on commodities (listed instruments and so-called OTC - over the counter).

Exchange rate risk arises when the Trading BU concludes the future purchase/sale transaction, or with relation to the purchases of goods made for supplies to the Group's milling companies. The Group stipulates financial instruments on exchange rates for the following purposes: 1) hedging of specific deals; 2) hedging of expected deals.

With regard to managing the risk of commodity price fluctuations, the Group usually stipulates futures or listed options in order to mitigate exposure to price risk and to fix the margins. In some cases, the hedges are not made on the same commodities of the physical contract (for example in the case of durum wheat), due to the absence of a liquid market of the corresponding financial product: in this case the term used is proxy hedging is used.

The Group accounts for physical contracts that meet the definition of derivative as a normal contract of goods purchase or sale if the following conditions are met ("own use exemption"):

- the contract has been entered into or has been maintained to meet the need to purchase, sell or use goods;
- the contract was destined for this purpose right from the beginning;
- the contract will be executed through the delivery of the goods.

On the other hand, these transactions are accounted for as "physical forward contracts", when the above conditions are not met or, even when said conditions are met, in the event that:

- the Group stipulates these contracts in its role as commodity trader;
- it receives the goods covered by the contract and then sells them in the short term after delivery, in order to generate a profit from the short-term fluctuations in the price or in the profit margin of the operator; or
- if a settlement procedure is carried out net of these assets.

It should be noted that the above-mentioned "physical forward contracts" category did not emerge in the commodities' transactions performed by the company in 2019.

Notwithstanding, as mentioned, the majority of derivative transactions other than physical forward contracts are carried out for hedging purposes or to reduce risks, taking account of company operations and the associated need for a flexible approach to intervention, which stems in particular from the volatility of the markets and the need for a prompt reaction, it has been deemed preferable, at present, not to manage hedging transactions separately, from a strictly accounting point of view. It is a well-known fact, and referenced in the aforementioned OIC 32, that hedge accounting is optional. Therefore, derivative transactions were measured at fair value, both on the date of initial recording and at the reporting date, and fair value changes were booked to the income statement, under the following items:

- C 17-ter) "Net earnings and losses on derivative financial instruments", which includes the results of transactions closed in the year, also with reference to currency derivatives;
- D 18 d) "Revaluations of derivative financial instruments", which includes the positive fair value changes of open positions in derivatives, also relating to exchange rate risk, at the date of year-end;
- D 19 d) "Write-downs of derivative financial instruments", which includes the negative fair value changes of open positions in derivatives, also relating to exchange rate risk, at the date of year-end.

In consideration of the significance of the amounts and the Group's capacity to separate the different economic components relating to the derivative contracts, to ensure clearer reporting, in line with art. 2423-ter of the Italian Civil Code, it was considered appropriate to maintain the aforementioned item 17-ter in the income statement layout, added in order to report the earnings and losses realised in the year from derivative financial instruments.

As regards the fair value measurement, the following should be specified:

- Futures - Trading in futures implies margin setting operations. Against

Costs and revenues

Revenue and income, costs and charges are recorded net of returns, discounts, allowances and bonuses, as well as of the taxes related directly to the sale of the products and the provision of the services, in accordance with the accruals and prudence principles. Revenue from the sale of goods is recorded when the production process of the goods has been completed and the exchange has been made, or the substantial and non-formal transfer of the ownership has been made, using the transfer of risks and benefits as the reference parameter. Revenue for the provision of services is recorded when the service has been rendered, or the service has been carried out.

the payment of margins via the bank, the Group recognises the effect of the aforementioned margin setting in the income statement on a daily basis for accounting purposes, as a contra-item to bank balances. As these instruments are traded on regulated and active markets (CBOT, MATIF), the fair value measurement of the transactions open at year-end is determined by making reference to market prices at the reporting date.

- Forwards - Earnings and losses are calculated by multiplying the amount in foreign currency of the forward contract by the difference between the forward exchange rate at the closing date of the year (as taken from market information or communicated by banking counterparties) and the forward exchange rate set out in the contract.
- Options - For listed options, the fair value measurement of the transactions open at year-end is determined by making reference to market prices at the reporting date. For OTC options and for Target Redemption Forwards (TARF), OTC instruments characterized by a knock-out clause, which envisages the termination of the contract when the instrument reaches a specific target rate, the valuation is made using commonly-accepted valuation models as well as by comparing said values with the mark-to-market values communicated by the banking counterparts.
- Physical forward contracts - The valuation method envisages identifying a commodity benchmark that can approximate the price of the underlying asset covered by the specific contract, and applying the spread between the value of the contract and the proxy (on the stipulation date of the contract and with the same maturity) from the inception date to the valuation date. Based on the contractual price and the price on the reference date, the fair value is measured by adopting the calculation models commonly accepted by the market. The model applied estimates the market value of each contract, reflecting the counterparty risk and any country risk.

Lastly, note that any open positions in derivatives are shown under items C III 5) "Derivative financial instruments - assets" and B 3) "Derivative financial instruments - liabilities" in the balance sheet.

The revenue and income, costs and charges relating to foreign currency transactions are calculated at the spot exchange rate on the date on which the relative transaction is performed.

If the amortised cost method is applied, interest is recorded on the basis of the effective interest criterion.

Any revenue or cost items which are considered exceptional either for their extent or impact are commented on in a specific paragraph of the Explanatory Notes.

Income taxes

Current taxes are recorded according to the rates and legal regulations in force, on the basis of a realistic forecast of taxable income, calculated in application of current tax legislation.

Deferred tax assets and liabilities are recorded in order to reflect the future benefits and/or tax charges that derive from the temporary differences between the carrying amounts of the assets and liabilities recorded in the financial statements and the corresponding values considered for the calculation of current taxes, as well as any tax losses that can be carried forward. Deferred tax assets and deferred tax liabilities are measured at each reporting date, by applying the tax rates that are expected to apply in the year in which the temporary differences will reverse, set forth in the applicable tax legislation at the reporting date. If the tax legislation does not establish the tax rates in force in the year in which the temporary differences will reverse, the deferred tax assets/liabilities are calculated on the basis of the tax rates in force at the reporting date. The adequate adjustments are made in the event of a change in the tax rate with respect to previous years, if the legal regulation that changes the rate has already been issued at the reporting date.

Deferred tax assets are recorded in the financial statements in line with the prudence principle if there is reasonable certainty of the existence, in the years in which the deductible temporary differences will reverse, that led to the recording of deferred tax assets, of taxable income no lower than the amount of differences that will be cancelled. In assessing the recoverability of the deferred tax assets and/or tax losses that can be car-

ried forward, account is taken of any deferred taxes relating to taxable temporary differences, sufficient to cover the deferred tax assets and/or tax losses, which are expected to be cancelled in subsequent years.

As permitted by accounting standard OIC 25, deferred taxes are not allocated to reserves of shareholders' equity subject to deferred tax which is not expected to be distributed to shareholders.

In its application of consolidated national tax, the Group reports the following in its financial statements:

- receivables from or payable to the Tax Authorities for the IRES (corporate income tax) balance calculated on a consolidated basis under items CII5-bis) "Tax receivables" and D12) "Tax payables";
- deferred tax assets and deferred tax liabilities calculated on the temporary differences and on the IRES losses that can be carried forward, generated in years prior to the application of tax consolidation, to be classified respectively in CII5-ter) "Deferred tax assets" and B2) "Provisions for taxes, including deferred taxes". As indicated in the updated version of December 2017 of OIC 25, for item CII5-ter) "Deferred tax assets", no separate indication is provided for those due after the next financial year; this information is, nonetheless, provided in the appropriate sections of the Explanatory Notes. From an economic point of view, the changes in deferred tax assets and deferred tax liabilities are incorporated in the associated subitems of item 20 "Income taxes for the year: current, deferred and prepaid" of the income statement.

Substitute tax from realignment

The Group, having opted for the tax sheltering of goodwill resulting from the merger by incorporation of former Terminal Cereali S.r.l. in the subsidiary Silos Granari della Sicilia S.r.l., accounted for the associated substitute tax, which determined the realignment between the carrying amount and the tax value of goodwill. The cost of the substitute tax was allocated over the duration of the tax benefit deriving from the realignment (eighteen years).

The amount of this cost, deferred to subsequent years, was recorded under current assets, through the use of the item CII5-quinquies) "Assets for substitute tax from realignment", as required by the latest version of accounting standard OIC 25.

The portion of the cost of substitute tax pertaining to the year is reported in item 20 of the Income Statement "Income taxes for the year: current, deferred and prepaid".

Use of estimates

The drafting of the consolidated financial statements requires the use of estimates that affect the values of assets and liabilities and the relevant balance sheet disclosures. The results reported may differ from these estimates. Estimates are reviewed periodically and the effects of any changes

in estimates, excluding incorrect estimates, are reported in the income statement in the year in which the changes are verified, should these effects be only on said year, or otherwise in subsequent years whenever such changes influence both the current year and subsequent years.

Significant events after the end of the year

Any events that occurred after the end of the year that regard conditions that already existed on the reporting date of the financial statements and that require changes to be made to asset and liability values, according to the provisions of the reference accounting standard, are recognised in the financial statements, in accordance with the accruals principle, to reflect the impact that said events have on the balance sheet and income statement, and on the profit (loss) at year end. Events that occurred after the end of the year that refer to situations that arose after the reporting date, which do not require changes to be made to financial statement values,

according to the provisions of the reference accounting standard, insofar as pertinent to the following year, are not reported in the financial statement, but are described in the Explanatory Notes, if retained relevant for a fuller understanding of the Group's situation. The term within which the event must occur so as to be included, is the date on which the draft financial statements are drawn up by the Directors, with the exception of cases in which between said date and the date envisaged for the submission of the financial statements to the Shareholders' Meeting, events arise that have a relevant impact on the financial statements.

Reconciliation of shareholders' equity and results for the year of the parent company and consolidated shareholders' equity and results for the year

Shareholders' equity and profit for the year shown on the financial statements of the holding company Casillo Partecipazioni S.r.l. as at 31 December 2019 and 2018, reconcile with the consolidated figures as follows:

Description	2019		2018	
	Shareholders' equity	Profit for the year	Shareholders' equity	Profit for the year
Balances in the parent company's financial statements	59,328	1,244	62,584	8,440
Elimination of the carrying amount of equity investments in consolidated companies	30,596	-	55,627	-
Portion of consolidated companies	221,383	18,498	227,844	24,543
Elimination of dividends of consolidated companies	-	961	-	10,872
Elimination of capital gains of consolidated companies	-	-	10,500	10,500
Tax on elimination of capital gains	-	-	3,026	3,026
Elimination of allocation to provision for risks Brazil	-	294	2,901	2,901
Provision for reval. of equity inv.	-	95	66	24
Provision for write-down of equity inv.	124	351	66	24
Consolidation difference	1,512	378	-	-
Amm.ti CCI - MC - SC	-	2,243	-	-
Elimin. of intercomp. profits/losses	-	-	510	40
Other changes	3,714	-	-	-
Balances in the consolidated financial statements	247,789	20,684	229,718	17,578
Balances pertaining to minority interests	25,559	5,510	15,539	9,017
Balances pertaining to the Group	222,230	15,174	214,179	8,561

Information on the balance sheet

Intangible fixed assets

Intangible fixed assets totalled € 24,096k (€ 20,369k in the previous year).

The breakdown and changes in the individual items are shown below:

Description	Hist. cost. of prev. year	Reval. - prev. year	Write-downs.	Accumulated amortisation prev. year	Initial value
Start-up and expansion costs	1,953	-	-	(1,825)	128
Industrial patent and intellectual property rights	1,629	-	-	(1,392)	237
Concessions, licences, trademarks and similar rights	247	-	-	(219)	28
Goodwill	10,571	-	-	(4,598)	5,973
Fixed assets in progress and payments on account	3,849	-	-	-	3,849
Other	16,708	-	-	(6,553)	10,155
Total	34,956	-	-	(14,587)	20,369

Description	Increases	Transfers	Decreases	Amortisation	Closing value
Start-up and expansion costs	29	-	-	(102)	55
Industrial patent and intellectual property rights	83	-	-	(169)	151
Concessions, licences, trademarks and similar rights	8	-	-	(5)	31
Goodwill	1,923	-	-	(882)	7,014
Fixed assets in progress and payments on account	5,082	(3,929)	(71)	-	4,931
Other	760	3,331	-	(2,332)	11,914
Total	7,885	(598)	(71)	(3,489)	24,096

"Goodwill" amounting to € 7,014k includes an amount of € 5,336k which essentially represents the allocation of the difference deriving from the acquisition of Silos Granari della Sicilia S.r.l. The higher purchase cost allocated to goodwill is amortised on a straight-line basis over eighteen years. The longer amortisation period is supported by an analysis of the useful life of the goodwill, in consideration of the unique characteristic of the type of business exercised, among other things, characterized by membership of a sector in which no rapid or sudden technological or productive changes are expected, as well as in light of the expected duration of the port authorisations granted. Therefore, given we can reasonably expect to maintain, in the medium/long-term (at least equal to the amortisation period) the positions of advantage acquired in the market, as permitted by accounting standard OIC 24, the useful life of the goodwill was determined at eighteen years. The aforementioned analyses were updated for the drafting of these financial statements.

The transfers of the item "Fixed assets in progress and payments on account" mainly refers to:

- € 3,363k at the conclusion of R&D activities in the field of innovation technology, optimization of industrial processes, and energy efficiency for the milling processing plants carried out during the previous years, with the handing over of the Final Scientific Report from IDEA 75 S.r.l. and the transfer of know-how related to Molino Casillo S.p.A., as ordering company which took place on 16/12/2019;
- € 438k borne by Business Optimizers S.c.p.a. for the implementation of new goods-traceability systems, data integration of production orders through the SAP system, new warehouse management documentation, redefinition of purchasing cycle and implementation of an extensive supply chain, all activities involving significant changes in the industrial, commercial and administrative structure of the Casillo Group, towards which the Company operates with mutualistic aims. Such costs are transferred as "Other" and are amortised over 5 business years, starting from the current year;
- € 121k at completion of work begun in previous years on mills and industrial plants belonging to Sinergie Molitorie S.c.ar.l.

Property, Plant and Equipment

Property, plant and equipment totalled € 129,545k (€ 98,160k in the previous year).

The breakdown and changes in the individual items are shown below:

Description	Hist. cost. of prev. year	Reval. - prev. year	Write-downs. - prev. year	Accumulated amortisation prev. year	Initial value
Land and buildings	85,834	-	-	(30,408)	55,427
Plant and machinery	128,532	-	-	(103,345)	25,187
Industrial and commercial equipment	4,060	-	-	(2,926)	1,134
Other assets	4,822	-	-	(4,020)	802
Fixed assets in progress and payments on account	15,611	-	-	-	15,611
Total	238,859	-	-	(140,699)	98,160

Description	Increases	Transfers	Disposals	Depreciation	Closing value
Land and buildings	32,113	325	13,580	(1,431)	72,854
Plant and machinery	4,530	1,277	(89)	(3,694)	27,210
Industrial and commercial equipment	548	(1)	-	(401)	1,279
Other assets	130	-	-	(289)	643
Fixed assets in progress and payments on account	13,316	(1,369)	-	-	27,558
Total	50,637	232	(13,699)	(5,815)	129,545

The item "Land and buildings" mainly includes industrial buildings used for milling activities.

The increase in the item "Land and buildings", amounting to € 32,113k mainly includes the following costs:

- € 2,272k for the purchase, through adjudication from bankruptcy procedure, of an industrial complex in Santa Maria Nuova (AN);
- € 4,497k for the purchase of an industrial building and pertaining land located in Sorbolo (PR), by means of a transfer decree of a creditors agreement procedure;
- € 25,005k for the subsidiary company IMM.MARIM S.r.l., located in Milan (Via Varese 18); this company was acquired in 2019, which was therefore the first consolidated year.

The decrease of the year refers mainly to the transfer of all property units in the building owned by Immobiliare Nemi S.r.l. located in Milano, corso di Porta Vittoria n. 54.

The €4,530k increase in the item "Plant and machinery" includes the following costs:

- € 2,907k for the purchase of the milling processing plants and cereal storage included in the acquisition of the complex located in Santa Maria Nuova (AN);

- € 900k, for the purchase of a milling processing plant located in Sorbolo (PR);
- € 530k, for the installation of new production lines and the development of new raw materials processing stages in line with the objective of a technological upgrading of the productivity cycle in the various plants of the Group.

It is hereby stated that a first mortgage and special lien to guarantee the relevant loans stipulated on 30 July 2015 with Mediocredito Italiano S.p.A. respectively, were recorded against the photovoltaic plants and the associated movable assets comprising said plants, owned by Molino Casillo S.p.A.

The €13,316k increase in the item "Fixed assets in progress and payments on account" refers mainly the following costs:

- €4,647k for the milling and packaging plant in the Monfalcone (GO) plant;
- €927k for the renewal and upgrading of the new plant in Santa Maria Nuova (AN);
- €1,905k for storage silos for the new production complex in Corato (BA);
- €2,792k for storage silos for the new production complex in Salerno;
- €132k for state-of-the-art prototype level sensor for storage silos.

Legislative revaluation of property, plant and equipment

The following table summarises the revaluations, in compliance with the law, made by the Group:

Description	Molino Casillo S.p.A.	Immobiliare Nemi S.r.l.	Immobiliare Marim S.r.l.	Total legislative revaluations
Land and buildings	10,180	19,478	21,764	51,422
Plant and machinery	12,334	-		12,334
Total	22,514	19,478	21,764	63,756

Financial Fixed Assets - Equity Investments

Equity investments not included in the scope of consolidation amount to € 6,025k (€ 15,446k in the previous year).

The breakdown and changes in the individual items are shown below:

Description	31.12.2018	Acquisitions /Subscrip.	Disposals/ Overprovisions	Write-downs	Other Changes of the year	31.12.2019
Eq. inv. in non-cons. subs.	65	38	-	-	2,951	3,054
Equity investments in associates	12,455	554	(2,861)	(190)	(7,535)	2,423
Equity investments in parent companies	-	-	-	-	-	-
Equity investments in subsidiaries, associates and parent companies	-	(18)	-	-	18	-
Equity investments in other companies	2,925	75	-	-	(2,454)	547
Total	15,446	649	(2,861)	(190)	(7,020)	6,025

The increase of the item "Equity investments in other companies" mainly relates to the partial renouncement of the given interest-bearing loan, in the past years, from Casillo Partecipazione S.r.l. to the subsidiary company Oversky Ltd, as agreed by the parties on 4 September 2019.

In relation to the acquisitions, we draw attention to the subscription of the shareholding of:

- €38k for 71.26% in the subsidiary International Grain Chartering S.r.l.
- €540k for 36% in the associate Prospero Consulting S.r.l.
- €4k for 42,50% in the associate Capo Sesto S.r.l.

During this year, the registered decrease of the item "Equity investments

in associates" amounting at 2,861 thousand refers to the transfer to third parties of the shareholding, equal to 16.41% of the share capital, owned by the associate Serin S.p.A.

The other variations during this year refer mainly to the aforementioned elimination of equity investments of the Companies Molino di Sicilia S.r.l., Semolificio Moramarco S.p.A., Molino di Lucca S.r.l., Molino Dell'Adriatico S.r.l. and Farine di Parma S.r.l., after the merger by incorporation in December 2019.

The write-downs of the equity investments in associates relate to the application of the equity method.

List of equity investments in non-consolidated subsidiaries

The data relating to equity investments in non-consolidated subsidiaries are reported below:

Name	Registered office	Share capital	Shareholders' Equity 2019	Result 2019	% share held by Parent Company	% nominal share held indirectly	Other changes	Carrying amount
Oversky Ltd (*)	Birchircara (MALTA)	2.0	(2,576)	(395)	100	-	13	3,015.0
S.c.i. Corato (*)	Nimes (FRA)	1.2	(37.3)	(12.0)	-	94		1.2
International Grain Chartering	Genova	50	50	N.D.	-	71		38
Total								3,054.2

* Figures related to 2018 are not available as at the date of drafting the current statement as they are final figures for the 2019 balance sheet.

List of equity investments in associates

Data relating to equity investments in associates is reported below:

Name	Registered office	Share capital	Shareholders' Equity 2019	Earnings/ (Losses) 2019	% share held by Parent Company	% share held indirectly	Carrying amount
Garpuglia S.r.L.	Corato	100	596	59	50		365
Vecchio Mulino di Roma S.r.L.	Rome	10	(131)	(141)	50		-
Prospero Consulting S.r.L.	Milan	20	24	(94)	30	6	405
New Gluten World S.r.L.	Foggia	11	491	(228)		24	1,650
Capo Sesto S.r.L.	Milan	10	9	(770)	43		4
Total							2,424

Breakdown of and changes in equity investments in other companies

Description	31.12.2019	31.12.2018	Change
Option right	-	1,200.00	(1,200)
New Gluten World S.r.L.	-	1,328.00	(1,328)
Banca Popolare di Puglia e Basilicata	350	350	-
Tradizione Italiana - Italian Food Tradition S.c.ar.L.	55	45	10
Other	142	3	139
Total	547	2,926	(2,379)

The change of the equity investment in New Gluten World S.r.L. is caused by the subscription and payment of the increase in the Company's share, university spin-off and licensee for the process of detoxification of gluten proteins from cereal grains and owns the associated patent. As con-

sequence to the share subscription, the equity investment increased to 24.99%, which determined the transfer of the entire value of the equity investment amounting € 1,650,200 under the item "equity investments in associates".

Financial fixed assets - Receivables

The receivables included under financial fixed assets amounted to € 31,392k (€ 20,648k in the previous year).

The breakdown and changes in the individual items are shown below:

Description	31.12.2019	31.12.2018	Change
Oversky Ltd - due within	1,008	3,697	(2,689)
S.c.i. Corato - due within	72	72	-
S.c.i. Corato - due after	262	262	-
Molini Tandoi S.r.L. - due within	250	-	250
Molini Tandoi S.r.L. - due after	4,000	-	4,000
Capo Sesto S.r.L. - due within	45	-	45
Garpuglia S.r.L. - due after	2,136	2,436	(300)
Vecchio Mulino di Roma S.r.L. - due within	18,639	-	18,639
Prospero Consulting S.r.L. - due after	113	-	113
From others - due after	893	935	(42)
From others - due within	3,974	13,246	(9,272)
Total	31,392	20,648	10,744

The main changes in the year are attributable, for:

- € 18.639k to an interest-bearing loan granted to Vecchio Mulino di Roma S.r.L., entirely due within next year and already in place for the past year in order to address the financial needs connected to the acquisition of an industrial complex in Rome. Such credit was classified beforehand as CII3) "Receivables to associates" of the current assets;
- € 4.250k to a non-interest bearing loan granted to Molini Tandoi S.r.L.;
- € 113k to a non-interest bearing loan granted to Prospero Consulting S.r.l on 19 November 2019, entirely due after next year;
- € 45k to a non-interest bearing loan granted to Capo Sesto S.r.l. on 18 July 2019, entirely due after next year;
- € 8.696k resulting from the partial collection of receivables from Gong Capital S.p.A. on 10 July 2018, deriving from a mortgage loan contract subscribed by Banca Popolare Commercio e Industria (now UBI Banca) and Dialogo S.r.l., a company undergoing bankruptcy procedures. Such receivable was included in the liabilities of bankruptcy as a privileged mortgage credit since it was supported by a 1st degree voluntary mortgage of the complex, consisting of 2 buildings located in Milan, viale Umbria n. 98.

Financial fixed assets - Other securities

Other securities included under financial fixed assets amounted to € 2,500k (€ 2,500k in the previous year). The entry in question refers to the subscription of a subordinated bond at par, issued by Banca Popolare di

Bari, at a fixed rate of 5.60% and a term of 72 months effective from 25 July 2014 and repayment in a lumpsum at maturity on 25 July 2020, deferred half-yearly coupon as at 25 January and 25 July.

Current assets - Inventories

The inventories included under current assets amounted to € 184,659k (€ 105,486k in the previous year).

The breakdown and changes in the individual items are shown below:

Description	31.12.2019	31.12.2018	Change
Raw materials and consumables	58,363	37,887	20,476
Goods	72,571	60,238	12,333
Finished products	52,550	6,299	46,251
Payments on account	1,175	1,062	113
Total	184,659	105,486	79,173

Year-end inventories include proprietary goods in transit of € 46,343k, represented by durum wheat for € 33,598k, by soft wheat for € 5,566k, and by maize for € 7,180k.

Details of the product breakdown of inventories of goods (goods intended for resale) at year-end are shown below.

Description	31.12.2019	31.12.2018	Change
Durum wheat	48,674	23,877	24,797
Soft wheat	10,957	9,500	1,457
Maize	7,180	1,044	6,136
Barley	194	-	194
Soya	-	275	(275)
Oat	6	-	6
Real estate	5,560	25,542	(19,982)
Total	72,571	60,238	12,333

Finished products include only real estate destined for sale and having a realisable value higher than what is recorded on the books.

Inventories are not weighed down by obligations and/or liens that could restrict their availability.

Breakdowns and changes in the year relating to the Inventory write-down provision are provided below:

Description	Nominal value	Inventory write-down provision	Net value
Raw materials and consumables	58,433	(70)	58,363

Description	31.12.2018	Uses in the year	Allocation in the year	31.12.2019
Inventory write-down provision	70	-	-	70

Inventories whose realisable value based on market trends is lower than the relative carrying amount are written down.

Current assets - Receivables

The receivables included in current assets came to € 335,857k (€ 363,589 kin the previous year).

The breakdown and changes in the individual items are shown below:

Description	31.12.2019	31.12.2018	Change
Receivables from customers	221,973	269,728	(47,755)
Receivables from non-consolidated companies	558	115	443
Receivables from associates	541	21,057	(20,516)
Tax receivables	48,062	25,432	22,630
Deferred tax assets	7,337	10,004	(2,667)
Other receivables	56,717	36,523	20,194
Assets for subs. tax from realign.	669	730	(61)
Total	335,857	363,589	(27,732)

The breakdown and changes in the bad debt provision are shown below:

Description	Nominal value	Bad debt provision	Net value
From customers - due within	232,145	(10,172)	221,973

Description	31.12.2018	Uses in the year	Releases in the year	Allocation in the year	31.12.2019
Bad debt provision	14,810	(3,180)	(2,000)	542	10,172

Detailed information is provided below on the most significant items is provided below, specifying that the information regarding "Deferred tax assets" is given below in the section "Income taxes".

Details on "receivables from customers" are shown below:

Receivables from customers	31.12.2019	31.12.2018	Change
Invoices issued (net of write-downs)	211,017	258,791	(47,774)
Invoices to be issued	11,802	11,834	(32)
Credit notes to be issued	(846)	(897)	51
Total	221,973	269,728	(47,755)

The item "Receivables from associates", which shows a balance of € 540,944 as of 31 December 2019, refers exclusively to commercial receivables. The change from the previous year is attributable to the aforementioned reclassification of the financial fixed assets of the interest-bearing loan granted in favour of the Company Vecchio Mulino di Roma S.r.l.

Details of "tax receivables" are shown below:

Tax Receivables	31.12.2019	31.12.2018	Change
Tax authorities - VAT refund	13,860	3,437	10,423
Tax authorities - VAT credit	23,877	19,451	4,426
Other receivables from the tax authorities	10,325	2,544	7,781
Total	48,062	25,432	22,630

The Group also made use of the VAT offsetting procedure set forth in the Italian Ministerial Decree 13/12/79 (Group VAT) in the calendar year 2019. The application of this procedure resulted in a single VAT position being calculated for the Parent Company, corresponding to the algebraic sum of the VAT receivable/payable positions of the parent company and of the participating subsidiaries.

VAT credits, totalling € 37,737k, refer mainly to:

- € 11,631k for the receivable resulting from the Group VAT procedure;
- € 6,543k for the VAT credit refund of the Group requested in previous years (in 2013 and in 2018 to be exact);
- € 6,381k for the receivables of Molino Casillo S.p.A. (of which € 1,792k requested as a refund);
- € 4,461k for the receivables to Selezione Casillo S.r.l. (of which € 2,100k requested as a refund in the previous years);

- € 3,563k for the receivables of the companies belonging to the sub-consolidated of Gong Capital S.p.A.;
- € 3,452k for the receivables of Casillo Commodities Italia S.p.A. from the French Treasury T.V.A. (taxe sur la valeur ajoutée), corresponding to the Italian VAT for commercial operations undertaken by the establishment in France (of which €3,425k requested as a refund);
- € 1,363k for the receivables of Sinergie Molitorie S.c.ar.l.

The item "Other receivables from the tax authorities" amounting to € 10,235k includes corporate income taxes (IRES), regional tax on productive activities (IRAP), and tax credits and refers mainly to:

- € 5,774k for IRES and withholdings consolidated taxes of Casillo Partecipazioni S.r.l.;
- € 2,161k for IRAP Casillo Commodities Italia S.p.A.;
- € 543k for tax credits recognized by Molino Casillo S.p.A.

The breakdown of the item "Other receivables" is provided below:

Other receivables	31.12.2019	31.12.2018	Change
Receivables for transfer of Serin equity investment	-	6,000	(6,000)
Receivables for "energy account" contributions	565	2,984	(2,419)
Receivables for advances to suppliers	39,855	22,652	17,203
Sundry receivables	16,296	4,887	11,409
Total	56,716	36,523	20,193

The "energy account" receivable mainly refers to concessions in favour of "energy-intensive" companies from Cassa per i Servizi Energetici ed Ambientali - Energy and Environmental Services Fund - (former Cassa Conguagli Settore Elettrico - Equalisation Fund for the Electricity Sector) and Electrical Services Manager (GSE).

Lastly, the item "Assets for substitute tax from realignment" includes the substitute tax for the tax sheltering of goodwill that arose from the merger by incorporation of former Terminal Cereali S.r.l. in the subsidiary Silos Granari della Sicilia S.r.l., originally amounting to € 1,096k, which was accounted for in 2013 and allocated over the duration of the tax bene-

fit deriving from the realignment, equal to eighteen years. Therefore, the portion of the cost of substitute tax pertaining to the year, amounting to € 61k, is recorded in item 20 of the Income Statement "Income taxes for the year: current, deferred and prepaid", under a special sub-item.

The item "Subsidiary receivables" refers mainly to:

- € 9,000k for receivables of Casillo Partecipazioni S.r.l. owing from Vecchio Mulino Holding Immobiliare S.r.l. as consideration for the entire transfer of the equity investments held by Serin S.p.A. and closed in 2019;
- € 3,244k for receivables of commercial nature from suppliers of goods to the Company Società Casillo Commodities Italia S.p.A.

Receivables - Breakdown by due date

Data relating to the breakdown of receivables by due date is shown below, pursuant to art. 38, paragraph 1, letter e) of Italian Legislative Decree 127/1991:

Description	Due within 12 months	Due after 12 months	Due after 5 years	Total
Receivables from customers	221,973	-	-	221,973
Receivables from parent companies	558	-	-	558
Receivables from associates	541	-	-	541
Tax receivables	47,730	332	-	48,062
Deferred tax assets	5,874	1,463	-	7,337
Other receivables	56,716	1	-	56,717
Assets for subs. tax from realign.	61	243	365	669
Total	333,453	2,041	365	335,857

Receivables - Breakdown by geographic area

Description	Italy	Other EU countries	Non-EU	Total
Receivables from customers	91,787	13,545	116,641	221,973
Receivables from non-consolidated companies	536	22	-	558
Receivables from associates	541	-	-	541
Tax receivables	43,627	3,696	739	48,062
Deferred tax assets	7,336	-	1	7,337
Other receivables	14,638	1,132	40,947	56,717
Assets for subs. tax from realign.	669	-	-	669
Total	159,134	18,395	158,328	335,857

Current assets - Financial assets that do not constitute fixed assets

Financial assets that do not constitute fixed assets included under current assets amounted to € 45,852k (€ 4,304k in the previous year).

The breakdown and changes in the individual items are shown below:

Description	31.12.2019	31.12.2018	Change
Derivative financial instruments - assets	2,051	282	1,769
Other securities	43,801	41,022	2,779
Total	45,852	41,304	4,548

“Derivative financial instruments - assets” consist of the positive fair value and open positions at the reporting date exclusively on forwards on exchange rates. For details of accounting criteria, please refer to the information provided hereinabove in the section measurement criteria entitled “Transactions involving derivative financial instruments”.

The item “Other securities” amounting at € 43,801k refers mainly to:

- € 25,378k for the underwriting of two policies of € 10,214k and € 10,161k, respectively Eurovita with BPPB and Amissima with Banca Sella and a

further policy of € 5,300k with Arca Vita of BPER;

- € 15,000k for the underwriting of an investment policy with revalued and guaranteed capital, issued by BNP Paribas Cardif Vita Compagnia di Assicurazione e Riassicurazione S.p.A., known as “BNL Investimento Sicuro - V” and € 1,837k for the annual cumulative revaluation of said policy based on the yield obtained by Separate Asset Management;
- € 1,527k for the underwriting of A1 class securities with an annual interest rate of 0.50% and with deferred monthly interest.

Current assets - Cash and cash equivalents

Cash and cash equivalents included in current assets amounted to € 125,283k (€ 70,989k in the previous year).

The breakdown and changes in the individual items are shown below:

Description	31.12.2019	31.12.2018	Change
Bank and post office deposits	125,252	70,604	54,648
Cheques	1	274	(273)
Cash at bank and on hand	30	111	(81)
Total	125,283	70,989	54,294

Accrued income and prepaid expenses

Accrued income and prepaid expenses totalled € 1,147k (€ 1,213k in the previous year).

The breakdown and changes in the individual items are shown below:

Description	31.12.2019	31.12.2018	Change
Accrued income - interest income	62	74	(12)
Other accrued income	426	2	424
Prepaid expenses on 'maxicanoni' (initial larger lease instalment) - finance leases	179	222	(43)
Prepaid expenses - insurance premiums	18	124	(106)
Other prepaid expenses	462	791	(329)
Total	1,147	1,213	(66)

Shareholders' equity

Shareholders' equity at year-end amounted to € 247,789k (€ 229,717k in the previous year).

The table below shows the changes in shareholders' equity items.

Description	Share capital	Legal reserve	Reserve for expected cash flow hedging transactions	Revaluation reserves	Other reserves				Retained earnings	Profit (loss) for the year	TOTAL Group Shareholders' Equity	Capital and reserves pertaining to minority interests	Profit (loss) for the year attributable to minority interests	TOTAL Consolidated Shareholders' Equity
					Extraordinary reserve	Consolidation reserve	Reserve from translation differences	Other capital reserve						
At beginning of previous year	90	18	(299)	25,904	7,309	14,938	76	382	132,811	28,415	209,645	6,102	5,473	221,219
Allocation of profit (loss) for the year	-	-	-	-	-	-	-	-	28,415	(28,415)	-	491	(491)	-
Distribution of dividends	-	-	-	-	-	-	-	-	(4,500)	-	(4,500)	(378)	(4,982)	(9,860)
Increase of Investor Advisors capital	-	-	-	-	-	-	-	-	-	-	-	100	-	100
Capital change Gong Capital	-	-	-	-	-	-	-	-	(66)	-	(66)	66	-	-
Introduction to the consolidation area	-	-	-	-	-	-	-	-	-	-	-	50	-	50
Other changes	-	-	299	-	-	88	41	-	112	-	540	91	-	631
Profit (loss) of previous year	-	-	-	-	-	-	-	-	-	8,561	8,561	-	9,017	17,578
At the close of previous year	90	18	-	25,904	7,309	15,026	118	382	156,771	8,561	214,179	6,521	9,017	229,718
Allocation of profit (loss) for the year	-	-	-	-	-	-	-	-	8,561	(8,561)	-	1,117	(1,117)	-
Distribution of dividends	-	-	-	-	-	-	-	-	(4,500)	-	(4,500)	(35)	(7,900)	(12,435)
Reserve Legislative Revaluation	-	-	-	-	-	-	-	-	-	-	-	7,768	-	7,768
Other changes	-	-	-	-	-	(1,959)	(118)	-	(546)	-	(2,623)	4,678	-	2,055
Profit (loss) of current year	-	-	-	-	-	-	-	-	-	15,174	15,174	-	5,510	20,684
At the close of current year	90	18	-	25,904	7,309	13,066	-	382	160,286	15,174	222,230	20,050	5,510	247,789

As at 31 December 2019, the part pertaining to the parent company FCH S.r.l. included in the items "Capital and reserves pertaining to minority interests" and "Profit for the year pertaining to minority interests" totalled € 600k and € 4,391k respectively.

Provisions for risks and charges

Provisions for risks and charges are recorded under liabilities and total € 7,902 thousand (€ 12,775 thousand in the previous year). The breakdown and changes in the individual items are shown below:

Description	31.12.2018	Allocation in the year	Uses in the year	Other changes in the year	31.12.2019	Change
Pension fund	330	39	(1)	16	384	54
Provision for taxes, including deferred taxes	1,842	-	(703)	(1)	1,138	(703)
Provision for derivative financial instruments - liabilities	66	66	-	-	131	66
Financial instrument fund derivatives pass.	755	412	(680)	(75)	412	(343)
Other provisions for risks	9,782	634	(3,844)	(736)	5,836	(3,815)
Total	12,775	1,151	(5,228)	(795)	7,902	(4,873)

As at 31 December 2019, the balance of provision for taxes of € 1,138k was broken down as follows: € 217 k relating to risks connected to the pending outcome of a tax audit carried out in 2014; € 100k for risks connected to the expected settlement of the assessment for tax period 2013; € 821k for deferred taxes. Please refer to the table reported below in the section "Income taxes" for details regarding deferred taxes. Future consolidation expenses include allocations of € 66k for adjustments in the valuation at equity of the equity investment in the associate

Garpuglia S.r.L., for expected future losses regarding said company. The item "Derivative financial instruments - liabilities" includes the negative fair value of open positions in derivatives at the reporting date of forwards and changes of Casillo Commodities Italia S.p.A. Please refer to the information provided hereinabove in the section measurement criteria entitled "Transactions involving derivative financial instruments" for details regarding accounting criteria.

The breakdown and changes in the item "Other provisions for risks" are shown below:

Description	31.12.2018	Allocation in the year	Uses in the year	Other changes in the year	31.12.2019	Change
Litigation	4,941	634	(2,357)	34	3,252	(1,689)
Future expenses	1,127	-	(927)	(200)	-	(1,127)
Renovation of ind. areas and plants	3,714	-	(560)	(570)	2,585	(1,130)
Total	9,782	634	(3,844)	(736)	5,836	(3,946)

The item "Other provisions for risks", amounting to € 5,836k (€ 9,782k in the previous year), includes allocations for potential liabilities at the reporting date, and in particular, the allocations:

- for the prudent assessment of the risk of being the losing party in litigation and arbitration proceedings in progress, totalling € 3,126k;
- needed for the renovation of the industrial areas subject to concession to

the subsidiary Silos Granari della Sicilia S.r.L., by the Public Administration, for a total of € 2,085k, as well as charges for the renovation works to return the assets at the end of the concession, amounting to € 500k;

- to cover write-downs of a non-interest-bearing loan granted for € 126k by Selezione Casillo S.r.L. to the associate Romeo all'Emporio S.r.L., which was wound up on 24 January 2020.

Employee severance indemnity

The Employee severance indemnity is recorded under liabilities and totalled € 4,033k (€ 3,817k last year). The breakdown and changes in the individual items are shown below:

Description	31.12.2018	Allocation in the year	Uses in the year	31.12.2019	Change
Employee severance indemnity	3,817	1,020	(804)	4,033	217

Payables

Payables are recorded under liabilities and total € 624,229k (€ 491,574k in the previous year).

The breakdown of the individual items is as follows:

Description	31.12.2019	31.12.2018	Change
Obligations	35,000	-	35,000
Payables to shareholders for loans	176	296	(120)
Payables to banks	484,751	364,247	120,504
Payables to other lenders	1,358	76	1,282
Payments on account	1,076	317	758
Trade payables	82,054	106,917	(24,863)
Payables to associates	1,765	-	1,765
Payables to parent companies	-	2,154	(2,154)
Payables to subsidiaries, associates, and parent companies	30	-	30
Tax payables	4,867	7,378	(2,511)
Payables to social security institutions	1,715	1,622	93
Payables to others	11,438	8,567	2,871
Total	624,229	491,574	132,654

In 2019 Molino Casillo S.p.A. issued two bonds for a total of € 35,000,000 (€ 17,500,000 each) as part of a strategy to expand its international markets as well as for investments in innovation. These were entirely subscribed under the following conditions: a duration of 6.5 years with grace period interest for 2 years and a six-month coupon Euribor 6 months (zero floor) + 250 bpps. Such bonds are characterized by compliance with several financial covenants based on data contained in the integrated annual report. It should be noted that negotiations with subscribers regarding said covenants began on 31 December 2019.

Payables to banks consist mainly of loans to working capital and, espe-

cially, to import-export operations, generally with a duration of less than 6 months. Please refer to the report on operations for comments on the change in the net financial position.

Payables to banks within 12 months, amounting to € 434,278k (€ 312,270k in the previous year) refer to € 22,162k (€ 23,964k in the previous year) for mortgages and the remainder for working capital funding.

In accordance with the Art. 2472 point 19-bis of the Italian Civil Code, it should be noted that financing taken out by associates of the parent company, for a total of € 176k (€ 269k in the previous year) are non-interest bearing and are not subordinated to others.

Details of the item "Trade payables" are provided below:

Trade payables	31.12.2019	31.12.2018	Change
Invoices received	58,349	79,956	(21,607)
Invoices to be received	24,016	27,226	(3,210)
Credit notes to be received	(311)	(265)	(46)
Total	82,054	106,917	(24,863)

Details of the item "Tax payables" are provided below:

Tax payables	31.12.2019	31.12.2018	Change
IRES payable	1,123	4,599	(3,476)
IRAP payable	105	1,457	(1,352)
Payables for IRPEF (personal income tax) withholdings	840	1,152	(312)
VAT payable	156	100	56
Others	2,643	70	2,573
Total	4,867	7,378	(2,511)

The increase of "Others" is mainly the result of a substitute tax of the real estate company Marim S.r.l. which was due according to the revaluation law of real estate amounting at € 2,344k.

Details of the item "Payables to others" are provided below:

Payables to social security institutions	31.12.2019	31.12.2018	Change
Payables to INPS (National Social Security Institute)	1,391	1,325	66
Payables to INAIL (National Institute for Insurance against Accidents at Work)	66	81	(15)
Others	258	216	42
Total	1,715	1,622	93

Details of the item "Payables to others" are provided below:

Payables to others	31.12.2019	31.12.2018	Change
Payables to personnel	2,321	2,234	87
Payables to shareholders for dividends	2,826	1,934	892
Others	6,291	4,399	1,892
Total	11,438	8,567	2,871

The item "Others" refers mainly to the following:

- €210k of payables for the purchase of equity investments in Prospero Consulting S.r.l. by Casillo Partecipazioni
- €375k of payables for insurance premiums regulated by Casillo Commodities Italia S.p.A. and Molino Casillo S.p.A.
- €1,050k of payables for the purchase of equity investments in IMMOBILIARE MARIM of Gong Capital S.p.A.
- €2,328k of payables for deposits received from Kamelya Real Estate for preliminary purchased agreements for the purchase of building units in the property located in Milan, viale Umbria n. 98.

Payables - Breakdown by due date

Data relating to the breakdown of payables by due date is shown below, pursuant to art. 38, paragraph 1, letter e) of Italian Legislative Decree 127/1991:

Description	Due within 12 months	Due after 12 months	Due after 5 years	Change
Obligations	-	27,220	7,780	35,000
Payables to shareholders for loans	120	56	-	176
Payables to banks	434,278	48,742	1,731	484,751
Payables to other lenders	1,282	76	-	1,358
Payments on account	1,076	-	-	1,076
Trade payables	82,054	-	-	82,054
Payables to parent companies	1,765	-	-	1,765
Payables to subsidiaries, associates, and parent companies	30	-	-	30
Tax payables	3,304	1,563	-	4,867
Payables to social security institutions	1,715	-	-	1,715
Payables to others	10,646	792	-	11,438
Total	536,268	78,449	9,511	624,229

Payables - Breakdown by geographical area

Data relating to the breakdown of payables by geographical area is shown below, pursuant to art. 38, paragraph 1, letter e) of Italian Legislative Decree 127/1991:

Description	Italy	Other EU countries	Non-EU	Total
Obligations	35,000	-	-	35,000
Payables to shareholders for loans	176	-	-	176
Payables to banks	477,956	5,019	1,776	484,751
Payables to other lenders	1,358	-	-	1,358
Payments on account	1,076	-	-	1,076
Trade payables	47,167	12,670	22,217	82,054
Payables to parent companies	1,765	-	-	1,765
Payables to subsidiaries, associates, and parent companies	-	30	-	30
Tax payables	4,688	78	101	4,867
Payables to social security institutions	1,586	129	-	1,715
Payables to others	11,378	59	1	11,438
Total	582,149	17,985	24,094	624,229

Payables secured by collateral on company assets

Information on collateral on company assets is shown below, pursuant to art. 38, paragraph 1, letter e) of Italian Legislative Decree 127/1991:

Description	Payables not secured by collateral	Payables secured by collateral	Total
Obligations	35,000	-	35,000
Payables to shareholders for loans	176	-	176
Payables to banks	464,363	20,388	484,751
Payables to other lenders	1,358	-	1,358
Payments on account	1,076	-	1,076
Trade payables	82,054	-	82,054
Payables to parent companies	1,765	-	1,765
Payables to subsidiaries, associates, and parent companies	30	-	30
Tax payables	4,867	-	4,867
Payables to social security institutions	1,715	-	1,715
Payables to others	11,438	-	11,438
Total	603,841	20,388	624,229

The amount of € 20,388k refers to:

- € 13,337k for the residual payable on mortgages stipulated by Kamelya Real Estate S.r.l. and Immobiliare Marim S.r.l., both companies included in the sub-consolidated of Gong Capital S.p.A.;
- € 7,051k for the residual payable on two mortgages stipulated by Molino Casillo S.p.A. with Mediocredito Italiano, of which € 5,641k covered by a mortgage guarantee of 1st degree on photovoltaic installations and by a special lien on the relative property and € 1,410k covered by the same special lien.

Accrued expenses and deferred income

Accrued expenses and deferred income are included in liabilities for a total of € 2,402 thousand (€ 1,896 thousand in the previous year).

The breakdown and changes in the individual items are shown below:

Description	31.12.2019	31.12.2018	Change
Accrued expenses for interest	224	192	32
Other accrued expenses	198	142	56
Deferred rental income	3	12	(9)
Deferred income for grants related to assets	1,965	1,488	478
Other deferred income	12	62	(50)
Total	2,402	1,896	507

Information on the income statement

Revenues from sales and services

Revenues from sales and services amounted to € 1,493,277k (€ 1,984,429k in the previous year).

Pursuant to the provisions of 38, paragraph 1, letter i) of Italian Legislative Decree 127/1991, the following tables show the breakdown of revenues by business sector and geographic area.

Table → Breakdown of sales and services by product category/business sector

Description	2019	2018	Change
Soft wheat	222,966	566,609	(343,643)
Durum wheat	298,755	213,875	84,880
Semolinas	303,530	271,069	32,461
Maize	189,389	195,412	(6,023)
Barley	12,318	175,170	(162,852)
Flours	105,859	130,203	(24,344)
Soy Bean meal (SBM)	129,503	87,923	41,580
Sugar	98,942	60,792	38,150
Bran	9	32,502	(32,493)
Paddy rice	27,515	96,518	(69,003)
Soy Bean oil	62,749	52,500	10,249
Soy	-	48,882	(48,882)
Services	17,911	33,470	(15,559)
Other	23,831	19,504	4,327
Total	1,493,277	1,984,429	(491,152)

Table → Breakdown of sales and services by geographic area (customer nationality)

Description	2019	2018	Change
Italy	459,874	466,102	(6,228)
Other EU countries	155,382	163,834	(8,452)
Rest of the world	878,021	1,354,493	(476,472)
Total	1,493,277	1,984,429	(491,152)

Please refer to the report on operations for comments on economic performance and information on performance by business segment.

Other revenue and income

Other revenue and income are included in the value of production of the income statement for a total of € 18,325k (€ 16,475k in the previous year).

The breakdown of the individual items is as follows:

Description	2019	2018	Change
Operating grants	2,124	3,329	(1,205)
Capital grants	350	160	190
Ordinary capital gains on property, plant and equipment	518	975	(457)
Interruptibility service (without prior notice)	562	563	(1)
Insurance reimbursements	86	1,664	(1,578)
Business unit rental income	197	141	56
Rental income	125	1,124	(999)
Other revenues	14,363	8,519	5,844
Total	18,325	16,475	1,850

Operating grants are the grants received from Gestore dei Servizi Elettrici for the production of electricity from photovoltaic plants. Such decrease is due to the recent M.I.S.E. decree dated 21 December 2017, which followed the related resolution no. 921/2017/R of the Energy Authority, which redesigned the mechanism of concessions granted to energy-intensive companies. More specifically, from 1 January 2018 the concessions granted by the Cassa per i Servizi Energetici e Ambientali - Energy and Environmental Services Fund, will no longer be recognised ex post in the form of a reimbursement of a percentage of the system charges paid as components of the company's energy bills, but directly by paying a lower percentage of the new Asos component defined by the Energy Authority (system overheads relating to sustaining renewable energies and cogeneration, the only component that can be discounted for energy-intensive companies) in its bills.

The Interruptibility service (without prior notice) refers to the consideration received from the electricity distributor "Terna S.p.A.", by way of compensation for providing the service.

Costs for raw materials, consumables and goods for resale

Costs for raw materials, consumables and goods for resale are recorded under production costs in the income statement for a total of € 1,277,432k (€ 1,623,280k in the previous year). Please refer to the report on operations for comments on economic performance.

Costs for services

Costs for services are included in production costs on the income statement for a total of € 243,794k (€ 285,513k in the previous year). The breakdown of the individual items is as follows:

Description	2019	2018	Change
Outsourced works	4,435	3,520	915
Transport	41,625	40,410	1,215
Shipping freight charges	96,734	132,767	(36,033)
Demurrage	29,138	33,432	(4,294)
Goods loading and unloading assistance	7,776	9,983	(2,207)
Warehousing services	5,096	3,012	2,084
Commissions	15,785	24,188	(8,403)
Utilities	9,526	9,579	(53)
Maintenance and repairs	3,009	2,491	518
Insurance premiums	2,450	2,553	(103)
Administrative service	(15)	273	(288)
Professional consultancy and fees	5,399	4,224	1,175
Directors' fees	2,464	2,157	307
Fees to the Board of Statutory Auditors	178	194	(16)
Independent Auditors' fees and expenses	148	158	(10)
Advertising and other promotional expenses	1,332	1,437	(105)
Sponsorships	293	352	(59)
Travel and transfers and expense reimbursement	1,164	1,216	(52)
Bank charges	2,522	2,334	188
Other costs for services	14,735	11,233	3,502
Total	243,794	285,513	(41,719)

The increase in shipping freight charges is largely due to variations in the volume of purchase/sale operations during the year, which led to an increase in the aforementioned amounts of €16.8 million for Casillo Commodities Italia S.p.A. and a decrease of almost €53 million for Transgrain France S.a.s.

The decrease in demurrage is due to variations in the volume of purchase/

sale operations, of which €1.1 million for Casillo Commodities Italia S.p.A. and €3.1million for Transgrain France S.a.s. during the year.

The increase in costs of professional consultancy and fees is attributable to, mainly, services provided to the Group, supported by the parent Company Casillo Partecipazioni S.r.l.

Costs for use of third-party assets

Costs for use of third-party assets are included in production costs in the income statement for a total of € 4,482 thousand (€ 4,400 thousand in the previous year). The breakdown of the individual items is as follows:

Description	2019	2018	Change
Rents payable	1,816	1,698	118
Company rents payable	564	553	11
Software licences	156	156	-
Leasing fees	432	672	(240)
Licensing fees	238	361	(123)
Hire of vehicles and plants	1,185	871	314
Other costs for use of third-party assets	91	89	2
Total	4,482	4,400	82

Other operating expenses

Other operating expenses are included under production costs in the income statement for a total of € 8,377k (€ 5,146k in the previous year). The breakdown of the individual items is as follows:

Description	2019	2018	Change
IMU (single municipal tax)	681	970	(289)
TASI (taxes on indivisible services) and TARI (waste tax)	173	145	28
Registration tax	63	99	(36)
Chamber of Commerce fees	29	28	1
Miscellaneous fees	78	77	1
Stamp duty	71	71	0
Provincial surcharge on electricity	88	88	-
Penalties	2,942	1,562	1,380
Contingent liabilities	1,162	620	542
Newspaper and magazine subscriptions	40	37	3
Membership fees	210	228	(18)
Social and welfare expenses	310	331	(21)
Losses on trade receivables	8	21	(13)
Ordinary capital losses on property, plant and equipment	54	5	49
Indirect taxes relating to previous years	169	19	150
Other contingent liabilities	8	170	(162)
Other operating expenses	2,291	675	1,616
Total	8,377	5,146	3,231

The change in "Penalties" mainly refers to the increase in reversal/cancellation of contracts (washout) in Casillo Commodities Italia S.p.A. and penalties charged to customers/suppliers.

Financial income and expense

Details of the item in question are provided below:

Description	2019	2018	Change
Income from equity investments	342	762	(420)
Financial income from receivables recognised as fixed assets	208	1,592	(1,384)
Financial income from securities recognised as fixed assets	140	142	(2)
Financial income from securities recognised under current assets	75	498	(423)
Other financial income	468	253	215
Interest and other financial expenses	(4,841)	(4,199)	(642)
Exchange rate gains and losses	(397)	1,036	(1,433)
Net gains and losses on financial derivative instruments	18,685	(7,740)	26,425
Total	14,680	(7,656)	22,336

"Other financial income" amounting to € 468k consists of € 144k from interest accrued on bank accounts and €306k from the capital gain realised on the sale of gold ingots acquired over the year as payment of receiv-

ables of a commercial nature from the Venezuelan customer "Corporacion Venezolana de Comercio" to "Esposito Preziosi S.r.l.", which deals in the sector of special and precious metals.

Pursuant to the provisions of art. 38, paragraph 1, letter l) of the Italian Legislative Decree 127/1991, the following table provides a breakdown of "Interest and other financial expenses":

Description	Relating to bonds	Bank interest	Other financial charges	Total
Interest and other financial expenses	462	3,432	947	4,841

Information regarding the breakdown of foreign exchange gains and losses is provided below:

Description	2019	2018	Change
Exchange rate gains	18,033	39,752	(21,719)
Exchange rate losses	(18,430)	(38,716)	20,286
Total	(397)	1,036	(1,433)

The following table shows the difference between realised and unrealised share as of the reporting date of the financial statements:

Description	Realised share Unrealised	Realised share Unrealised	Total
Exchange rate gains	10,498	7,535	18,033
Exchange rate losses	(12,857)	(5,573)	(18,430)
Total	(2,359)	1,962	(397)

Information on the breakdown of net gains and losses on derivative financial instruments is provided below:

Description	2019	2018	Change
Currency derivatives			
OTC Options - Premium income	467	13,322	(12,855)
OTC Options - Exchange gains	5,227	23,837	(18,610)
Forwards (OTC) - Exchange gains	18,626	33,613	(14,987)
Futures - Positive margins	844	8,286	(7,442)
Listed options - Premium income	0	52,052	(52,052)
Subtotal Gains on currency derivatives	25,164	131,110	(105,946)
OTC Options - Premium expense	(575)	(14,085)	13,510
OTC Options - Exchange losses	(1,357)	(30,730)	29,373
Forwards (OTC) - Exchange losses	(26,216)	(27,564)	1,348
Futures - Negative margins	(1,128)	(6,686)	5,558
Listed options - Premium expense	0	(63,440)	63,440
Subtotal Losses on currency derivatives	(29,275)	(142,505)	113,230
Commodity derivatives			
Futures - Positive margins	555,752	342,747	213,005
Listed options - Premium income	13,422	10,288	3,134
Subtotal Losses on commodity derivatives	569,174	353,035	216,139
Futures - Negative margins	(537,841)	(341,807)	(196,034)
Listed options - Premium expense	(8,537)	(7,570)	(967)
Subtotal Losses on commodity derivatives	(546,378)	(349,377)	(197,001)
TOTAL NET GAINS AND LOSSES ON DERIVATIVES	18,685	(7,738)	26,423

Value adjustments to financial assets and liabilities

Details of the item in question are provided below:

Description	2019	2018	Change
Revaluation of derivative financial instruments	95	0	95
Revaluation of securities recorded under current assets that do not constitute equity investments	763	398	365
Revaluations of derivative financial instruments	2,735	22,987	(20,252)
Write-downs of equity investments	(360)	(24)	(336)
Write-down of securities recorded under current assets that do not constitute equity investments	(126)	(1,586)	1,460
Write-downs of derivative financial instruments	(1,057)	(33,807)	32,749
Total	2,050	(12,031)	14,082

The information concerning the breakdown of the items "Revaluations of derivative financial instruments" and "Write-downs of derivative financial instruments" is reported hereunder, specifying that these amounts include the fair value changes in open position at the close of the year (please refer to the information provided in the section of measurement criteria hereinabove entitled "Transactions involving derivative financial instruments" for the accounting procedures):

Description	2019	2018	Change
Physical forward contracts	-	1,478	(1,478)
OTC currency options	436	8,901	(8,465)
Exchange forwards (OTC)	2,299	1,665	634
Listed currency options	-	10,572	(10,572)
Listed commodity options	-	371	(371)
Revaluations of derivatives	2,735	22,987	(20,252)

Description	2019	2018	Change
Physical forward contracts	0	(32,346)	32,346
OTC currency options	(59)	(436)	377
Exchange forwards (OTC)	(635)	(243)	(392)
Listed currency options	0	(700)	700
Listed commodity options	(363)	(82)	(281)
Write-downs of derivatives	(1,057)	(33,807)	32,750

Income taxes

The breakdown of the individual items is as follows:

Description	Current taxes	Deferred tax liabilities	Deferred tax assets	Total taxes
IRES	5,645	(699)	2,099	7,045
IRAP	509	-	106	614
Income from tax consolidation	(528)	-	-	(528)
Substitute tax from realignment	61	-	-	61
Income taxes of foreign entities	296	-	-	296
Direct taxes relating to previous years.	72	-	-	72
Total	6,055	(699)	2,205	7,561

The Parent Company, as the holding company, exercised the three-year option for participation in national tax consolidation, pursuant to articles 117-129 of the Consolidated Law on Income Tax (T.U.I.R.). Due to the exercising of this option, single total income was calculated for the Parent Company for IRES purposes, corresponding to the algebraic sum of the taxable income of the parent company and the subsidiaries, regardless of the shareholding relating to the parent company. Therefore, the parent company is responsible for the carry-forward of any loss arising from the algebraic sum of the taxable incomes, the settlement and the payment of

Group tax and the settlement of the excess Group tax that is refundable or which can be carried forward. In the specific case, a consolidation agreement was signed between the parties to regulate economic-financial relations resulting from the transfer to the parent company of taxable income, tax losses and the tax credits of the subsidiaries.

An analysis of the temporary differences that give rise to deferred tax assets and liabilities is shown below. It should be pointed out that there are no significant deferred tax assets and liabilities not recognised in the financial statements.

Description	IRES/IRAP	2019			2018			Change
		Amount of temporary differences	Rate applied	Deferred tax assets/liabilities	Amount of temporary differences	Rate applied	Deferred tax assets/liabilities	
Deferred tax assets - portion due within one year								
Write-down of receiv. subj. to def. deduct.	IRES	8,116	24.00%	1,948	12,374	24.00%	2,970	(1,022)
Diff. bet. stat. and tax amort. - asset reval.	IRES + IRAP	307	28.82%	88	21	28.82%	6	82
Prov. for risks and ch. subj. to fut. deduct.	IRES + IRAP	1,492	28.82%	430	2,801	28.82%	807	(377)
Other provisions for risks	IRES	100	24.00%	24	664	24.00%	159	(135)
Inventory write-down provision	IRES + IRAP	70	28.82%	20	70	28.82%	20	-
Tax losses carried forward	IRES	71	24.00%	17	1,995	24.00%	479	(462)
Taxes with impact on equity	Impôt France	-	-	-	-	33.33%	1	(1)
Unrealised exchange losses	IRES	1,334	24.00%	320	1,401	24.00%	336	(16)
TOTAL Deferred tax assets - portion due within one year				2,847			4,778	(1,931)
Deferred tax assets - portion due after one year								
Diff. bet. stat. and tax amort. - asset reval.	IRES + IRAP	1,159	28.82%	334	1,760	28.82%	507	(173)
Impact of reversal of intercompany profits	IRES	10,500	28.82%	3,026	10,500	28.82%	3,026	-
Prov. for risks - plant replacem.	IRES	-	24.00%	-	60	24.00%	14	(14)
Prov. for risks - rest. of ind. areas	IRES + IRAP	2,084	28.82%	601	2,654	28.82%	765	(164)
Prov. for risks - rest. of transf. assets	IRES + IRAP	500	28.82%	144	500	28.82%	144	-
Prov. for risks of disp. and arb. proceed	IRES	1,600	24.00%	384	3,203	24.00%	769	(385)
TOTAL Deferred tax assets - portion due after one year				4,489			5,225	(736)
TOTAL DEFERRED TAX ASSETS				7,336			10,003	(2,666)
Def. tax liabilities - portion due within one year								
Unrealised exchange gains	IRES	(3,422)	24.00%	(821)	(5,790)	24.00%	(1,390)	569
Dividends to be collected	IRES	-	24.00%	-	(563)	24.00%	(135)	135
TOTAL DEFERRED TAX LIABILITIES				(821)			(1,525)	704

The changes in deferred tax assets and liabilities were recorded to item 20 of the income statement, under the sub-items "Deferred tax assets" and "Deferred tax liabilities" respectively, excluding the "Tax losses carried forward" for which the change has been reclassified in receivables towards Casillo Partecipazioni S.r.l. through the supplementary of Patent Box for IRES.

Other information

On 11 November 2019, Casillo Commodities Italia S.p.A. received notification of a tax assessment report n. 66897 related to tax year 2015 (partial) and tax year 2016 which presented its findings, in particular, regarding the deductibility of passive commissions on sales. The Company at the time of the verification already fully contested the aforementioned findings and subsequently started proceedings to obtain a possible out-of-court hear-

ing in order to present its documentation and reasons for contesting the findings. The Management, with the assistance of its lawyers, has therefore decided that it is not possible at present to establish the existence and quantification of a potential liability since the procedure has only just begun.

Information on off-balance sheet agreements

Pursuant to art. 38, first paragraph, o-sexies, of Italian Legislative Decree 127/1991, it should be noted that there are no agreements that are not included in the consolidated financial statements.

Guarantees, commitments and risks

Pursuant to art. 38, first paragraph, of Italian Legislative Decree 127/1991, it should be noted that on the reporting date, the following guarantees were in force on the reporting date:

Description	31.12.2019	31.12.2018	Change
RISKS UNDERTAKEN BY THE GROUP			
SURETIES			
associates	-	3,666	(3,666)
other companies	-	11,517	(11,517)
Total Sureties	-	15,183	(15,183)
OTHER GUARANTEES			
to other companies	26,439	15,534	10,905
Total other guarantees	26,439	15,534	10,905
TOTAL MEMORANDUM ACCOUNTS	26,439	30,717	(4,278)

The amounts shown in the table correspond to the amount actually used, on the reporting date of the financial statements, with respect to the higher amount agreed, corresponding to € 3,937k (as can be seen in the table below) of guarantees given to third parties.

Description	AMOUNT AGREED	AMOUNT USED
RISKS UNDERTAKEN BY THE GROUP		
SURETIES		
associates	-	-
other companies	-	-
Total Sureties	-	-
OTHER GUARANTEES		
to other companies	57,088	26,439
Total other guarantees	57,088	26,439
TOTAL MEMORANDUM ACCOUNTS	57,088	26,439

Elements of exceptional size or incidence

Pursuant to art. 38, first paragraph, o-sexies, of Italian Legislative Decree 127/1991, it should be noted that there are no revenue or cost elements of exceptional size or incidence.

Breakdown of personnel

Information regarding personnel is provided here below, pursuant to art. 38, paragraph 1, letter n), of Italian Legislative Decree 127/1991:

Description	Initial number of employees	Hires in the year	Resign./dismiss. in the year	Change in scope of consolidation	Final number of employees	Average employees in the year
Executives	17	4	3	-	18	18
Middle managers and white-collar workers	195	44	31	-	208	202
Blue-collar workers	146	19	20	-	145	146
Total	358	67	54	-	371	366

Fees to company bodies

Information regarding fees to directors, statutory auditors, independent auditors, Supervisory Body (ex D. Lgs. 231/2001) of is provided below:

Description	Imports
Administrative body	2,830
Boards of Statutory Auditors	197
Supervisory Body	65
Independent Auditors	132

It should be noted that, at the reporting date, there were no advances or loans granted to directors and statutory auditors nor commitments assumed on their behalf due to any type of guarantees given.

It should be pointed out that the independent auditors did not perform any non-audit services.

Finance lease transactions

Information concerning the finance lease transactions of Group companies is provided below (amounts in €), pursuant to art. 2427 point 22 of the Italian Civil Code (Granting Entity Mediocredito Italiano S.p.A. and Fraer Leasing S.p.A.):

Contract no.	Pres. val. of instal. not past due	Int. exp. pert. to the year (net of adjustments)	Historical cost	Accum. amort. start of year	Amortisation in the year	Carrying amount 31.12.2019	Carrying amount 31.12.2018
20072535/002	1,174,141	4,501	3,233,000	1,111,280	129,320	1,992,400	2,121,720
20072535/003	317,904	4,913	853,230	290,097	34,129	529,004	563,133
IM 422549	130,428	6,312	285,000	156,750	28,500	99,750	0

Information regarding subsidies, grants, paid engagements and in any event the economic advantages set forth in Italian Law 124/2017, art. 1, paragraph 25.

Note that during the year the Company received the grants set forth in Italian Law 124/2017, art. 1, paragraph 25, for a total of € 5,273,150.30. The following table shows the figures relating to the parties disbursing the grants, the amount received, or the value of goods received and a brief description of the rationale underlying the benefit.

N.	Disbursing party	Grant Received	Description
1	Gestore Servizi Energetici S.p.A.	€ 1,769,356.48	Self-consumption premium rate
2	Ministero dello Sviluppo Economico - Ministry for Economic Development	€ 342,96.00	Tax credit for investment in research and development activities (art.3 of Italian Legislative Decree 145/2013)
3	Cassa per i servizi energetici e ambientali - Energy and Environmental Services Fund (<i>former</i> CCSE - Cassa conguaglio per il settore elettrico)	€ 2,297,692.76	Concessions for energy-intensive enterprises 2017
4	Engie Italia S.p.A.	€ 62,176.02	Revenues from production of electricity
5	Terna S.p.A.	€ 579,999.39	Interruptibility service without prior notice and energy cut-off service
6	Gestore Servizi Energetici S.p.A.	€ 63,321.97	Incentive rates Italian Ministerial Decree 6/7/12 - agreement FER103155
7	Ministero Ambiente e tutela del territorio - Ministry for the Environment and land protection	€ 22,123.33	Tax credit asbestos reclamation art. 56 commas 1-6 L.221/15
8	Gestore Servizi Energetici S.p.A.	€ 105,915.57	Production of electricity from photovoltaic plants
9	Cassa per i servizi energetici e ambientali - Energy and Environmental Services Fund (<i>former</i> CCSE - Cassa conguaglio per il settore elettrico)	€ 29,600.78	Concessions for energy-intensive enterprises 2016

Significant events after the end of the year

It should be noted that at the date of preparation of the current financial statement, a major health emergency is underway, both in Italy and worldwide, due to the spread of the coronavirus COVID-19 (which had already exploded in January 2020 in China), in consideration of which the Italian Authorities have issued regulations aimed at containing the pandemic and its effects.

At the date of this financial statement, the effects of the pandemic on the Group have been contained: the production of the plants has continued without interruption, there have been no significant changes in the demand for our products, in the supply chain or in the trading operations. The distribution channels are regularly operational and there are no situ-

ations of financial strain.

The Casillo Group will take the necessary actions to ensure business continuity and, above all, protect employees, suppliers, customers and all other stakeholders. The effects deriving from the spread of Covid-19 have been considered as events that do not entail adjustments to the financial statement balances and at present the Directors believe that the consequences for the Company deriving from the pandemic in progress do not influence the assessments on business continuity, while highlighting however, the uncertainty profiles inevitably related to the ongoing emergency and its effects on the national and international economic context.

4

Assurance

In this chapter

- 4.1 Independent auditors' report on the consolidated financial statements
- 4.2 Independent auditor's report on the non-financial disclosure



4.1 Independent auditors' report on the consolidated financial statements



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(Translation from the Italian original which remains the definitive version)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010

To the quotaholders of
Casillo Partecipazioni S.r.l.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the Casillo Group (the "group"), which comprise the balance sheet as at 31 December 2019, the profit and loss account and cash flow statement for the year then ended and notes thereto.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Casillo Group as at 31 December 2019 and of its financial performance and cash flows for the year then ended in accordance with the Italian regulations governing 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 "Auditors' responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of Casillo Partecipazioni S.r.l. (the "parent") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the parent's directors and board of statutory auditors ("Collegio Sindacale") 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 regulations governing their preparation and, in accordance with the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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Bologna Bolzano Brescia
Catania Como Firenze Genova
Lecce Milano Napoli Novara
Padova Palermo Parma Perugia
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Trieste Varese Verona

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20124 Milano MI ITALIA



The directors are responsible for assessing the group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the parent or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the group's financial reporting process.

Auditors' 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 auditors' 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 ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of 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 auditors' 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 auditors' report. However, future events or conditions may cause the group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;



- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with the governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

Qualified opinion pursuant to article 14.2.e) of Legislative decree no. 39/10

The parent's directors are responsible for the preparation of the group's directors' report at 31 December 2019 and for the consistency of such report with the related consolidated financial statements and its compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report with the group's consolidated financial statements at 31 December 2019 and its compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report is consistent with the group's consolidated financial statements at 31 December 2019 and has been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Bari, 25 June 2020

KPMG S.p.A.

A handwritten signature in black ink, reading 'Vito Nicola Diomeda'.

Vito Nicola Diomeda
Director of Audit

4.2 Independent auditor's report on the non-financial disclosure

Prof. Dott. Andrea Venturelli
Associato di Economia Aziendale nell'Università del Salento
Revisore legale dei conti - Dottore commercialista

Independent auditors' report on the non-financial information included in the Integrated Annual Report of Gruppo Casillo Partecipazioni as of December 31, 2019

To the Board of Directors of Casillo Partecipazioni S.r.l.

I have carried out a limited assurance engagement on the non-financial information included in the Integrated Annual Report (below "non-financial information") of Gruppo Casillo Partecipazioni (below the "Group") as of December 31, 2019.

Directors' responsibility on the non-financial information included in the Integrated Annual Report

The Directors are responsible for the preparation of the non-financial information included in Integrated Annual Report in accordance with "*GRI Sustainability Reporting Standards - GRI Standards*", as stated in the paragraph "*Methodological note*" of the Integrated Annual Report 2019 (IAR 2019).

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a non-financial information that is free from material misstatement, whether due to frauds or unintentional behaviors or events.

The Board of Directors is also responsible for defining the Group's objectives regarding the sustainability performance, as well as for the identification of the stakeholders and the material aspects to report.

Auditors' independence and quality control

I am independent in compliance with the independence and all other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

I apply International Standard on Quality Control 1 (ISQC Italia 1) and, accordingly, maintains a system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditors' responsibility

My responsibility is to express a conclusion, based on the procedures performed, about the compliance of the Non-financial Statement with the requirements of the GRI Standards.

I conducted my work in accordance with the criteria established in the "*International Standard on Assurance Engagements 3000 – Assurance Engagements other than Audits or Reviews of Historical Financial Information*" ("*ISAE 3000 Revised*"), issued by the *International Auditing and Assurance Standards Board* for limited assurance engagements.

This standard requires that I plan and perform the engagement to obtain limited assurance about whether the non-financial information in IAR is free from material misstatement. A limited assurance engagement is less in scope than a reasonable assurance engagement carried out in accordance with ISAE 3000 revised, and consequently does not enable me to obtain assurance

Prof. Dott. Andrea Venturelli
Associato di Economia Aziendale nell'Università del Salento
Revisore legale dei conti - Dottore commercialista

that I would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

The procedures I performed on the non-financial information in IAR are based on my professional judgement and include inquiries, primarily of the personnel responsible for the preparation of the information presented in the IAR 2019, documental analyses, recalculations and other evidence gathering procedures, as appropriate.

Specifically, I carried out the following procedures:

1. analysing the identification of material issues disclosed in the IAR, with reference to the methods used for the identification and prioritization of material aspects for stakeholders and to the internal validation of the process results;
2. comparing the economic and financial data reported in paragraph 2.1. "Financial Capital" included in the Integrated Annual Report 2019 with those reported in the group Consolidated Financial Statements as of December 31, 2019, on which another auditor issued the auditors' report (pursuant to articles 14 of Legislative decree no. 39 of 27th January 2010), dated June, 25th, 2020;
3. understanding the processes underlying the generation, recording and management of the significant qualitative and quantitative information disclosed in the IAR 2019.

In particular, I have performed interviews and discussions with the management of the Group to gather information about the accounting and reporting systems used in preparing the non-financial information, as well as on the internal control procedures supporting the gathering, aggregation, processing and transmittal of data and information to the department responsible for the preparation of IAR information.

Furthermore, with respect to significant information, considering the group's business and characteristics:

- a) with reference to qualitative information, I held interviews and obtained supporting documentation to check the consistency with available evidence;
- b) with reference to quantitative information, I carried out analytical and limited procedures to check, on a sample basis, the correct aggregation of data.

Conclusions

Based on the work performed, nothing has come to my attention that causes me to believe that the non-financial information included in the Integrated Annual Report of the Gruppo Casillo Partecipazioni as of December 31, 2019 is not prepared, in all material respects, in accordance with the "GRI Sustainability Reporting Standards - GRI Standards", as stated in the paragraph "Methodological note" of the IAR 2019.

Corato, Italy,
July 24, 2020

Prof. Andrea Venturelli



GRI Content Index



GRI Standard Title	GRI Disclosure number	GRI Disclosure Title	Pages	Omissions	Art. 3 Italian Legislative Decree 254/16
GRI 102: General Disclosure 2016 - Organisational Profile	102-1	Name of the organization	Letter to stakeholders		Management and organisation model Policies implemented Main risks
	102-2	Activities, brands, products, and services	12-32; 67		
	102-3	Location of headquarters	14-15		
	102-4	Location of operations	14-15		
	102-5	Ownership and legal form	12-13		
	102-6	Markets served	51-54		
	102-7	Scale of the organization	8-9, 38		
	102-8	Information on employees and other workers	68-76		
	102-9	Supply chain	77-78		
	102-10	Significant changes to the organization and its supply chain	12		
	102-11	Precautionary Principle or approach	-	<i>The Casillo Group adopts the prudential approach for the reduction of the environmental impacts of the production processes and the products, in accordance with Principle 15 of the Rio De Janeiro Declaration of the UN.</i>	
	102-12	External initiatives	55-62		
	102-13	Membership of associations	63		
GRI 102: General Disclosure 2016 - Strategy	102-14	Statement from senior decision-maker	Letter to stakeholders		
	102-15	Key impacts, risks, and opportunities	25-30		
GRI 102: General Disclosure 2016 - Ethics and integrity	102-16	Values, principles, standards, and norms of behavior	18-20		
GRI 102: General Disclosure 2016 - Governance	102-18	Governance structure	23-25		
	102-21	Consulting stakeholders on economic, environmental, and social topics	32-34		
	102-22	Composition of the highest governance body and its committees	23-25		
	102-23	Chair of the highest governance body	23-24		
	102-29	Identifying and managing economic, environmental, and social impacts	25-29		
	102-32	Highest governance body's role in sustainability reporting	6	<i>The BoD approved the Integrated Annual Report on June 26, 2020.</i>	
	102-33	Communicating critical concerns	32-35		
GRI 102: General Disclosure 2016 - Stakeholder engagement	102-40	List of stakeholder groups	32-34		
	102-41	Collective bargaining agreements	74		
	102-42	Identifying and selecting stakeholders	32-34		
	102-43	Approach to stakeholder engagement	32-34		
	102-44	Key topics and concerns raised	32-34		

GRI 102: General Disclosure 2016 - Reporting process	102-45	Entities included in the consolidated financial statements	Note on the reporting process		Management and organisation model Policies implemented Main risks
	102-46	Defining report content and topic Boundaries	32		
	102-47	List of material topics	32		
	102-48	Restatements of information	-	<i>No changes were made.</i>	
	102-49	Changes in reporting	-	<i>No significant changes in reporting or in the relative scope of consolidation were made.</i>	
	102-50	Reporting period	Note on the reporting process		
	102-51	Date of most recent report	Note on the reporting process		
	102-52	Reporting cycle	Note on the reporting process		
	102-53	Contact point for questions regarding the report	7		
	102-54	Claims of reporting in accordance with the GRI Standards	Note on the reporting process		
	102-55	GRI content index	144-150		
	102-56	External assurance	141		
MATERIAL TOPICS					
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	35		Social information
	103-2	The management approach and its components	35		
	103-3	Evaluation of the management approach	35		
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	46-47		
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	35		
	103-2	The management approach and its components	35		
	103-3	Evaluation of the management approach	35		
GRI 202: Market presence 2016	202-2	Proportion of senior management hired from the local community	-	<i>Omission relating to the percentage of local senior managers. The Group undertakes to report from 2020 on reporting information on the proportion of senior managers hired by the local community.</i>	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	35		
	103-2	The management approach and its components	35		
	103-3	Evaluation of the management approach	35		
GRI 203: Indirect economic impacts 2016	203-1	Infrastructure investments and services supported	65, 77		

GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	35		Information regarding the fight against active and passive corruption
	103-2	The management approach and its components	35		
	103-3	Evaluation of the management approach	35		
GRI 205: Anti-corruption 2016	205-1	Operations assessed for risks related to corruption	29	<i>The Casillo Group adopts anti-corruption measures as evidenced by the Code of Ethics and by adherence to Model 231. An omission relating to the indication of the number and percentage of transactions subject to monitoring on anti-corruption issues is reported.</i>	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	35		Social information
	103-2	The management approach and its components	35		
	103-3	Evaluation of the management approach	35		
GRI 206: Anti-competitive behaviour 2016	206-1	Legal actions for anti-competitive behavior, anti-trust and monopoly practices	-	<i>The Casillo Group did not register lawsuits related to unfair competition and antitrust in 2019.</i>	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	35		Environmental information
	103-2	The management approach and its components	35		
	103-3	Evaluation of the management approach	35		
GRI 207 - Tax 2019	207-1	Approach to tax	24, 33		
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	35		Environmental information
	103-2	The management approach and its components	35		
	103-3	Evaluation of the management approach	35		
GRI 301: Materials 2016	301-2	Recycled input materials used	89	<i>The Group undertakes to report from the year 2020 on the information relating to the percentage of materials used that come from recycling.</i>	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	35		Environmental information
	103-2	The management approach and its components	35		
	103-3	Evaluation of the management approach	35		
GRI 302: Energy 2016	302-1	Energy consumption within the organization	86	<i>The Group is committed to starting from the year 2020 to integrate information relating to the consumption of energy from renewable sources.</i>	Environmental information
	302-2	Energy consumption outside of the organization	86		
	302-4	Reduction of energy consumption	86-87		

GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	35	
	103-2	The management approach and its components	35	
	103-3	Evaluation of the management approach	35	
GRI 303: Water and Effluents 2018	303-5	Water consumption	89	<i>The Group has chosen to voluntarily report indicator 303-5 and undertakes to communicate the information required by the standard in the 2021 financial year.</i>
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	35	
	103-2	The management approach and its components	35	
	103-3	Evaluation of the management approach	35	
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	87-88	
	305-2	Energy indirect (Scope 2) GHG emissions	87-88	
	305-3	Other indirect (Scope 3) GHG emissions	87-88	
	305-5	Reduction of GHG emissions	87-88	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	35	
	103-2	The management approach and its components	35	
	103-3	Evaluation of the management approach	35	
GRI 306: Effluents and Waste 2016	306-2	Waste by type and disposal method	89	<i>Note the omission regarding the methods for defining the waste disposal method. The Group undertakes to report this information from the year 2020.</i>
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	35	
	103-2	The management approach and its components	35	
	103-3	Evaluation of the management approach	35	
GRI 307: Environmental Compliance 2016	307-1	Non-compliance with environmental laws and regulations	-	<i>The Casillo Group is compliant with laws e relevant regulations environmental.</i>
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	35	
	103-2	The management approach and its components	35	
	103-3	Evaluation of the management approach	35	
GRI 308: Supplier Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria	-	<i>Omission relating to the percentage of suppliers. Partially covered indicator.</i>

Environmental information

GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	35		Information on personnel management
	103-2	The management approach and its components	35		
	103-3	Evaluation of the management approach	35		
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	70	<i>Note the omission regarding the division of employees by geographical area.</i>	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	35		
	103-2	The management approach and its components	35		
	103-3	Evaluation of the management approach	35		
GRI 402: Labor/ Management Relations 2016	402-1	Minimum notice periods regarding operational changes	-	<i>Omission relating to minimum notice period for operational changes.</i>	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	35		
	103-2	The management approach and its components	35		
	103-3	Evaluation of the management approach	35		
GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system	73		
	403-9	Accidents at work	73		
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	35		
	103-2	The management approach and its components	35		
	103-3	Evaluation of the management approach	35		
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	72	<i>The Group is committed to reporting employee information by gender and category from the year 2020.</i>	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	35		
	103-2	The management approach and its components	35		
	103-3	Evaluation of the management approach	35		
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	70	<i>Omission relating to diversity of governance.</i>	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	35		Information on safeguarding human rights
	103-2	The management approach and its components	35		
	103-3	Evaluation of the management approach	35		
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	-	<i>The Casillo Group did not recorded episodes related to discriminatory practices during 2019.</i>	

GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	35		Information on safeguarding human rights
	103-2	The management approach and its components	35		
	103-3	Evaluation of the management approach	35		
GRI 408: Child Labor 2016	408-1	Operations and suppliers at significant risk for incidents of child labor	-	<i>The Casillo Group's activities are not subject to high child labor risk.</i>	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	35		
	103-2	The management approach and its components	35		
	103-3	Evaluation of the management approach	35		
GRI 409: Forced or Compulsory Labor 2016	409-1	Operations and suppliers at significant risk for incidents of forced	-	<i>The Casillo Group's activities are not subject to high risk of forced or forced labor.</i>	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	35		
	103-2	The management approach and its components	35		
	103-3	Evaluation of the management approach	35		
GRI 411: Rights of Indigenous Peoples 2016	411-1	Incidents of violations involving rights of indigenous peoples	-	<i>The Casillo Group did not recorded cases of violation of local community rights in 2019.</i>	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	35		
	103-2	The management approach and its components	35		
	103-3	Evaluation of the management approach	35		
GRI 412: Human Rights Assessment 2016	412-1	Operations that have been subject to human rights reviews or impact assessments	77	<i>The Group is committed to starting from the year 2020 to integrate the information relating to the activities subject to assessment on respect for human rights.</i>	
GRI 103: Management Approach 2016	103-1	Indicazione del perimetro di consolidamento per ciascun aspetto materiale	35		Social information
	103-2	Approccio gestionale e sue componenti	35		
	103-3	Valutazione dell'approccio di gestione	35		
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	56-63		
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	35		
	103-2	The management approach and its components	35		
	103-3	Evaluation of the management approach	35		
GRI 414: Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria	-	<i>Omission relating to the percentage of suppliers.</i>	

GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	35	
	103-2	The management approach and its components	35	
	103-3	Evaluation of the management approach	35	
GRI 415: Public Policy 2016	415-1	Political contributions	-	<i>In the Casillo Group's activities are not expected political contributions.</i>
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	35	
	103-2	The management approach and its components	35	
	103-3	Evaluation of the management approach	35	
GRI 416: Customer Health and Safety 2016	416-1	Assessment of the health and safety impacts of product and service categories	79-82	
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	79-82	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	35	
	103-2	The management approach and its components	35	
	103-3	Evaluation of the management approach	35	
GRI 417: Marketing and Labeling 2016	417-1	Requirements for product and service information and labeling	79-82	
	417-2	Incidents of non-compliance concerning product and service information and labeling	79-82	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	35	
	103-2	The management approach and its components	35	
	103-3	Evaluation of the management approach	35	
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	-	<i>The Casillo Group did not register related complaints violations of privacy and loss of customer data during 2019.</i>
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	35	
	103-2	The management approach and its components	35	
	103-3	Evaluation of the management approach	35	
GRI 419: Socioeconomic Compliance 2016	419-1	Non-compliance with laws and regulations in the social and economic area	-	<i>The Casillo Group did not register penalties for non-compliance with laws and / or regulations during 2019.</i>

Social information

Group Companies



Casillo Partecipazioni S.r.l. (Parent company)

Registered office in Corato - Via Sant'Elia z.i.
Paid-in share capital € 90,000.00
Registered in the Chamber of Commerce of Bari
Taxpayer ID and Register of Companies registration no. 05287570724
VAT Number: 05287570724 - REA No.
(economic and administrative index): 409450

Molino Casillo S.p.A.

Registered office in Corato - Via Sant'Elia z.i.
Paid-in share capital € 5,900,000.00
Registered in the Chamber of Commerce of Bari
Taxpayer ID and Register of Companies registration no. 00252860721
VAT Number: 00252860721 - REA No.
(economic and administrative index): 34452

Casillo Commodities Italia S.p.A.

Registered office in Corato - Via Sant'Elia z.i.
Paid-in share capital € 5,210,000.00
Registered in the Chamber of Commerce of Bari
Taxpayer ID and Register of Companies registration no. 04454620727
VAT Number: 04454620727 - REA No.
(economic and administrative index): 316807

Selezione Casillo S.r.l.

Registered office in Corato - Via Sant'Elia z.i.
Paid-in share capital € 2,000,000.00
Registered in the Chamber of Commerce of Bari
Taxpayer ID and Register of Companies registration no. 06723350721
VAT Number: 06723350721 - REA No.
(economic and administrative index): 505448

Business Optimizers S.c.p.a.

Registered office in Corato - Via Sant'Elia z.i.
Paid-in share capital € 150,000.00
Registered in the Chamber of Commerce of Bari
Taxpayer ID and Register of Companies registration no. 05876090720
VAT Number: 05876090720 - REA No.
(economic and administrative index): 446958

Sinergie Molitorie S.c.ar.l.

Registered office in Corato - Via Sant'Elia z.i.
Paid-in share capital € 60,000.00
Registered in the Chamber of Commerce of Bari
Taxpayer ID and Register of Companies registration no. 07548050728
VAT Number: 07548050728 - REA No.
(economic and administrative index): 565399

Kamelya Real Estate S.r.l.

Registered office in Rome - Via Savoia, 82
Paid-in share capital € 15,000,000.00
Registered in the Chamber of Commerce, Industry, Craft Trade and Agriculture of Rome
Taxpayer ID and Register of Companies registration no. 14954641008
VAT Number: 14954641008 - REA No.
(economic and administrative index): 1557922

FCH S.r.l.

Registered office in Corato - Via Sant'Elia z.i.
Paid-in share capital € 65,691.00
Registered in the Chamber of Commerce of Bari
Taxpayer ID and Register of Companies registration no. 07967500724
VAT Number: 07967500724 - REA No.
(economic and administrative index): 594725

Armonie Italiane S.r.l. - Single Member company

Registered office in Corato - Via Sant'Elia z.i.
Paid-in share capital € 12,240.00
Registered in the Chamber of Commerce of Bari
Taxpayer ID and Register of Companies registration no. 05504920728
VAT Number: 05504920728 - REA No.
(economic and administrative index): 422119

Silos Granari della Sicilia S.r.l.

Registered office in Corato - Via Sant'Elia z.i.
Paid-in share capital € 5,000,000.00
Registered in the Chamber of Commerce of Bari
Taxpayer ID and Register of Companies registration no. 00112040829
VAT Number: 00447150392 - REA No.
(economic and administrative index): 248840

Vecchio Mulino di Roma S.r.l.

Registered office in Rome - Via di San Sebastianello, 3
Paid-in share capital € 10,000.00
Registered in the Chamber of Commerce, Industry, Craft Trade and Agriculture of Rome
Taxpayer ID and Register of Companies registration no. 07893550728
VAT Number: 07893550728 - REA No.
(economic and administrative index): RM - 1491198

Solutions Optimizers S.c.ar.l.- under settlement process

Registered office in Corato - Via Sant'Elia z.i.
Paid-in share capital € 22,000.00
Registered in the Chamber of Commerce of Bari
Taxpayer ID and Register of Companies registration no. 07596440722
VAT Number: 07596440722 - REA No.
(economic and administrative index): 568691

Société Civile Immobilière Corato

Registered office in Nîmes (FRA),
69 Impasse des Deux Colonnes
Paid-in share capital € 1,200.00
Registered in the R.C.S. of Nîmes (FRA)
VAT Number: FR88817493877

Immobiliare Marim S.r.l.

Registered office in Milan - Via Manfredo Camperio, 14
Paid-in share capital € 31,200.00
Registered in the Chamber of Commerce of Milan
Taxpayer ID and Register of Companies registration no. 03363800156
VAT Number: 03363800156 - REA No.
(economic and administrative index): 402663

Oversky Ltd

Registered office in Birchircara (Malta),
Level 1 LM Complex, Brewery Street
Paid-in share capital € 2,000.00
Registered in the Registry of Companies of Malta
VAT Number: MT23859012

Garpuglia S.r.l.

Registered office in Corato - Via Sant'Elia z.i.
Paid-in share capital € 100,000.00
Registered in the Chamber of Commerce of Bari
Taxpayer ID and Register of Companies registration no. 06721981212
VAT Number: 06721981212 - REA No.
(economic and administrative index): 54435

Casillo Commodities Brasil S/A

Registered office in (BRA), Cerqueira Cesar,
Al. Santos, n° 200, 4° andar, conjunto 41, CEP: 01418-000
Paid-in share capital Brazilian Real 750,000.00
CNPJ: 22.160.692/0001-78
VAT Number: 08017160725 - REA No.
(economic and administrative index): 5982883

Gong Capital S.p.A.

Registered office in Milan - Via Manfredo Camperio, 14
Paid-in share capital € 1,000,000.00
Registered in the Chamber of Commerce of Milan
Taxpayer ID and Register of Companies registration no. 09981420962
VAT Number: 09981420962 - REA No.
(economic and administrative index): 21263848

Investor Advisors S.p.A.

Registered office in Milan - Via Camperio, 14
Paid-in share capital € 1,100,000.00
Registered in the Chamber of Commerce of Milan
Taxpayer ID and Register of Companies registration no. 09981620967
VAT Number: 09981620967 - REA No.
(economic and administrative index): 2126399

Società Agricola del Sole S.r.l.

Registered office in Corato - Via Sant'Elia z.i.
Paid-in share capital € 118,000.00
Registered in the Chamber of Commerce of Bari
Taxpayer ID and Register of Companies registration no. 06978280722
VAT Number: 06978280722 - REA No.
(economic and administrative index): 523183

Mange'nn Mange'nn S.r.l.

Registered office in Corato - Via Sant'Elia z.i.
Paid-in share capital € 10,000.00
Registered in the Chamber of Commerce of Bari
Taxpayer ID and Register of Companies registration no.
08084390726
VAT Number: 08084390726 - REA No.
(economic and administrative index): 603125

Grainprom Llc

Registered office in Moscow (Russian Federation)
Presnenskaya nab. 6 bld. 2, floor 36, office 35 - 123317
Paid-in share capital Rubles 3,000,000.00 (€ 44,406.53)
OGRN - Major State Registration Number 5177746056670
INN - Identifying Tax Number 7703434710

Immobiliare Nemi S.r.l.

Registered office in Milan - Via Camperio, 14
Paid-in share capital € 46,800.00
Registered in the Chamber of Commerce of Milan
Taxpayer ID and Register of Companies registration no. 01600860157
VAT Number: 01600860157 - REA No.
(economic and administrative index): 349917

Grani d'Italia S.r.l.

Registered office in Corato - Via Sant'Elia z.i.
Paid-in share capital € 10,000.00
Registered in the Chamber of Commerce of Bari
Taxpayer ID and Register of Companies registration no. 08152060722
VAT Number: 08152060722 - REA No.
(economic and administrative index): 607897

Transgrain Central Europe Korlátolt Felelősségű

Társaság.(Kft)
Registered office in Budapest (Hungary)
2040 Budaörs, Ebner György köz 2/2. földszint 3
Paid-in share capital Hungarian Forint 30,000,000 (€ 93,706.08)
Registration number 13-09-194713 Budapest Környéki Törvényszék
Cégfőnöksége nyilvántartásában
Tax Number 26361264-2-13 HU26361264



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