

ITALMOBILIARE

Additional periodic financial reporting
as of September 30, 2020

November 5, 2020

ITALMOBILIARE

Società per Azioni

Head Office: Via Borgonuovo, 20
20121 Milan – Italy
Share Capital € 100,166,937
Milan Companies Register

ITALMOBILIARE

INTRODUCTION

In accordance with the regulatory framework that transposed the EU Transparency Directive into Italian law, Italmobiliare has been issuing quarterly information, focusing on information that gives a concise overview of its business.

In particular, the information relates to the main economic and financial indicators of the Group (revenues, interim economic results, net financial position and NAV) which are expressed in quantitative and consistent form with the same information already provided in the Annual and Interim Reports.

The periodic financial information, together with a summary of the main events that occurred during the quarter and a comment on the performance of the main subsidiaries of the Italmobiliare Group, are approved by the Board of Directors and published on the Group website as already scheduled in the Group financial calendar.

SIGNIFICANT EVENTS DURING THE PERIOD

In January, Italmobiliare closed the purchase of a 20% stake in "Officina Profumo Farmaceutica di Santa Maria Novella S.p.A." based in Florence, a top-of-the-range cosmetics company and historical brand, bringing the number of its portfolio companies to nine. Italmobiliare S.p.A. invested 40 million euro in the operation, becoming a non-controlling shareholder. In August, Italmobiliare exercised its option to buy another 60% of the share capital and the transaction was closed in September for a total investment in the company of approximately 160 million euro, with the possibility of increasing its stake over time.

Starting in February, the situation was dramatically conditioned by the health emergency caused by the Covid-19 pandemic. It spread from China to Italy first and then to the rest of Europe and the world, resulting in a seriously unfavourable global macroeconomic framework that marked the entire half year. And despite some positive signs of a partial recovery in Europe, it is expected to continue for the rest of the year causing a state of considerable uncertainty.

The protection measures put in place by the institutions at international level led to a lockdown of many industrial and commercial activities, for Italy, in particular, between March and June, with serious consequences for operations, as well as for social life. The increase in new infections throughout Europe from September onwards implies that the situation of considerable uncertainty is going to persist.

Italmobiliare promptly implemented all safety and control measures in favour of employees, both at the Holding Company and at the Portfolio Companies, to limit possible occasions for contagion and to ensure continuity of production and commercial activities. The measures taken to support the Portfolio Companies and the responsiveness shown by them in such a complex situation have allowed us to limit the impacts of the pandemic essentially to those entities that are exposed to the retail world, which suffered inevitable slowdowns, while continuity of results was achieved in the other sectors, as explained in the subsequent paragraphs.

In the meantime, financial risk management made it possible to mitigate the impact of the negative performance of world financial markets on Italmobiliare's portfolio: thanks to effective diversification both by sector and by exposure to various geographical areas, it has shown considerable resilience in these first nine months of the year, despite all the difficulties. The

ITALMOBILIARE

impacts of the health emergency that have been visible to date have been relatively limited, involving those elements of Italmobiliare's portfolio that were most exposed to the dynamics of financial markets, which posted extremely negative performances during the period.

ITALMOBILIARE

NET ASSET VALUE

At September 30, 2020 the **Net Asset Value** of Italmobiliare S.p.A., excluding treasury shares, amounted to 1,656.1 million euro, stable compared with June 30, 2020 (1,629.3 million euro) and down by 85 million euro compared with December 31, 2019 (1,741.1 million euro), against a capitalization of 1,245.6 million euro, showing a discount of 24.8%.

(in millions of euro)	December 31, 2019	June 30, 2020	September 30, 2020	% of total
Listed equity investments	165.1	106.1	89.6	5.4%
Portfolio Companies	744.9	828.2	948.6	57.3%
Other equity investments	54.3	46.7	45.1	2.7%
Private equity funds	158.1	146.0	133.7	8.1%
Properties and related assets	49.1	49.6	49.8	3.0%
Financial assets, trading, cash and cash equivalents	569.6	452.7	389.3	23.5%
Total Net Asset Value	1,741.1	1,629.3	1,656.1	100.0%

Compared with December 31, 2019, the 85 million euro decrease in Italmobiliare's NAV is mainly due to the distribution of ordinary and extraordinary dividends by Italmobiliare S.p.A. for a total of 76 million euro, the decrease in listed investments due to the fall in the market value of HeidelbergCement AG (-21.6 million euro) and other listed investments (-9.2 million euro, mainly attributable to the investment in Fin.Priv., a finance company that holds Mediobanca shares) against an overall increase in the value of the Portfolio Companies (+42.1 million euro based on the same scope of consolidation, as recorded in the interim financial report).

In particular, as regards the latter, there was an increase in the value of Caffè Borbone and a reduction in the value of Tecnica Group, while the other equity investments remained substantially stable.

The acquisition of 80% of Officina Profumo Farmaceutica di Santa Maria Novella S.p.A. led to a further increase in the portion represented by the Portfolio Companies of 161.7 million euro (for the investment in the newco FT2 which acquired the equity investment, of which 40 million already invested at June 30) with an equivalent reduction in liquidity. At the same time, some of the HeidelbergCement AG shares held were sold for an equivalent value of 42.7 million euro. At September 30, 2020, the NAV per share, excluding treasury shares and dividends paid for 1.8 euro, amounted to 39.2 euro, a decrease of 5.54% compared with December 31, 2019.

The NAV was calculated taking into account:

- the market price at September 30, 2020 of the equity investments in listed companies;
- the value of unlisted companies determined by an independent expert at June 30, 2020, as reported in the interim financial report;
- the market value of real estate assets;
- the deferred tax effect.

ITALMOBILIARE

PERFORMANCE OF THE MAIN GROUP COMPANIES

PRO-FORMA AGGREGATE – YTD RESULTS AT SEPTEMBER 30

(in millions of euro)	Revenue			Gross operating profit (EBITDA)		
	September 30, 2020	September 30, 2019	Change %	September 30, 2020	September 30, 2019	Change %
Italmobiliare	50.7	58.7	(13.6)	(7.4)	29.0	n.s.
Portfolio companies						
Caffè Borbone	155.8	126.6	23.0	52.4	38.2	37.2
Sirap	183.4	203.1	(9.7)	18.9	12.8	47.7
Italgen	21.6	25.1	(13.8)	9.3	9.8	(5.1)
Capitelli	10.7	10.3	3.7	2.8	2.9	(1.8)
Officina Santa Maria Novella	16.4	21.1	(21.6)	3.8	6.8	(43.3)
Tecnica Group	260.2	290.8	(10.5)	37.2	31.9	16.7
Iseo	89.7	104.8	(14.4)	8.8	12.0	(26.7)
Autogas Nord – AGN Energia	301.4	355.0	(15.1)	32.9	28.3	16.3
Total portfolio companies	1,039.2	1,136.8	(8.6)	166.1	142.7	16.4

n.s. not significant

As regards Italmobiliare, the revenues recorded at September 30, 2020 are down mainly due to the lower performance of the private equity funds (-14.2 million euro), partially offset by the increase in dividends collected (+6.9 million euro).

Gross operating profit (EBITDA) is sliding, not only for the matters discussed above, but also for the negative trend in liquidity (-20.6 million euro, due principally to trading investments and investment funds penalised by the negative performance of international markets due to the pandemic) and to higher non-recurring operating costs of 5.8 million euro (MBO and LTI payments based on the previous three years and donations).

As regards the Portfolio Companies, a good third quarter is consolidating a 2020 that is growing strongly compared with the previous year, despite the impact of the Covid-19 health emergency already mentioned in the previous quarterly reports and detailed below by company.

Looking at the pro-forma aggregate for the first nine months:

- Revenue amounted to 1,039.2 million euro, a decrease of 8.6% on the same period of 2019. If we neutralise the effect of the change in Sirap's scope of consolidation (closure of the OPS extrusion line at Sirap UK and of the Petruzalek Group's Turkish subsidiary) and of the drop in the cost of LPG raw material for Autogas Nord (reflected on revenue but without any impact on the company's profitability), the decrease comes to 6.1%.
- Despite the reduction in revenue, the gross operating profit stood at 166.1 million euro, with an overall improvement of 16.4% compared with the same period of 2019. Looking at the third quarter on its own, gross operating profit was 76.8 million euro, 18.8% up on 2019.

ITALMOBILIARE

Looking at the individual companies:

- In the food sector, Caffè Borbone again had an excellent performance, with third quarter revenue up by 27% compared with 2019 and a gross operating profit for the first nine months of 2020 already higher than the result achieved in the whole of 2019. Solid results also for Capitelli and, despite the impact of Covid-19 and partial closure of the plant during the summer for expansion works, it remains substantially in line with an excellent 2019;
- In the energy sector, Autogas Nord and Italgas have achieved much the same gross operating profit as last year, using cost efficiencies to offset the impact of Covid-19 on revenue;
- In the industrial sector, the Sirap Group is continuing to have an excellent 2020, with a gross operating profit up by almost 50% compared with 2019. Iseo has not done as well as in 2019 due to Covid, but the signs of recovery seen in June have continued, closing the third quarter with revenue and gross operating profit up on the same period last year;
- Tecnica Group revenue has been hit by Covid-caused uncertainty about the next winter season, but it still closed the first nine months with a better gross operating profit compared with the same period of 2019, thanks to cost containment measures and Riko joining the group;
- Officina Santa Maria Novella continued to suffer the impact of Covid on retail stores in Europe and the USA in terms of turnover, with obvious repercussions on operating profit.

ITALMOBILIARE

Key consolidated figures at September 30, 2020

Third quarter

(in millions of euro)	3rd Quarter 2020	3rd Quarter 2019	Change %
Revenue	131.3	135.0	(3.7)
Gross operating profit (EBITDA)	24.0	31.9	(7.9)
<i>% of revenue</i>	18.3	26.3	
Operating profit (EBIT)	16.8	24.0	(30.0)
<i>% of revenue</i>	12.8	17.8	

YTD to September 30

(in millions of euro)	YTD to 30.09.2020	YTD to 30.09.2019	Change %
Revenue	407.4	413.2	(1.4)
Gross operating profit (EBITDA)	51.7	84.0	(38.5)
<i>% of revenue</i>	12.7	20.3	
Operating profit (EBIT)	30.0	62.3	(51.9)
<i>% of revenue</i>	7.4	15.1	

(in millions of euro)	September 30, 2020	June 30, 2020	December 31, 2019
Total equity	1,385.7	1,348.3	1,474.2
Equity attributable to owners of the parent company	1,255.2	1,224.9	1,358.7

The year-to-date consolidated revenue of the Italmobiliare Group at September 30, 2020 shows a decrease of 5.8 million euro (-1.4% compared with the same period last year). In particular, the change in revenue was mainly affected by the decrease in the turnover of Sirap, Italmobiliare and Italgem and by the consolidation adjustments for the higher intercompany dividends, partially offset by the increase in turnover of Caffè Borbone and Capitelli (the latter consolidated for the first time in 2020).

At gross operating profit level, there has been a deterioration of 32.3 million euro. The change is mainly attributable to Italmobiliare (because of the negative performance of some financial instruments and non-recurring costs), partially offset by Caffè Borbone and Sirap.

The operating profit, after higher amortisation and depreciation compared with the same period of 2019 offset by the absence of impairment losses on non-current assets, amounts to 30.0 million euro (62.3 million euro in the same period of 2019).

Consolidated equity at September 30, 2020 amounts to 1,385.7 million euro, 88.5 million euro down on December 31, 2019 (1,474.2 million euro). The decrease is mainly due to the change in the fair value reserve for financial assets measured at fair value through other comprehensive income (FVTOCI), due in particular to HeidelbergCement shares (-62.8 million euro) and the distribution of dividends (-84.0 million euro), partially offset by the result for the period.

ITALMOBILIARE

Net financial position

	September 30, 2020	June 30, 2020	December 31, 2019
(in millions of euro)			
Net financial position	326.5	384.4	475.2

The consolidated net financial position, positive for 326.5 million euro, has decreased by 148.7 million euro compared with December 31, 2019, mainly due to the acquisition of Officina Profumo Farmaceutica di Santa Maria Novella (-160.0 million euro) and the payment of dividends (-84.0 million euro), partially offset by the cash flow from operations (+34.3 million euro) and the flow of disinvestments (+80.2 million euro).

ITALMOBILIARE

Italmobiliare S.p.A.

KEY FIGURES

(in millions of euro)	September 30, 2020	September 30, 2019	Change %
Revenue	50.7	58.7	(13.6)
Gross operating profit (EBITDA)	(7.4)	29.0	n.s.
<i>% of revenue</i>	<i>n.s.</i>	<i>49.4</i>	
Operating profit (EBIT)	(7.9)	28.5	n.s.
<i>% of revenue</i>	<i>n.s.</i>	<i>48.5</i>	

n.s. not significant

(in millions of euro)	September 30, 2020	June 30, 2020	December 31, 2019
Net financial position	389.3	452.7	569.6

Revenue for the period amounts to 50.7 million euro, a decrease of 8.0 million euro compared with September 30, 2019 (58.7 million euro); this revenue was mainly determined by:

- dividends approved by subsidiaries, associates and other equity investments for 27.7 million euro (20.8 million euro in the same period of 2019);
- capital gains and revaluations of 9.6 million euro, a significant reduction compared with the figure of 23.8 million euro in the same period of 2019, mainly because of lower performances by the mutual funds and private equity funds.
- interest and financial income for 12.9 million euro (13.7 million euro in the third quarter of 2019), essentially due to the positive change in the fair value of derivatives for 10.3 million euro and income from bonds for 1.1 million euro.

As regards the negative components of income, which amount to 58.7 million euro (30.3 in the same period of 2019), the following should be noted:

- operating costs are up to approximately 26 million euro (18.1 million euro in the same period of 2019), mainly due to higher costs not relating to ordinary operations for 5.8 million euro (MBO and LTI disbursements referring to the previous three years and donations).
- finance costs, equal to 32.8 million euro (12.2 million euro in the same period of 2019) increased by 20.6 million euro overall, mainly due to greater negative changes in the fair value of trading securities and mutual funds.

Equity at September 30, 2020 comes to 1,230.1 million euro, down by 117.0 million euro compared with December 31, 2019 (1,347.0 million euro), mainly due to the distribution of dividends (76.0 million euro), the reduction in the fair value of the FVTOCI equity investments for 28.5 million euro (net of the tax effect) and the sales of FVTOCI equity investments carried out during the period (-14.1 million euro net of the tax effect).

At September 30, 2020 the net financial position of Italmobiliare S.p.A. is showing a decrease of 180.3 million euro, going from 569.62 million euro at December 31, 2019 to 389.3 million euro at the end of September 2020, allocated 62% to the Vontobel Fund with a conservative risk profile consistent with the Company's investment policies. The main flows include the acquisition of

ITALMOBILIARE

80% of Officina Profumo Farmaceutica di Santa Maria Novella (-160.0 million euro), which took place through the newco FT2.

ITALMOBILIARE

MAIN FINANCIAL ASSETS OF ITALMOBILIARE S.P.A.

HeidelbergCement

Against the re-rating of economic expectations and confirmation of the start of the economic recovery, from the low in March (19.03) to September 30, HeidelbergCement has posted an increase of 74.2%, compared with 42.4% by the STOXX Europe 600 Construction & Materials Index. The fall in the stock price since the beginning of the year stood at -19.7%, reducing the gap compared with the index (-11.25%). The stock's rebound was supported both by macro factors, such as the lower cost of energy and a stable cement price, which partially offset the contraction in volumes, and by the corporate plan to reduce costs. The increase in margins has also been placed at the centre of the business plan over the next few years, based on increasing efficiency and digitalisation of processes, while the lowering of capex due to the portfolio optimization programme is driving further reduction in leverage. The company has also announced a significant acceleration in its reduction of CO₂ emissions, with decarbonisation targets among the highest in the sector. However, the short-term scenario is being made uncertain by normalisation of the recovery phase of the economic cycle, in the face of the restrictive measures taken to contain the increasing spread of Covid-19 and the repercussions of the US elections on fiscal policy measures, including infrastructure spending.

Private Equity Funds

The Company has invested in a portfolio of select Italian and international Private Equity funds with a view to diversifying sectors and geographical investments, including Clessidra's CCP3 Fund and the Restructuring Fund, the BDT Fund II and III, Isomer Capital I, Connect Ventures 3, Iconiq IV and V, and Lindsay Goldberg Fund V. During the first nine months of 2020, the value of the Private Equity funds decreased overall by 17.8 million euro, mainly due to the effect of capital repayments and divestments (30.9 million euro), versus an increase in the fair value of the funds (6.5 million euro, mainly attributable to the post-sales distribution of Nexi by Clessidra), exchange rate delta (-2.4 million euro) and investments (8.9 million euro).

ITALMOBILIARE

Caffè Borbone

(60% interest)

KEY FIGURES

(in millions of euro)	September 30, 2020	September 30, 2019	Change %
Revenue	155.8	126.6	23.0
Gross operating profit (EBITDA)	52.4	38.2	37.2
<i>% of revenue</i>	33.6	30.1	
Operating profit (EBIT)	45.5	31.8	43.4
<i>% of revenue</i>	29.2	25.1	

(in millions of euro)	September 30, 2020	June 30, 2020	December 31, 2019
Net financial position	(22.3)	(14.1)	(31.6)

Caffè Borbone again confirmed its growth trajectory in the third quarter with revenue of 51.7 million euro, 27% higher than in the same period of 2019; the total for the first nine months stood at 155.8 million euro, 23% up on 2019. At channel level, online sales and large-scale distribution continued to improve, while specialist retailers continued to be the main channel with a growth rate substantially in line with the average.

Gross operating profit for the quarter amounted to 18.1 million euro, 38% higher than in the same period of 2019; the total for the first nine months came to 52.4 million euro, exceeding the gross operating profit for the whole of 2019 (52.0 million euro).

Operating profit for the first nine months of 2020 amounted to 45.5 million euro (29.2% of turnover).

The net financial position at September 30, 2020 was negative for 22.3 million euro, worse than at June 30, 2020, because of the 20.0 million euro of dividends paid during the quarter; prior to these dividend payments, cash generation in the first nine months was positive to the tune of 29.3 million euro.

ITALMOBILIARE

Sirap (100% interest)

KEY FIGURES

(in millions of euro)	September 30, 2020	September 30, 2019	Change %
Revenue	183.4	203.1	(9.7)
Gross operating profit (EBITDA)	18.9	12.8	47.7
<i>% of revenue</i>	<i>10.3</i>	<i>6.3</i>	
Operating profit (EBIT)	8.7	1.3	n.s.
<i>% of revenue</i>	<i>4.8</i>	<i>0.6</i>	

n.s. not significant

(in millions of euro)	September 30, 2020	June 30, 2020	December 31, 2019
Net financial position	(72.4)	(79.9)	(80.8)

Again in the third quarter of 2020, Sirap confirmed the positive path undertaken with the company's three-year business plan for 2019-21.

Group revenue at September 30, 2020 amounted to 183.4 million euro, down by 9.7% compared with 203.1 million euro for the first nine months of 2019. Net of the change in scope of consolidation already mentioned in previous quarterly reports (closure of the OPS extrusion line at Sirap UK and of the Petruzalek Group's Turkish subsidiary), the decrease in revenue compared with 2019 falls to 4.7%, entirely attributable to the impact of the Covid-19 health emergency on the consumption habits of end customers, which led to a decline in some lines of the Rigid business (e.g. gastronomy, take-away salad bowls, pastries).

Despite the contraction in revenue, the Group's gross operating profit in the first nine months of 2020 amounted to 18.9 million euro, after having made provisions of 1.1 million euro for non-recurring costs involved in closing the San Vito plant which, as announced in the previous quarterly report, will be completed by the end of this year. The growth in EBITDA compared with the previous period came to 48% (+38% net of non-recurring costs, which also weighed on 2019 due to the closure of Rosa Plast, the OPS extrusion line in the UK and Petruzalek Turkey), with a double-digit margin on revenue, bolstered by a combination of the steps to raise the efficiency of the cost structure and favourable raw material prices during the period.

The operating profit comes to 8.7 million euro, compared with 1.3 million euro at September 30, 2019, which was also affected by 1.1 million euro of impairment losses on non-current assets due to write-downs by Sirap UK and Rosa Plast.

The Group's net financial position at September 30, 2020 is negative for 72.4 million euro, an improvement on both June 30, 2020 and the end of 2019. Cash generation in the first nine months of 2020 was positive for 9.6 million euro, even considering the 1.2 million euro increase in the balance of financial commitments for investments under IFRS 16, mainly attributable to Sirap Spain's new plant.

ITALMOBILIARE

Italgen
(100% interest)

KEY FIGURES

(in millions of euro)	September 30, 2020	September 30, 2019	Change %
Revenue	21.6	25.1	(13.8)
Gross operating profit (EBITDA)	9.3	9.8	(5.1)
<i>% of revenue</i>	<i>43.1</i>	<i>39.2</i>	
Operating profit (EBIT)	6.3	7.0	(10.2)
<i>% of revenue</i>	<i>29.2</i>	<i>28.0</i>	

(in millions of euro)	September 30, 2020	June 30, 2020	December 31, 2019
Net financial position	(22.8)	(15.7)	(20.1)

Although the third quarter was characterised by low rainfall, with hydroelectric production of 77.2 GWh, down 6.4% compared with the same period last year, production in the first nine months of 2020 stood at 233.9 GWh, an increase of 10.5% compared with the first nine months of 2019.

Despite the higher production, at the end of September revenue came to 21.6 million euro, a decrease of 3.5 million euro (-13.8%) compared with the first nine months of 2019. Net of the 2.0 million euro decrease in pass-through revenue, without any real effect on the company's margins, the decrease in revenue compared with 2019 was 1.5 million euro (-5.9%) and is attributable to the significant reduction in unit revenue already commented on in the half-year report, and related to the impact of the pandemic on wholesale electricity prices.

Gross operating profit amounts to 9.3 million euro, down by 0.5 million euro (-5.1%) compared with 2019: the contraction in revenue was partially offset by improvements to the fixed cost structure for a total of 0.8 million euro compared with the same period last year.

The operating result is a profit of 6.3 million euro, 0.7 million euro down on the previous year.

The net financial position at September 30, 2020 is negative for 22.8 million euro, worse than at June 30, 2020, but only because of the 6.0 million euro of dividends paid during the quarter. Prior to these dividend payments, cash generation in the first nine months was positive to the tune of 3.3 million euro.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

On October 12, 2020 the legal representatives of the company and Italgen Misr signed an Amicable Settlement with the Egyptian Authorities EETC and NREA at the Egyptian Consulate in Milan, which envisages reimbursement of the costs incurred by Italgen for developing a 320 MW wind farm in Egypt for a total of 18 million dollars.

As regards the dispute relating to the payment of VAT on electricity transported in 2012, as previously mentioned in the half-year report, we would like to inform you that on October 6, 2020 the Tax Authorities notified an order for payment of 2.1 million euro (0.9 million euro for taxes, 1.2 million euro in penalties and interest). The company is preparing its appeal to the Supreme Court, as well as an urgent request for suspension. Having examined the reasons for

ITALMOBILIARE

the second degree sentence, the risk of losing in the last degree of judgement is possible, but by no means certain.

Lastly, on October 16, 2020 the Board of Directors appointed Luca Musicco, CFO of Italgas since 2016, as the new CEO and General Manager of the Group. Giuseppe De Beni, CEO and General Manager from 2007, will stay with the company as Deputy Chairman.

ITALMOBILIARE

Capitelli (80% interest)

KEY FIGURES

(in millions of euro)	September 30, 2020	September 30, 2019	Change %
Revenue	10.7	10.3	3.7
Gross operating profit (EBITDA)	2.8	2.9	(1.8)
<i>% of revenue</i>	26.8	28.2	
Operating profit (EBIT)	2.2	2.8	(19.1)
<i>% of revenue</i>	20.9	27.2	

(in millions of euro)	September 30, 2020	June 30, 2020	December 31, 2019
Net financial position	12.3	11.3	10.2

Given that FT1 was absorbed by Capitelli during the third quarter of 2020, the 2020 figures relate to Capitelli after the merger.

At September 2020, Capitelli's revenue amounted to 10.7 million euro, an increase of 3.7% on the same period of 2019. During the quarter, revenue was substantially in line with the previous year, despite closure of the plant for three weeks in August due to the expansion of production capacity and ongoing restrictions on tastings at the point of sale (a key element of the company's commercial policy) because of the current health emergency.

The gross operating profit was 2.8 million euro, in line with the operating result for the same period of 2019. Note that the price of the raw material, which rose to levels far higher than the previous year during the first few months of 2020, has since fallen back again.

The operating profit comes to 2.2 million euro, down on the previous year due to higher amortisation of intangible assets to which part of the goodwill was allocated in the Purchase Price Allocation process.

The net financial position at September 30, 2020 was positive for 12.3 million euro, with cash generation during the nine months of 2.1 million euro.

ITALMOBILIARE

Officina Profumo Farmaceutica di Santa Maria Novella (80% interest through the newco FT2 S.r.l.)

KEY FIGURES

(in millions of euro)	September 30, 2020*	September30, 2019*	Change %
Revenue and income	16.4	21.1	(21.6)
Gross operating profit (EBITDA)	3.8	6.8	(43.3)
<i>% of revenue</i>	<i>23.2</i>	<i>32.1</i>	
Operating profit (EBIT)	2.5	5.4	(53.3)
<i>% of revenue</i>	<i>15.3</i>	<i>25.7</i>	

(in millions of euro)	September 30, 2020*	June 30, 2020*	December 31, 2019*
Net financial position	21.2	20.7	19.2

* non-consolidated ITA GAAP figures

The consolidated operating results of the Santa Maria Novella group at September 30, 2020 show a contraction in revenue due to the closure in March-May 2020 of most of the directly-managed stores in application of the social distancing measures made necessary by Covid-19 (starting from the historic shop in Florence) and by a marked contraction of international tourist flows to Italy.

In detail, the nine months reported an overall decline in revenue of 21.6%, the result of a sharp contraction in direct physical retail sales in Europe and the USA, only partially offset by the excellent performance of the direct e-commerce channel; strong growth in the wholesale channel compared with 2019 thanks to the good trend of orders in the APAC area.

With the reopening of the stores from mid-May, the group's activities went through a phase of gradual normalisation during the summer, although international tourist flows were significantly lower than pre-Covid-19 levels.

Gross operating profit was 3.8 million euro, 43% down on the same period in 2019, due to the already mentioned loss of turnover.

At September 30, 2020 the net financial position is positive for 21.2 million euro, with cash generation during the nine months of 2.0 million euro, prior to dividends paid to shareholders.

To date, there are no particularly critical issues related to the post-Covid-19 credit situation.

Since September the company has been led by the new CEO, Gian Luca Perris, while Eugenio Alphantery, who remains a 20% shareholder in the company through a special purpose vehicle, has taken on the position of Deputy Chairman.

ITALMOBILIARE

Tecnica Group

(40% interest)

KEY FIGURES

(in millions of euro)	September 30, 2020	September 30, 2019	Change %
Revenue	260.2	290.8	(10.5)
Gross operating profit (EBITDA)	37.2	31.9	16.7
<i>% of revenue</i>	<i>14.3</i>	<i>11.0</i>	
Operating profit (EBIT)	22.3	20.1	11.1
<i>% of revenue</i>	<i>8.6</i>	<i>6.9</i>	

(in millions of euro)	September 30, 2020	June 30, 2020	December 31, 2019
Net financial position	(215.9)	(213.4)	(221.1)

At September 30, 2020, the Tecnica Group posted revenue of 260.2 million euro, 10.5% down on the same period last year.

The results have been affected by uncertainty about the 2020/21 winter season due to the ongoing health emergency, which has impacted all of the Group's winter brands to varying degrees. Lowa's revenue is down by 8.8% compared with 2019, mainly because of the lockdown of the main sales channels during the first half of the year. Rollerblade continued to be an exception, with revenue up 52% in the first nine months of the year compared with 2019, thanks to the momentum of the entire category of in-line skates.

Gross operating profit for the period comes to 37.2 million euro, up by 5.3 million euro (+16.7%) compared with the previous year mainly thanks to the acquisition of Riko (with no impact on revenue as mentioned in previous quarterly reports), which resulted in an increase in gross operating profit of 5.6 million euro. On a like-for-like basis, the Tecnica Group's gross operating profit was substantially in line in absolute terms with 2019, thanks to the cost containment measures launched by management which offset the contraction in revenue.

The operating profit amounted to 22.3 million euro, an increase compared with the previous year despite the higher amortisation and depreciation associated with the integration of Riko.

The net financial position is negative for 215.9 million euro, substantially in line with June 30, 2020 and with positive cash generation in the first nine months of 5.2 million euro. On the other hand, based on the same seasonality, comparison with the net financial position at September 30, 2019, equal to 274.7 million euro, shows an improvement of 58.8 million euro, partly attributable to the decrease in working capital due to the peculiarities of the winter season 2020/21.

ITALMOBILIARE

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

In October, Antonio Dus, CEO of the Tecnica Group, came to the end of his term of office linked to the 2016-2020 five-year plan and, in agreement with the Board of Directors, decided not to seek reappointment in order to devote himself to other personal and professional projects.

On 26 October 2020, the Board of Directors of the Tecnica Group therefore entrusted the powers of the Chief Executive Officer on an interim basis to the Chairman, Alberto Zanatta, and he is already engaged to identifying the new manager who will lead the company in its future development.

ITALMOBILIARE

Iseo

(39.39% interest)

KEY FIGURES

(in millions of euro)	September 30, 2020	September 30, 2019	Change %
Revenue	89.7	104.8	(14.4)
Gross operating profit (EBITDA)	8.8	12.0	(26.7)
<i>% of revenue</i>	9.8	11.5	
Operating profit (EBIT)	3.6	6.8	(47.1)
<i>% of revenue</i>	4.0	6.5	

(in millions of euro)	September 30, 2020	June 30, 2020	December 31, 2019
Net financial position	(31.6)	(37.3)	(34.6)

After a difficult first half because of the lock-down of the Group's main factories and sales channels, the third quarter confirmed the positive signs of recovery recorded in June and mentioned in the previous quarterly report.

At September 30, 2020, the revenue of the Iseo Group amounted to 89.7 million euro, 14.4% down on the same period of 2019. The third quarter closed with revenue of 33.3 million euro, 3.2% up on the same quarter last year, with a general recovery in all key geographical areas.

The same trend has also been confirmed at gross operating profit level: while the gross operating profit in the first nine months of the year came to 8.8 million euro, 26.7% down on 2019, the third quarter posted an increase of 15.8% compared with the previous year. It should be noted that the gross operating profit at September 30, 2020 is already net of non-recurring costs of 1.6 million euro, linked to the steps taken by management to improve efficiency and reduce industrial costs.

The operating profit for the first nine months of 2020 comes to 3.6 million euro, also down on 2019.

The net financial position at September 30, 2020 is negative for 31.6 million euro, an improvement compared with the balance at June 30, 2020. Cash generation in the first nine months of the year was positive for 4.2 million euro, before the payment of 1.2 million euro in dividends, also thanks to the action taken to make structural improvements to working capital.

It should be noted that on September 18, 2020 the top management of Iseo Serrature S.p.A. subscribed to a reserved increase in capital for an overall shareholding in the company of 1.53%. As a result, Italmobiliare's interest decreased from 40% to 39.39%.

ITALMOBILIARE

Autogas Nord – AGN Energia (30% interest)

KEY FIGURES

(in millions of euro)	September 30, 2020	September 30, 2019	Change %
Revenue	301.4	355.0	(15.1)
Gross operating profit (EBITDA)	32.9	30.6	7.5
<i>% of revenue</i>	<i>10.9</i>	<i>8.6</i>	
Operating profit (EBIT)	14.3	12.9	10.9
<i>% of revenue</i>	<i>4.7</i>	<i>3.6</i>	

(in millions of euro)	September 30, 2020	June 30, 2020	December 31, 2019
Net financial position	(114.7)	(119.1)	(138.6)

The comparative figures for 2019 have been restated in accordance with IFRS.

At September 30, 2020, the Autogas Group's turnover amounted to 301.4 million euro, down by 15.1% compared with the same period of 2019, partly due to the decrease in the average selling price of LPG related to a decrease in raw material purchase prices (linked to international indices) and so without any effect on the Group's margins; net of this effect, there was a 9.8% reduction compared with the previous year.

In terms of volumes, retail LPG distribution was down compared with 2019 due to the impact of the lock-down on some customer segments (e.g. one-man businesses, tourism); electricity and natural gas also fell, partly due to the stringent new commercial policies introduced by the company to reduce credit risk.

Despite the reduction in revenue and volumes, gross operating profit at September 30, 2020 amounted to 32.9 million euro, an improvement of 2.3 million euro compared with the same period of 2019 (+7.5%) thanks to synergies linked to the integration with Lampogas and the growing attention to unit margins both in LPG and in the "new" electricity and natural gas businesses.

Operating profit comes to 14.3 million euro, also up on the first nine months of 2019.

At September 30, 2020, the net financial position was 114.7 million euro, an improvement on June 30, 2020 with positive cash generation in the first nine months of 23.9 million euro. Dividends of 4.3 million euro will be paid in the fourth quarter of 2020.

ITALMOBILIARE

OTHER COMPANIES

Clessidra SGR S.p.A. (an asset management company authorised and regulated by the Bank of Italy and leading private equity fund manager dedicated exclusively to the Italian market), a number of real estate companies, some service companies that operate essentially within the Group, and a bank in the Principality of Monaco are included as "Other Companies" of the Italmobiliare Group. The segment is of marginal importance to the Italmobiliare Group.

Clessidra SGR S.p.A.

The brokerage margin was positive for 10 million euro (11.7 million euro at September 30, 2019) and is essentially represented by the management fees of the Clessidra funds for 10.1 million euro and by the result of financial asset management which shows a negative balance of 0.1 million euro (positive balance of around 1.6 million euro at September 30, 2019).

Administrative expenses for the year amount to 13 million euro and are mainly due to personnel expense of 7.4 million euro and to consulting and operating expenses.

After the positive balance of other operating income and charges of 3.3 million euro (+2.2 million euro at September 30, 2019) and income tax of 0.1 million euro, the income statement at September 30, 2020 ended with a positive result of 0.2 million euro.

During the first nine months of 2020, the company continued to select new investment opportunities, as well as to manage the three companies in the CCP3 Fund's portfolio, while as regards the CCPII Fund, the company continued its management activity, essentially with a view to enhancing the value of the last company left in the portfolio. With regard to the CRF fund (Clessidra Restructuring Fund), Clessidra continued its activity in the bank loans segment, with a particular focus on UTPs, and in the new finance segment, supporting about fifteen Italian companies in the restructuring and revival of their respective businesses.

Faced with the emergency situation linked to the spread of Covid-19, the SGR promptly and pro-actively adopted all of the measures deemed necessary, in line with the indications and provisions issued by the Italian government and health authorities, immediately adopting remote working for all staff.

As required by government provisions, the company has adopted a special Anti-Covid Protocol as well as all the necessary measures for a "safe restart" (use of PPE, distancing, staff shifts, etc.), also maintaining remote working, where possible.

In a situation characterised by a high level of uncertainty, the company's commitment will remain concentrated on its core business activity, with particular attention to careful monitoring and management of the risks that the new scenario could reserve, especially in relation to the funds under management.

ITALMOBILIARE

LEGAL AND TAX DISPUTES

With regard to the other disputes commented on in the interim financial report, there have been no significant developments since then.

OUTLOOK

The downturn in the global business cycle reached a low point at the end of the second quarter. The subsequent recovery was sustained in particular by the manufacturing sector, with over 75% of countries recording current and leading indicators in expansion. Emerging markets (China) are showing the most intense acceleration. Forecasts of world growth have on average been revised upwards by 1% compared with June, with a final balance of real GDP for 2020 in the range of -4%/-5% and 2021 at +5%/+6%. The service sector was recovering, but it has been hit hard by the second wave of the epidemic and is now again showing signs of weakness. Along the lines of the global trend, the contraction in Italy's real GDP in 2020 has been partially mitigated (-9.5% on average), while in 2021 the forecasts for GDP are around +5.5%. The global equity index further reduced the losses incurred in the first quarter, with a year-to-date result at 30 September of -1.6%.

The scenario remains exposed to uncertainty about the intensity of the second wave of the virus. Against the physiological normalisation of growth in the fourth quarter, the risk of another contraction in the economy depends on the impact of the social distancing measures combined with the counter-measures of fiscal policy. While the approval of a vaccine by the end of the year (with distribution in 2021) would reduce economic and financial uncertainties, any extended lockdowns could provoke irreversible damage to the productive fabric of the economy. The situation is also burdened by the USA's Presidential Election, also considering the implications for the new fiscal manoeuvre that would have repercussions on America and, consequently, on the dynamics of the global cycle.

In a context that still features a high level of uncertainty, Italmobiliare will continue to focus its commitment on providing support to Portfolio Companies to address the important challenges involved in an upsurge in the pandemic in Europe. One priority will be the companies operating in retail, such as the Tecnica Group and Officina Profumo Farmaceutica di Santa Maria Novella, so that they can develop innovative ways of offering their products and optimise the use of digital sales channels in order to maximise their opportunities for growth and development. For all Group companies, measures will be assessed and implemented to ensure constant operational efficiency and prudent liquidity and risk management.

Full support will also be ensured for the development of Clessidra SGR both in its traditional Private Equity fund activity and in its more recent Private Debt fund business. This focuses on providing financial support and the possibility of industrial recovery to small and medium-sized Italian companies, a function that plays a central role in the difficult situation in which Italian entrepreneurs currently have to operate.

The portfolio's exposure to investments that are particularly affected by the turbulence of financial markets – already significantly reduced during the year – further decreased (listed investments) or mitigated through liquidity management concentrated in low-risk financial instruments.

ITALMOBILIARE

The search for financial solidity and high management skills imposed by the contingent challenges to Italy's entrepreneurial system could also bring about interesting investment opportunities in companies that know how to intercept and guide the transformations now underway in certain sectors involved in manufacturing and innovative services, for which Italmobiliare could – through a long-term partnership relationship – represent an important driver of growth and stable support in the face of current volatility.

Milan, November 5, 2020

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