

ITALMOBILIARE

**Additional quarterly financial disclosure
at September 30, 2017**

November 6, 2017

ITALMOBILIARE

Società per Azioni

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

Foreword

In compliance with current legislation introducing the new EU Transparency Directive and eliminating the obligation to publish quarterly reports, Italmobiliare has decided to publish, on a voluntary basis as from the third quarter of 2016, a quarterly disclosure setting out significant information in order to provide an overview of its business.

Specifically, the information will present the Group's main business and financial indicators (revenue, interim earnings, net financial position and NAV), expressed in quantitative form consistently with the information already provided in the annual report and the half-year financial report.

The quarterly financial disclosure, together with a summary of the main significant events in the quarter and comments on the performance of the main subsidiaries of the Italmobiliare Group, is approved by the Board of Directors and published on the Group website as indicated in the previously released Group financial calendar.

Significant events in the quarter

On September 26, 2017, the Italmobiliare S.p.A. Board of Directors approved the proposal for the upstream merger of Franco Tosi S.r.l., a wholly owned financial company, into and with the parent Italmobiliare S.p.A., and the related merger project.

The purpose of the merger is to simplify the organizational structure of the Italmobiliare S.p.A. group in order to improve administrative and management efficiency.

Specifically, the merger will make it possible to optimize decision-making processes and improve the use and deployment of the resources and skills in the companies involved in the operation.

The merger will be executed in accordance with the simplified procedure set out in article 2505 of the Italian Civil Code.

Pursuant to article 2504-bis, paragraph 2, of the Italian Civil Code, the merger will be effective as from the final registration date of the merger deed at the Milan Companies Register.

At the meeting, the Board of Directors also decided not to exercise its right of withdrawal, within the stipulated term, from the Mediobanca Voting Trust, which therefore continues to hold 8,673,728 Mediobanca shares, representing 0.98% of the share capital.

Italmobiliare directly holds 1.21% of Mediobanca.

ITALMOBILIARE

Key consolidated figures for the nine months to September 30, 2017

Third quarter

(in millions of euro)	Q3 2017	Q3 2016	% change
Revenue	94.9	162.5	(41.6)
Gross operating profit	1.1	63.8	(98.3)
<i>% of revenue</i>	1.2	39.3	
Operating profit (loss)	(4.0)	58.7	n.s.
<i>% of revenue</i>	(4.2)	36.1	

n.s. not significant

Nine months to September 30

(in millions of euro)	Nine months to 09.30.2017	Nine months to 09.30.2016	% change
Revenue	296.7	345.1	(14.0)
Gross operating profit	19.8	65.0	(69.5)
<i>% of revenue</i>	6.7	18.8	
Operating profit	4.8	50.0	(90.4)
<i>% of revenue</i>	1.6	14.5	

n.s. not significant

(in millions of euro)	September 30 2017	June 30 2017	December 31 2016
Total equity	1,248.1	1,236.4	1,334.2
Equity attributable to owners of the parent	1,242.9	1,229.6	1,325.0

The third quarter of 2017 confirmed the expansionary phase in the global economy, synchronized across the various regions, which began at the end of 2016, driven by an acceleration in industrial production against a rise in both investments and consumption. Nevertheless, the productivity growth rate is still low, while difficulties continue in some emerging countries. In other words, the economic cycle could weaken over the medium term. Geopolitical uncertainty (Brexit, international tensions) and the sustainability of Chinese debt are the main sources of risk. The stock markets benefited from a general upward review of earnings forecasts and from favorable financial conditions. Monetary policy in the main countries continued to be ultra-expansionary, while the “normalization” process set in motion by the Fed has not had a restrictive impact. Not surprisingly, the dollar exchange rate is weak. In this context and with inflation below the long-term objectives of the central banks, overall the global bond market has stabilized. Italmobiliare Group consolidated revenue in both the third quarter of 2016 and the nine months to September 30, 2016 reflected a gain of 71.8 million euro at the Italmobiliare parent after the

ITALMOBILIARE

distribution of HeidelbergCement AG shares to the savings shareholders as payment of the extraordinary stock dividend.

Net of this gain, 2016 third-quarter revenue would have been 90.7 million euro, while revenue for the nine months to September 30, 2016 would have been 273.3 million euro. With respect to those amounts, revenue rose by 4.2 million euro (+4.6%) in the third quarter of 2017 and by 23.4 million euro (+8.6%) in the nine months to September 30, 2017, from the year-earlier periods. Specifically, the improvement in revenue for the nine months was driven by the healthy performance of the parent Italmobiliare (+34.4% net of 2016 extraordinary events described later in this report) and BravoSolution (+10.8%). Group operating results were down on the first nine months of 2016 largely due to the effect of the gain realized in 2016 after the distribution of HeidelbergCement AG shares as described above. Excluding this effect, the Group reported an improvement of 26.6 million euro in both its gross operating profit and its operating profit.

Consolidated equity at September 30, 2017, was 1,248.1 million euro, down by 86.1 million euro from December 31, 2016 (1,334.2 million euro).

The overall change arose largely from:

- share buybacks for approximately 100 million euro;
- the change in the fair value reserve on available-for-sale assets (+46.9 million euro net of the related tax effect);
- the decrease of 25.7 million euro in dividends paid.

ITALMOBILIARE

Net financial position

	September 30	June 30	December 31
(in millions of euro)	2017	2017	2016
Net financial position	348.5	377.8	493.5

The positive net financial position of 348.5 million euro showed a decrease of 145.0 million euro from December 31, 2016, largely as a result of the downturn in the net financial positions of Italmobiliare S.p.A. (-132.3 million euro), the Italgen group (-4.5 million euro), the BravoSolution group (-2.2 million euro) and the Sirap group (-1.7 million euro). Details are provided later in this report.

Net Asset Value

Excluding treasury shares, Italmobiliare **Net Asset Value** at September 30, 2017 was 1,476.4 million euro, a reduction of 123.4 million euro from December 31, 2016 (1,599.8 million euro), on capitalization of 957.8 million euro. The reduction in NAV from December 31, 2016 was due mainly to the voluntary public tender offer on treasury shares, which generated a cash outlay of approximately 100 million euro, and to the payment of 17.0 million euro in connection with the settlement agreed with HeidelbergCement AG, details of which are provided in the section “Disputes and pending proceedings”.

NAV was computed considering:

- the market price at September 30, 2017 of investments in listed companies;
- the value of non-listed companies, where determinable, based on market multiples or specific valuations or, when such information is not available, on equity as reflected in the most recent approved financial statements drawn up in accordance with the IFRS financial reporting standards, if available, otherwise with local accounting principles;
- the market value of real estate assets;
- the deferred tax effect.

ITALMOBILIARE

Operating performance of the main Group companies

Italmobiliare S.p.A.

(in millions of euro)	September 30 2017	September 30 2016	% change
Revenue	35.2	888.0	n.s.
Gross operating profit	12.2	844.5	n.s.
<i>% of revenue</i>	<i>34.8</i>	<i>95.1</i>	
Operating profit	11.8	844.3	n.s.
<i>% of revenue</i>	<i>33.7</i>	<i>95.1</i>	

(in millions of euro)	September 30 2017	June 30 2017	December 31 2016
Net financial position	184.7	210.5	317.0

For the parent Italmobiliare S.p.A., 2016 was a year of extraordinary events: the sale of the equity investment held in Italcementi to the German group HeidelbergCement AG, the simplification of the capital structure through distribution of a special dividend exclusively to the savings shareholders and the simultaneous mandatory conversion of savings shares into ordinary shares.

Specifically, revenue in the year-earlier period amounted to 888.0 million and arose mainly from the following transactions:

- the sale of the equity investment held in Italcementi to the German group HeidelbergCement AG, completed on July 1, 2016, which generated a gain on the separate financial statements of 790.0 million euro;
- the distribution of HeidelbergCement AG shares as a dividend to the savings shareholders, under the operation to simplify the capital structure, which generated a gain of 71.8 million euro.

Net of these transactions, revenue in the year-earlier period would have amounted to 26.2 million euro.

In the first nine months of 2017, Italmobiliare recorded gains of 5.5 million euro from the sale of equities (8.9 million euro in the nine months to September 30, 2016), relating largely to listed companies. There was a significant increase in dividends received to 17.7 million euro, compared with 3.0 million euro in the year-earlier period, referring mainly to HeidelbergCement (9.2 million euro), Italgem (6 million euro) and Sirap Gema (2 million euro). Other finance income amounted to 11.5 million euro (1.1 million euro in the nine months to September 30, 2016), mainly as a result of the positive performance of equity derivatives.

The gross operating profit for the period of 12.2 million euro (844.5 million euro for the nine months to September 30, 2016) also benefited from the absence of expense relating to the financial transaction with HeidelbergCement AG and to the operation to simplify the company's capital structure (legal and advisory costs).

ITALMOBILIARE

There was a significant reduction in services provided (-12.9 million euro) after the sale of Italcementi S.p.A.

The net financial position of Italmobiliare S.p.A. was positive at 184.7 million euro (positive at 317.0 million euro at December 31, 2016), reflecting a decrease of 132.3 million euro arising mainly from the following factors:

- the Italmobiliare partial voluntary public tender offer on 4 million ordinary treasury shares, leading to an outlay of approximately 100 million euro;
- the payment of 17.0 million euro in connection with the settlement agreed with HeidelbergCement AG, details of which are provided below in the section “Disputes and pending proceedings”;
- cash flow used in operating activities (-31.1 million euro);
- capital expenditure (-36.4 million euro);
- proceeds from the sale of assets (+56.1 million euro).

As a result of the above cash flows, the net financial position of Italmobiliare S.p.A. and Franco Tosi S.r.l. (a wholly owned financial subsidiary of Italmobiliare S.p.A. whose core business is management of a large trading portfolio) was down 143.4 million euro in the third quarter of 2017, from 565.9 million euro at December 31, 2016 to 422.5 million euro at September 30, 2017.

At September 30, 2017, Italmobiliare S.p.A. held 5,695,870 treasury shares representing 11.96% of the share capital.

ITALMOBILIARE

Sirap Group

The Sirap group, through its subsidiaries in Italy and abroad, is active in the production and sale of products for the packaging of fresh food.

	September 30	September 30	% change
(in millions of euro)	2017	2016	
Revenue	153.5	155.2	(1.1)
Gross operating profit	10.7	15.0	(28.8)
<i>% of revenue</i>	6.9	9.6	
Operating profit	3.9	8.5	(54.3)
<i>% of revenue</i>	2.5	5.5	

	September 30	June 30	December 31
(in millions of euro)	2017	2017	2016
Net financial position	(66.8)	(64.1)	(65.1)

Group revenue in the nine months to September 30, 2017 amounted to 153.5 million euro, a decrease of 1.1% from 155.2 million euro in the first nine months of 2016; the exchange-rate effect on consolidated revenue was less marked than in the year-earlier period, with an estimated negative effect of 0.2 million euro (-2.2 million euro at September 30, 2016).

Trends varied on the group's markets: the performance of the rigid container segment improved on the Polish market and in the other European countries where the Sirap group has production or distribution operations; in foamed trays, the downturn in meat consumption, especially in France and Italy, led to a contraction in demand, while sales prices fell due to high competitive pressure.

Group gross operating profit in the first nine months of 2017 amounted to 10.7 million euro, compared with 15.0 million euro in the year-earlier period. The reduction arose largely from the rise in raw material prices (+15.8% from the 2016 average), which, combined with the market situation in foamed trays, generated a significant erosion of margins.

After amortization and depreciation of 6.8 million euro, in line with 6.7 million euro in the first nine months of 2016, the group posted an operating profit for the period of 3.9 million euro, compared with 8.5 million euro for the year-earlier period.

The consolidated net financial position at September 30, 2017 reflected debt of 66.8 million euro, a downturn of 1.7 million euro from December 31, 2016 (65.1 million euro).

ITALMOBILIARE

Italgen group

(in millions of euro)	September 30 2017	September 30 2016	% change
Revenue	28.6	36.4	(21.4)
Gross operating profit	7.5	8.5	(12.1)
<i>% of revenue</i>	26.2	23.4	
Operating profit	4.9	6.0	(18.6)
<i>% of revenue</i>	17.1	16.5	

(in millions of euro)	September 30 2017	June 30 2017	December 31 2016
Net financial position	(21.5)	(23.2)	(17.0)

In the first nine months of 2017, hydroelectric energy production at the Italgen group amounted to 212.8 GWh, down by 2.5% from the year-earlier period (218.2 GWh).

Revenue was 28.6 million euro, a decrease of 21.4% from the first nine months of 2016 (36.4 million euro) due to the decision to change the customer mix (an increase in “wholesaler customers” with respect to “end customers”) and to the reduction in the purchase and simultaneous resale to the electric market of energy not used by Italcementi (so-called interconnector operations), which accounted for 2.8 million euro of the revenue decrease compared with the first nine months of 2016.

Gross operating profit in the first nine months of 2017 was 7.5 million euro, down 12.1% from the year-earlier period (8.5 million euro). It should be noted that the 2016 figure included gains of 2 million euro realized on the sale of assets. Net of this effect, the gross operating profit for the first nine months of 2017 was up 15.9% from the gross operating profit at the end of September 2016.

After amortization and depreciation of 2.6 million euro, the group posted an operating profit of 4.9 million euro (profit of 6.0 million euro in the year-earlier period).

The net financial position reflected debt of 21.5 million euro, a downturn of 4.5 million euro from the end of 2016 arising largely as a result of the payment of dividends and delays in collection of Green Certificates, offset in part by the result of operations.

ITALMOBILIARE

BravoSolution group

(in millions of euro)	September 30 2017	September 30 2016	% change
Revenue	63.0	56.9	10.8
Gross operating profit (loss)	2.9	(1.5)	n.s.
<i>% of revenue</i>	<i>4.7</i>	<i>(2.6)</i>	
Operating loss	(2.3)	(6.8)	66.5
<i>% of revenue</i>	<i>(3.6)</i>	<i>(12.0)</i>	

(in millions of euro)	September 30 2017	June 30 2017	December 31 2016
Net financial position	(15.4)	(18.2)	(13.2)

Revenue at the BravoSolution group for the nine months to September 30, 2017 amounted to 63.0 million euro, an overall increase of 10.8% from the year-earlier period (56.9 million euro); specifically, the group reported growth in the USA, Italy, Germany, Finland, the Netherlands and Australia. Revenue from technology, whose growth is a development priority for the group, showed an even greater increase of 17.7% from 2016, and accounted for 66.7% of total revenue (62.8% in 2016).

The main earnings indicators improved compared with the first nine months of 2016, with a gross operating profit of 2.9 million euro (loss of 1.5 million euro in 2016) and an operating loss of 2.3 million euro, an improvement of 4.5 million euro compared with the first nine months of 2016.

The growth in profitability in both absolute and percentage terms compared with the year-earlier period arose from the increase in revenue and from the stabilization of costs relating to the plan to strengthen and re-organize the group corporate structure, which began in 2015 and was completed at the end of last year.

The net financial position reflected a reduction of 2.2 million euro from December 31, 2016 (debt of 13.2 million euro), to be seen in the context of the group's projections of positive business performance on one hand and capital expenditure on the other. As forecast, the net financial position improved during the third quarter.

Disputes and pending proceedings

As already illustrated in previous financial reports, the Italcementi share sale and purchase agreement signed with HeidelbergCement AG envisaged customary obligations relating to the interim period between the signing and closing dates, some representations and possible indemnification duties.

After the closing date, Italmobiliare received several claim notices from the purchaser for the execution of the above-mentioned indemnification obligations.

On September 15, 2017, the company signed a settlement agreement with the purchaser and Italcementi S.p.A. for the settlement of most of the above-mentioned claims.

This agreement resulted in the payment to Italcementi S.p.A. – designated for this purpose by HeidelbergCement – of 17,000,000 euro, fully covered by provisions for risks already recognized in the financial statements of Italmobiliare S.p.A. as at December 31, 2016, as well as in the partial use of the contractual thresholds for claims originally envisaged.

The parties are still disputing the validity of some claims excluded from the settlement agreement, for which the residual provisions for risk recognized in the financial statements are deemed appropriate.