

ITALMOBILIARE

Additional quarterly financial disclosure at September 30, 2016

November 10, 2016

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Società per Azioni

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

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Significant events in the quarter

On July 1, 2016, under the agreement with HeidelbergCement, Italmobiliare S.p.A. transferred its entire holding in Italcementi S.p.A., equal to 45% of Italcementi share capital, to HeidelbergCement AG and to HeidelbergCement France S.A.S., a company indirectly held 100% by HeidelbergCement AG. Specifically, in accordance with and execution of the preliminary share sale-purchase agreement signed on July 28, 2015 by Italmobiliare and HeidelbergCement AG, and the subsequent amendment of June 21, 2016, Italmobiliare sold 82,819,920 Italcementi shares to HeidelbergCement France for an overall amount of 877.9 million euro and transferred 74,351,887 Italcementi shares to HeidelbergCement AG in exchange for 10,500,000 new HeidelbergCement ordinary shares. HeidelbergCement AG subsequently sold the transferred shares on to HeidelbergCement France. As a result of these transactions, HeidelbergCement France owns 45% of Italcementi capital, while Italmobiliare now holds approximately 5.3% of post-increase HeidelbergCement capital. The preliminary Italcementi share sale-purchase agreement drawn up with HeidelbergCement AG included a series of arrangements applicable in the period prior to the sale, a number of guarantees and possible compensation obligations, in the customary forms for transactions of this type. After the execution of the sale, Italmobiliare has received requests from the purchaser for the above arrangements to be applied. The company is assessing the legitimacy and contractual treatment of these requests.

As provided under the agreement, the new HeidelbergCement shares were issued in favor of Italmobiliare at a price of 75.06 euro each, equivalent to the weighted average HeidelbergCement share price in the period of 30 trading days ending on June 17, 2016, and recognized at fair value at July 1, 2016.

On August 4, 2016, an extraordinary meeting of the holders of ordinary shares and a special meeting of the holders of savings shares approved the transaction to simplify the capital structure of Italmobiliare S.p.A. through the distribution of an extraordinary dividend to the savings shareholders only and the simultaneous mandatory conversion of the savings shares into ordinary shares. Specifically, the transaction consisted of two steps:

- I. the distribution to the savings shareholders only of an extraordinary preferred dividend, in part in cash (80.00 euro to each group of 10 savings shares) and in part in stock (3 HeidelbergCement AG ordinary shares to each group of 10 savings shares);
- II. the simultaneous mandatory conversion of the 16,343,162 savings shares into Italmobiliare S.p.A. ordinary shares, at a conversion rate of 1 new ordinary share for each group of 10 savings shares.

The transaction, which was subject to the condition that the right of withdrawal of the ordinary and savings shareholders pursuant to art. 2437 of the Italian Civil Code should not exceed, for either category, an overall amount of 30 million euro, reached a positive conclusion, with the withdrawal of only one savings shareholder with two savings shares, for an amount of 53.28 euro.

The extraordinary preferred dividend saw the distribution to the entitled parties of 4,759,229 HeidelbergCement AG shares and a cash amount of 126.9 million euro. Overall, the transaction generated a reduction of 523.9 million euro in Italmobiliare S.p.A. equity after use of the retained earnings reserves, while the mandatory conversion of savings shares

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into ordinary shares required the issuance of 1,634,317 new ordinary shares. Since September 1, 2016, Italmobiliare share capital has been represented by 23,816,900 no-par ordinary shares, for an overall amount of 100,166,937 euro.

After the decision of the Italmobiliare shareholders and in compliance with the shareholder resolution of April 21, 2016 with specific regard to national and community laws on treasury share purchases, the company purchased savings treasury shares for 14.8 million euro. The 478,937 savings treasury shares held at the mandatory conversion date were converted into ordinary shares, after collection of the extraordinary dividend was waived. At September 30, 2016, Italmobiliare held 884,014 ordinary treasury shares representing 3.712% of capital.

On September 14, 2016, after receipt of authorization from the Bank of Italy, the acquisition of Clessidra Sgr was executed in accordance with the agreement signed in May. The transaction, which had already received the approval of the majority of subscribers of the Clessidra Capital Partners 3 fund, gave Italmobiliare ownership of 99% of Clessidra Sgr capital. For the Italmobiliare Group, the purchase of Clessidra, which involved an investment of 18.8 million euro, is part of a wide-ranging portfolio diversification strategy and represents a unique opportunity for the development of its private equity business through the acquisition of the leading Italian player.

Italmobiliare on the stock exchange

(euro)	high	low	01.01.2015	11.01.2016	performance
Ordinary shares	46.3764 09/07/2016	17.3824 01/13/2015	18.9884	42.8383	125.60%
FTSE MIB	24,031.19 07/20/2015	15,103.58 06/27/2016	19,130.26	16,898.28	-11.67%



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Key consolidated figures

Third quarter

(in millions of euro)	Q3 2016	Q3 2015	% change
Revenue	162.5	87.3	86.2
Recurring gross operating profit (loss)	63.6	(3.0)	n.s.
<i>% of revenue</i>	39.2	(3.5)	
Gross operating profit (loss)	63.8	(4.9)	n.s.
<i>% of revenue</i>	39.3	(5.6)	
Operating profit (loss)	58.7	(9.6)	n.s.
<i>% of revenue</i>	36.1	(11.0)	

Nine months to September 30

(in millions of euro)	Nine months to 09.30.16	Nine months to 09.30.15	% change
Revenue	345.1	294.8	17.1
Recurring gross operating profit	64.8	16.8	>100
<i>% of revenue</i>	18.8	5.7	
Gross operating profit (loss)	65.0	(12.6)	n.s.
<i>% of revenue</i>	18.8	(4.3)	
Operating profit (loss)	50.0	(24.4)	n.s.
<i>% of revenue</i>	14.5	(8.3)	

n.s. not significant

(in millions of euro)	September 30 2016	June 30 2016	December 31 2015
Total equity	1,334.7	3,974.5	4,329.5
Equity attributable to owners of the parent	1,327.7	1,566.4	1,838.6

Italmobiliare Group consolidated revenue in both the third quarter and the nine months to September 30 reflects a gain of 71.8 million euro at the Italmobiliare parent after the distribution of HeidelbergCement shares to the savings shareholders as payment of the extraordinary stock dividend.

The gain and the other sales effected by the Group during the period under review generated a significant increase in margins and operating profit compared with the results of the year-earlier period. The figures for the first nine months of 2015 were heavily affected by non-recurring expense of 29.4 million euro relating mainly to the fine imposed by the European Commission on the Sirap Gema group for breach of community competition laws on the foamed tray market.

Consolidated equity was down from both December 31, 2015 and June 30, 2016, largely as a result of the elimination of the Italcementi Group from the scope of consolidation and the distribution of the extraordinary dividend to the savings shareholders.

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Net financial position

	September 30 2016	June 30 2016	December 31 2015
(in millions of euro)			
Net financial position	547.9	(169.7)	55.6

The positive net financial position of 547.9 million euro showed an increase of 492.3 million euro from December 31, 2015 largely as a result of the sale of equities for 929.2 million euro, notably the sale of Italcementi for 877.9 million euro, offset in part by outlays for the purchase of the “non-core assets” from Italcementi S.p.A. for 201.0 million euro, the payment of dividends for 144.7 million euro, the purchase of Italmobiliare savings treasury shares for 14.8 million euro and other net financial investments in the period totaling approximately 53 million euro.

Net Asset Value

At September 30, 2016, Italmobiliare Net Asset Value was 1,615.0 million euro (2,007.2 million euro at June 30, 2016 and 2,086.2 million euro at December 31, 2015).

The decrease of 392.2 million euro in the third quarter of 2016 was largely due to the operation to simplify the structure of Italmobiliare capital, which led to distribution of an extraordinary preferred dividend to the savings shareholders, in cash for 126.9 million euro and in kind for 4,759,229 HeidelbergCement AG shares.

NAV per Italmobiliare ordinary share was 67.8 euro at September 30, 2016.

NAV was computed considering:

- the market price at September 30, 2016 of investments in listed companies,
- the value of non-listed companies, where determinable, based on market multiples or specific evaluations or, when such information is not available, on equity as reflected in the most recent approved financial statements drawn up in accordance with the IAS/IFRS accounting and financial reporting standards or with local accounting principles.

- the market value of real estate assets;

taking account of the deferred tax effect.

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Operating performance of the main Group companies

Italmobiliare S.p.A.

(in millions of euro)	Nine months to 09.30.16	Nine months to 09.30.15	% change
Revenue	888.0	23.7	n.s.
Recurring gross operating profit	844.4	2.4	n.s.
<i>% of revenue</i>	95.1	10.0	
Gross operating profit	844.5	2.1	n.s.
<i>% of revenue</i>	95.1	8.7	
Operating profit	844.3	2.0	n.s.
<i>% of revenue</i>	95.1	8.6	

(in millions of euro)	September 30 2016	June 30 2016	December 31 2015
Net financial position	408.3	(247.4)	(138.9)

The extraordinary events described above in the section “Significant events in the quarter” had a positive impact on the period’s results and also on the company’s equity. Specifically, revenue amounted to 888.0 million euro (23.7 million euro at September 30, 2015) and arose mainly from the following transactions:

- the sale of the equity investment in Italcementi to the German group HeidelbergCement AG on July 1, 2016, generating a gain of 790.0 million euro in the separate financial statements; in the consolidated financial statements, in compliance with IFRS 5, the gain is classified under “Profit (loss) relating to discontinued operations” and amounts to 130.1 million euro;
- the distribution of HeidelbergCement AG shares as a dividend to the savings shareholders, under the operation to simplify the capital structure, generating a gain of 71.8 million euro.

In the first nine months of the year, Italmobiliare recorded additional gains of 8.9 million euro from the sale of equities (1.5 million euro at September 30, 2015), relating largely to bank stocks. There was a significant reduction in dividends in the period to 3.0 million euro compared with 15.3 million euro in the year-earlier period, due to the absence of the Italcementi dividend, which in 2015 amounted to 14.1 million euro.

The period’s operating profit of 844 million euro (approximately 2 million euro at September 30, 2015) also reflected the impact 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).

The net financial position of Italmobiliare S.p.A. was positive at 408.3 million euro (net debt of 138.9 million euro at December 31, 2015), an increase of 655.7 million euro from June 30, 2016. The main movements in the third quarter related to the extraordinary transactions described above, specifically:

- equity investment sales for 899.1 million euro,

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- investments of 90.1 million euro, of which 14.9 million euro for the purchase of savings treasury shares,
- the extraordinary dividend of 126.9 million euro to the savings shareholders.

Equity at September 30, 2016 was 1,215.5 million euro, an increase of 270.6 million euro from December 31, 2015. The overall change was largely determined by the positive effect of the profit for the period, offset in part by the distribution of the ordinary and extraordinary dividends, in HeidelbergCement shares and in cash, for 540.3 million euro.

After the mandatory conversion of the 16,343,162 Italmobiliare savings shares into 1,634,317 ordinary shares, since September 1, 2016 the company share capital of 100,166,937.00 euro has been represented by 23,816,900 no-par ordinary shares.

At September 30, 2016, Italmobiliare held 884,014 treasury shares representing 3.712% of the share capital.

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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 bond portfolio) improved by 707.6 million euro in the third quarter of 2016, from net debt of 83.8 million euro at June 30, 2016 to +623.8 million euro at September 30, 2016.

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Sirap Gema group

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

(in millions of euro)	Nine months to 09.30.16	Nine months to 09.30.15	% change
Revenue	155.2	178.8	(13.2)
Recurring gross operating profit	15.0	16.2	(7.5)
<i>% of revenue</i>	9.6	9.1	
Gross operating profit (loss)	15.0	(11.5)	n.s.
<i>% of revenue</i>	9.6	(6.4)	
Operating profit (loss)	8.5	(16.1)	n.s.
<i>% of revenue</i>	5.5	(9.0)	

(in millions of euro)	September 30 2016	June 30 2016	December 31 2015
Net financial position	(66.8)	(63.3)	(58.7)

When comparing the consolidated figures at September 30, 2016, and September 30, 2015, account should be taken of the changes in the corporate structure: in 2015 until June 30 the income statement included the results of Sirap Insulation S.r.l., which was sold in July, while the figures for the nine months to September 30, 2016 include the results of the Rosa Plast Due S.r.l. company purchased on July 11, 2016, which operates in heat-formed rigid plastic food containers. The purchase of this company, which reports annual revenue of approximately 10 million euro, is part of a specific process to develop the rigid containers business.

With reference to the group's current operations exclusively in food packaging, revenue at September 30, 2016 amounted to 155.2 million euro, up 2.4% from 152.8 million euro in the first nine months of 2015 (net of revenue in the thermal insulation segment in the first half of 2015); the figure includes a negative exchange-rate effect of approximately 2.2 million euro on consolidated revenue.

While the situation of the consumer market in the group countries was still generally stagnant, with the positive exception of Poland, recurring gross operating profit in the first nine months of 2016 was 15.0 million euro, from 14.5 million euro in the year-earlier period (net of the figure for the thermal insulation segment in the first half of 2015), confirming the steady performance of the group's industrial and commercial units.

Group gross operating profit in the first nine months of 2016 was 15.0 million euro, compared with a gross operating loss of 13.2 million euro in the year-earlier period (net of the figure for the thermal insulation segment in the first half of 2015), which included an extraordinary provision of 27.1 million euro for the "EU" fine mentioned earlier.

After amortization and depreciation of 6.7 million euro (7.4 million euro in the first nine months of 2015) and measurement gains on property, plant and equipment of 0.2 million euro, the group reported an operating profit of 8.5 million euro, compared with an operating loss in the year-earlier period of 17.0 million euro, again including the effect of the above-

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mentioned provision for risks and net of the figure for the thermal insulation segment in the first half of 2015.

The consolidated net financial position at September 30, 2016 reflected debt of 66.8 million euro, an increase of 8.1 million euro from December 31, 2015 (debt of 58.7 million euro), largely as a result of the acquisition in the third quarter of Rosa Plast Due S.r.l. (6.5 million euro).

BravoSolution group

(in millions of euro)	Nine months to 09.30.16	Nine months to 09.30.15	% change
Revenue	56.9	55.0	3.3
Recurring gross operating profit (loss)	(1.5)	2.0	n.s.
<i>% of revenue</i>	<i>(2.6)</i>	<i>3.6</i>	
Gross operating profit (loss)	(1.5)	2.0	n.s.
<i>% of revenue</i>	<i>(2.6)</i>	<i>3.6</i>	
Operating loss	(6.8)	(2.6)	n.s.
<i>% of revenue</i>	<i>(12.0)</i>	<i>(4.7)</i>	

(in millions of euro)	September 30 2016	June 30 2016	December 31 2015
Net financial position	(12.7)	(10.8)	(5.6)

BravoSolution group revenue for the nine months to September 30, 2016 amounted to 56.9 million euro, an overall increase of 3.3% from the year-earlier period (55.0 million euro); specifically, the group reported a positive trend on the European markets, while growth in the USA slowed due to the delay in the start-up of important contracts, which prevented it from reaching its revenue growth projection in this region. Revenue from technology, whose growth is a development priority for the group, showed a greater than expected increase of 18.3% from 2015, and accounted for 65.7% of total revenue (63.4% in 2015).

The main earnings indicators slackened compared with the first nine months of 2015, with a gross operating loss of 1.5 million euro (profit of 2.0 million euro in 2015) and an operating loss of 6.8 million euro, a downturn of 4.2 million euro compared with September 30, 2016.

The reduction in profitability in both absolute and percentage terms compared with the year-earlier period is largely attributable to the increase in costs on the plan to strengthen and reposition the group corporate structure, which began in 2015, with a new organizational structure – including the establishment of a new group HQ in Chicago (USA) – and a greater commercial focus on technology sales. Over the long term, the plan will generate a strong increase in revenue and higher, more stable profitability.

The rise in net financial debt was due in part to the reduction in earnings, but also to capital expenditure and to the current strategic repositioning.

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Italgen group

(in millions of euro)	Nine months to 09.30.16	Nine months to 09.30.15	% change
Revenue	36.4	43.7	(16.8)
Recurring gross operating profit	6.4	11.9	(46.4)
<i>% of revenue</i>	17.5	27.1	
Gross operating profit	8.5	11.9	(28.2)
<i>% of revenue</i>	23.4	27.2	
Operating profit	6.0	9.5	(36.4)
<i>% of revenue</i>	16.5	21.6	

(in millions of euro)	September 30 2016	June 30 2016	December 31 2015
Net financial position	(17.8)	(18.8)	(26.7)

The Italgen group, which produces electric power from renewable sources, operates on the domestic and international markets. In the first nine months of 2016, it reported revenue of 36.4 million euro, down by 16.8% from the year-earlier period.

Revenue, generated essentially in Italy by Italgen S.p.A., reflected the decrease in the Single National Price compared with the first nine months of 2015 (-26.5%) due to continuing weak domestic demand and the fall in the price of the main energy commodities. In addition, rainfall was low in the first quarter, which led to a downturn in production. Energy sales reflected a positive volume effect, in particular for Interconnector Management (+58.2%), on which Italgen receives a sales commission.

The increase in overheads in the period was mainly due to expense relating to direct management of services previously handled on an outsourcing basis by Italcementi, which led to a reduction in recurring gross operating profit to 6.4 million euro (11.9 million euro in the first nine months of 2015).

Gross operating profit was 8.5 million euro (11.9 million euro in the first nine months of 2015); it included non-recurring income of 2.1 million euro arising largely from the gain realized on asset sales.

After amortization and depreciation for 2.5 million euro, an increase of 3.7% from September 30, 2015, operating profit totaled 6.0 million euro (9.5 million euro in the year-earlier period).

The net financial position reflected debt of 17.8 million euro, an improvement of 8.9 million euro from December 31, 2015. This was due to the group's positive operating cash flows and to a reduction in working capital, net of capital expenditure for the period.