Offices in Milan – Via Borromei n. 5
Share Capital € 87.907.017 fully paid-in
Listed in the Milan Register of Companies at n. 00742640154
www.mittel.it

PRESS RELEASE

MITTEL GROUP APPROVES THE CONSOLIDARED 2019 FINANCIAL STATEMENTS

THANKS TO IMPORTANT MARKET DEALS CARRIED OUT IN THE DESIGN, APPAREL AND NURSING HOME SECTORS, MITTEL S.P.A. REINFORCES ITS TRANSFORMATION INTO A HOLDING COMPANY FOR INDUSTRIAL INVESTMENTS

- ***Consolidated revenues generated*** *as at 31 December 2019 amounting to EUR 150.8 millio, in strong growth compared to EUR 117.6 million as at 31 December 2018 (+ 28%).*
- *The industrial sectors (represented by the Nursing Home (RSA), the Automotive, the Design and the Apparel sectors) have contributed to generate a broadly positive* ***consolidated operating margin****, equivalent to EUR 24.1 million compared to EUR 11.4 million as at 31 December 2018***.**
- *Net result of the year confirmed in profit amounting to EUR 0.5 million (compared to EUR 1.3 million in 2018), despite the negative impact of significant non-recurring components and of EUR 3.9 million due to the first application of IFRS 16.*
- *Net of the IFRS 16 impact, the* ***net financial position*** *amounts to EUR 45.7 million, in variation due to important acquisitions made during the year (Sport Fashion Service S.r.l., Galassia S.r.l., Disegno Ceramica S.r.l. and adds-on in Zaffiro Group), partially off-set by important financial resources generated by the industrial subsidiaries and by valuation of non-core assets.*
- *2019 proves to be extremely important for the Group and is characterized by some significant transactions. In particular:*
    - ***the Group strengthened its positioning in the Nursing Home*** *and* ***Design sectors,*** *in which it was already present. Specifically, Zaffiro Group signed a contract with Primonial, one of the leading European investors in the Real Estate sector, with the aim to develop nursing home facilities in Italy. This agreement will give a strong acceleration to the Group's development and growth plans aimed to achieve over 5,000 beds under management in the few coming years, freeing significant resources for new investments and at the same time enhancing the value of the owned property. In the Design sector, Mittel S.p.A., through a fully-owned subsidiary Mittel Design S.r.l., has finalized the acquisition of 90% of Galassia Group S.r.l. and of 80% of Disegno Ceramica S.r.l., thus strengthening the ambitious project to build a hub of excellence in the design sector around Ceramica Cielo S.p.A. by creating a group with over 350 people;*
    - ***the Group expanded its operations to a new sector: Apparel and Clothing.*** *In fact, the acquisition of 90% of Sport Fashion Service S.r.l., with its iconic brand Ciesse Piumini, aims at creating value in the strategic segment of "Made in Italy". With this acquisition, the Group also plans to increase the turnover and to further consolidate the profitability margins already achieved by the company today.*
    - *Alongside with investment transactions, the Group continued to carry out measures on* ***containing operating costs*** *and* ***enhancing the value of non-core assets in its portfolio,*** *with the aim to generate new investment resources. Part of these resources were used to repay the residual EUR 42 million of the outstanding bond matured in July 2019. Mittel S.p.A. confirmed to have* ***solid financial position*** *and significant financial resources to fund new investments and to support the shareholdings already held by the Group, all in line with the strategic objectives in course of implementation.*

- *In the first months of 2019, the members of the Executive Committee entered the share capital of the Company. The event strenghens the alignment of interests between the company's management and its shareholders, representing an important commitment in the continuation of the development project.*
- *In the next months, the Group will continue the process of* ***recovering financial resources*** *from previous real estate initiatives, financial receivables and other non-core assets, benefiting, in particular, from specific "asset for asset" value creation projects, launched last year with dedicated work teams, as well as from the process of simplifying the corporate structure, with a consequent reduction in costs. This process will boost the Group's growth and development and will allow to reinforce its identity of holding company for industrial investment.*
- *Finally, Mittel Group has adhered to all restrictive measures imposed by the* ***COVID-19 pandemic****. Any future results could therefore be influenced by this exceptional contingency. The first months of 2020, in fact, already show signs of contraction, in particular in the apparel, automotive and design sectors. However, as in the past, the Group is demonstrating its remarkable ability to react to changed scenarios. The management has already taken actions aimed at mitigating possible negative effects on the outcomes of the current year and at strengthening and protecting its shareholdings. The Group's solid equity and financial position represent a strong guarantee of its capacity to autonomously support the business operations and development plans. Compatibly with the current COVID-19 situation, the corporate management confirms to focus on further consolidation and development process, aimed at creating long-term value for all shareholders.*

*** *** ***

Milan, 29 April 2020 – The Board of Directors of Mittel S.p.A., met today under the chairmanship of dr. Michele Iori, examined and approved the Directors' Report on operations, the draft separate financial statements and the consolidated financial statements for the year ended December 31, 2019.

Management performance in brief

2019 proved to be an extremely important for the Group and fully completed the reorganization process started in previous years, characterized by the important transformation into a holding company for industrial investments. This process allowed to achieve significant cost savings for the holding, to recover important financial resources from *non-core assets* and to focus on the development of new strategic deals.

It should be noted that, as a result of the first application of IFRS 16 (Leasing), the consolidated financial report as at 31 December 2019 shows amounts that are not fully comparable with those of the previous period. In fact, this accounting standard which, in a nutshell, implies the recognition of the rights of use on leased assets as part of fixed assets on the balance sheet and the inclusion of the related financial payable among liabilities, impacted considerably upon the balances of the financial position and income statements as at 31 December 2019 (in particular on that of the Nursing Home sector, characterized by long-term lease contracts). This impact generated the following effects:

- increase in fixed assets equal to EUR 193.4 million (rights of use on real estate);
- increase of the consolidated net financial position to EUR 206.2, which is not due to greater financial indebtedness in general but to valuation of the contractual rights-of-use on lease liabilities;
- increase for EUR 8.9 million of the operating margin (EBITDA), deriving essentially from rental fees and overlooking the impact of negative non-recurring items, as will be better described hereinafter with regard to capital gains from sales in the Nursing Home sector;
- an overall negative impact of EUR 1.5 million on the Group's net result.

In addition to the above impact on the income statement (negative in general due to the predominant portion of the depreciation of the rights-of-use assets and of financial charges on lease liabilities), as the result of the use of specific accounting rules for sale and lease-back transactions envisaged by the new standards, the capital gain of approx. EUR 5.6 million (EUR 4.0 million net of the deferred tax effects, of which EUR 2.4 million pertaining to the Group) was not recognised for the sale of the real estate components in the Nursing Home sector. This amount will imply the recognition, in future, of an economic benefit over the lease term, represented by lower depreciations that will be recorded on the rights of use, currently indicated at their original values among the assets.

Despite the overall negative impact on the income produced by the application of IFRS 16 standard and its purely accounting nature, as described and explained above, the consolidated 2019 financial report registered a positive result of EUR 0.3 million, with profit of EUR 0.5 million pertaining to the Group and a loss of EUR 0.2 million pertaining to non-controlling interests.

The consolidated income statement benefits from a positive operating margin of EUR 24.1 million, mainly thanks to the contributions from the owned subsidiaries acquired in recent years. Moreover, due to the timing of the most recent acquisitions, the operating margins of the new additions to the Design sector (Galassia Group S.r.l. and Disegno Ceramica S.r.l., acquired in June) and of two nursing homes (acquired by Zaffiro Group in July) were consolidated only in the second half of 2019, while the subsidiary Sport Fashion Service S.r.l. (Ciesse Piumini) contributed, for the same reason, only for the last two months of the year. All transaction costs incurred with reference to these acquisitions were instead recognized as expenditure, in compliance with the accounting standards for business combinations.

The positive operating margin, described above, is offset by negative depreciation and provisions totalling EUR 14.7 million and mainly attributable to depreciation recorded on the rights of use pursuant to IFRS 16 (EUR 7.1 million) and amortisation of other tangible assets of the industrial subsidiaries (€ 7.0 million), in particular, of IMC S.p.A. (EUR 4.0 million) with tangible assets that correspond to a significant portion of the consideration paid at the moment of acquisition.

The result from financial management, resulting in loss of EUR 12.2 million, is explained, for EUR 5.2 million, by the financial charges recognized according to IFRS 16 and, for the residual EUR 7.0 million, by the charges on financial liabilities (bonds of Mittel S.p.A. and bank loans of operating subsidiaries), net of interest income accrued on residual financial receivables held by the Group.

Lastly, the Group’s net result was influenced by negative non-recurring items of EUR 1.4 million, relating to the valuation of residual non-core financial assets in portfolio, and by positive income components of fiscal origin for EUR 4.1 million, mainly explained by the deferred tax assets recorded due to the application of IFRS 16 and of the recalculation of the latent tax benefits, made in June, that can be used as part of the Parent Company’s tax consolidation.

Equity pertaining to the Group amounted to EUR 220.1 million as at 31 December 2019, in reduction of EUR 1.1 million compared to EUR 221.2 million as at 31 December 2018. The Group's net result, resulting in profit of EUR 0,5 million, is offset by changes in shareholders' equity for an overall negative amount of EUR 1.6 million, which however do not impact on the income statement and are mainly due to:

- EUR 2.1 million positive impact of the acquisition of Sport Fashion Service S.r.l., which purchase price, including the best estimate on the expected earn-out, was lower than the company’s net book value; the difference, given the nature of the operation (qualified as *business combination under common control)*, was not recognized as profit in the income statement;
- EUR 1.3 million positive impact resulting from the increase of the participation in the share capital of the minority shareholder of Zaffiro Group, passed from 25% to 40%, which was carried out on better terms compared to the net book value of the stake recorded in the consolidated statements;
- EUR 0.6 million positive impact deriving from the purchase of nearly all third-party interests in the investee Earchimede S.p.A.;
- EUR 1.7 million negative impact produced by the first application (on January 1, 2019) of the international accounting standard IFRS 16;
- reduction of EUR 3.3 million due to the accounting effects of the increase in shareholding (from 80% up to 90%) in the investee Ceramica Cielo S.p.A. (the difference between the consideration paid and the net book value of the stake acquired is not recognized as incremental goodwill, pursuant to international accounting standards).

The consolidated net financial position amounted to negative EUR 251.9 million, in worsening compared to EUR 29.5 million as at 31 December 2018, which is primarily due to the effect of the application of IFRS 16 resulted in recognition of future lease liabilities equal to EUR 206.2 million (mainly related to the Nursing Home sector) and to important acquisitions made during the year.

Main economic figures of the Group

(Thousand of EUR)	31.12.2019	31.12.2018
Revenue and other income	150.762	117.652
Increases (decreases) in inventories	(14.609)	(10.250)
Net revenue	**136.153**	**107.402**
Purchases, provision of services, sundry costs	(71.369)	(65.315)
Personnel cost	(40.639)	(30.662)
Operating costs	**(112.008)**	**(95.977)**
Operating margin (EBITDA)	**24.145**	**11.425**
Amortisation/depreciation, allocations and adjustments to non-current assents	(14.736)	(5.950)
Inventory value adjustments	-	(2.502)
Share of income (loss) of invesments	7	(668)
Operating result (EBIT)	**9.417**	**2.305**
Profit (loss) from financial management	(12.219)	(12.145)
Result of management and valuation of financial assets and receivables	(1.083)	4.303
Profit (loss) before taxes	**(3.885)**	**(5.538)**
Taxes	4.138	7.846
Net profit (loss) of the year	**253**	**2.308**
Profit (loss) pertaining to non-controlling interests	(197)	985
Profit (loss) pertaining to the Group	**450**	**1.324**

It should be noted that revenues and other income of the consolidated industrial sectors as at 31 December 2019 (represented by: the Nursing Home sector led by Gruppo Zaffiro S.r.l. the Automotive sector, which includes IMC S.p.A. and its subsidiary Balder S.r.l.; the Design sector, which includes Ceramica Cielo S.p.A. and, starting from the second half of the year, Galassia S.r.l. and Disegno Ceramica S.r.l.; the Apparel sector with Sport Fashion Service S.r.l., consolidated since November 2019) are particularly significant and equal to EUR 130.3 million (EUR 101.5 million in the previous year), corresponding to approximately 86% of the consolidated revenues and other income (amounting to a total EUR 150.8 million, compared to EUR 101.5 million in the previous year).

During the 2019 financial year, these industrial sectors contributed to generate a broadly positive consolidated operating margin, equal to EUR 24.1 million (EUR 11.4 million as at 31 December 2018), as a result of the following net contributions by sector:

- Nursing Home: EBITDA of EUR 12.7 million (compared to EUR 3.3 million as at 31 December 2018), positively influenced by the application of IFRS 16 standards (EUR 3.1 million) which, on one hand, excluded the registration of the operating costs on leases but, on the other, prevented the recording of the capital gain of EUR 5.6 million on business assets sold and leased back. In general, the ambitious growth project pursued by the Group had a positive trend and was marked by valuable contributions, in terms of sector results, from the recent openings (Rivignano nursing home) or acquisitions (mainly Villa Gisella, based in Florence);

- Design: EBITDA of EUR 8.8 million (EUR 6.8 million as at December 31, 2018), in marked increase despite the negative impact of transaction costs incurred for the acquisition of Galassia S.r.l. and Disegno Ceramica S.r.l. (whose margins, as specified earlier, were subject of consolidation only in the second half of the year), also as a result of continued growth in revenues and profits of Ceramica Cielo S.p.A.;

- Automotive: EBITDA of EUR 6.0 million (EUR 10.0 million as at 31 December 2018), in decline due to the negative trend in sector demand within an overall macroeconomic scenario of contingent weakness;

- Real Estate: EBITDA negative for EUR 1.5 million (negative for EUR 1.1 million as at 31 December 31, 2018), but with strong revenue growth (EUR 16.3 million compared to EUR 13.6 million last year), confirming a particularly positive trend in sale process of substantial property inventories held by the Group;

- Equity and investments: EBITDA negative for EUR 2.1 (compared to negative EUR 7.8 million at 31 December 2018), positively influenced by a significant capital gain recorded upon sale of the company headquarters previously held in Piazza Diaz 7, Milano (EUR 3.7 million).

Detail on the most significant items are presented below.

- **Revenues and other income:** the reclassified item combines revenue and other income figures that amounted to EUR 150.8 million as at December 31, 2019 (compared to EUR 117.7 million in the comparison period), resulting from the combination of the following data:

  (i) revenues for EUR 141.3 million (EUR 113.9 million as at December 31, 2018); with the following breakdown per sector of contribution:
  - Automotive (IMC S.p.A. and Balder S.r.l.) for EUR 32.1 million (EUR 42.1 million in the comparison period);
  - Nursing Home (Zaffiro Group and subsidiaries) for EUR 45.1 million (EUR 29.9 million in the comparison period);
  - Design (Ceramica Cielo S.p.A. contributing for the entire year, while Galassia S.rl. and Disegno Ceramica S.r.l. for the second half of the year only) for EUR 44.9 million (EUR 26.3 million attributable exclusively to Ceramica Cielo S.p.A. in the comparison period);
  - Real Estate: for EUR 16.3 million (EUR 13.6 million in the comparison period);
  - Apparel: for EUR 2.8 million (absent in the comparison period), contributing only for the last two months of the year characterized by the seasonal fall n revenues;

  (ii) other income for EUR 9.5 million (EUR 3.7 million in the comparison period), attributable to Mittel S.p.A. for EUR 3.8 million (mainly resulting from the capital gain recorded upon the sale of the company's headquarters in Piazza Diaz 7), to the Design sector for EUR 3.4 million, to the Nursing Home sector for EUR 1.4 million and to the Automotive sector for EUR 0.7 million.

- **Increases / (decreases) in inventories:** the negative contribution recorded in the year, amounting to EUR 14.6 million (EUR 10.2 million in the comparison period), is due to the net effect of:

  (i) the reduction for offloading of selling costs of property inventories for EUR 14.8 million (EUR 12.1 million as at 31 December 2018);
  (ii) the increase in property inventories for costs capitalised and other changes for EUR 1.7 million (EUR 0.9 million as at December 31, 2018);
  (iii) the net increase in inventories in the Apparel sector for EUR 0.7 million (changes since the initial consolidation date);
  (iv) the substantial overall stability of the warehouses in the Design sector (increase of EUR 0.7 million in the comparison period);
  (v) the net reduction in the Automotive sector for EUR 2.3 million (EUR 0.3 million in the comparison period).

- **Costs for purchases, provision of services, sundry costs**: the item, totalling EUR 71.4 million (EUR 65.3 million as at December 31, 2018), is heavily influenced by the operating costs of the investee companies in the Automotive, Nursing Home and Design sectors and includes costs for purchases for EUR 39.0 million (EUR 33.7 million in the comparison period), for provision of services for EUR 28.9 million (EUR 29.0 million as at December 31, 2018) and sundry costs for EUR 3.5 million (EUR 2.6 million in the comparison period). The main contributors to this item are the following sectors:

  i) Automotive: for EUR 19.1 million (EUR 27.1 million in the comparison period);
  (ii) Design (Ceramica Cielo S.p.A. contributing for the entire year; while Galassia S.r.l. and Disegno Ceramica S.r.l. only for the second half of the year): for a total of EUR 27.1 million (EUR 15.4 million in the comparison period, attributable to Ceramica Cielo S.p.A. only) ;
  (iii) Nursing Home: for EUR 14.4 million (EUR 13.1 million in the comparison period);
  (iv) the Parent Company Mittel S.p.A.: for EUR 3.2 million (EUR 5.8 million in the comparison period, of which EUR 0.4 million of non-recurring items relating to acquisitions);
  (v) Real Estate: for EUR 4.5 million (EUR 2.4 million in the comparison period);
  (vi) Apparel: for EUR 2.8 million (contribution for the last two months of the year only).

- **Personnel costs:** the item reported a balance of EUR 40.6 million (EUR 30.7 million as at 31 December 2018), of which EUR 19.2 million relating to the Nursing Home sector (EUR 13.4 million in the comparison period), EUR 12.4 million relating to the Design sector (EUR 6.6 million in the comparison period resulting from the ontribution of Ceramica Cielo S.p.A. only), EUR 5.2 million attributable to the Automotive sector (EUR 6.3 million in the comparison period) and EUR 3.1 million relating to the Parent Company Mittel S.p.A. (value in line with the comparison period but influenced by non-recurring costs of EUR 0.6 million).

- **Amortisation/depreciation, allocations and adjustments to non-current assets:** the item totalled EUR 14.7 million as at 31 December 2019 (EUR 6.0 million as at December 31, 2018) and comprised:

(i) Depreciation of property, plant and equipment and amortisation of intangible assets amounting for EUR 14.5 million (EUR 5.7 million in the comparison period), mainly due to depreciation on rights of use recognised according IFRS 16 standard (EUR 7.1 million, of which EUR 5.4 million pertaining to the Nursing Home sector) and, for the rest, to the amortisation of other tangible assets held by the operating companies (the Automotive sector for EUR 4.2 million, the Design sector for EUR 2.1 million and the Nursing Home sector for EUR 0, 8 million);

(ii) Net allocations to the provision for risks and charges for EUR 0.2 million (in line with the comparison period).

- **Profit (loss) from financial management:** presented a net loss of EUR 12.2 million (loss of EUR 12.1 million in the comparison period); the item is explained by the financial charges for EUR 5.2 million recognised according to IFRS 16 (EUR 4.7 million pertaining to the Nursing Home sector) and, for the residual EUR 7.0 million, by the charges on financial indebtedness (outstanding bonds of Mittel S.p.A. and bank loans of the operating subsidiaries), net of the interest income accrued on financial receivables held by the Group; in greater detail, the Parent Company Mittel S.p.A. contributed to the item for EUR 4.4 million reporting financial income for EUR 2.1 million (mainly attributable to the interests accrued on residual financial receivables held) and financial charges for EUR 6.5 million, relating, almost entirely, to previous bonds, one of which was fully repaid at its maturity in July 2019 impacting negatively on the income statement up to that date (for EUR 1.5 million).

- **Profit (loss) from management and valuation of financial assets, loans and receivables:** the item made a negative contribution to the consolidated income statement for EUR 1.1 million (positive contribution of EUR 4.3 million as at 31 December 2018) and is explained by:

(i) net income from investments of EUR 0.3 million (EUR 8.8 million in the comparison period, almost entirely explained by a non-recurring item), represented by dividends received from the non-qualified equity investments (approximately EUR 0.2 million) and by the result of deconsolidation of the investee company Ethica & Mittel Debt Advisory (about EUR 0.1 million);

(ii) Net value adjustments on financial assets and receivables for EUR 1.4 million (net value adjustments for EUR 4.7 million in the comparison period), mainly due to fair value adjustment of residual real estate mutual funds and investment vehicles held by the Group, resulting in net value adjustments totalling EUR 1.3 million (net value adjustment of € 1.0 million in the comparison period) and in no significant change for financial receivables (which recorded net value adjustment of EUR 3.7 million in the comparison period).

- **Taxes:** the item made a positive contribution to the consolidated income statement for EUR 4.1 million (positive contribution for EUR 7.8 million as at 31 December 2018) and is mainly explained by the net effect of:

(i) the cost for current IRAP taxes of EUR 2.1 million, attributable for EUR 1.4 million to the Nursing Home sector, for EUR 0.5 million to the Design sector and for EUR 0.1 million to the Automotive sector;

(ii) revenue from the release of deferred taxex for a total of EUR 1.8 million, of which EUR 0.9 million pertaining to the Automotive sector and EUR 0.8 million to the Nursing Home sector, as the result of gradual absorption of differences between fiscal and book values of the consolidated assets allocated at upon initial consolidation and in the following years;

(iii) revenue from change in deferred tax assets of EUR 3.8 million, essentially attributed to the recognition of deferred tax assets due to the application of IFRS 16 and to the recalculation, as of 30 June 30 2019, of the latent tax benefits that can be used as part of the Parent Company's tax consolidation.

Main financial and equity figures of the Group

(Thousand of EUR)	**31.12.2019**	**31.12.2018**
Intangible assets	105.502	73.369
Property, plant and equipment	260.557	46.889
- of which rights of use IFRS 16	*193.382*	-
Investments	6.113	6.121
Non-current financial assets	49.821	63.665
Assets (liabilities) held for sale	-	18.414
Provisions for risks, employee severance indemnity and employee benefits	(9.661)	(6.834)
Other non-current assets (liabilities)	71	746
Tax assets (liabilities)	2.290	2.821
Net working capital (*)	74.239	73.609
Net invested capital	**488.932**	**278.800**
Equity pertaining to the Group	(220.127)	(221.153)
Non-controlling interests	(16.875)	(28.128)
Total equity	**(237.002)**	**(249.281)**
Net financial position	**(251.930)**	**(29.519)**
- of which rights of use IFRS 16	*(206.182)*	-
Net financial position before IFRS 16	**(45.748)**	**(29.519)**

(*) Comprised of the sum of inventories, sundry receivables (payables) and other current assets (liabilities)

As detailed below, the composition of the above items and, in particular, that of the intangible assets and of property, plant and equipment, reflects the effects of the acquisitions in the Design, Nursing Home and Apparel sectors made in the previous years and particularly in 2019. At the same time, the progress in divestment of non-core assets resulted, in the last years, in reduction on the related balance sheet items (investments, financial receivables and other non-current financial assets).

Intangible assets amounted to EUR 105.5 million (EUR 73.4 million as at 31 December 2018). The item, almost entirely related to goodwill and trademarks, refers, for EUR 39.3 million, to goodwill relating to the acquisition (which took place in November 2016) of Gruppo Zaffiro S.r.l., heading a group of subsiduries operating in the Nursing Home sector, augmented by EUR 1.1 million relating to the value attributed to the trademark upon conclusion of the purchase price allocation (completed as at December 31, 2017). Also in the Nursing Home sector, additional goodwill was recognised against the build-up operations that were carried out in previous years and most recently in 2019, related to the acquisition in March 2018 of the business unit of a nursing home based in Sanremo (EUR 0, 5 million in goodwill), the purchase in December 2018 of Villa Gisella, which owns a long-standing nursing home based in Florence (EUR 3.0 million in goodwill), and the purchase of three nursing homes in Piemonte (total EUR 3,0 million in goodwill).
Goodwill relating to the acquisition of Ceramica Cielo S.p.A. (which took place in June 2017) amounted to EUR 5.6 million, augmented by EUR 4.3 million relating to the fair value measurement of the company's trademark, carried out upon completion (at 30 June 2018) of the purchase price allocation. Moreover, as regards the Design sector, during the year 2019, provisional goodwill related to the acquisitions of Galassia S.r.l. (EUR 6.7 million) and Disegno Ceramica S.r.l. (EUR 2.1 million) was recorded, pending the completion of the allocation process to the assets involved in the two business combinations, which will take place within one year from the acquisition date, as required by IFRS 3.
Also, goodwill of € 19.3 million was booked for the acquisition of IMC S.p.A. The goodwill recognized at the time of the acquisition (completed on 30 September 2017), equal to EUR 35.5 million, had already been reduced to EUR 19.3 million as at 31 December 2017, as a result of the partial allocation to the property, plant and equipment held by IMC S.p.A. (which involved the allocation of related deferred taxes). As at 31 December 2018, the purchase price allocation process (PPA) for this business combination was completed, with the final confirmation of the allocation values that had been determined as at 31 December 2017.

Lastly, the acquisition transaction of Sport Fashion Service S.r.l. in November 2019 did not entail determination of goodwill recognized upon initial consolidation (the positive difference between the net book value and the purchase price inclusive of the expected earn-out outlay, qualified as *bargain purchase*, was recorded directly as increase of the net equity, and not as profit in the income statement, being the nature of the operation a *business combination under common control*), as it recognised, for the sake of continuity, the values of goodwill (€ 18.4 million) and trademarks (€ 1.8 million) as recorded in the company's first IFRS consolidation *package* at the date of the acquisition.

Property, plant and equipment amounted to EUR 260.6 million (EUR 46.9 million as at December 31, 2018), of which EUR 193.4 million related to rights of use recorded in compliance with IFRS 16 standard (EUR 172.4 million attributable to the Nursing Home sector, characterized by long-term leases on properties for nursing facilities). The remaining balance of the item, equal to EUR 67.2 million, was significantly influenced by the contribution of: the Automotive sector for EUR 20.3 million (inclusive of partial allocations to IMC presses of the goodwill recognised at the time of the acquisition), the Nursing Home sector for EUR 22.9 million (of which EUR 12.5 million relating to the property under construction in Pogliano Milanese) and the Design sector, contributing for EUR 23.3 million (of which EUR 6.7 million attributable to Ceramica Cielo S.p.A., EUR 11.1 million to Galassia S.r.l. and EUR 5.6 million to Disegno Ceramica S.r.l.).

Investments measured using the equity method totalled to EUR 6.1 million (value in line with the previous year). This item mainly refers to the shareholding held by the Parent Company Mittel S.p.A. in Mittel Generale Investimenti S.r.l. (€ 5.4 million), which remained unchanged compared with the same period of the last year.

Non-current financial assets amounted to EUR 49.8 million (EUR 63.7 million as at December 31, 2018) and refer to: i) for EUR 33.5 million (EUR 45.8 million in the comparison period) to not-current financial receivables, mainly relating to credit positions held by the Parent Company; ii) for EUR 16.4 million (EUR 17.9 million in the comparison period) to other non-current financial assets, represented mainly by shares in real estate UCITS held by the Parent Company and shares in investment vehicles held by Mittel S.p.A. and by the subsidiary Earchimede S.p.A.

Provisions for risks, employee severance indemnity and employee benefits amounted to EUR 9.7 million (EUR 6.8 million as at 31 December 2018). In particular, as at 31 December 2019, this item is composed, for EUR 7.7 million, of *Provisions for personnel* (EUR 5.3 million in the comparison period) and, for EUR 1.9 million, of *Provisions for risks and charges* (EUR 1.5 million in the comparison period). The main contributors to the item *Provisions for personnel* were the Nursing Home sector (for EUR 2.5 million), the Design sector (for EUR 3.0 million), the Parent Company Mittel S.p.A. (for EUR 1.1 million), the Automotive sector (EUR 0.6 million) and the Apparel sector (EUR 0.4 million). *Provisions for risks and charges* refer mainly to Mittel S.p.A. (for EUR 0.4 million), Fashion District Group S.r.l. in liquidation (for EUR 0.6 million) and to the Nursing Home sector (EUR 0.4 million).

The item **Net tax assets (liabilities)** was positive for EUR 2.3 million (EUR 2.8 million as at 31 December 2018) and composed of the sum of current tax assets for EUR 1.6 million (EUR 5.8 million as at 31 December 2018) and deferred tax assets of EUR 11.4 million (EUR 4.6 million in the comparison period), offset by deferred tax liabilities of EUR 9.1 million (EUR 7.0 million in the comparison period) and current tax liabilities of EUR 1.6 million (EUR 0.5 million in the comparison period).

Net working capital amounted to EUR 74.2 million (EUR 73.6 million as at 31 December 2018). The item comprises: (i) the value of inventories for EUR 78.5 million, attributable for EUR 51.9 million to property inventories (in sharp decrease compared to EUR 64.9 million in the comparison period, due to significant sales made during the year), for EUR 16.2 million to the Design sector (in clear growth compared to EUR 5.3 million in the comparison period and due mainly to acquisitions made in the year), for EUR 5.6 million to the Automotive sector (EUR 7.9 million in the comparison period) and for EUR 4.8 million to the Apparel sector (absent in the comparison period); (ii) sundry receivables and other current assets for EUR 50.2 million (EUR 23.2 million in the comparison period), to which the main contributors were the Design sector for EUR 17.1 million (EUR 7.9 million as at 31 December 2018), the Nursing Home sector for EUR 10.4 million (EUR 5.2 million as at 31 December 2018), the Automotive sector for EUR 6.2 million (EUR 7.0 million as at 31 December 2018) and the Apparel sector for EUR 13.7 million (absent in the comparison period); (iii) sundry payables and other current liabilities for EUR 54.5 million (EUR 27.9 million in the comparison period), to which the main contributors were the Design sector for EUR 20.0 million (EUR 6.9 million as at 31 December 2018), the Nursing Home sector for EUR 12.7 million (EUR 7.6 million as at 31 December 2018), the Automotive sector for EUR 7.4 million (EUR 8.1 million as at 31 December 2018) and the Apparel sector for EUR 6.6 million (absent in the previous financial year).

Consequently, **Net invested capital** was equal to EUR 488.9 million (EUR 278.8 million as at 31 December 2018), and inclusive, as previously explained, of rights of use recorded in compliance with IFRS 16 standard for a total of EUR 193.4 million. The capital invested was financed by equity for EUR 237.0 million (EUR 249.3 million in the comparison period) and by net financial position for EUR 251.9 million (EUR 29.5 million as at 31 December 2018), also affected by the application of IFRS 16 standard (financial lease liabilities totalling EUR 206.2 million).

Equity pertaining to the Group amounted to EUR 220.1 million (EUR 221.2 million as at 31 December 2018), while that pertaining to non-controlling interests amounted to EUR 16.9 million (EUR 28.1 million as at 31 December 2018) .

Against the described consolidated financial and equity figures, the **net financial position** was negative and amounted to EUR 251.9 million (compared to negative EUR 29.5 million as at 31 December 2018). The detailed breakdown of the item is shown below. As mentioned before, the deterioration of this position is due to application of IFRS 16 standard, which implied the increase in financial liabilities for EUR 206.2 million. Net of such component, the net financial position amounted to negative EUR 45.7 million, in worsening due to important acquisitions made during the year (Sport Fashion Service S.r.l., Galassia S.r.l., Disegno Ceramica S.r.l. and add-on acquisitions of Zaffiro Group), partially but significantly offset by the generation of important financial resources from the industrial subsidiaries and by valorisation of non-core assets.

Statement relating to the net financial position

(Thousands of EUR)	**31.12.2019**	**31.12.2018**
Cash	103	224
Other cash and cash equivalents	173.062	223.598
Securities held for trading	-	-
Current liquidity	**173.165**	**223.822**
Current financial receivables	**25**	**-**
Bank loans and borrowings	(71.805)	(56.615)
Bonds	(131.397)	(174.100)
Other financial payables	(221.918)	(22.626)
Financial debt	**(425.120)**	**(253.341)**
Net financial position	**(251.930)**	**(29.519)**
- of which IFRS 16 financial liabilities	*(206.182)*	-
Net financial position before IFRS 16	**(45.748)**	**(29.519)**

Significant events in the year

Implementation of measures defined in the Strategic Plan

On 28th June 2019, Gruppo Zaffiro S.r.l. and Primonial Group ("Primonial), a leading international investor with EUR 37 billion assets under management, signed a contract (the "Contract ") for the acquisition of 6 real estate properties related to some operating nursing homes (2 of which owned by Sarafin Srl, referable to the CEO of Zaffiro Group S.r.l., Mr. Gabriele Ritossa) and for the implementation of a future acquisition program for over EUR 120 million focused on the development of 7 local nursing units located throughout Italy and already contracted by the group.
The Contract provides that Primonial will hold the real estate component while Zaffiro Group will run the nursing facilities.
Simultaneously with the signing of the above Contract, Gruppo Zaffiro S.r.l. sold the first real estate property to Primonial for over EUR 15 million, realizing a capital gain. Other 5 transactions, already foreseen by the Contract, are expected to be carried out by the end of 2019 / beginning 2020.
This operation represents a further recognition of the reliability and dependability of the development project pursued by the Zaffiro Group and of its operations based on best quality standards, capable of attracting leading players on the international market.

The project meets the needs of the Italian Nursing Home sector which requires significant investments and shows a continuously growing deficit in terms of beds available in specialised assistance facilities for dependent elderly people.

The Contract with Primonial will help to boost the Group's development plans which aims to achieve over 5,000 beds under management in the coming few years, pursuing a growth strategy based on careful research and qualitative selection of top local facilities, successfully realised with the acquisitions of long-standing businesses such as "Villa Speranza" in Sanremo and "Villa Gisella" in Florence only during the last year.

In June 2019, two new investments in the Design sector took place. Precisely, Mittel S.p.A., through a fully-owned subholding company Mittel Design S.r.l., acquired a majority stake in Galassia Group S.r.l. and 80% of Disegno Ceramica S.r.l., two long-standing businesses in the ceramic district of Civita Castellana.
These transactions strengthen the ambitious project to develop a hub of excellence in the design sector which is characterized by clear recognition in various segments and products. This hub will develop around Ceramica Cielo S.p.A., acquired in June 2017, which continues to show high growth rates and the increasing brand awareness at the international level, under the guidance of dr. Alessio Coramusi, its shareholder and CEO. The CIELO brand nowadays is considered one of the landmark brands in the industry of design bathroom furnishings.
The recent operations allowed to establish the group employing over 350 people, with EUR 65 million total turnover and significant export shares.

On 12 July 2019, Mittel S.p.A. repaid in full the "Mittel 2013-2019" Bond (ISIN IT0004936289) at maturity for a total disbursement of EUR 41.7 million, entirely funded with the Company's available cash.

On 23 July 2019, Gruppo Zaffiro S.r.l. completed the process of corporate simplification through creation of two fully-controlled sub-holding companies: Zaffiro Nord S.r.l. (ex Zaffiro Rivignano S.r.l.) and Zaffiro Centro Sud S.r.l. (ex Zaffiro Urbania S.r.l.), which run local business units present in respective geographical areas.

On 24 July 2019, the increase in the shareholdings of Gruppo Zaffiro S.r.l., reserved for the minority Shareholder Blustone S.r.l. (the company referable the Chief Executive Officer of the group), was subscribed and fully paid-in, pursuant to the agreements signed in November 2016 at the time of Mittel S.p.A. becoming the shareholder. Following the full implementation of this increase, for a total of EUR 5.4 million, Mittel S.p.A. holds a 60% stake in the capital of Gruppo Zaffiro S.r.l.

On 18 November 2019, in accordance with the guidelines of investment strategy in companies representing the Italian excellence, Mittel finalized the acquisition of 90% of Sport Fashion Service S.r.l. ("Ciesse Piumini"), operating in Urban/Lifestyle and Outdoor segments of the clothing sector. The iconic brand Ciesse Piumini enjoys the high level of awareness on the market and extends its professional expertise in technical and sport products, gained over time and used for extreme sport expedition wear, to the production of clothing garments suitable for Urban fashion, combining thus the production excellence with comfort and style.
The development strategy of Ciesse Piumini envisages an *omnichannel* distribution model, which focuses on brand development through digital sale and communication channels, further consolidation of the traditional distribution channels and selective development on international markets. In the context of the acquisition project, Mr. Fabio Primerano was appointed Executive President of Ciesse Piumini. Mr. Primerano boasts significant managerial experience in international companies and in business development through digital channels which confirm their increasing importance in the Apparel & Clothing sector. The overall investment for the acquisition of 90% of the capital of Sport Fashion Service Srl, was fully financed by own funds of Mittel S.p.A. and amounted to a total of EUR 11.3 million plus EUR 4.1 million relating to the takeover of the shareholders' loan in force at the closing date. Depending on the results of Ciesse Piumini in the coming years, a potential earn-out in favor of the seller is also envisaged in the agreement signed.

Governance and corporate events

On 24 January 2019, the members of the Executive Committee of Mittel S.p.A., Mr. Marco Giovanni Colacicco, through a controlled company, Mr. Michele Iori and a company in which the Executive Committee member Mrs. Anna Francesca Cremascoli holds a non-controlling interest, informed Mittel S.p.A. that they acquired shares representing 2.15% of the Company's share capital for a total investment of Euro 3.3 million (price of Euro 1.75 per share). The shares were acquired from Progetto Co-Val S.p.A. under a broader operation aimed at recovering the Company's free float following the takeover bid launched by the former and finalised in November 2018.

The Shareholders of Mittel SpA in the Shareholders' Meeting held on 28 January 2019, chaired by dr. Michele Iori, deliberated unanimously:

- to determine in seven the number of members of the Board of Directors;
- to appoint a Board of Directors, which will remain in office for three years, or until the date of the Shareholders' Meeting called to approve the financial report as of December 31, 2021: dr. Michele Iori (Chairman), dr. Marco Giovanni Colacicco, eng. Anna Francesca Cremascoli, prof. Riccardo Perotta, lawyer Anna Saraceno, lawyer Patrizia Galvagni and dr. Gregorio Napoleone, indicated in the list filed by the Shareholder Project Co-Val S.p.A .;
- to establish, in Euro 140,000.00, the gross remuneration of the Board of Directors, in relation to the duties assigned, for each of the three time periods, requesting a Board of Directors to grant additional compensation for the directors invested with particular duties envisaged by law;
- to exempt administrators from the prohibition pursuant to art. 2390 of the civil code;
- to confirm the appointments - taken by the Board of Directors on 30 November pursuant to art. 2401 of the Italian Civil Code – as an effective statutory auditor of dr. Giulio Tedeschi and Chairman of the Board of Statutory Auditors of Dr. Maria Teresa Bernelli and to appoint as alternate auditors, in addition to the current Board of Statutory Auditors - which will remain in office until the date of the Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2018 - and in compliance with the discipline dictated by the balance between genders, dr. Alessandro Valer and dr.ssa Stefania Trezzini, proposed by the Shareholder Progetto Co-Val S.p.A.

The Shareholders' Meeting, inter alia, deliberated unanimously - in line with the commitments made by the Company, on 30 November 2018, in the context of the agreement of consensual and early termination of the collaboration with eng. Rosario Bifulco - to irrevocably renounce the social action of responsibility, ex art. 2393 of the Italian Civil Code, in relation to any fact and/or behaviour of the latter in execution of the office of Director, Chairman of the Board of Directors and Chief Executive Officer covered by the same in the Company and/or of the aforementioned collaboration agreement, in any case, except for cases of fraud.

The Board of Directors of Mittel S.p.A., which met at the end of the Shareholders' Meeting, confirmed the governance model of the Company which sees, in continuity, the appointment of a Deputy Chairman (dr. Marco Giovanni Colacicco) and the institution, for the operational management, of an Executive Committee composed by dr. Marco Giovanni Colacicco (Chairman), dr. Michele Iori and eng. Anna Francesca Cremascoli.
The Board of Directors also proceeded to appoint the members of the Internal Committees to the Board, namely:

- Control and Risk Committee: Chairman prof. Riccardo Perotta, component lawyer Patrizia Galvagni;
- Remuneration and Appointments Committee: Chairman prof. Riccardo Perotta, component dr.Gregorio Napoleone;
- Related Parties Committee: Chairman lawyer Patrizia Galvagni, members prof. Riccardo Perotta and dr. Gregorio Napoleone;
- Director in charge of the Internal control and Risk Management system: eng. Anna Francesca Cremascoli.

The Shareholders of Mittel SpA, in the Shareholders' Meeting held on 29 April 2019, unanimously resolved:

- to approve the Directors' Report on Operations and the Financial Statements at 31 December 2018, as well as the proposal to allocate the profit for the year of Euro 43.323.501 to the legal reserve for Euro 820.941, carrying forward the remaining amount of Euro 42.502.560;
- to approve, in extraordinary session, (i) the cancellation of all the nr. 6.559.649 treasury shares owned by Mittel S.p.A. through the simultaneous elimination of the expressed nominal value of the ordinary shares, without therefore reducing the amount of the share capital equal to EUR 87.907.017 to be divided into 81.347.368 shares without the indication of the nominal value; (ii) further minor amendments to the Articles of Association;
- to appoint as members of the Board of Statutory Auditors dr. Fabrizio Colombo, Chairman, dr. Giulio Tedeschi and dr. Federica Sangalli, standing auditors and, as alternate auditors, dr. Alessandro Valer and Dr. Stefania Trezzini, who will remain in office until the approval of the financial statements for the year ending December 31, 2021. These names were taken from the single list of candidates presented by the shareholder Progetto Co-Val S.p.A .;
- to grant the Board of Statutory Auditors an annual fee of Euro 60.000 for the Chairman and Euro 40.000 for each effective member.

The Shareholders' Meeting also approved the first section of the Remuneration Report prepared pursuant to art. 123 - ter of Legislative Decree n. 58 of 24 February 1998.

On 2nd October 2019 Mittel S.p.A. received the resignation letter of immediate effect from the non-executive independent Director dr. Gregorio Napoleone, motivated by professional commitments. Dr. Gregorio Napoleone was appointed by the Shareholders' Meeting on January 28, 2019 as a candidate named in the only list filed by Progetto Co.Val S.p.A. and served as member in the Remuneration & Appointments and The Related Parties Committees.

On 30th October 2019, the Board of Directors of Mittel S.p.A., chaired by dr. Michele Iori, appointed by cooptation dr. Gabriele Albertini as Director of the Company. Dr Gabriele Albertini combines a high institutional profile with a consolidated entrepreneurial experience. He held top managerial positions in industrial groups, in Confindustria and in Assolombarda. Mayor of Milan for two terms, he was elected Member of the European Parliament (1st election in 2004, 2nd election in 2009) and held the position of the Chairman of the Foreign Affairs Committee and other committees such as the Transport & Tourism, Industry, Research & Energy committees, etc. He served as Senator of the Italian Republic from March 2013 till March 2018. The Board of Directors, having verified the independence and integrity requirements of the candidate, appointed dr. Albertini as member of the "Related Parties Committee" and of the "Remuneration & Appointments Committee" completing the composition of the mentioned authorities.

Significant events after 31 December 2019

Pursuant to the provisions of IAS 10, we inform you that in the period since 31 December 2019, which is the reference date of the financial statements, and 29 April 2020, which is the approval date of the financial statements by the Board of Directors, no events occurred such as to entail changes or correction of the data presented in the financial statements. It should be noted, however, as an important fact attributable to the category of events, that, pursuant to accounting standard IAS 10, the declaration of the international emergency due to the Coronavirus epidemic does not entail any adjustment of the financial statement values, as the event and its consequences took place after the date of the financial statements.

As known, that since January 2020, the Italian and international scenarios were characterised by the spread of the new Coronavirus (COVID-19) disease and by consequent restrictive measures for its containment put in place by the public authorities in the countries hit by the epidemic.

In particular, the Italian Council of Ministers in their decision of 31 January 2020 declared the state of emergency. The month of February saw the spread of the virus throughout the country.
To meet sanitary emergency needs, the Italian government issued a series of decree laws envisaging urgent measures to tackle with the epidemiological situation caused by COVID-19 and providing for:

- urgent support measures for families, workers and businesses (Decree Law 2 March 2020, n. 9);
- suspension of schools and universities throughout Italy (Dpcm 4 March 2020);
- ban on the mobility of individuals (except for work, health or basic necessities), social distancing and suspension of a series of economic activities (the Decree law of the Italian Presidency of the Council of Ministers dated 8th March and later decree law, enacting additional provisions);
- measures aimed at strengthening the national health service and provisions for economic support for families, workers and businesses (Decree Law 17 March 2020 nr. 18 #CuraItalia);
- the establishment of a committee of experts in economic and social matters (Dpcm 10 April 2020).

Due to such situation, the Group, in addition to immediate actions put in place to ensure employees' safety, adhered, whenever possible, to remote working solutions aimed at counteracting the risk of contagion and at ensuring the continuity of the group operations.

In the Nursing Home sector qualified as 'essential' services, the local business units and their personnel played an active role fighting against the pandemic by continuously assisting the seniors and by supporting the public health system, directly involved in treating patients affected by the virus.

The nursing units had to quickly adapt to safety protocols developed by the national institutions and by the Ministry of Health, provided for purchase of specific equipment and Personal Protective Equipment for their personnel, implemented new guidelines for the visitors' access to care facilities, for living and hospitalization of the seniors, as well as for the operation procedures and training needs for the healthcare personnel. In addition, they introduced electronic devices facilitating direct contact and communication with relatives regarding the clinical conditions of their seniors.

For other companies, in particular for those exposed to ‘retail’ dynamics and/or operating in 'non-essential' good and service production, that suffer the most from the containment measures, the Group has implemented specific measures for monitoring and reorganizing production introducing work flexibility and remote work, wherever and whenever possible. Some production departments of the industrial companies were gradually suspended in March 2020 and secured. Due to these suspensions, some of the group companies will access, on certain conditions, to rescue measures envisaged by the “Cura Italia” decree law.

The present constantly evolving situation influences, directly and indirectly, the economic activities, the financial markets and the consumer confidence worldwide; these circumstances, extraordinary in their nature and extent, have created a context of general uncertainty, which evolution and effects are difficult to quantify and to evaluate at the present stage.

It should be noted that the event nature described in the above paragraph and the lack of all elements to quantify its impact, also due to the general uncertainty context, in case of further propagation of the infection, may have unpredictable and potentially significant effects on the Group’s business operations in future and consequently on the Group's economic, financial and equity figure results.
.
However, the sensitivity analysis carried out with assumptions of certain revenue decline over some reasonable time span, in the continued scenario of uncertainty, do not highlight relevant issues in terms of impairment tests and valuation of the balance sheet items; this periodic monitoring will be done regularly in order to mitigate risks of the present contingent situation.

At present, taking into account the solidity of equity, income and liquidity indicators as well as specificity and diversification of the Group business operation areas, there are no elements that should affect the business continuity of the Group. Furthermore, we believe that, thanks both to the measures envisaged by the Italian Government and to the prompt cost saving actions implemented by the Group, it will be possible to absorb the inevitable production and commercial repercussions and to back up the valuation expectations on investments in the medium-long term.

Business outlook for the year

During the year ended 31 December 2019, the Company concentrated its efforts on creating value for all its Shareholders.

Specifically, multiple actions were implemented in support of the consolidation and development process in the segments in which the Group is already present: nursing homes for dependent elderly people, design sanitary ceramics and automotive components are all areas on which the group plans to engage both internal and external growth.
The acquisitions in the Design sector, completed in June 2019, and the development agreement signed by Zaffiro Group with the leading international player Primonial are significant steps of this important strategy. These investments have high profitability forecasts in the medium-long term.

In the second half of the year, alongside with the consolidation process continued for the above mentioned projects, the development strategy received a fresh impetus in November 2019 when Mittel S.p.A. finalized the acquisition, funded entirely by own financial resources, of 90% of Sport Fashion Service S.r.l., owning the iconic brand Ciesse Piumini and operating in the Urban/Lifestyle and Outdoor segments of the clothing sector.

Compatibly with the current contingency, the Group will continue, also in future, the research of new investment platforms, aiming at investments in companies that express the Italian business excellence and that can benefit from the Group's financial and strategic contribution. The acquisition transactions will continue to be funded, alongside with the significant cash and cash equivalents of the Group, through financial resources generated by disposal of non-strategic assets, which at present mainly refer to the real estate sector and to some financial receivables.

Despite the persisted weakness of the macroeconomic scenario, especially in the Automotive sector, the Group's results will incorporate, in the coming months, the effects of the growth process engaged in the Nursing Home, Design and Apparel sectors, by consolidating the profitability margins of the companies acquired in June (Disegno Ceramica S.r.l. and Galassia S.p.A.) and in November (Sport Fashion Service S.r.l.), that have contributed only partially to the 2019 consolidation (due to their acquisition date). A significant impact has already been achieved and will continue to prove beneficial in future due to the reduction of holding costs and, in particular, the full repayment - which took place last July - of the bond loan " Mittel 2013-2019", which will allow to record annually minor financial charges for nearly EUR 3 million.

The evolution of the Group's results will depend on the operation results of the sectors where it hold strategic shareholdings, as well as on the performance of the real estate and financial markets, to which the returns on assets managed by non-industrial companies are strictly linked. The information available to date does not allow the Group and the group subsidiaries to fully consider the effects of the COVID-19 pandemic, as the evolution of the phenomenon, its duration and severity, as well as the impact on Group's operations are neither predictable nor reliably quantified at the present stage. It is challenging to develop reliable analytical outlooks on the real impacts that will influence the 2020 financial year.

Based on the information available to date, it is worth noting that the timing of the strategic actions mentioned above and their effects could be influenced by the spread of the pandemic and by the consequent restrictive measures for its containment. In the first months of 2020, some signs of contraction have already taken place, particularly in the Apparel, Automotive and Design sectors, due to the restrictive measures enacted on the Italian and other markets. The Group follows the evolution of the situation through constant monitoring and ensures the adequate planning of the business operations and the measures to counteract exposition to risks.

However, it should be stressed that the Group has demonstrated its ability to promptly react to changed scenarios, over time and in the present situation; the Group management has already taken actions to protect the Group and to mitigate possible negative effects on the results for the current year, aimed at strengthening the existing shareholdings.
It is extremely important to underline that the Group's capital and financial solidity guarantee a strong autonomy to support the Group's operating needs and development programs.
The corporate management confirms that, compatibly with the uncertainty and the duration of the present contingency, and within the limits of the actions taken to counteract the negative effects of the same, the process of consolidating the current shareholdings and investments, as well as the strategic development projects will be continued and will be focused on creating long-term value for all the Shareholders.

*** *** ***

Financial highlights of Parent Company Mittel S.p.A.

The Company closed the financial year ending December 31, 2019 with a net profit of EUR 9.2 million (net profit of EUR 43.4 million as of December 31, 2018).

The 2019 result of the year was positively influenced by non-recurring transactions of particularly significant amount, among which the most noteworthy are: (i) significant capital gain (EUR 3.7 million) recorded upon sale of the headquarters previously held in Piazza Diaz 7; (ii) distribution of dividends (EUR 9.8 million), upon final liquidation, from the company Ghea S.r.l. in liquidation, vehicle which still held part of the Group's liquidity from divestment from Livanova PLC in previous years.

Equity, as at 31 December 2019, amounted to EUR 214.5 million compared to EUR 205.2 million of the year ended 31 December 2018, with an increase of EUR 9.2 million essentially due to the net effect of the profit for the year.

Net financial position resulted positive for EUR 49.4 million (compared to positive EUR 58.8 million as at 31 December 2018), but negatively affected by the application of IFRS 16 standard, with the consequent increase in financial liabilities for EUR 5.7 million. Net of such component, net financial position was positive for EUR 55.1 million, lower by EUR 3.7 million only compared to the previous period, despite substantial investments made for the acquisitions during the year (especially in the Design and the Apparel sectors), thanks to revenues from sale of the real estate property in Piazza Diaz (EUR 6.7 million) and to substantial distributions (for EUR 22.1 million) from historically owned subsidiaries (Ghea Srl in liquidation, Earchimede S.p.A. and Mittel Advisory S.r.l. in liquidation) as a result of valuations made.

Main economic, financial and equity figures of Mittel S.p.A.

(Thousands of EUR)	31.12.2019	31.12.2018
Revenue and other income	4.703	1.426
Purchases, provision of services, sundry costs	(2.855)	(5.801)
Personnel costs	(3.123)	(3.138)
Net operationg costs	**(1.276)**	**(7.513)**
Dividends	19.497	47.925
Profit (loss) from investments and financial assets	-	6.215
Operating margin (EBITDA)	**18.221**	**46.627**
Amortisation/depreciation, allocations and adjustments to non-current assets	(342)	(336)
Operating result (EBIT)	**17.879**	**46.292**
Profit (loss) from financial management	(3.922)	(2.156)
Value adjustments to investments and financial assets	(9.289)	(8.653)
Profit (loss) before taxes	**4.668**	**35.483**
Taxes	4.536	7.840
Net profit (loss) for the year	**9.204**	**43.324**

The most significant details of these items are presented below:

- **Revenues and other income**: EUR 4.7 million, in net increase compared to EUR 1.4 million as at 31 December 2018, mainly due to a capital gain recorded from the already mentioned sale of the property in Piazza Diaz 7 in Milan.

- **Purchases, provision of services, sundry costs:** EUR 2.9 million compared EUR 5.8 million recorded at 31 December 2018; in major detail, this reclassified item of the income statement includes:
  (i) service costs of EUR 2.0 million (EUR 4.7 million as at December 31, 2018);
  (ii) other costs of EUR 0.8 million (EUR 1.1 million as at December 31, 2018).

- **Personnel costs:** EUR 3.1 million, substantially in line with that of the comparison period.

- **Dividends:** EUR 19.5 million (EUR 47.9 million as at 31 December 2018), of which EUR 9.8 million coming from the aforementioned distribution from Ghea S.r.l. in liquidation, EUR 7.5 million from the subsidiary Earchimede S.p.A. (the amount however is to be read together with the value adjustment of EUR 6.9 million made post-distribution in order to realign the book value of the investment to the new recoverable value) and EUR 2.0 million attributable to the distribution from the investee Mittel Advisory S.r.l. in liquidation (always to be read together with a write-down of EUR 1.5 million made post-distribution).

- **Profit (loss) from financial management**: loss of EUR 3.9 million (loss of EUR 2.2 million in the comparison period). The item is attributable to the net effect of financial income of EUR 2.6 million (EUR 5.9 million in the previous year), mainly due to interest income accrued on financial receivables, and of financial charges of EUR 6.5 million (EUR 8.1 million in the comparison period), almost entirely related to two previous bonds, one of which was repaid at maturity in July 2019 and affected negatively the income statement up to that date (for EUR 1.5 million).

- **Net value adjustments on investments and financial assets** totalled EUR 9.3 million (EUR 8.7 million at 31 December 2018) and referred to:
  (i) value adjustments on investments for EUR 8.4 million (EUR 3.0 million in the comparison period), relating to Earchimede S.p.A. (EUR 6.9 million) and to Mittel Advisory S.r.l. in liquidation (EUR 1.5 million), to be read, as described above, together with distributions made by subsidiaries and recorded as dividends into balance sheet accounts;
  (ii) net value adjustments of financial assets, loans and receivables for EUR 0.9 million (EUR 5.7 million in the previous year); the item consists of negative EUR 1.5 million by net write-downs of financial assets (value in line with the comparison period), mainly due to fair value adjustment of residual real estate mutual funds and for positive EUR 0,6 million due to value recovery of financial receivables held (net value adjustments of EUR 4.2 million in the comparison period), in order to align the measurements to recovery forecasts and expected collection timing as at the reporting date.

- **Taxes:** the item made a positive contribution to the income statement for EUR 4.5 million (positive contribution for EUR 7.8 million at 31 December 2018) and is primarily explained by the effect of:
  (i) the recognition of the current tax benefit, totalling EUR 2.5 million, deriving from the use, within the tax consolidation, of current and previous tax losses and surpluses of interest expense pertaining to the Company;
  (ii) revenue from allocation of deferred tax assets for EUR 2.0 million, due to the significant modifications in the Group's perimeter that occurred with the acquisitions during the year which resulted in the inclusion, in the consolidated tax perimeter, of companies with considerable taxable income and the resulting changes in the expectations for the recovery of latent tax benefits, mainly represented by tax losses and interest expenses accrued in prior years and carried forward by the Company.

Main financial and equity figures of Mittel S.p.A.

(Thousands of EUR)	**31.12.2019**	**31.12.2018**
Intangible assets	17	41
Property, plant and equipment	6.117	3.266
- of which rights of use IFRS 16	*5.612*	-
Investments	81.295	57.230
Non-current financial assets	70.110	75.987
Provisions for risks, employee severance indemnity and employee benefits	(1.446)	(1.411)
Other non-current assets (liabilities)	160	160
Tax assets (liabilities)	6.575	8.410
Net working capital (*)	2.199	2.784
Net invested capital	**165.027**	**146.466**
Total equity	**(214.452)**	**(205.259)**
Net financial position	**49.425**	**58.793**
- of which IFRS 16 financial liabilities	*5.678*	-
Net financial position before IFRS 16	**55.103**	**58.793**

(*) Comprised of the sum of inventories, sundry receivables (payables) and other current assets (liabilities)

Property, plant and equipment and **intangible assets** amounted to EUR 6.1 million (EUR 3.3 million in the previous year) and is mainly related to the rights of use recognized as the result of the application of IFRS 16 standard (EUR 5.6 million). To be noted that the aforementioned property in Piazza Diaz 7, Milan, explained the main part of the item of the previous year (EUR 3.1 million).

Investments amounted to EUR 81.3 million, compared to the EUR 57.2 million for the year ended 31 December 2018. The sharp increase in the item is explained by the effect of:

- EUR 21.8 million increase of the book value of the total shareholding in Mittel Design S.r.l., a sub-holding group for the design bathroom furnishings, to address funding needs related to the purchase of the additional stake in Ceramica Cielo S.p.A. and to the acquisitions of Galassia S.r.l. and Disegno Ceramica S.r.l. in June;
- the increase of the consideration paid (EUR 11.6 million) for the acquisition of 90% of Sport Fashion Service S.r.l. in November;
- EUR 1.9 million relating to the purchase of interests in the subsidiary Earchimede S.p.A from the minority shareholders;

- reduction for EUR 2.8 million due to the completion of the liquidation process of the investee company Ghea S.r.l. in liquidation (final distribution pertaining to Mittel of EUR 12.6 million, with a positive contribution to the income statement for EUR 9.8 million);
- value adjustments totalling EUR 8.4 million (EUR 6.9 million for Earchimede S.p.A., EUR 1.5 million for Mittel Advisory S.r.l. in liquidation) and related to significant distributions made by the subsidiaries during the year, as already commented upon in the corresponding income items.

Non-current financial assets amounted to EUR 70.1 million, compared to EUR 76.0 million for the year ended 31 December 2018, marking a decrease of EUR 5.9 million. This was essentially due to the effects of:

- the decrease of EUR 4.2 million of non-current financial receivables from EUR 60.4 million to EUR 56.3 million; among the positions with major reduction, there is the one related to the associated company Mittel Generale Investimenti S.r.l. which recorded EUR 14 million collections for Mittel S.p.A. during the year; on the other hand, the main increases refer to: (i) the acquisition, in connection with the equity investment, of a shareholder loan versus Sport Fashion Service S.r.l. for about EUR 4 million; (ii) the increase of approx. EUR 4 million of the loan to Mittel Design S.r.l. (in connection with the increases in equity investments for the acquisitions made during the year);
- the decrease of EUR 1.7 million in other non-current financial assets, which fell from EUR 15.6 million to EUR 13.9 million due to: (i) reduced collections for EUR 0.2 million; (ii) net valuation reductions of EUR 1.5 million.

Provisions for risks, employee severance indemnity and employee benefits amount to EUR 1.4 million and are substantially in line with the previous year. In particular, at 31 December 2019, this item is composed, for EUR 1.0 million, of Provisions for personnel and, for EUR 0.4 million, of Provisions for risks and charges.

Tax assets amount to EUR 6.6 million, compared to EUR 8.4 million of the previous year, marking a decrease of EUR 1.8 million. The item essentially is comprised of: (i) current tax assets of EUR 0.6 million, in sharp reduction compared to the EUR 4.4 million of the previous period due to offsetting used by the Company during the year and intra-group sales in favor of the subsidiaries for their subsequent use of offsetting: (ii) deferred tax assets of EUR 6.0 million, with an increase of EUR 2.0 million due to further modifications in the Group's perimeter thanks to the acquisitions done during the year, which resulted in the inclusion, in the consolidated tax perimeter, of companies with considerable taxable income and the resulting changes in the expectations for the recovery of latent tax benefits, mainly represented by considerable tax losses and interest expenses accrued in prior years and carried forward by the Company.

Net working capital is positive for EUR 2.2 million and compared to positive EUR 2.8 million in the previous year), recording a decrease of EUR 0.6 million. The reclassified item is due to net effect of: (i) sundry receivables and other current assets for EUR 7.4 million (EUR 9.8 million in the previous year), mainly explained by receivables from subsidiaries (mainly tax items, largely attributable to the receivables from Group tax consolidation or VAT or to assignments of intragroup tax credits still to be settled); ii) sundry payables and other current liabilities of EUR 5.2 million (EUR 7.0 million in the previous year), mainly represented by trade payables and intragroup items of a fiscal nature (for tax consolidation or Group VAT) .

Equity amounted to EUR 214.5 million, compared to EUR 205.3 million at 31 December 2018, marking an increase of EUR 9.2 million that corresponds to the profit for the year.

Net financial position amounted to positive EUR 49.4 million, compared to positive EUR 58.8 million at 31 December 2018, being negatively affected by the first application of IFRS 16 with consequent recognition of increased financial liabilities for EUR 5.7 million. Net of IFRS 16 effect, the net financial position amounted to EUR 55.1 million, down by EUR 3.7 million only, if compared to the previous period, notwithstanding substantial investments in acquisitions made during the year (especially in the Design and Apparel sectors), thanks to the proceeds from sale of the headquarters property previously held in Piazza Diaz 7 in Milan (EUR 6.7 million) and to substantial distributions (for over EUR 20 million) made by some subsidiaries of the heritage perimeter (Ghea S.r.l. in liquidation, Earchimede S.p.A. and Mittel Advisory S.r.l. in liquidation).
In terms of components, the following table provides the breakdown of values and variations in the company's net financial position.

Statement relating to the net financial position

(Thousands of EUR)	31.12.2019	31.12.2018
Cash	7	7
Other cash and cash equivalents	137.800	161.566
Securities held for trading	-	-
Current liquidity	**137.807**	**161.574**
Current financial receivables	**48.693**	**71.411**
Bank loans and borrowings	-	(92)
Bonds	(131.397)	(174.100)
Other financial payables	(5.678)	-
Financial debt	**(137.075)**	**(174.192)**
Net financial position	**49.425**	**58.793**
- of which IFRS 16 financial liabilities	*5.678*	-
Net financial position before IFRS 16	**55.103**	**58.793**

Attached are the consolidated and Parent Company tables which summarize the Financial Position and Income statements data.

Proposal of the Board of Directors

The Board of Directors proposes to the Shareholders' Meeting to carry forward the operating profit of 9.204.063 EURs.

*** *** ***

Approval of the Corporate Governance Report and Report on the Remuneration Policy

The Board of Directors has approved the Corporate Governance Report and the Report on Remuneration Policy and on remuneration paid pursuant to ex art. 123 ter of the Consolidated Law on Finance (TUF). The Corporate Governance Report and the Report on Remuneration Policy and on remuneration paid pursuant to ex art. 123 ter of the Consolidated Law on Finance (TUF) will be made available to the public according to the arrangements and within the terms established by law and by regulatory provisions in force.

*** *** ***

Calling of the Shareholders’ Meeting

The Board of Directors has resolved to convene the Shareholders' Meeting on 26th June 2020, in order to (i) approve the 2019 financial statements; (ii) to integrate the Board of Directors composition following the appointment by co-optation, during the year, of the Director dr. Gabriele Albertini; (iii) approve the first section of the Report on Remuneration Policy and on remuneration paid pursuant to ex art. 123 ter of the Consolidated Law on Finance (TUF).

MITTEL S.p.A.

Contacts

Mittel S.p.A.
Pietro Santicoli – *Investor Relator*
tel. 02.721411, fax 02.72002311, e-mail investor.relations@mittel.it

Moccagatta Associati (Media)
Tel. 02.86451419 / 02.86451695, e-mail segreteria@moccagatta.it

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in EUR

	Note	31.12.2019	31.12.2018
Non-current assets			
Intangible assets		105.502.192	73.369.200
Property, plant and equipment		260.556.541	46.888.546
Investments accounted for using the equity method		6.113.343	6.120.783
Financial receivables		33.459.672	45.800.456
Other financial assets		16.360.952	17.864.891
Sundry receivables and other assets		898.056	901.030
Deferred tax assets		11.416.804	4.586.084
Total non-current assets		**434.307.560**	**195.530.990**
Current assets			
Inventories		78.514.446	78.256.888
Financial receivables		25.200	-
Current tax assets		1.614.228	5.413.498
Sundry receivables and other assets		50.200.403	23.202.574
Cash and cash equivalents		173.165.262	223.822.291
Total current assets		**303.519.539**	**330.695.251**
Assets held for sale		-	18.955.825
Total assets		**737.827.099**	**545.182.066**
Equity			
Share capital		87.907.017	87.907.017
Share premium		53.716.218	53.716.218
Treasury shares		-	(11.178.114)
Reserves		78.053.424	89.384.199
Profit (loss) for the year		450.118	1.323.622
Equity pertaining to the Group		**220.126.777**	**221.152.942**
Non controlling interests		16.875.378	28.128.346
Total equity		**237.002.155**	**249.281.288**
Non-current liabilities			
Bond issue		129.307.985	129.255.667
Financial payables		261.976.258	55.161.752
Other financial liabilities		5.958.197	210.248
Provisions for personnel		7.721.677	5.327.979
Deferred tax liabilities		9.097.541	7.041.128
Provisions for risks and charges		1.939.004	1.505.662
Sundr payables and other liabilities		827.339	154.958
Total non-current liabilities		**416.828.001**	**198.657.394**
Current liabilities			
Bond issue		2.089.090	44.844.360
Financial payables		19.420.424	10.668.980
Other financial liabilities		6.368.374	13.200.000
Current tax liabilities		1.643.054	137.443
Sundry payables and other liabilities		54.476.001	27.850.505
Total current liabilities		**83.996.943**	**96.701.288**
Liabilities held for sale		-	542.096
Total equity and liabilities		**737.827.099**	**545.182.066**

CONSOLIDATED INCOME STATEMENT

Amounts in EUR

	31.12.2019	31.12.2018
Revenue	141.256.125	113.924.506
Other income	9.506.341	3.727.002
Variations in inventories	(14.609.172)	(12.751.615)
Costs for purchases	(39.005.149)	(33.731.717)
Costs for services	(28.870.750)	(29.025.808)
Personnel costs	(40.639.283)	(30.661.834)
Other costs	(3.492.816)	(2.557.783)
Amortization and value adjustments to intangible assets	(14.491.755)	(5.726.383)
Allocations to the provision for risks	(244.060)	(224.004)
Share of income (loss) of investments accounted for using the equity method	7.400	(667.756)
Operating Result	**9.416.881**	**2.304.608**
Financial income	2.207.509	4.143.369
Financial expenses	(14.426.130)	(16.288.119)
Dividends	182.525	214.578
Profit (Loss) from mangement of financial assets and investments	98.729	8.788.698
Value adjustments to financial assets and receivables	(1.364.495)	(4.700.763)
Income (loss) before taxes	**(3.884.981)**	**(5.537.629)**
IIncome taxes	4.138.344	7.845.929
Profit (loss) for the year	**253.363**	**2.308.300**
Attributable to:		
Income (loss) pertaining to non controlling interests	(196.755)	984.678
Profit (loss) pertaining to the Group	**450.118**	**1.323.622**

STATEMENT OF FINANCIAL POSITION PARENT COMPANY

Amounts in EUR

	31.12.2019	31.12.2018
Non-current assets		
Intangible assets	17.003	40.646
Property, plant and equipment	6.116.923	3.265.955
Investments	81.294.977	57.230.000
Financial receivables	56.256.725	60.428.120
Other financial assets	13.853.109	15.558.528
Sundry receivables and other assets	160.103	160.467
Deferred tax assets	6.022.408	4.001.493
Total non-current assets	**163.721.248**	**140.685.209**
Current assets		
Financial receivables	48.692.502	71.411.024
Current tax assets	575.069	4.430.784
Sundry receivables and other assets	7.428.751	9.829.909
Cash and cash equivalents	137.807.344	161.573.502
Total current assets	**194.503.666**	**247.245.219**
Assets held for sale	-	-
Total assets	**358.224.914**	**387.930.428**
Equity		
Share capital	87.907.017	87.907.017
Share premium	53.716.218	53.716.218
Treasury shares	-	(10.922.557)
Reserves	63.624.236	31.234.671
Profit (loss) for the year	9.204.063	43.323.501
Total equity	**214.451.534**	**205.258.850**
	-	-
Non-current liabilities		
Bond issue	129.307.985	129.255.667
Financial payables	5.544.135	-
Provisions for personnel	1.069.661	881.469
Deferred tax liabilities	22.467	22.467
Provisions for risks and charges	376.790	529.246
Total non-current liabilities	**136.321.038**	**130.688.849**
Current liabilities		
Bond issue	2.089.090	44.844.360
Financial payables	133.602	91.981
Sundry payables and other liabilities	5.229.650	7.046.388
Total current liabilities	**7.452.342**	**51.982.729**
Liabilities held for sale	-	-
Total equity and liabilities	**358.224.914**	**387.930.428**

INCOME STATEMENT PARENT COMPANY

Amounts in EUR

	31.12.2019	31.12.2018
Revenue	530.821	590.096
Other income	4.172.042	836.283
Costs for services	(2.048.789)	(4.681.725)
Personnel costs	(3.123.440)	(3.138.310)
Other costs	(806.436)	(1.118.931)
Dividends	19.496.821	47.924.528
Profit (loss) from management of financial assets and investments	-	6.215.245
Amortization and value adjustments to intangible assets	(341.892)	(192.276)
Allocation to the provision for risks	-	(143.276)
Operating margin	**17.879.127**	**46.291.634**
Financial income	2.583.130	5.916.247
Financial expenses	(6.505.049)	(8.072.043)
Value adjustments to financial assets and receivables	(874.768)	(5.652.794)
Value adjustment to investments	(8.414.250)	(3.000.000)
Profit (loss) from trading of financial assets	-	-
Income (loss) before taxes	**4.668.190**	**35.483.044**
Income taxes	4.535.873	7.840.457
Profit (loss) for the year	**9.204.063**	**43.323.501**

The Manager in charge of preparing the corporate accounting documents, Mr. Pietro Santicoli, hereby declares, pursuant to paragraph 2 of art. 154-bis of the Consolidated Law on Finance (Testo Unico della Finanza), that the accounting information contained herein is consistent with the company's documentation, accounting books and underlying accounting records.

.