



Offices in Milan - Piazza A. Diaz 7
Share Capital EUR 87.907.017 fully paid-in
Listed in the Milan Register of Companies at no. 00742640154
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PRESS RELEASE

- Revenues generated in the year in strong growth and equal to € 117.7 million with a net result that is confirmed at December 31, 2018 in profit (€ 1.3 million), although still influenced by significant non-recurring items
- Majority holdings in the portfolio in the RSA, Design and Automotive sectors generated an EBITDA of more than € 20 million during the year and significantly contributed to the Group's cash generation, together with the process of disposing of non-core assets (Net financial position consolidated by negative € 101.1 million to negative € 29.5 million)
- In 2019, giving priority to the creation of value for all shareholders, Mittel is focusing its efforts on two fronts:
 - acceleration of the transformation process into a holding company for industrial investments, which already sees it present in the RSA (Zaffiro Group), Design (Ceramica Cielo) and Automotive (IMC) sectors, through the search for new investment platforms
 - intensification of asset recovery process by asset, financial resources from previous real estate initiatives and financial receivables as well as simplification of the corporate structure with consequent significant cost reduction
- In consideration of the solidity of the Group against a consolidated shareholders' equity of € 221 million and cash for over € 220 million guaranteeing the necessary resources for the development of the Group, the Board proposes to the Extraordinary Meeting the cancellation of the n. 6,559,649 treasury shares in the Company's portfolio

Milan, 29 March 2019

The Board of Directors of Mittel SpA, which met today under the chairmanship of 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, 2018.

Management performance in brief

The 2018 financial year represented the completion of a first phase of reorganization of the Group, characterized by an important transformation into an holding company for industrial investments undertaken. The process described led to a significant reduction in holding costs, to a substantial recovery of financial resources from non-core assets and, starting from the previous year, the decisive start of the development phase of new investments.

As a result of the aforementioned transactions, Mittel has increasingly acquired the strategic identity of holding company of industrial shareholdings and the profitability margins of the consolidated financial statements have started to benefit from the consolidation of the majority shareholdings acquired. In the 2018 financial year, although characterized by non-recurring components, this benefit operated for the entire period and was, moreover, grafted on margins deriving from the activity of holding company improving due to the rationalization measures implemented in the meantime.

Finally, in the first few months of 2019, the members of the Executive Committee entered the Company's capital. This event has a significant strategic value and strengthens the alignment of interests between the Company's management and its shareholders, representing an important commitment in the continuation of the development project.

Mittel, in continuity with the Strategic Plan and focusing on the creation of long-term value for all shareholders, is now accelerating the process of transforming industrial holdings into a holding company, while intensifying the process of recovering financial resources from previous real estate initiatives and from financial receivables, thanks to the launch of specific asset value creation projects for assets with dedicated work teams, as well as the process of simplifying the corporate structure, with a consequent further reduction in costs.

In relation to the cost reduction process, it should be noted that in July 2019 the Company will repay the Bond called "Mittel 2013-2019" at maturity - issued at a rate of 6.00% in 2013 and currently in effect for a nominal amount of € 41.7 million - with a significant saving in terms of financial charges and a consequent reduction in the average cost of debt.

Main economic figures of the Group

(Thousands of Euro)	31.12.2018 (12 months)	31.12.2017 (15 months)
Revenue and other income	117.652	72.484
Increases (decreases) in inventories	(10.250)	(10.821)
Net revenue	107.402	61.662
Purchases, provision of services, sundry costs	(65.315)	(42.796)
Personnel costs	(30.662)	(24.491)
Operating costs	(95.977)	(67.286)
Operating margin (EBITDA)	11.425	(5.624)
Amortisation/depreciation, allocations and adjustments to non-current assets	(5.950)	(3.302)
Inventory value adjustments	(2.502)	(8.007)
Share of income (loss) of investments	(668)	42.295
Operating result (EBIT)	2.305	25.362
Profit (loss) from financial management	(12.145)	(10.315)
Result of management and valuation of financial assets and receivables	4.303	(2.641)
Profit (loss) from trading of financial assets	-	354
Profit (loss) before taxes	(5.538)	12.760
Taxes	7.846	2.407
Net profit (loss) for the year	2.308	15.167
Profit (loss) pertaining to non-controlling interests	985	(1.684)
Profit (loss) pertaining to the Group	1.324	16.851

Consolidated revenue and other income of industrial sectors as at 31 December 2018 (represented by the Automotive sector, which includes IMC and its subsidiary Balder, the Design sector, which includes Ceramica Cielo, and the Nursing Home sector, led by Zaffiro Group) is particularly significant, equivalent to EUR 101.5 million, corresponding to nearly 90% of consolidated revenue and other income.

As at 31 December 2018, these industrial sectors contributed for the first time to the consolidated income statement for the entire year, enabling the Group to generate a clearly positive consolidated operating margin of EUR 11.4 million (negative for EUR 5.6 million in the comparison period), as a result of the following net contributions by sector:

- Automotive: EBITDA of EUR 10.0 million, compared to EUR 1.8 million during the 3 months of the comparison period;
- Design: EBITDA of EUR 6.8 million, compared to EUR 2.7 million during the 6 months of the comparison period;
- Nursing Homes: EBITDA of EUR 3.3 million, compared to EUR 2.3 million during the 14 months of the comparison period; the overall trend for the sector, against the positive results of the “traditional” operating companies, was affected by the growth activities, which entailed sustaining non-recurring costs and operating losses, linked to the start-up status of the new operating units;
- Equity and Investments: EBITDA negative for EUR 7.8 million, compared to negative EUR 10.7 million in the 15-month comparison period; during the year, non-recurring costs were incurred at the holding level, including those associated with the mutually agreed early termination of the Chief Executive Officer’s employment relationship, which occurred at the end of November 2018;
- Real Estate: EBITDA negative for EUR 1.1 million, compared to negative EUR 0.9 million in the 15-month comparison period; the margin was influenced by non-recurring costs related to a commercial relaunch process for initiatives in the portfolio that was implemented during the year.

Details on the most significant items are presented below.

- **Revenue and other income:** this reclassified item includes the financial statement items for revenue and other income, which, as at 31 December 2018 had a balance of EUR 117.7 million (EUR 72.5 million in the comparison period). This balance was the combined result of the following factors:
 - (i) revenue recognition for EUR 113.9 million (EUR 70.6 million as at 31 December 2017); the following sectors primarily contributed to this total:
 - (i) the Automotive sector (IMC S.p.A. and Balder S.r.l.) for EUR 42.1 million (EUR 11.0 million in the 3 months of the comparison period);
 - (ii) the Nursing Home sector (Zaffiro Group and subsidiaries) totalled EUR 29.9 million (EUR 29.4 million in the 14 months of the comparison period);
 - (iii) the Design sector (Ceramica Cielo S.p.A.) for EUR 26.3 million (EUR 10.5 million in the 6 months of the comparison period);
 - (iv) the Real Estate sector for EUR 13.6 million (EUR 16.2 million in the 15 months of the comparison period);
 - (ii) the recognition of other income for EUR 3.7 million (EUR 1.8 million in the comparison period), attributable to the Design sector for EUR 1.9 million and the Automotive sector for EUR 1.2 million.
- **Increases (decreases) in inventories:** the negative contribution recorded during the year, amounting to EUR 10.2 million (EUR 10.8 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 12.1 million (EUR 14.1 million as at 31 December 2017);
 - (ii) the increase in property inventories for costs capitalised and other changes for EUR 0.9 million (EUR 0.7 million as at 31 December 2017);
 - (iii) the net increase in inventories in the Design sector of EUR 0.7 million (EUR 0.9 million in the comparison period) and the Automotive sector for EUR 0.3 million (EUR 1.7 million in the comparison period).
- **Costs for purchases, provision of services, sundry costs:** this item, totalling EUR 65.3 million (EUR 42.8 million as at 31 December 2017), was heavily influenced by the operating costs of companies acquired in the previous year and includes costs for purchases of EUR 33.7 million (EUR 13.6 million in the comparison period), costs for services of EUR 29.0 million (EUR 24.6 million as at 31 December

2017), sundry costs of EUR 2.6 million (EUR 4.6 million in the comparison period). The main contributors to this item were the following sectors:

- (i) the Automotive sector for EUR 27.1 million (EUR 9.2 million in the 3 months of the comparison period);
 - (ii) the Design sector for EUR 15.4 million (EUR 6.7 million in the 6 months of the comparison period);
 - (iii) the Nursing Home sector for EUR 13.1 million (EUR 13.0 million in the 14 months of the comparison period);
 - (iv) the Parent Company Mittel S.p.A. for EUR 5.8 million (EUR 7.5 million in the 15 months of the comparison period);
 - (v) the Real Estate sector for EUR 2.4 million (EUR 4.5 million in the 15 months of the comparison period).
- **Personnel costs:** the item reported a balance of EUR 30.7 million (EUR 24.5 million as at 31 December 2017), of which EUR 13.4 million deriving from the Nursing Home sector (EUR 13.9 million in the 14-month comparison period), EUR 6.6 million relating to the Design sector (EUR 2.7 million in the 6-month comparison period), EUR 6.3 million attributable to the Automotive sector (EUR 1.7 million in the 3-month comparison period), EUR 3.1 million relating to the Parent Company Mittel S.p.A. (EUR 3.9 million in the 15-month comparison period) and EUR 1.0 million attributable to the Advisory sector (EUR 2.0 million in the 15-month comparison period).
 - **Amortisation/depreciation, allocations and adjustments to non-current assets:** the item amounted to a total of EUR 6.0 million (EUR 3.3 million in the comparison period), explained by:
 - (i) Depreciation of property, plant and equipment and amortisation of intangible assets, amounting to EUR 5.7 million (EUR 2.6 million in the prior year), explained primarily by the depreciation of the tangible assets relating to newly acquired companies; in particular, the Automotive sector contributed EUR 3.9 million to the item, the Design sector EUR 0.8 million and the Nursing Home sector EUR 0.7 million;
 - (ii) Net allocations to the provision for risks and charges for EUR 0.2 million (EUR 0.7 million in the comparison period).
 - **Inventory value adjustments:** this item amounts to EUR 2.5 million (EUR 8.0 million as at 31 December 2017) and is nearly entirely due to the value adjustments recognised at the end of the year as part of the measurement of property inventories held.
 - **Share of income (loss) of investments:** the item, negative for EUR 0.7 million (positive EUR 42.3 million in the comparison period), is largely composed of the result deriving from the summary consolidation of Bios S.p.A., a company under joint control that, following the sale of Livanova securities in the previous year, concluded its liquidation process at the end of 2018; the significant positive contribution in the comparison period was explained by the gains from the sale of Livanova securities recognised by Bios S.p.A. and its associate Tower 6 bis.
 - **Profit (loss) from financial management:** presented a net loss of EUR 12.1 million (loss of EUR 10.3 million in the comparison period); the item is primarily attributable to the negative contribution of the Parent Company Mittel S.p.A. (EUR 5.1 million), which reported financial income of EUR 3.0 million (attributable primarily to the interest accrued on the financial receivables held) and financial expenses for EUR 8.1 million (relating almost entirely to outstanding bonds); the negative net contribution of the Parent Company (as described, amounting to EUR 5.1 million), the Nursing Home sector (EUR 6.8 million) and the Automotive sector (EUR 1.1 million), is in contrast primarily to the positive contribution of EUR 1.1 million of the subsidiary Ghea S.r.l., as a result of the financial income in the comparison period of the associate Bios S.p.A.
 - **Profit (loss) from management and valuation of financial assets, loans and receivables:** the item made a positive contribution to the consolidated income statement of EUR 4.3 million (negative contribution for EUR 2.6 million as at 31 December 2017) and is explained by:
 - (i) Profit from management of financial activities and investments totalling EUR 8.8 million (EUR 2.6 million in the comparison period), almost entirely attributable, for EUR 8.5 million, to the non-

recurring entry related to the favourable judgement that was handed down for the tax dispute that had arisen in previous years for a prior investee, for which a contractual guarantee had been issued at the time it was sold; the guarantee resulted in a payment by Mittel at the time of the initial unfavourable judgement; as a result of the subsequent positive outcome of the dispute, in July 2018 the total preliminary amounts repaid by the Italian Revenue Agency, equal to EUR 8.5 million (of which EUR 6.7 million in the previous year and EUR 1.8 million in June 2018), which, until 30 June 2018, had been deferred in the statement of financial position in a liability item, were then recognised as income in the income statement;

- (ii) Net value adjustments on financial assets and loans and receivables for EUR 4.7 million (EUR 12.5 million in the comparison period), due to the effect of:
 - the fair value adjustment of the real estate mutual funds and investment vehicles held by the Group, which involved a total net value adjustment of EUR 1.0 million (net value adjustment of EUR 2.7 million in the comparison period);
 - net value adjustments on loans and receivables recognised based on updated measurements of these items as the year-end closing date, equivalent to EUR 3.7 million (EUR 9.9 million in the comparison period).
- **Taxes:** the item made a positive contribution to the consolidated income statement of EUR 7.8 million (positive contribution for EUR 2.4 million as at 31 December 2017) and is primarily explained by the net effect of:
 - (i) the cost for current IRAP taxes of EUR 1.1 million, relative to the Automotive sector for EUR 0.4 million, the Design sector for EUR 0.4 million, and the Nursing Home sector for EUR 0.3 million;
 - (ii) revenue from the release of deferred taxes allocated in previous years for EUR 4.7 million;
 - (iii) revenue from the allocation of deferred tax assets for EUR 4.0 million, due to the significant modifications in the Group's perimeter that occurred with the acquisitions of the previous year, which resulted in the inclusion in the consolidated tax perimeter of companies with considerable taxable income and the resulting radical changes in the expectations for the recovery of latent tax benefits, mainly represented by the substantial tax losses in prior years that were carried forward by the Group.

Main financial and equity figures of the Group

(Thousands of Euro)	31.12.2018	31.12.2017
Intangible assets	73.369	68.862
Property, plant and equipment	46.889	43.915
Investments	6.121	55.939
Non-current financial assets	63.665	107.054
Assets (liabilities) held for sale	18.414	-
Provisions for risks, employee severance indemnity and employee benefits	(6.834)	(7.069)
Other non-current assets (liabilities)	746	495
Tax assets (liabilities)	2.821	(1.974)
Net working capital (*)	73.609	81.047
Net invested capital	278,800	348,268
Equity pertaining to the Group	(221.153)	(223.915)
Non-controlling interests	(28.128)	(23.218)
Total equity	(249.281)	(247.134)
Net financial position	(29.519)	(101.134)

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

As detailed below, the composition of the aforementioned items, and in particular intangible assets and property, plant and equipment, reflects the effects of the acquisitions made in the previous year. Conversely, the progress

of the disposal of non-core assets has led to a reduction in the related items in the statement of financial position (investments, financial receivables and other non-current financial assets) in recent years.

Intangible assets amounted to EUR 73.4 million (EUR 68.9 million as at 31 December 2017). The item, almost exclusively related to goodwill and trademarks, refers to goodwill relating to the acquisition (which took place in November 2016) of Gruppo Zaffiro S.r.l., company headed up by the Group of the same name active in the Nursing Home sector, for EUR 39.3 million, augmented by EUR 1.1 million relating to the value attributed to the trademark upon conclusion of the purchase price allocation (completed as at 31 December 2017). Also in the Nursing Home sector, additional goodwill was recognised against the build-up operations that were carried out during the year related to the acquisition in March 2018 of the business unit of a nursing home based in Sanremo (EUR 0.5 million in goodwill) and the purchase in December 2018 of the company Villa Gisella, which owns a historic nursing home based in Florence (EUR 3.0 million in goodwill).

Goodwill relating to the acquisition of 80% 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 conclusion (at 30 June 2018) of the purchase price allocation.

Lastly, goodwill of EUR 19.3 million was booked for the acquisition of IMC S.p.A. The goodwill recognised 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 (which involved the allocation of the related deferred taxes). As at 31 December 2018, the purchase price allocation (PPA) process for the business combination was completed, with the final confirmation of the allocation values that had been determined as at 31 December 2017.

Property, plant and equipment amounted to EUR 46.9 million (EUR 43.9 million as at 31 December 2017) and were heavily influenced by the contribution of the Automotive sector, amounting to EUR 22.0 million (amount including the partial allocation to IMC presses of the goodwill recognised at the time of the acquisition), the Nursing Home sector, which contributed EUR 15.9 million to the item (of which EUR 9.1 million relating to the Rivignano nursing home acquired under a lease in April 2017 and inaugurated during the year) and of Ceramica Cielo, which contributed EUR 5.6 million to the item (of which EUR 3.2 million attributable to land and buildings and EUR 2.0 million to plant and machinery).

Investments measured using the equity method totalled EUR 6.1 million (EUR 55.9 million as at 31 December 2017). As at 31 December 2018, this item mainly consisted of the investment held by the Parent Company Mittel S.p.A. in Mittel Generale Investimenti S.r.l. (EUR 5.4 million), which is considerably lower than the comparison period due to the completion of the liquidation of the vehicle Bios S.p.A., an investment which accounted for EUR 50.0 million of the balance in the comparison period. This liquidation, which took place after the completion last year of the sale of Livanova securities that were previously held and the closing, in the current year, of a legal dispute that had been pending, resulted in the full distribution of the investee's liquidity.

Non-current financial assets amounted to EUR 63.7 million and refer: i) for EUR 45.8 million (EUR 81.8 million in the comparison period) to non-current financial receivables, mainly relating to credit positions held by the Parent Company; ii) for EUR 17.9 million (EUR 25.3 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 Earchimede S.p.A.

The item **Assets (liabilities) held for sale** was positive for EUR 18.4 million and was composed of the net value of assets and liabilities that were classified as held for sale in accordance with IFRS 5. Specifically, this value is attributable, for EUR 17.8 million, to a property acquired as part of a business combination in the Nursing Home sector, subject to a sales agreement that was highly likely to be concluded, and for the residual EUR 0.5 million, to the net assets of a company that was in the process of being sold as at 31 December 2018, effectively sold subsequent to the year-end closing. For both entries, the fair value net of sale costs was essentially equal to the carrying amount.

Provisions for risks, employee severance indemnity and employee benefits amounted to EUR 6.8 million (EUR 7.1 million as at 31 December 2017). In particular, as at 31 December 2018, this item is composed, for EUR 5.3 million, of *Provisions for personnel* (EUR 4.8 million in the comparison period) and, for EUR 1.5 million, of *Provisions for risks and charges* (EUR 2.3 million in the comparison period). The main contributors to the item *Provisions for personnel* were from the Zaffiro Group (EUR 2.1 million), Ceramica Cielo S.p.A. (EUR 1.4 million), Mittel S.p.A. (EUR 0.9 million) and the Automotive sector (EUR 0.7 million). *Provisions for risks and charges* instead refer primarily to Mittel S.p.A. (EUR 0.5 million) and the Fashion District Group (EUR 0.6 million).

The item **Other non-current assets (liabilities)** was positive for EUR 0.7 million (EUR 0.5 million in the comparison period). The item is composed of *Other receivables and other assets* for EUR 0.9 million (a slightly increase compared to EUR 0.6 million as at 31 December 2017) and *Sundry payables and other liabilities* for EUR 0.1 million (value in line with the comparison period).

The item **Net tax assets (liabilities)** was positive for EUR 2.8 million (negative EUR 2.0 million as at 31 December 2017), and is composed of the sum of current tax assets of EUR 5.8 million (EUR 9.5 million as at 31 December 2017) and deferred tax assets of EUR 4.6 million (EUR 0.4 million in the comparison period), offset by deferred tax liabilities of EUR 7.0 million (EUR 10.2 million in the comparison period) and current tax liabilities for EUR 0.5 million (EUR 1.6 million in the comparison period).

Net working capital amounted to EUR 73.6 million (EUR 81.0 million as at 31 December 2017). The item is composed of: (i) the value of inventories for EUR 78.3 million, attributable for EUR 64.8 million to property inventories, for EUR 5.3 million to Ceramica Cielo S.p.A., and for EUR 7.9 million to the Automotive sector; the overall item decreased compared to EUR 90.7 million as at 31 December 2017, mainly due to the offloading of property inventories sold during the year; (ii) sundry receivables and other current assets amounting to EUR 23.2 million (EUR 23.0 million in the comparison period), to which the main contributors were the Automotive sector for EUR 7.0 million (EUR 8.8 million as at 31 December 2017), Ceramica Cielo S.p.A. for EUR 7.9 million (EUR 7.1 million as at 31 December 2017) and the Nursing Home sector for EUR 5.2 million (EUR 2.1 million as at 31 December 2017); (iii) sundry payables and other current liabilities for EUR 27.9 million (EUR 32.6 million in the comparison period), to which the main contributors were the Automotive sector for EUR 8.1 million (EUR 10.8 million as at 31 December 2017), Ceramica Cielo S.p.A. for EUR 6.9 million (EUR 5.6 million as at 31 December 2017) and the Nursing Home sector for EUR 7.6 million (EUR 4.0 million as at 31 December 2017), in addition to the Parent Company Mittel S.p.A., which contributed EUR 3.9 million to the item (EUR 10.1 million as at 31 December 2017).

As a result, **net invested capital** amounted to EUR 278.8 million (EUR 348.3 million as at 31 December 2017), financed by equity for EUR 250.3 million (EUR 247.1 million in the comparison period) and by the net financial position for EUR 29.5 million (EUR 101.1 million as at 31 December 2017).

Equity pertaining to the Group amounted to EUR 221.2 million (EUR 223.9 million as at 31 December 2017), while that pertaining to non-controlling interests amounted to EUR 28.1 million (EUR 23.2 million as at 31 December 2017).

Statement relating to the net financial position

(Thousands of Euro)	31.12.2018	31.12.2017
Cash	224	74
Other cash and cash equivalents	223,598	155,397
Securities held for trading	-	-
Current liquidity	223,822	155,471
Current financial receivables	-	396
Bank loans and borrowings	(56.615)	(63.089)
Bonds	(174.100)	(176.096)
Other financial payables	(22.626)	(17.817)
Financial debt	(253.341)	(257.002)
Net financial position	(29.519)	(101.134)

Significant events in the year

Implementation of measures defined in the Strategic Plan

The year was characterised by the growth process of Gruppo Zaffiro S.r.l. In detail, the following took place during the year:

- in March 2018, the operations business unit of the “Villa Speranza” nursing home in Sanremo was acquired, having 80 beds;
- in June 2018, a property was acquired in Pogliano Milanese, where the Group intends to open a nursing home with over 200 beds;
- in July 2018, Zaffiro Group unveiled the new nursing home for the elderly, located in Rivignano (Udine); the facility, whose property component acquired in the previous year underwent refurbishment work by the Group, represents, along with the initiative of Pogliano, an important step in the company’s growth plan through the renovation of already existing buildings or those still to be constructed;
- in December 2018, control of the “Villa Gisella” nursing home was acquired, a historical structure located in central Florence and which today has more than 150 beds.

Governance and corporate events

On 26 April 2018, the ordinary Shareholders' Meeting of Mittel S.p.A., resolved:

- to approve the Directors' Report on Operations and the Financial Statements for the year ended 31 December 2017 (15 months), as well as the proposal to cover the loss for the year of EUR 4,592,489 by using the available reserves;
- to approve the free assignment to shareholders, in the form of an extraordinary dividend, of a maximum of 5,811,508 ordinary treasury shares, based on ratio of 1 ordinary treasury share for every 13 ordinary shares held by each shareholder other than Mittel S.p.A.

On 9 May 2018, the dividend resolved by the Shareholders' Meeting was paid (coupon detachment date of 7 May 2018 and record date of 8 May 2018). A total of 6,559,649 treasury shares was held by the company following the distribution.

On 17 July 2018, the company Progetto Co-Val S.p.A. (“Bidder”), in which, as of said date, Seconda Navigazione S.r.l. held a stake of 69.18% and Fondazione Cassa di Risparmio di Trento and Rovereto held a stake of 30.82%, informed the market, pursuant to and in accordance with art. 102, paragraph 1, of the TUF (Consolidated Law on Finance) and art. 37, paragraph 1, of the Issuers' Regulation, that on the same date, the legal requirements were verified for the promotion, by Progetto Co-Val S.p.A., of a full mandatory take-over bid in accordance with articles 102 and 106, paragraph 1, and art. 109 of the Consolidated Law on Finance (“Bid”).

The Bid was approved by CONSOB on 4 September 2018 and on 30 October 2018, the Bidder acknowledged the final results of the Bid, including following the re-opening of the terms of the Bid. Based on these results, a total of 37,483,852 shares participated in the Bid, equivalent to 72.734% of the shares relevant to the Bid, and 42.640% of the Issuer’s share capital for a total value of EUR 65,596,741.00.

Taking into consideration the Issuer’s treasury shares and the criteria of article 44-bis, paragraph 5 of the Issuers' Regulation, the investment relevant for purposes of calculating the threshold envisaged in article 108 of the Consolidated Law on Finance, held by the Bidder and persons acting in concert with the Bidder, is therefore more than 90% but less than 95%, precisely equal to 91.796%. In compliance with the indications in the Bid document, the Bidder stated its intention to re-establish within 90 days a sufficient level of free floating shares to ensure regular trading. The transaction to re-establish free float occurred in January 2019.

On 30 November 2018, a settlement agreement through which the Company and Rosario Bifulco mutually agreed to terminate the employment relationship between the two parties in advance, with the resulting resignation of Rosario Bifulco, having immediate effect, from the role of Director, Chairman, and Chief Executive Officer of the Company, as well as all roles held in Group companies. The resignation of Rosario Bifulco marked the conclusion of an initial phase of the Company’s reorganisation, which involved redefining the strategic vision of Mittel as a holding company of industrial investments, through the implementation of the Strategic Plan presented to the market in March 2016.

On the same date, the Board of Directors outlined the Company’s new governance model with the appointment of Michele Iori as Chairman of the Board of Directors and the establishment, for operational management, of an Executive Committee consisting of Marco Colacicco (Chairman) and Michele Iori and Anna Francesca Cremascoli.

On 19 December 2018, the Board of Directors resolved to convene the Shareholders' Meeting on 28 January 2019, in execution of the commitments assumed by the Company upon the mutual and early termination of the employment relationship with Rosario Bifulco, with the agenda consisting of the irrevocable waiver of derivative liability litigation, pursuant to article 2393 of the Italian Civil Code, brought against him. Furthermore, noting that on 3 December 2018 Giovanni Raimondi submitted his resignation, the Board of Directors decided not to proceed with co-opting his replacement and, for purposes of allowing a full renewal of the administrative body through a list vote, pursuant to article 15 of the Articles of Association, the remaining directors resigned on the same date, effective on the date of the Shareholders' Meeting convened for 28 January 2019.

Other significant events

In July 2018, the favourable ruling for Mittel S.p.A. in relation to a tax dispute initiated in previous years concerning Hopa S.p.A. (merged in Mittel S.p.A. in 2012) became final. The total provisional amounts repaid to the Company by the Italian Revenue Agency, equal to EUR 8.5 million (of which EUR 6.7 million in the previous year and EUR 1.8 million as at June 2018), which, as at 30 June 2018, were deferred in the statement of financial position in a liability item, were recognised as a contingent asset in the income statement in the second half of 2018.

Finally, in relation to the positive trend during the year of the Snia dispute, please refer to the specific section.

Significant events after 31 December 2018

Governance and corporate events

On 24 January 2019, members of the Executive Committee of Mittel S.p.A. Marco Giovanni Colacicco - through a company controlled by him - and Michele Iori, as well as a company in which the member of the Executive Committee Anna Francesca Cremascoli holds a non-controlling stake, notified the Company that they had purchased from Progetto Co-Val S.p.A., as part of a larger transaction designed to re-establish the Company's free float following the take-over bid promoted by the latter and concluded in November 2018, shares representing 2.15% of the share capital of the Company for a total investment of EUR 3.3 million (price of EUR 1.75 per share).

On 28 January 2019, the shareholders of Mittel S.p.A., who gathered for the ordinary Shareholders' Meeting chaired by Michele Iori, resolved the following:

- to set the number of members of the Board of Directors as seven;
- to call upon the following to form the Board of Directors, which shall remain in office for three financial years, i.e. until the date of the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2021: Michele Iori (Chairman), Marco Giovanni Colacicco, Anna Francesca Cremascoli, Riccardo Perotta, Anna Saraceno, Patrizia Galvagni, and Gregorio Napoleone, indicated in the sole list submitted by the shareholder Progetto Co-Val S.p.A.;
- to set the gross salary of the Board of Directors at EUR 140,000.00 (one hundred and forty thousand euros), in relation to the offices assigned, for each of the three years of the mandate, delegating the allocation of this amount to the Board of Directors and granting it the ability to assign additional compensation to directors assigned with particular offices pursuant to the law;
- to exonerate directors from the prohibition detailed in article 2390 of the Italian Civil Code;
- to confirm the appointments - assumed by the Board of Directors on 30 November pursuant to article 2401 of the Italian Civil Code - of Giulio Tedeschi as Standing Auditor and Maria Teresa Bernelli as Chairwoman of the Board of Statutory Auditors, and to appoint Alessandro Valer and Stefania Trezzini as Alternate Auditors, proposed by the shareholder Progetto Co-Val S.p.A., to supplement the current Board of Statutory Auditors - who will remain in office until the date of the Shareholders' Meeting convened to approve the financial statements as at 31 December 2018 - and in compliance with regulations governing gender equity.

Among other items, the Shareholders' Meeting resolved, unanimously for all attendees, in line with the commitments assumed by the Company on 30 November as part of the mutual and early resolution of the

employment relationship with Rosario Bifulco, to irrevocably waive derivative liability litigation, pursuant to article 2393 of the Italian Civil Code, brought against him, in relation to any fact and/or behaviour of the latter in carrying out the role of Director, Chairman of the Board of Directors, and Chief Executive Officer held by Mr. Bifulco in the Company and/or of the aforementioned employment agreement, in any case excepting cases of fraud.

The Board of Directors of Mittel S.p.A., which met after the Shareholders' Meeting, confirmed the Company's new governance model, which entails, in continuation, the appointment of Marco Giovanni Colacicco as Deputy Chairman and the establishment, for operational management, of an Executive Committee consisting of Marco Giovanni Colacicco (Chairman) and Michele Iori and Anna Francesca Cremascoli.

The Board of Directors also appointed the members of the Board's internal committees, specifically:

- Control and Risks Committee: Chairman Riccardo Perotta, member Patrizia Galvagni;
- Remuneration and Appointments Committee: Chairman Riccardo Perotta, member Gregorio Napoleone;
- Related Party Committee: Chairwoman Patrizia Galvagni, members Riccardo Perotta and Gregorio Napoleone;
- Director in charge of the risk management and internal control system: Anna Francesca Cremascoli.

Business outlook for the year

Over the course of the previous year, the initial phase of the Company's reorganisation was concluded, which involved redefining the strategic vision of Mittel as a holding company of industrial investments, through the implementation of the Strategic Plan presented to the market in March 2016 that included, in addition to a significant reduction in costs for the holding company and the recovery of financial resources from non-core assets for more than EUR 200 million, the acquisition of majority control of 3 investments platforms, specifically, Gruppo Zaffiro S.r.l. (Nursing Homes), Ceramica Cielo S.p.A. (Design), and Industria Metallurgica Carmagnolese S.p.A. (Automotive).

Mittel is currently accelerating the investment process, focusing its efforts in two directions.

Firstly, targeting the consolidation and growth of the existing sectors, that is: nursing homes, designer ceramic sanitary-ware, and automotive components, areas of activity that constitute the true platforms on which the Group can introduce both internal and external growth.

Secondly, Mittel intends to look for new investment platforms with the goal of creating long-term value, through the acquisition of companies that express Italian business excellence, to be combined with the Group's financial and strategic contribution.

The acquisition of share capital by members of the Executive Committee that took place in the initial months of 2019 has significant strategic value and strengthens the alignment of interests between the Company's management and its shareholders. It represents an important commitment to implement the project, currently being developed, that will entail the transformation of Mittel into a holding company of industrial investments.

Acquisition transactions will be financed not just by the Group's significant cash reserves, but also with additional funding that is being generated from the intensification of the disposal process for non-strategic assets, currently in relation primarily to the real estate sector and financial receivables, which will, over time, account for an increasingly smaller portion of the Group's consolidated assets.

Performance of the Parent Company

The Company closed the year ended as at 31 December 2018 with a profit of EUR 43.4 million (net loss of EUR 4.6 million as at 31 December 2017).

The result of the year was largely influenced by non-recurring transactions that were especially large, which include, most importantly, the dividend of EUR 44.9 million distributed by the investee Bios S.p.A. as part of the final liquidation, which took place at the end of December 2018.

Ignoring the extraordinary factors better detailed in the following section commenting on the individual items of the reclassified income statement, the economic performance of the holding company nevertheless benefitted from the rationalisation measures implemented during the year, which resulted in further containment of operating costs and, at the same time, the continuation of the process of enhancing the value of the non-core assets in portfolio, in line with the strategy defined at the Group level, for which reference is made to the earlier section regarding the performance of the Group as a whole.

Equity as at 31 December 2018 amounted to EUR 205.2 million compared to EUR 167.3 million for the year ending 31 December 2017, with an increase of EUR 37.9 million essentially due to the net effect of the profit for the year of EUR 43.3 million and the negative impact of EUR 5.3 million for the first-time adoption of IFRS 9, entirely explained by the application of the expected loss model envisaged by the new accounting standard in the measurement process for financial receivables held by the Group.

The net financial position is positive for EUR 58.8 million (negative for EUR 7.2 million as at 31 December 2017), benefiting in particular from the described distribution from the investee Bios S.p.A. as part of the final liquidation.

Financial highlights of Mittel S.p.A.

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

(Thousands of Euro)	31.12.2018 (12 months)	31.12.2017 (15 months)
Revenue and other income	1.426	1.954
Purchases, provision of services, sundry costs	(5.801)	(7.466)
Personnel costs	(3.138)	(3.946)
Net operating costs	(7.513)	(9.458)
Dividends	47,925	43,230
Profit (loss) from investments and financial assets	6,215	7,626
Operating margin (EBITDA)	46,627	41,398
Amortisation/depreciation, allocations and adjustments to non-current assets	(336)	(412)
Operating result (EBIT)	46,292	40,986
Profit (loss) from financial management	(2.156)	(6.701)
Value adjustments to investments and financial assets	(8.653)	(41.644)
Profit (loss) from trading of financial assets	-	354
Profit (loss) before taxes	35,483	(7.004)
Taxes	7,840	2,412
Net profit (loss) for the year	43,324	(4.592)

As described in other sections of this report, the comparison data presented refer to a year with a duration of 15 months and therefore are not fully comparable with those of the current year.

Details on the most significant of these items are presented below.

- **Revenue and other income:** EUR 1.4 million, compared to EUR 2.0 million as at 31 December 2017.

- **Purchases, provision of services, sundry costs:** EUR 5.8 million, compared to negative EUR 7.5 million as at 31 December 2017; during the year, non-recurring costs were incurred at the holding level, including those associated with the mutually agreed early termination of the Chief Executive Officer's employment contract, which occurred at the end of November 2018; excluding these non-recurring components, the costs of the holding company show a sharp decline from previous years; more specifically, this item of the reclassified income statement includes:
 - (i) service costs for EUR 4.7 million (EUR 5.2 million as at 31 December 2017);
 - (ii) other costs for EUR 1.1 million (EUR 2.3 million as at 31 December 2017).
- **Personnel costs:** EUR 3.1 million, essentially in line with the comparison period (EUR 3.9 million) if the different duration of the two financial years is taken into consideration.
- **Dividends:** EUR 47.9 million (EUR 43.2 million as at 31 December 2017), of which EUR 44.9 million relative to the aforementioned distribution from Bios S.p.A. in liquidation and EUR 3.0 million relative to the reserves distributed during the year to the subsidiary Locaefte S.r.l. in liquidation; the latter entry should be considered together with the final result of the liquidation, which was negative for EUR 2.4 million, classified under the item "Profit (loss) from investments and financial assets", for a net positive overall contribution to the income statement of EUR 0.5 million.
- **Profit (loss) from investments and financial assets:** EUR 6.2 million (EUR 7.6 million as at 31 December 2017), primarily explained by the net effect of: a positive, non-recurring entry for EUR 8.5 million related to the favourable final judgement that was handed down for the tax dispute that had arisen in previous years for a prior investee, for which a contractual guarantee had been issued at the time it was sold; the final loss from liquidation of Locaefte S.r.l. of EUR 2.4 million (as described, to be considered together with the income of EUR 3.0 million distributed during the year). Instead, the positive result for the comparison year was the result of the profits realised for the sale of the investment in Castello SGR S.p.A. (EUR 1.4 million) and shares of UBI Banca S.p.A. (EUR 3.0 million), Intesa Sanpaolo S.p.A. (EUR 1.3 million), ISA S.p.A. (EUR 0.7 million) and Credit Access N.V. (EUR 0.6 million).
- **Profit (loss) from financial management:** loss of EUR 2.2 million (loss of EUR 6.7 million in the comparison period). The item is attributable to the net effect of financial income for EUR 5.9 million (EUR 8.5 million in the previous year), relating mainly to interest income accrued on financial receivables, and financial expenses for EUR 8.1 million (EUR 15.2 million in the comparison period). Note that during the comparison period, financial expenses were heavily influenced by non-recurring costs for EUR 4.5 million connected with the transaction to restructure financing sources carried out by the Company between July and October of 2017.
- **Net value adjustments on investments and financial assets:** totalled EUR 8.7 million (EUR 41.6 million as at 31 December 2017) and referred to:
 - (i) Value adjustments on investments for EUR 3.0 million (EUR 31.2 million in the comparison period), entirely attributable to the subsidiary Mittel Investimenti Immobiliari S.r.l., which owns, directly or indirectly, almost all of the property inventories held by the Group;
 - (ii) Net value adjustments on financial assets and loans and receivables for EUR 5.7 million, compared to EUR 10.4 million in the prior year; the item consists of EUR 1.5 million in net write-downs of financial assets (EUR 1.7 million in the comparison period), represented by real estate funds and investment vehicles, and EUR 4.2 million for net value adjustments on financial receivables held (EUR 8.7 million in the comparison period) 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 of EUR 7.8 million (positive for EUR 2.4 million as at 31 December 2017) and is primarily explained by the effect of:
 - (i) the recognition of the current tax benefit, totalling EUR 3.6 million, deriving from the use within the tax consolidation of current and previous tax losses and surpluses of interest expense related to the Company;
 - (ii) revenue from the allocation of deferred tax assets for EUR 4.0 million, due to the significant modifications in the Group's perimeter that occurred with the acquisitions of the previous year,

which resulted in the inclusion in the consolidated tax perimeter of companies with considerable taxable income and the resulting radical changes in the expectations for the recovery of latent tax benefits, mainly represented by the substantial tax losses in prior years that were carried forward by the Company.

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

(Thousands of Euro)	31.12.2018	31.12.2017
Intangible assets	41	30
Property, plant and equipment	3,266	3,428
Investments	57,230	63,280
Non-current financial assets	75,987	93,473
Provisions for risks, employee severance indemnity and employee benefits	(1.411)	(1.709)
Other non-current assets (liabilities)	160	160
Tax assets (liabilities)	8,410	7,640
Net working capital (*)	2,784	(6.216)
Net invested capital	146,466	160,085
Total equity	(205.259)	(167.321)
Net financial position	58,793	7,236

(*) Comprised of sundry receivables (payables) and other current assets (liabilities)

Property, plant and equipment and intangible assets amounted to EUR 3.3 million (EUR 3.4 million in the prior year) and are primarily related to the property units where the Company's offices are located, stated at EUR 3.1 million.

Investments amounted to EUR 57.2 million, compared to EUR 63.3 million in the year ended as at 31 December 2017. The decrease in the item is almost entirely explained by the effect of:

- the reduction of EUR 3.2 million related to the completion of the liquidation process of the investee Locaeffe S.r.l. in liquidation, stated at EUR 2.4 million in the comparison period (final distribution of EUR 3.0 million, with a positive contribution to the income statement of EUR 0.6 million) and Bios S.p.A. in liquidation, stated at EUR 0.8 million at the beginning of the year (final distribution of EUR 45.5 million, with a positive contribution to the income statement of EUR 44.7 million)
- value adjustments of EUR 3.0 million recorded following impairment tests performed at year end on Mittel Investimenti Immobiliari S.r.l.

Non-current financial assets amounted to EUR 76.0 million, compared to EUR 93.5 million in the year ended as at 31 December 2017, marking a decrease of EUR 17.5 million. This was essentially due to the effect of:

- the decrease of EUR 13.9 million of non-current financial receivables, which passed from EUR 74.3 million to EUR 60.4 million due to the net effect of: (i) the reduction of EUR 4.5 million due to the first-time adoption of IFRS 9 and the expected loss model envisaged by the new standard for measuring receivables; (ii) the net reductions of EUR 5.2 million for collections and interest; (iii) value adjustments totalling EUR 4.2 million made at the end of the year based on recovery forecasts and expected collection timing as at the reporting date;
- the decrease of EUR 3.6 million in other non-current financial assets, which fell from EUR 19.2 million to EUR 15.6 million due to: (i) lower sales of assets and collections for EUR 2.2 million; (ii) net valuation reductions of EUR 1.5 million.

Provisions for risks, employee severance indemnity and employee benefits amounted to EUR 1.4 million, slightly lower than 31 December 2017 when they were EUR 1.7 million. In particular, as at 31 December 2018, this item is composed, for EUR 0.9 million, of Provisions for personnel and, for EUR 0.5 million, of Provisions for risks and charges.

Tax assets amounted to EUR 8.4 million, compared to EUR 7.6 million in the prior year, marking an increase of EUR 0.8 million. This item is essentially comprised of: (i) current tax assets for EUR 4.4 million, a sharp reduction compared to EUR 7.7 million in the previous year due to the Company's use of offsetting during the year and intercompany sales in favour of the subsidiaries for their subsequent use in offsetting; (ii) deferred tax assets for EUR 4.0 million, that did not exist in the comparison year, due to the aforementioned significant modifications in the Group's perimeter that occurred with the acquisitions of the previous year, which resulted in the inclusion in the consolidated tax perimeter of companies with considerable taxable income and the resulting radical changes in the expectations for the recovery of latent tax benefits, mainly represented by the substantial tax losses in prior years that were carried forward by the Company.

Net working capital, made up of Sundry receivables and other current assets and Sundry payables and other current liabilities, amounted to a positive EUR 2.8 million, (negative EUR 6.2 million in the previous year) marking a net increase of EUR 9.0 million. The significant variation refers to: (i) EUR 4.0 million for the increase in Sundry receivables and other current assets (from EUR 5.9 million to EUR 9.8 million), due principally to the increase of intercompany tax entries (above all, for the described inclusion in the tax consolidation of new companies with considerable taxable income); (ii) EUR 5.0 million for the reduction of Sundry payables and other current liabilities (from EUR 12.1 million to EUR 7.0 million), explained mostly, as previously described, by the handing down of the final favourable judgement for a tax dispute, which resulted in the reversal of a liability in which the reimbursements that had been collected until that time were temporarily suspended (EUR 6.7 million as at 31 December 2017).

Equity amounted to EUR 205.3 million, compared to EUR 167.3 million as at 31 December 2017, marking an increase of EUR 38.0 million. The change is, as previously described, due to the net effect of the profit for the year of EUR 43.3 million and the negative impact of EUR 5.3 million for the first-time adoption of IFRS 9, entirely explained by the application of the expected loss model envisaged by the new accounting standard in the impairment process for financial receivables held by the Company.

Net financial position is positive for EUR 58.8 million and compares to positive EUR 7.2 million in the previous year, with a total improvement of EUR 51.6 million, mainly as a result of the distributions from the investees Bios S.p.A. in liquidation (EUR 45.5 million) and Locaefte S.r.l. in liquidation (EUR 3 million) and net collections of non-current financial receivables during the year.

In terms of components, the following table provides a breakdown of changes in values in the company's net financial position.

Statement relating to the net financial position

(Thousands of Euro)	31.12.2018	31.12.2017
Cash	7	6
Other cash and cash equivalents	161,566	124,905
Securities held for trading	-	-
Current liquidity	161,574	124,911
Current financial receivables	71,411	70,301
Bank loans and borrowings	(92)	(9.508)
Bonds	(174.100)	(176.096)
Other financial payables	-	(2.372)
Financial debt	(174.192)	(187.976)
Net financial position	58,793	7,236

Proposal of the Board of Directors

The Board of Directors proposes to the Shareholders' Meeting to allocate the profit for the year of Euro 43.323.501 to the legal reserve for Euro 820.941 and to carry forward the residual amount of Euro 42.502.560.

Proposal of the Board of Directors to annul the n. 6,559,649 treasury shares in portfolio

In consideration of the solidity of the Group against a consolidated shareholders' equity of Euro 221 million and cash and cash equivalents of over Euro 220 million, which guarantee the necessary resources for the development of the Group, the Board resolved to propose to the Shareholders' Meeting the cancellation of the n. 6.559.649 treasury shares in the Company's portfolio.

The proposed cancellation will take place through the simultaneous elimination of the nominal value of the shares without any reduction in the share capital; the latter, amounting to 87.907.017 Euro, will therefore be divided into 81.347.368 shares without the nominal value.

Following the cancellation and the consequent reduction in the number of shares representing the share capital, an optimization of the capital structure will be achieved and a positive impact for all shareholders in terms of maximizing profitability. The cancellation of the shares will allow, in fact, to increase the portion of profit assigned to each share ("earning per share").

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

The Board of Directors has approved the Report on Corporate Governance and the Report on the remuneration policy of the Mittel Group. The Corporate Governance Report and the Report on the remuneration policy will be made available to the public in the manner and within the terms established by law and by the regulatory provisions in force.

Calling of the Shareholders' Meeting

The Board of Directors has resolved to convene the Shareholders' Meeting on April 29th, among other things, for the approval of the 2018 financial statements and - in extraordinary part - for the proposal to cancel the n. 6.559.649 treasury shares in portfolio through the simultaneous elimination of the nominal value. It should be noted that the Shareholders have already been convened on the same date, for the renewal of the board of statutory auditors.

Mittel S.p.A.

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