

# GENERAL INFORMATION



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## Letter to the Stakeholders

*At this difficult and painful time, when doubts about the immediate future risk affecting our vision of tomorrow, for which all of us must be ready, "optimism of the will" is an essential motto that we would like to adopt and share with all of you. And it is in this light that we invite you to read this Letter.*

An important three-year period ends with the 2019 financial statements, during which Italmobiliare's portfolio was enriched with 6 new investments in Italian companies of excellence.

Overall, the portfolio companies generate an annual turnover of 1.6 billion euro and an EBITDA of over 200 million. In addition to financial resources, we have invested managerial skills in these companies which have enabled us to support important development projects and to achieve significant increases in results, particularly for Tecnica Group and Caffè Borbone, which were the first investments we made in the three-year period. Although the portfolio is still "young" (the average holding period of the investments is in fact 1.5 years), the 300 million euro of investments made have appreciated considerably, more than doubling in value by the end of 2019.

The portfolio of Italian and international private equity funds has also increased yet again, expanding into important segments such as Venture Capital and High-Tech Growth Capital. In particular, Clessidra is organising itself more and more as an alternative investment platform, alongside its traditional activity in Private Equity; in 2019, it entered the bank NPL segment, with a particular focus on so-called "unlikely to pay" loans, launching the new Clessidra Restructuring Fund (CRF).

In 2019, alongside new investments in the energy sector, with 30% of Autogas-AGN Energia, and expansion in the food sector with the purchase of 80% of Capitelli (a premium brand in the Italian cured meats sector) and the disposal of the interest in Jaggaer for more than 90 million (its NAV at the end of 2018 was 56 million).

The recent investments and the positive performance of the acquired companies are reflected in a higher weighting on the part of the Portfolio Companies, now more than 40% of Italmobiliare's total NAV. The remainder of the portfolio is equally divided between private equity funds, other equity investments (including non-controlling interests in listed companies) and a reserve of cash and cash equivalents in order to seize market opportunities. Among the most recent ones, at the beginning of 2020 Italmobiliare took a 20% interest in Officina Profumo Farmaceutica di Santa Maria Novella to further enhance this historic brand of high-end cosmetics on international markets.

During this three-year period, the Board of Directors has constantly monitored and analysed the Company's lines of development, providing a valid contribution to the processes of analysis and assumption of strategic decisions. Our heartfelt thanks go to the Directors and members of the Board of Statutory Auditors for their commitment in their respective roles.

In its long history as an investment holding company, Italmobiliare was one of the forerunners in Italy in adopting innovative solutions for Sustainable Development and in 2019 it launched a formal procedure to promote the explicit integration of ESG factors in its own business strategy and in that of the Portfolio Companies.

As part of our portfolio analysis, considerable attention has been paid to monitoring risk factors and implementing suitable mitigation measures. This has made it possible to maintain the level of the overall financial risk of Italmobiliare's NAV lower than that of the global equity index, thanks to appropriate sector diversification and balanced exposure to geographical areas.

In September 2019 Italmobiliare chose to join the STAR segment, which is reserved for companies with high transparency and governance requirements. During the year, the stock appreciated by around 30%, with a consequent reduction in the "NAV discount", which at the end of the year was around 35%. Having strengthened our Investor Relations, the Italmobiliare stock has been the subject

of growing interest from new national and international investors, which has led to greater dynamism and higher trading volumes on the Stock Exchange.

The first few months of 2020 have been marred by the dramatic events caused by the Covid-19 pandemic, which has spread at a rate that few expected. Economically, the period has also been hit by the precautionary measures introduced by the government and regional authorities.

Italmobiliare has complied with their instructions, promptly implementing, both at Holding Company level and at the subsidiaries, all safety and control measures in favour of employees to limit the possibilities of contagion, while at the same time doing all we could to ensure that production was able to continue.

The effects on the Group's activities of the dramatic events that we are experiencing cannot yet be determined with any precision. They are subject to constant monitoring and analysis, both for listed securities (HeidelbergCement's shares have been hit by the hefty correction of markets generally and the high volatility that has caused) and for the performance of the other portfolio companies. As far as the portfolio companies are concerned, however, diversification and careful risk management should allow us to limit the potential impacts on the Holding Company. The predominant part of the portfolio in terms of Net Asset Value is represented by companies in sectors related to the food chain (Caffè Borbone, Sirap and Capitelli) and to the energy sector (Italgen and AGN Energia), i.e. businesses that produce "essential" goods and services, for which it seems reasonable to assume that the consequences of the crisis will be less harsh. Specific measures to remodel operating activities have been implemented for the other companies, especially those exposed to retail trends or that supply "non-essential" goods and services and which are potentially more subject to the security measures and limitations adopted around the world, with particular attention to the sustainability of their cash requirements.

The investments we made have proved to be resilient, but above all careful risk management and operating procedures have made it possible to keep production going at almost all of the portfolio companies.

The Holding Company's business remains concentrated on careful monitoring and risk assessment, and will be able to take advantage of its significant cash position (approximately 500 million euro at the end of 2019), which guarantees ample room for manoeuvre, even in particularly critical scenarios.

In these dramatic months, Italmobiliare, together with the Pesenti Foundation and the Group companies, has felt very strongly the need to participate actively in solidarity initiatives to help cope with the country's serious health and social emergency. Support has been given to institutions and operators by purchasing medical and healthcare material and making it available; and in this context, among other things, a programme has been developed, together with other groups, to buy equipment and ventilators for intensive care units in Italian hospitals.

It is difficult to envisage what the future holds for us all. There are still too many variables that need to be defined. We will certainly enter a complicated transition phase, characterised by high levels of uncertainty and volatility, which will lead us to a new economic and social model, hopefully one that is better. It is up to all of us, including institutions, politicians and intermediate bodies, to do our best to make this happen.

