

ITALMOBILIARE

INVESTMENT HOLDING

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ITM4GOOD

ITALMOBILIARE, ITS PORTFOLIO COMPANIES AND
FONDAZIONE PESENTI ALL MOBILISED FOR THE EMERGENCY

Faced with the coronavirus emergency, **Italmobiliare** and the other Group companies mobilised to provide immediate help for people in their area, those worst hit by the dramatic pandemic. In particular, interventions were made in favour of hospitals in **Bergamo, Brescia, Naples, Milan, Genoa, Piacenza and Treviso**, both through donations and through the purchase of equipment, tests and protective devices for medical personnel, as well as providing support for health workers in the front line. International contacts were also activated to facilitate the import of materials (from **China, Thailand and Switzerland**), given that they were lacking in Italy. Overall, Italmobiliare, the Group companies and the Fondazione Pesenti have made interventions for a total of **over Euro 2.5 million**.

The **Fondazione Pesenti** - established in 2004 in Bergamo as an autonomous and independent body and which sees its founding partner in Italmobiliare - has not only activated its professional, economic and personal relations resources to support the struggle that local health institutions and organisations have mobilised to combat the tremendous coronavirus pandemic, especially in the Bergamo area, but it has also taken on a pivotal role in supporting and coordinating all of the initiatives supported financially by the Group.



Leading businesses, such as Giuntini, Cieffe and Fendi, together with Fondazione Pesenti for the emergency

Furthermore, in order to implement the best possible synergies and simultaneously help the **"Made in Italy" chain**, hit by the lockdown, a fund-raising project was launched (on a special "Covid emergency" account of the Fondazione Pesenti) to buy protective equipment made by leading companies in the Italian textile supply chain, which have converted their production in this emergency situation. In the weeks of maximum crisis, protective suits, gowns and masks were delivered mainly to Bergamo's hospitals, so dramatically affected. Fund-raising was supported by leading entrepreneurs, as well as by very significant personal donations and by the contributions that several Italmobiliare employees offered to pay.



Video of the "Help Us To Help" campaign promoted by Fondazione Pesenti and the Italian Textile Industry

Italmobiliare, the holding company, mobilised particularly in favour of the Hospital of the Alpini at the Bergamo Trade Fair, initially for an intervention aimed at the construction of electrical systems for the new field hospital just for Covid patients, which was completed in one week. In addition, 100,000 Covid-19 IgG/IgM Rapid Tests (EC certified rapid devices for the qualitative detection of Covid-19 antibodies) were purchased to support the test programme in the area established by the Veneto Region/ASL of Treviso.

Support for research and the supply of "rapid Covid-19 tests", which have already proved to be of extreme importance in the most critical phases of the emergency, has in recent weeks seen support for the Polyclinic of Milan, where the Fondazione Pesenti is engaged in finding and delivering tests used by the Polyclinic, as part of a test project to all blood donors of the centre, aimed at having a significant "mapping" on the evolution of the infection, as well as offering the possibility of a swab for donors that turn out to be positive.

Similar tests were found and provided in favour of the most exposed Institutions, from the Carabinieri of Lombardy (thanks also to the contribution and the collaboration requested by Banca Intesa San Paolo to the Foundation), to the Milan Provincial Command of the Fire Brigade.

The **Fondazione Pesenti** has provided effective support for two projects - promoted by the main local institutions - on the territory of Bergamo aimed at freeing beds in hospitals that are in serious difficulty and helping families unable to manage the quarantine period in their home, and - at a later time - in support of those who, in the complicated recovery phase, live and will live situations of great poverty and general precariousness.

The Foundation also intervened in Milan in favour of the Reanimation Department of Niguarda Hospital, making a donation so that it was possible for the ward's psychologists to do their work, even more important at this moment for the healthcare teams, as they were under considerable stress, as for the family members of Covid-19 patients. Another donation went in aid of the Milan Committee of the Italian Red Cross, in support of healthcare operators in the front line with rescue and medical transport of people and assistance to the population.

The Foundation also intervened in favour of one of the main research institutes, supporting a research project of the "Mario Negri" Pharmacological Research Institute focused on the genetic factors that influence the course and severity of Covid-19, in a framework where the mechanisms that determine the disease are complex and many questions still have to be answered. Fondazione Pesenti helped to import from China portable respirators (for use in vehicles such as ambulances and first aid transport), an operation promoted by Ferrari, with the contribution of Zegna and of the Foundation. The respirators were delivered to the Bergamo field hospital, which was in charge of checking needs and distribution in the area. Thanks to the contacts gained at the Italy-Thailand Business Forum (where Italmobiliare holds the position of Chairman) two respirators were located in Thailand and donated to the intensive care unit of the Bergamo field hospital (with costs covered by the Thai Co-Residency).

Among the portfolio companies operating in the areas most affected by the emergency (Bergamo and Brescia), **Italgen** (renewable energy) and **Sirap** (packaging for the food sector) have been able not only to guarantee essential supplies and to keep their employees safe, but also to take action to help the area and collaborate with other Group companies.

At the beginning of the health emergency, Italgen took part in the CESVI fund-raiser, with a contribution towards the purchase of personal protection equipment to be allocated to the Papa Giovanni XXIII Hospital in Bergamo. It also donated quantities of sanitizing gel necessary for hospitals in the area where it operates, in particular Piario (in Val Seriana) and San Giovanni Bianco (in Val Brembana). Lastly, the "solidarity holidays" initiative was launched to donate (in equivalent value) one day of holiday in April of Italgen employees to municipalities identified in Val Seriana, Val Brembana and Val di Scalve, all severely affected by the health emergency. The amount collected was doubled by the company, and was therefore donated to the areas where the plants are located or close to them (Villa di Serio, Olmo al Brembo, Vilminore), in particular for the purchase of foodstuffs for those in need.

Sirap's employees also donated an hour's wages to the Brescia Civil Hospitals and containers were provided by the company to various associations that guaranteed free meals to first-aid volunteers and those in Brescia's hospitals. Sirap has been able to supply masks to employees since the end of February, organising a shipment from abroad which has also benefited other portfolio companies.

Personal protective equipment was also donated to first-aid volunteers and some local hospitals. The portfolio companies' efforts have reached all the main areas where they operate.



Caffè Borbone paid a contribution to buy personal protective equipment and lung ventilators to the ASL Naples 1 Centre health authority for the activation of Covid-19 wards at the Loreto Mare Hospital. At the same time, it donated thousands of boxes of coffee to a number of Neapolitan charities in charge of distribution to households most in need.

In the Piacenza area, **Capitelli** intervened in support of the Castel San Giovanni Hospital (entirely dedicated to Covid-19 care) for the purchase of medical equipment.

In turn, **Iseo** took action to support the purchase of respirators needed at the Esine Hospital (Brescia).

Tecnica Group has focused on implementing measures to make smart working possible (for a significant number of employees). Within a week, about 100 employees were able to work from home (which was not expected, given how production is organised). An internal survey was also carried out and - based on the needs/priorities indicated - support was provided through an occupational psychologist/nutritionist, to help employees handle the emergency in the best possible way.

Gruppo Autogas decided to strengthen its support for the Associations that it has sustained for years (Il Porto dei Piccoli Onlus - that caters for hospitalised children and their families - and AIMS-the Italian Multiple Sclerosis Association) to enable them to continue providing their services, made more complex by the emergency and therefore even more urgent.

It was certainly an unusual effort - from an economic, operational and emotional point of view - for Italmobiliare, the portfolio companies and the Fondazione Pesenti, made possible by the authoritativeness and skills that make up the top management and the structures, and from a corporate culture that over the years has been able to internalise the values of responsibility and solidarity.

It is an effort that is still continuing today and which will see a significant commitment also in the near future, with the ambition to further improve the effectiveness of the interventions in progress and the already extraordinary synergy that has been developed during this emergency.

Clessidra reacted promptly to the Covid emergency by implementing smart working activities, enhancing the interactions at all levels with portfolio companies and constantly updating investors on the impacts of the health emergency on the management company and the funds.

The team has been working remotely for several weeks now, ensuring the continuation of its activities and maintaining a high level of performance at all levels. There have been no cases of infection among the team members nor people impacts at portfolio companies' level. All portfolio companies introduced new corporate policies promoting remote working for employees. An insurance policy for employees was implemented to cover risks in case of Corona Virus infection.

Aware of the huge efforts deployed by the Italian health system, the Management Company made a donation to Hospital Luigi Sacco, the main one operating in Milan and constantly under pressure in the Covid-19 emergency.

Nexi and Depobank, both active in a sector excluded by the lockdown, continued to operate. Nexi employees have been 100% operational in all Group subsidiaries. Vice-versa, the stop of non-essential production activities announced on 21 March by the Italian government affected Scigno and L&S, which had to shut down their Italian activities, and Harmont & Blaine, which had to adopt the same stringent measures, in addition to the closure of all commercial and retail activities effective since 11 March. Following the lockdown announcement, the Clessidra team further enhanced the monitoring activities on the portfolio companies and has been constantly in contact with the management teams in order to factor progressively all the elements of a rapidly evolving context into the newly developed scenarios.

As the situation progressively normalizes, all portfolio companies are currently developing a realistic 2020-revised budget and more accurate forecasts that factors in the impacts of the global health emergency. The EU, all the European countries and the major world economies announced plans to defend the economy, whose effects will be eventually reflected into the new plans.

THE EFFECTS OF CORONAVIRUS BUSINESS AS (UN)USUAL

by Leonardo Senni - Head of Italmobiliare Portfolio Companies Management

The impact of the lockdown

The national and international economy has been brutally affected by the pandemic, particularly during the lockdown, and the effects could last for a long time. On the other hand, in recent months we have also witnessed **extraordinary resilience** in certain sectors, such as **food & beverage** or **energy**.

In this context, all of **Italmobiliare's** portfolio companies have reacted and are reacting well overall, with better performances than the average fall-out on the Italian economy, thanks to a sector mix that shifted towards resilient areas and, in some cases, a **better corporate performance** than sector competitors.

In particular, the five companies that rank in the **Food and Energy** sectors (**Borbone, Capitelli, Autogas, Italgas** and **Sirap**), and which represent almost 75% of the total NAV of Italmobiliare's portfolio companies, have been impacted barely or not at all by Covid. On the other hand, there has clearly been a very significant negative impact for sectors that are highly exposed to **non-food retail and non-essential products** (particularly **Tecnica Group, Iseo Serrature** and **Santa Maria Novella**).

The response of ITM and the portfolio companies

The reaction implemented and continuously refined by the portfolio companies in the face of such a pervasive emergency was extraordinary, both for the immediate adoption of **best practices** aimed at guaranteeing employee safety, and for the **business measures** that reduced the impacts of the lockdown and took advantage of new opportunities.

For example, there has been a very rapid response by all companies in adopting **smart-working** for a significant number of workers (even in sectors that are less "naturally" inclined to this way of working) and several companies have accelerated on key issues as **production flexibility**, managing to implement measures to raise efficiency very quickly with an impact already expected to be felt on this year's results in 2020.

The Covid-19 pandemic has further underlined the **growing synergy** that exists **between Group companies**, capable of taking steps to help manage the emergency, with actions in favour of the community as well as to protect their employees (for example, Sirap bought surgical masks from abroad and then distributed them to local hospitals and employees of other portfolio companies, as well as its own).

Some tools launched recently, such as the **"Holding Forums"** aimed at sharing managerial know-how and innovative best practices among managers with the same functions in the various companies, immediately proved themselves useful.



Medium/long-term forecasts

In the medium to long term, it is very difficult to express forecasts as the general picture is still unclear (also due to the conflicting indications on the possible evolution of the pandemic towards positive scenarios or a resurgence later in the year). This global shock will probably lead to a further acceleration of some already latent trends, for example, **a greater propensity for consumers to operate online and the digitisation of company processes**. Our portfolio companies have also accelerated the strengthening of certain elements that will be of fundamental importance in the future, such as the push online (both advertising and e-commerce), digitisation also as a way of working and strengthening the financial structure so to be more solid even in unpredictable situations caused by external crises.

In some areas, such as **Caffè Borbone**, the impact of the pandemic in the short term was minimal (indeed, probably positive), but it is reasonable to expect that the impact may be limited in the long term as well, thanks to a number of specific features compared with its competitors, such as the excellent ratio between quality and price, the strength of the online channel and the very reduced weighting of the Horeca channel.

Another example of a long-term positive impact concerns **Tecnica Group**, where products related to individual outdoor activities and sports are expected to grow, particularly those in the mountains (winter sports certainly, but above all summer activities) that are more sought after in an era when people desire and need less crowded places. Certain Group brands should benefit from this, such as Lowa (in which Tecnica Group increased its stake in the second half of 2019) or Rollerblade.

However, great uncertainties remain as to the timing and the trajectory of recovery in certain areas that have been particularly badly hit, where objective difficulties are complicated by the fact that it will not necessarily be easy to resume previous habits.

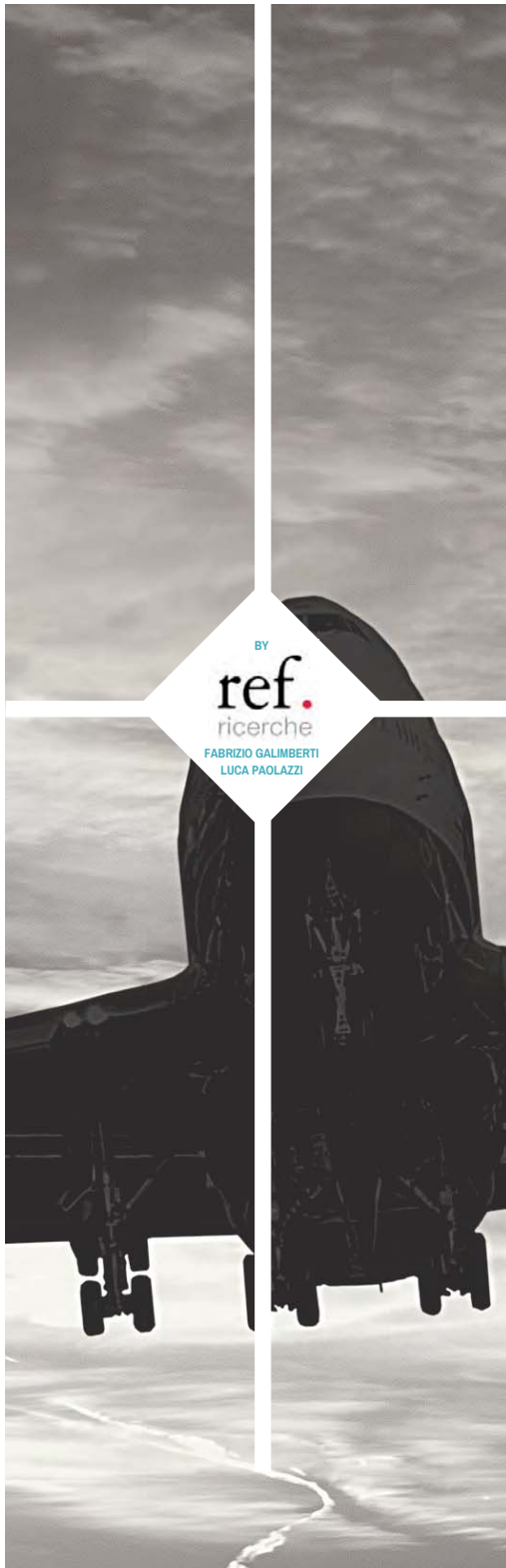
It is highly probable that there will be a negative aftermath on retail sales of non-essential goods also in the medium term, i.e. during the **period of stabilisation** that will start when businesses start opening again, for a time span that is expected to last until the end of 2020 or the beginning of 2021. Moreover, in a situation that remains uncertain, consumers tend to postpone buying durable goods, and companies in turn tend to postpone capital expenditure (although there are no companies in Italmobiliare's portfolio that operate on the basis of job orders).

It is still difficult to express a balanced assessment of the overall effect of this crisis on the various activities and on their prospects. However, it seems reasonable to foresee that the **diverse composition of our investments** in terms of sector and the diversification and **careful risk management** that has always distinguished the activities of Italmobiliare and its Group companies could allow us to limit the potential impacts in the short term, while seizing opportunities to **enhance synergies, strengthen best practices** already in place and open the door to **fresh opportunities** offered by structural changes.



ITALY'S BONUS/MALUS

EUROPEAN INSURANCE FOR THE BELPAESE



BY
ref.
 ricerche
 FABRIZIO GALIMBERTI
 LUCA PAOLAZZI

The first will be first, not the last. With apologies to the Gospel according to Matthew, **Italy**, which was the first in Europe to be badly affected by the virus, may also be the **first to come out** of this tragic tunnel.

Italy's SME indices are showing a more marked rebound compared with other countries and the anecdotal evidence of a strong desire for recovery is spreading. Of course, the **recovery** will not resemble the departure of Falcon 9 towards the ISS (which is not the Istituto Superiore di Sanità-Italian National Institute of Health-, but the International Space Station), but nor is a **relapse** probable, given that the virus appears to be on the retreat.

Outside Italy, the epidemic is worrying in **America** (both North and South): Latin American populations do not like distancing (especially when they live - not by choice - in favelas) and **protests** in the USA bring out crowds...

In any case, the **support for the economy** - from fiscal and monetary policies - is **impressive**, almost everywhere, even if it cannot fully compensate for the damage now emerging nor for the lost profits.

The major forecasters – from the IMF to the OECD and the EU Commission – are **redoing their GDP calculations, but they don't really have a measuring stick**: past history has nothing to indicate the trajectory of an economy injured by a virus, and econometric models are not equipped to take into account **black swans**, which by definition are unpredictable.

**So what is the state of the restart?
 In Italy and in the rest of the world?
 Are the economic policies launched by Conte's
 government similar to those of other countries?
 How do you inject trust?
 And what is the real unemployment rate?**

Rates are low. But they are low enough? And what does low inflation mean for the cost of money? Do falling BTP yields make Italian public debt more sustainable? What's behind the strong euro? Or is it the dollar that's weak? Stock exchanges appear to be ignoring the weight of this huge crisis - could it be that they are right?

Inflation seems to be unaware of the streams of new money that are inundating the world: prices are falling, at both **retail** and **production** level.

The main factor lies in the weakness of **demand**; then there is the (re)discovery of **online sales**, which are increasing their share of the market, crushing producers' margins. And there are still the **"reserve armies of labour"**, as Marx would have called them, swollen by the huge job losses.

In the **crude oil** market, production cuts, forced by the drop in sales of oil derivatives (transport and mobility have been severely hit), prices are being quoted at **just under 40 dollars** a barrel: in any case, a much lower level than the 50-70 d/b that prevailed in 2018-2019. A level, however, that allows American shale oil to survive. **Other raw materials** are showing signs of **stabilisation**, following the improved medical and economic health of absorber number one, China.

Long-term interest rates, both in **America** and in **Germany**, have stopped falling and are showing some signs of a recovery (if you can call a slightly less negative rate in Germany a recovery). We would like to think that these positive signs are due to **the outlook for demand being "less bad"**, given that they cannot be due to problems in financing the huge budget deficits: the **Central Banks' bottomless well** will look after them.

In Italy, the yields on **BTPs** are again going against the tide - but beneficially this time: after going up when other yields stood still, now they **have come down**, thanks to Europe and the massive support on the horizon. But every rose has its thorns: the drop in inflation is weighing on **real rates**.

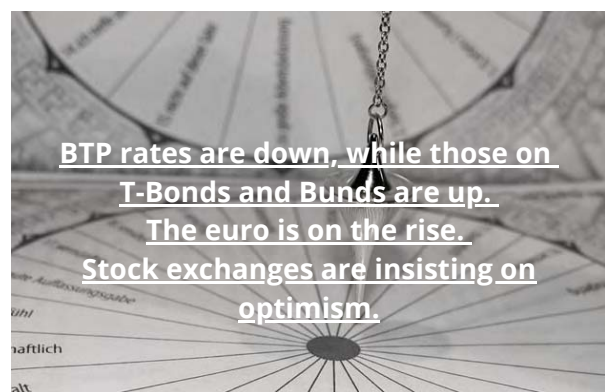
This time **the euro** is getting stronger: in the relay race between rate differentials and growth differentials, one prevails one month and the other prevails the next month. But this time there is **another guest** at the currency table: Europe has struck a blow with the **Recovery Fund** and other measures; international capital is realising that **European countries are able to agree** and counter the blow of coronavirus.

And the demonstrations and protests in the USA triggered off by the well-known racial tensions certainly do not help the greenback. Renewed tensions between the USA and China, also because of the situation in Hong Kong, have hit the **yuan** (with Beijing's approval), though it has recovered in the last few days.

Stock exchanges still seem to believe that the world is going to come out of this just fine, and maybe they are right. But - as in Paul Samuelson's old joke - given that the markets predicted **seven out of the last five recessions**, maybe they can also predict **seven of the last five recoveries**.

National account statistics on American corporate profits in the first quarter of this year, which have plummeted by more than 100 billion dollars, continue to signal that prices on **Wall Street** are overvalued.

This **is not an invitation to buy put options on the American Stock Exchange**. As John Maynard Keynes, another great economist, observed: "The market can remain irrational for longer than you can remain solvent."



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Fabrizio Galimberti was born in Rome in 1941. After graduating from the Bocconi University in Milan, he studied at Columbia University in New York, and subsequently taught Public Economics in Rome and Ferrara. Later he worked at the OECD Economics Department. In Rome, he was an economic advisor to the Treasury, with Beniamino Andreatta and Giovanni Gorla. In later years, he was Fiat Chief Economist and most recently a leader writer with Il Sole 24 Ore.

Luca Paolazzi is an economist and partner at REF Ricerche. From October 2007 to February 2018 he headed the Confindustria Studies Center. From September 1986 to September 2007 he worked at Il Sole 24 Ore, latterly as a leader column editor. From March 1984 to August 1986 he was an economist at the Fiat Studies Office. He is the author of many publications on economics, and a winner of the Q8, Brizio and Lingotto awards for economic journalism.

THE FABRIC OF MADE IN ITALY IS REKNOTTING ITS THREADS

INTEGRITY OF THE DISTRICTS IS THE WINNING CARD

by Luca Paolazzi

The pandemic is going to reshuffle the globalization cards. And **Italy** has some aces to play in the new game that is about to begin. The fear of contagion, due to this or other viruses, will put sand in the much less well-oiled cogs of international trade and investment compared with before. This will drive us to **produce more and trade less**.

Moreover, the **interruptions in global value chains** caused by physical distancing, in different times and ways, have definitively convinced entrepreneurs that it is too risky to rely on a single source of **supply of parts** that the **success of the productive process** depends on. Maybe they are unimportant components of little value, but indispensable for the work to be completed and put on the market, with all the consequences we know of.

Already in 2011, the seaquake in Japan and the flood in Thailand had severely compromised the international automotive and PC supply chains because for many months there were shortages of components in these two areas of specialization hit by these seismic and meteorological phenomena. And this had given way to a **profound rethinking of the supply chains**. Together with other factors that have helped put an end to the era of massive globalization and that should be remembered. But here we will limit ourselves to those that interest us most.



On the one hand, the financial crisis of 2008-2009 refocused government attention on the **role of manufacturing as a generator of wealth**. On the other hand, companies realized the **strategic importance of manufacturing** as a mechanism for acquiring knowledge and skills (know-how). While the delocalization that was pursued for many years put this mechanism in the hands of suppliers and, in not a few cases, they managed to transform this knowledge into a lethal competitive weapon.

Moreover, there is a **conflict between the rapid response to market changes and the long lead times needed to go to market** when production is outsourced to someone thousands of kilometres away.

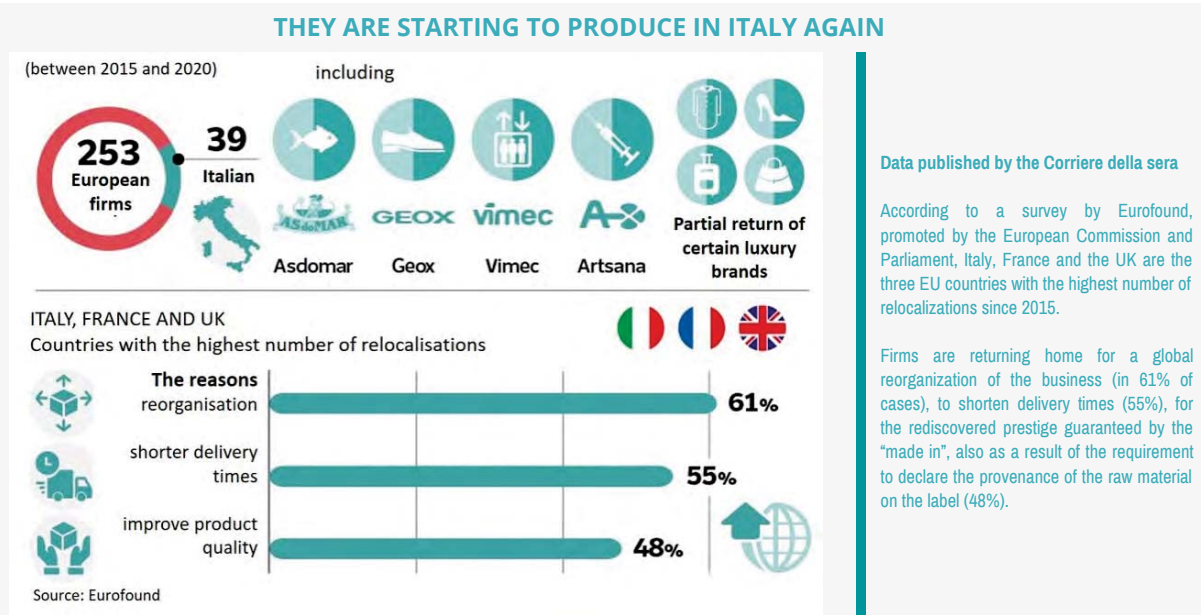
Lastly, the **gauntlet thrown down by China** on the technological front is forcing other countries to reply in kind.

And Italy? Will it go the way of the clay vase among the robust iron vases of America, German, Japan and South Korea? The reply would seem to be obvious. And yet the **performance of products made-in-Italy** in recent years has been surprisingly positive. **Italian exports have grown** at the same rate as its reference markets, defending market shares when they seemed inexorably destined to decline, given the arrival of emerging producers.

Also, and above all, in sectors far from those commonly assigned to Italy as typical of its traditional specialization in the **3Fs: food, fashion and furniture**. For example, in the **pharmaceutical field**, exports have risen considerably, generating quite a decent surplus. Or in the **chemical sector** which seemed like a lost cause. Not to mention the **mechanical sector**, above all machinery, in which **Italy is among the world leaders** and generates an enormous commercial surplus.

In general, Italian companies over the last twenty years have known how to increase the quality of their products, positioning themselves in segments where price counts less as an element of success, whilst **innovation, customer service, reliability, time-to-market, marketing, commercial network, human capital and organization** are far more important.

How does all this relate to the new and different phase of globalization which we will face, no longer aggressive and turbo-charged? **Which winning cards can Italy play?** Fundamentally three.



The first is the **integrity of its supply chains**. There are few countries with a high vocation for manufacturing that are able to keep within its borders almost all the segments required to make almost any product. Is it not by chance that, in recent years, Italy has been the target of a purchasing campaign by other economies, or that anyone who wants to manufacture beautiful and well-made goods has come here to do so, even in the most technologically advanced segments. In fact, the first plant for General Electric 3D printers was built in Italy.

The second is the **relevance of industrial districts**, by definition champions of local as opposed to global. Some have already lost their shine, others have disappeared, but the majority are alive and kicking. Their importance lies not so much in what they can do here and now, but rather for all their entrepreneurship and ability to generate innovation and talent. As Alfred Marshall used to say, it is as if skills and knowhow were in the air, infecting the inhabitants with the air they breathe.

The third is more recent: the discovery of **the importance of teamwork**, putting aside the exasperated individualism of everyone for himself and God for everyone. The 2008-2009 crisis with its poisonous tail from 2011-2012 (a tremendous double recession) forced entrepreneurs to network, to work together to develop something the individual would never have been able to achieve for lack of critical mass. "Network Contracts", a legislative innovation of 2009, have had a success which has far exceeded the rosiest expectations. At the beginning of May 2020 more than 6,100 contracts had been signed between almost 36,000 companies.

In other words, Italy has what it takes to be a **protagonist of post Covid-19 globalization**.

CAFFÈ BORBONE INNOVATES NEAPOLITAN TRADITION



Caffè Borbone was born in Naples in 1997 as the brand of **L'Aromatika S.r.l. Caffè Borbone** with the objective of pursuing the principle of quality and to transfer to others the dedication and passion represented by Neapolitan espresso coffee, an indisputable value of the City of Naples. Today Caffè Borbone is positioned among the most important coffee companies in the domestic coffee market, occupying one of the most foremost positions in the market among companies that specialize in the production of **coffee beans**, but above all in the **single portion** sector for capsules and pods.

Not by chance did the Financial Times place **Caffè Borbone** among the 1.000 European firms with the highest growth rate, identifying it as a leader in the production of single portions, which account for 80% of its turnover between capsules and pods.



Thanks to a varied portfolio, **Caffè Borbone** guarantees the right product for every market segment. It covers all the compatible market segments in the mass market channel, supplying **capsules compatible** for home use coffee machines branded Nescafé®* Dolce Gusto®*, Nespresso®* and Lavazza®* A Modo Mio®* as well as biodegradable pods.



In addition to single portions and coffee beans, consumers are appreciating **ground coffee** more and more, paying particular attention to the following blends: **Nobile**, with a predominance of Arabica, suited to the tastes of the Centre Nord, and **Decisa**, with a predominance of Robusta, created to satisfy the tastes of consumers in the South who prefer a more structured and full-bodied coffee.



Strongly anchored to tradition, **Caffè Borbone's true strengths** nonetheless lie in its constant **projection towards the future** and its commitment to **research and development**. These have always guaranteed - and still guarantee today - a continuous improvement in the product, a process dictated by the vocation and capacity to keep up with the times, capturing the needs of the consumer as these evolve with the trends.



The innovative soul of the company goes hand-in-hand with its eco-sustainable vision, always in search of solutions which respect the environment.

In fact, after the **biodegradable pod**, (certified CiC) completely disposable biologically and excellent for making natural compost, Borbone will shortly introduce a **biodegradable capsule** (suitable for coffee machines branded Lavazza®* A Modo Mio®*).



To sustain its green agenda, **Caffè Borbone** has set up many initiatives which fully respect the environment, such as its participation in the **100% Campania program** which focuses on the re-utilization of paper provided by local manufacturers and the use of a **Professional Sustainable Kit** of biodegradable glasses.

Moreover, **Caffè Borbone** has signed an agreement with suppliers of packaging material, obtaining the certification of the International NGO, **Forest Stewardship Council (FSC)**. The certification assures the sustainable management of forests and the traceability of products derived from forests.

Attention to the consumer is also reflected in novelties capable of guaranteeing a more fragrant coffee taste, among which in particular, a **save-the-aroma valve**, a system which allows coffee to be packaged as soon as it is roasted, preserving aromas, preventing evaporation and air contact, thus conserving all the fragrance and flavour.

The company's attention to **quality, sustainability** and **food safety** along the whole supply chain is evidenced by the many certifications and recognitions **Caffè Borbone** has received, such as **CiC certification** from the Italian Consortium of Compost Producers of entirely biodegradable pods and capsules, the **BRC FOOD certificate** which guarantees that branded products have been supplied according to well-defined quality standards and in compliance with food safety requirements, the **IFS FOOD certificate** which aims to promote the efficient selection of food suppliers for the own brands of supermarket chains and lastly the **ISO 9001-2015 certification** which attests to quality and ensures the excellence of the company's results.

One recognition of great importance is the **Quality Awards Prize** awarded by consumers who express their appreciation of Borbone in a blind tasting. After this recognition in 2019 for the pods, in 2020 the company was deemed worthy of the same prize for the "Ground Coffee for Moka" category.

A key to **Caffè Borbone's success** is still communication, both emotional and effective, supported by constant investment in **advertising** which has helped to consolidate **consumer loyalty**. Moreover, excellent management of the **sales network**, structured in every channel, Horeca, Mass Market, OCS and vending, guarantees coverage of every outlet.

*Lavazza®, *A Modo Mio®, *Lavazza A Modo Mio®, *Espresso Point® and *Lavazza Espresso Point® are brands which are the property of Luigi Lavazza S.p.A.®. Caffè Borbone Srl is an autonomous producer, not linked to Luigi Lavazza S.p.A.®. The compatibility of the Caffè Borbone capsules depends on using Lavazza® Espresso Point® - Lavazza® A Modo Mio® home coffee machines.

*Nespresso® and *Nescafé® *Dolce Gusto® are brands registered by Societè des Produits Nestlè® S.A. Caffè Borbone Srl is an autonomous producer, not linked to Societè des Produits Nestlè® S.A. The compatibility of the Caffè Borbone capsules depends on using Nespresso® - Nescafé® Dolce Gusto® home coffee machines.

CAFFÈ BORBONE SUPERB COFFEE



Backstage video for Caffè Borbone's new advertising campaign

TALKING POINT



Video interview with
Massimo Renda
 Founder and Chairman
 Caffè Borbone

What is the main secret of your success?

Caffè Borbone relies on a number of characteristics I consider key success factors: efficient communication for a brand that has become more and more established, an excellent product, stable over time, and indisputably great value for money. The large volumes of product we have made, the economies of scale we have managed to create and highly functioning systems, together with investment in communication, allow us to manage and control these three aspects which are fundamental.

What are the critical factors of a biodegradable capsule?

By its very nature, a biodegradable container cannot guarantee the same performance as a barrier and in terms of impermeability to external agents as a non-biodegradable product, generally made of oil or aluminium. If you make sealed, biodegradable capsules, it is important to communicate a shorter shelf life, in other words, the need to consume the product in a shorter period of time, because its process is accelerated and even the best coffee in the world can lose some of its qualities when dressed, so to speak, in lighter and less protective clothing.

Coffee and chocolate are two of the most difficult foodstuffs to conserve, because they are sensitive to several factors; in the light of this, we are paying a great deal of attention to biodegradability, recycling and everything else that is virtuous, while at the same time not giving up the important aspects of quality, always watching the technical data, because, in the end, these are the success factors of both the product and the company.

Are you proud of representing an excellence in Campania’s productive fabric?

Absolutely so. Caffè Borbone has its legal and operating headquarters in Naples and employs about 250 people, all, apart from one, from Campania. I believe the company is one of the best examples of professionalism and excellence in Italy’s entrepreneurial fabric, not only in Campania; and it is not by chance that the company has been singled out as a point of reference for growth and development at a European level.



AVERAGE GROWTH OF AROUND 30% A YEAR

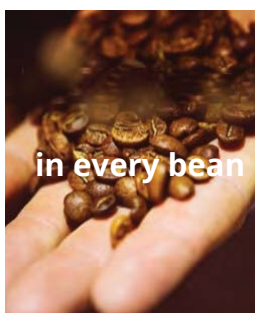
TURNOVER OF € 172.6 MLN IN 2019

GROWTH IN TURNOVER OF 27.6% COMPARED WITH 2018

KEY FINANCIALS (in millions of euro)	2019	2018
Revenue and income	172.6	135.2
EBITDA	52.0	34.2
Profit	34.2	16.5



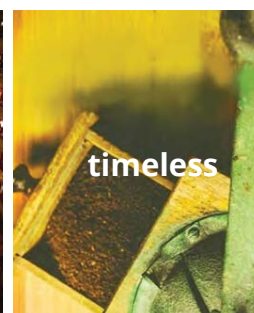
Passion



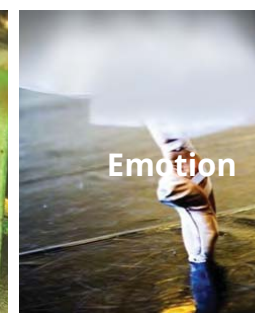
in every bean



Tradition



timeless



Emotion



in every cup

CAFFÈ BORBONE AND TEATRO ALLA SCALA OF MILAN

Caffè Borbone continues its relationship with the Teatro alla Scala: **tradition and culture** meet to sustain Italy's excellences with a bond that runs from North to South of the peninsula. For the **2019/2020 season** Caffè Borbone is **Partner-Official Supplier** of La Scala, since last December's inaugural gala for 2019.

A unique brand alongside a unique performance. Caffè Borbone's choice to link up with the most famous Opera Premiere in the world, matches its corporate mission and continuous search for uniqueness, which sees once again Borbone as an Ambassador of history and the Italian lifestyle. Sustaining the **social, cultural and artistic values** of the Belpaese in line with its own **balance of tradition and technological innovation** is one of the commitments that Caffè Borbone has adopted for some time as values of a responsible company, sharing these values with all its loyal admirers. Caffè Borbone continues, in the best possible way, the **secular tradition of high quality creamy espresso** coffee, produced with carefully selected blends.

In the Neapolitan tradition, coffee is not just a moment of relaxation and pleasure, but a real social gatherer. This Neapolitan brand wants to help those who choose its products to relive all of this: a sensory journey, without forgetting the **rites and pleasure** that surround the moment of drinking coffee.

"Caffè Borbone, as Partner and Official Supplier, also for the 2019/2020 season, stands alongside La Scala with attention to tradition and environmental sustainability", relates **Lanfranco Li Cauli, Marketing & Fund-Raising Director of La Scala**. "In these 'suspended months' we are working to reopen the Teatro so that the public will be able to return and attend La Scala's performances and enjoy a moment of relaxation with a 'caffè Borbone' in the foyers of La Scala."

In this context, Caffè Borbone has also taken part in the **#WeAreLaScala** campaign which has seen artists, workers, the public and partners use the hashtag #WeAreLaScala to share on their social media photos, messages, videos, and Instagram stories which convey their relationship with La Scala, not just as a stage for great performances, but also as a **community of people driven by shared passions and ideals**.



SUSTAINABLE OUTDOOR ACTIVITY AND MOBILITY THIS SUMMER FROM TECNICA GROUP

In a context where guidelines on social distancing are also redefining open air activities, placing more attention on individual sports and the rediscovery of a different form of mobility (from cycling lanes to inline skates), **Tecnica Group is in the forefront with products predominantly dedicated to individual sports.**

Many people are returning to or getting close to nature for first time, tending to avoid crowded places, preferring the **mountains and sporting activities for holidays**. In this context, for the 2020 season, Tecnica is continuing its history of personalizing footwear using the **C.A.S. (Custom Adaptive Shape) system** which customizes footwear by modelling it to the foot for a perfect fit. It is a system applied to all models of the three main brand lines: **Forge** for trekking, **Plasma** for hiking and **Origin** for trail-running. These are models which over the last three years have received the major accolades at trade fairs and in the industry press for their design and innovation.

Lowa, a brand that is emblematic of the German mountain-climbing tradition, is also presenting a full range of products to the market this season. These range from equipment for professional mountain-climbing used by many internationally-famous mountain-climbers, to gear for rock-climbing and trekking (the segment covered by the famous **Renegade** boots, a world bestseller). These products are famous for their extreme reliability and combine classic design with great research, quality of materials and an all European manufacture.

Rollerblade is the brand that taught the world about this sport, such that the sport has actually become synonymous with the brand. The same is true for **inline skating**. Both these brands are experiencing a well-deserved revival, thanks to people of all ages around the world searching for a **safe and fun way to move, train and enjoy their free time** in this period characterized by social distancing. The United States and Northern Europe are showing extremely positive signals, growth in Rollerblade sales in many key markets is fierce, both instore and online. The world-famous tenor, **Andrea Bocelli** on his rollerblades with his daughter, **Ben Stiller** moving on his wheels, the **National Hockey League athletes** training during the lockdown and many other examples demonstrate the positive trend and the rekindling of all the sports that Rollerblade has represented since 1980.



SALUMIFICIO CAPITELLI WINS ESPRESSO'S "GUIDA SALUMI D'ITALIA" PRIZE

Salumificio Capitelli is a new investment by Italmobiliare in the food sector, after Caffè Borbone, and one of the Italian excellences in the sector. In this operation, Italmobiliare, with a controlling share, stands alongside Angelo Capitelli who has been entrusted the role of Chairman, to stimulate the commercial and industrial development of the company which over the last few years has achieved a **significant rate of growth**, with turnover in 2019 of 14 million euro (up 20% with respect to the previous year) and an EBITDA of about 4 million euro.

Capitelli F.lli S.r.l., founded in 1976 in the province of Piacenza, is a producer of high-end cooked ham and other types of cured meats sold under the "Capitelli" brand, characterized by very **high quality and product excellence**.

The company re-invented **cooked ham** launching the product "**San Giovanni**", using a choice of selected meats and an **original craft curing process**. The raw materials, coming from the best Italian breeders, are selected by the Head of Meat directly from the slaughter lines. The pig's thigh is injected with a mix of herbs and spices, massaged for several days and then wrapped in pieces of rough canvas before being cooked for an entire day.

"San Giovanni" cooked ham falls into the category of "In Punta di Coltello", considered the most exclusive by **Espresso's GUIDA SALUMI D'ITALIA 2019 and 2020**, the only cooked ham to receive the **maximum 5 SPILLI** recognition.



ITMH
INTEREST
80%



ITALMOBILIARE INVESTS IN “OFFICINA PROFUMO FARMACEUTICA DI SANTA MARIA NOVELLA” OF FLORENCE

Officina Profumo Farmaceutica di Santa Maria Novella, a high-end cosmetics company, originated from what is believed to be **the oldest pharmaceutical laboratory in the whole of Europe**. It was founded by Dominican friars in Florence in 1612 and thanks to its long tradition, history and culture it has created a brand with **unique charisma at a global level**.

Officina Profumo Farmaceutica di Santa Maria Novella makes over six hundred different products for **body care, ambient fragrances, age-old preparations and liqueurs**, sold in over 300 of its own stores and corners in various countries around the world, in a plant on the outskirts of Florence. 61% of sales are made in the EMEA area, 18% in the USA, while the other 21% comes from Asian countries, especially South Korea and Japan. Revenue in 2019 amounted to euro 31.8 million, while EBITDA stood at euro 12.1 million.

Italmobiliare entered Officina Profumo Farmaceutica di Santa Maria Novella in January 2020 with a 20% stake.



ITALMOBILIARE FORUMS – SHARING IDEAS

1ST CFO FORUM | 29 JANUARY 2020

Italmobiliare's approach to managing its portfolio companies has come about through a journey of **shared growth**, of **cross-fertilization** between the parent and portfolio companies and among the portfolio companies themselves. Each is a bearer of skills and excellence from which the whole network can benefit and learn, gaining inspiration from cases of success and completing together a shared path of progress and learning. It is in this spirit that **"Holding Forums"** are organized periodically. These are subject-related workshops involving the heads of the **main functions of the parent company's portfolio companies and of Italmobiliare** itself, focusing on those theoretical and practical aspects deemed of most importance.

The first event was the **CFO Forum**, a workshop **coordinated by Carlo Bruno**, Italmobiliare's CFO, in which all Group company CFOs took part: Luca Musicco (Italgen), Patrizia Prunotto (Caffè Borbone), Roberto Finazzi (Iseo), Sergio della Canonica (Sirap), Simeone Sperotto (Tecnica), Roberto Riboldi (Autogas Nord).

The Forum programme was opened with a **sharing of macroeconomic and expected market scenarios for 2020**, to allow participants to review together and comment on the macro scenario forecast by the principal economic institutions and analyse the possible impacts of the most significant variables on each company's business model.

The teaching session of the workshop, on the other hand, focused on the **methodology and management of business risk**: the approach to corporate hedging, the methodology and measurement of risk, hedging management, hedging tools and examples of how they can be used.

The workshop ended with a presentation by Luca Musicco on the energy price **hedging strategy** implemented by Italgen. In fact, Italmobiliare has always been an advocate of a highly developed risk management culture at its portfolio companies, while also encouraging implementation of effective financial governance in their business development models.

In the second part of the Forum, these very issues were explored in greater detail, also thanks to the **contributions of external guests** representing some of the **most innovative fintech companies** in services with a high degree of technological content, credit factoring, exchange rate hedging, and digital management of accounts payable and receivables using the "procurement to payment" method.



SHARING IDEAS – DEVELOPMENT AND INVESTMENT TEAM



G. Palermo

- In Italmobiliare since 2016
- Previously M&A Manager at Italcementi, Atlantia, UBS London, Value Partners Group
- MBA from the Rotterdam School of Management, degree from Bocconi University of Milan in Monetary and Financial Economics
- Member of the Board of Directors of Caffè Borbone



A. Melissari

- At Italmobiliare since 2017
- Since 2018 Head of Investor Relations.
- Previously with Mediobanca for 12 years in the TMT industry team.
- Degree in Management Engineering from the Polytechnic University of Turin
- Member of the Board of Directors of Iseo and LPAC Isomer Capital, he also manages Italmobiliare's indirect investments in PE and VC



A. Ghezzi

- In Italmobiliare since 2016
- Previously with A2A (M&A and Debt Capital Markets) and with Citigroup and Dresdner Kleinwort in New York (Investment Banking)
- Master's in Economics at Duke University in North Carolina, degree in Political Economy from Bocconi University in Milan
- Member of the Board of Directors of CCC Holdings Europe



L. Cedaro

- In Italmobiliare since 2017
- Previously in financial consultancy as an Associate with Vitale & Co, Tamburi Investment Partners and Credit Suisse
- Double Degree in International Management from Bocconi University of Milan and Fudan University of Shanghai

The identification of **investment opportunities** in Italmobiliare is managed by the **Development and Investment Team** and constantly fuelled by direct relations with the business world of the entire Italmobiliare Group, active analysis of sectors and markets of potential interest for the company, response to external requests, including other investment banks and consultants and directly through group company management.

Italmobiliare invests, with target returns in line with the market, primarily in **companies characterised by high growth potential for the business and the sector of reference, a strong attitude towards innovation and sustainability and adequate managerial skills.**

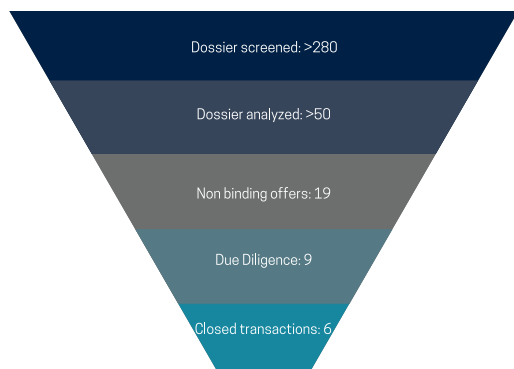
In all investments, the role of Italmobiliare is always to enable a **"specific but structural change"** in business development (e.g. generational change, professional management, deleverage, acquisition, etc.). Since its origin, Italmobiliare, and in particular the Development and Investment Team, presents itself to the shareholders or company managers with an **"industrial" approach**, with a **long-term perspective** and in a **"partnership" logic**, distinguishing Italmobiliare from pure financial investors.

From a geographical point of view, Italmobiliare focuses its investments on **selected markets**, Italy in particular, with current or potential European and global exposure. **Capital allocation decisions** focus on:

- investments in **minority shareholdings** with a focus either on stable dividend generation or strong growth;
- a **limited number of long-term "core" majorities**, with clear objectives for the development or enhancement of the investments;
- a **limited use of leverage.**

The Development and Investment Team is made up of **young professionals with proven experience in the M&A field**, with an industrial approach, experience and "sensitivity". In the investment management phase, the Team collaborates with the portfolio companies to support them in their **add-on valuation activities, M&A processes and improvement of their financial structure.**

Summary of activities for the past 30 months



Current pipeline and investment opportunities

INVESTMENT STRATEGY

- Investments in **complementary and diversified sectors** compared with the current portfolio and characterised by stability and low cyclicality
- Search for targets with a **high technological content, strong brands or leadership positions**
- **Potential add-ons for portfolio companies**

CURRENT INVESTMENT FOCUS

- Different sectors, including:
- **Food & beverage**
 - **Non-cyclical industrial**
 - **Home automation / high tech**

RESULTS 2019 – 1 QUARTER 2020 AND NEW BOARD OF DIRECTORS

Taking into account the **overall positive performance** of all the Portfolio Companies, **2019** closed with a profit of Euro 77 million (Euro 31.7 in 2018), while the profit attributable to the shareholders of the parent company rose to Euro 63.5 million from Euro 27.7 million at the end of 2018. Revenue and income stood at Euro 565.9 million (Euro 463.1 million at December 31, 2018) with a gross operating margin of Euro 125.9 million (Euro 41.2 million).

At 31 December 2019 the net financial position of the **Parent Company Italmobiliare SpA** increased by Euro 224.7 million, from Euro 344.9 million at December 31, 2018 to Euro 569.6 million at the end of December 2019.

During the **first quarter 2020**, the overall performance of the Portfolio Companies was positive, with an improvement in the aggregate operating result, achieved despite the impact of the extraordinary measures to contain the Covid 19 emergency. These mainly concerned the month of March, though they could have greater impacts later the year.

Further improvement in results for the companies active in the **food sector** (Caffè Borbone, Capitelli and Sirap) and for those in the **energy sector** (Autogas Nord-AGN Energia and Italgas), with growth in EBITDA, despite a slight contraction in revenue due to contingencies).

The lockdown measures for **commercial and production activities**, on the other hand, had negative effects on the activities of Tecnica Group and Iseo, both with reduced results, and slowed the growth of Officina Profumo di Santa Maria Novella.

In light of these trends, at a consolidated level, the quarter closed with an increase in revenue to 149.8 million (130.8 million in the first quarter of 2019), but with a negative EBITDA of 0.4 million (positive for 18.2 million) due to the write-downs of some financial assets in the Italmobiliare SpA portfolio following the drastic correction of the markets.

These tables show the **management figures** of the companies in which the Group has invested, which represent an economic aggregate of around 1.5 billion euro of assets).

PERFORMANCE OF THE MAIN GROUP COMPANIES

FULL YEAR 2019

(in millions of euro)	Revenue			EBITDA		
	December 31, 2019	December 31, 2018	Change %	December 31, 2019	December 31, 2018	Change %
Italmobiliare	86.1	55.0	56.7	45.7	1.4	n.s.
Portfolio companies						
Caffè Borbone	172.6	135.2	27.6	52.0	34.2	51.9
Sirap	269.3	275.1	(2.1)	19.9	16.3	22.5
Italgas	34.3	36.0	(4.8)	14.2	8.4	69.5
Capitelli	14.0	11.6	20.7	3.9	2.4	60.7
Tecnica Group	424.0	398.5	6.4	51.5	37.9	35.7
Iseo	142.7	136.7	4.3	15.3	15.0	2.0
Autogas-AGN Energia	493.3	526.2	(6.3)	36.0	34.4	4.7
Total portfolio companies	1,550.2	1,519.3	2.0	192.8	148.6	29.7

n.s. not significant

FIRST QUARTER 2020

(in millions of euro)	Revenue			EBITDA		
	March 31, 2020	March 31, 2019	Change %	March 31, 2020	March 31, 2019	Change %
Italmobiliare	23.5	11.8	99.1	(25.2)	(2.5)	n.s.
Portfolio companies						
Caffè Borbone	48.9	42.4	15.3	15.6	12.3	26.6
Sirap	63.2	66.0	(4.1)	5.8	4.0	46.3
Italgas	7.1	7.2	(0.6)	2.3	0.9	>100
Capitelli	3.7	3.2	16.9	0.8	0.8	1.8
Tecnica Group	82.7	91.9	(10.0)	3.0	3.5	(14.3)
Iseo	30.4	36.0	(15.6)	1.8	3.4	(45.1)
Autogas-AGN Energia	155.1	164.2	(5.5)	20.9	18.9	10.6
Total portfolio companies	391.1	410.9	(4.8)	50.2	43.8	14.6

n.s. not significant

BOARD OF DIRECTORS

The Board of Directors was appointed by the Shareholders' Meeting on April 21, 2020 and will remain in office until approval of the financial statements for 2022.

LAURA ZANETTI

Chairman since 2017
Director since 2013²

LIVIO STRAZZERA

Deputy Chairman since 2017
Director since 2002²

CARLO PESENTI

Chief Executive Officer since 2014
Chief Operating Officer
Director since 1999

VITTORIO BERTAZZONI

Director since 2017¹

GIORGIO BONOMI

Director since 2002

MIRJA CARTIA D'ASERO

Director since 2017¹

ELSA FORNERO

Director since 2017¹

SEBASTIANO MAZZOLENI

Director since 2011

LUCA MINOLI

Director since 2002

CHIARA PALMIERI

Director since 2017¹

ANTONIO SALERNO

Director since 2017¹

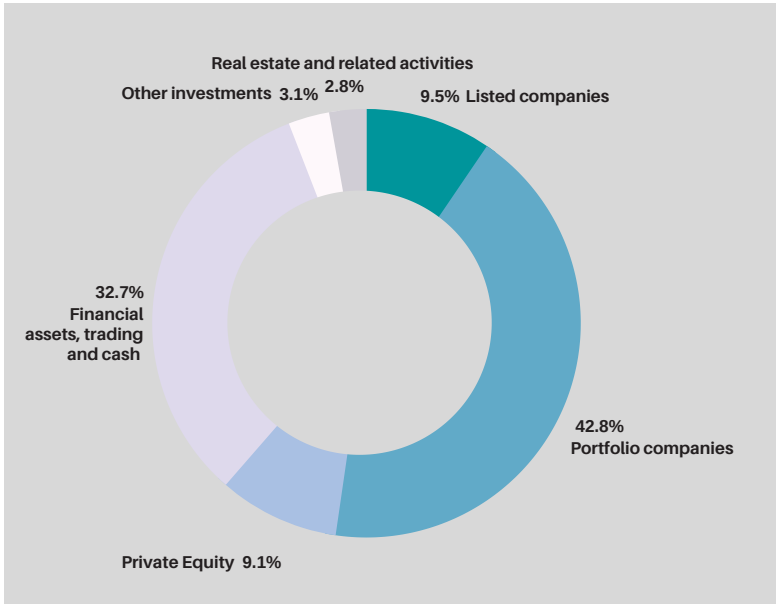
MARINELLA SOLDI

Director since 2020¹

¹ Independent director (pursuant to the Code of Conduct and Legislative Decree no. 58 February 24, 1998)
² Independent director (pursuant to Legislative Decree no. 58 February 24, 1998)

The following Committees were set up for the three-year period 2020-2022: **Committee for Transactions with Related Parties** (composed of Chiara Palmieri, Mirja Cartia d'Asero and Elsa Fornero), the **Remuneration and Nominations Committee** (composed of Marinella Soldi, Vittorio Bertazzoni and Chiara Palmieri), the **Control and Risk Committee** (composed of Mirja Cartia d'Asero, Giorgio Bonomi and Chiara Palmieri). In line with the company's commitment to Sustainable Development, having been one of the first companies in Italy to adopt ESG factors as an integral part of its business strategy, the Board also set up a new **Committee for Sustainability and Social Responsibility** (composed of Carlo Pesenti, Vittorio Bertazzoni, Mirja Cartia d'Asero, Elsa Fornero and Laura Zanetti).

NAV OF OVER 1.7 BN EURO as at December 31, 2019

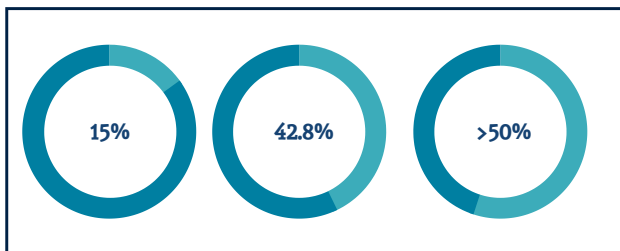


(in millions of euro)

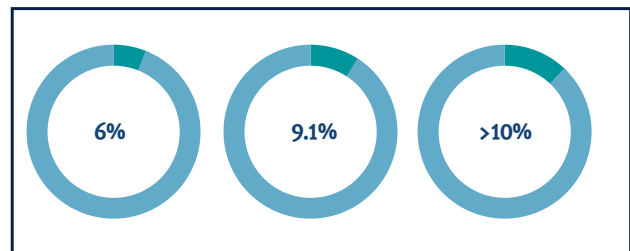
Listed companies	165.1
Portfolio companies	744.9
Private Equity	158.1
Financial assets, trading and cash	569.6
Other investments	54.3
Real estate and related activities	49.1
NAV as at 12.31.2019	1,741.1
NAV per Share	41.5€

NAV TRANSITION

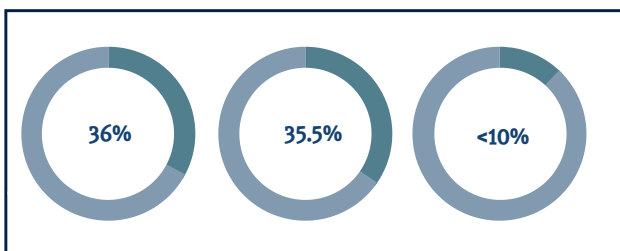
Portfolio companies
% on total



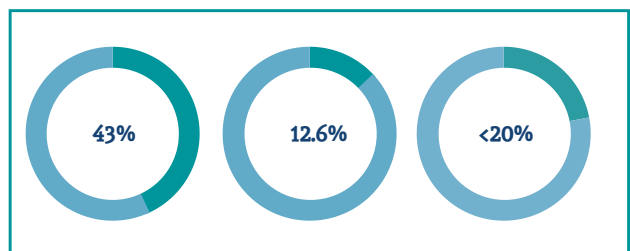
Private equity
% on total



Financial assets, trading and cash
% on total



Listed participations and other assets
% on total



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