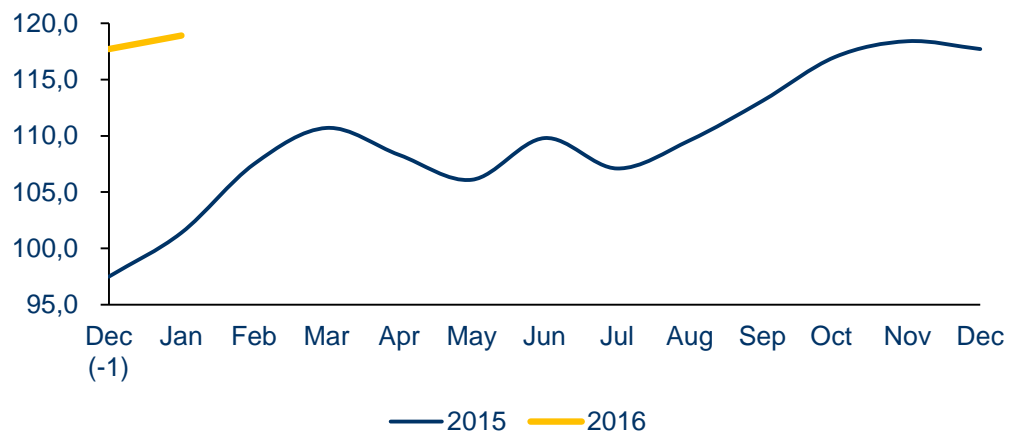


Kepler Cheuvreux

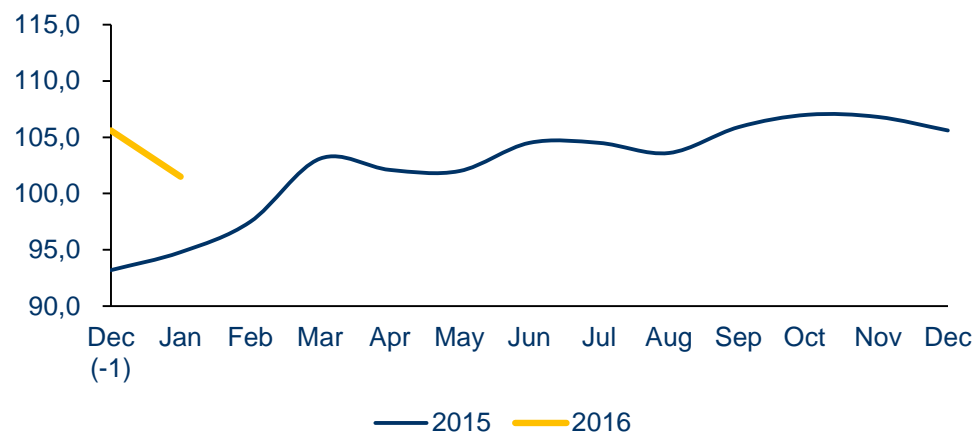
Marco Baccaglio, CFA
Kepler Cheuvreux – Via C.O. Cornaggia 10 – 20123 – Milano
+39 02 8062 8320

High confidence, weak facts

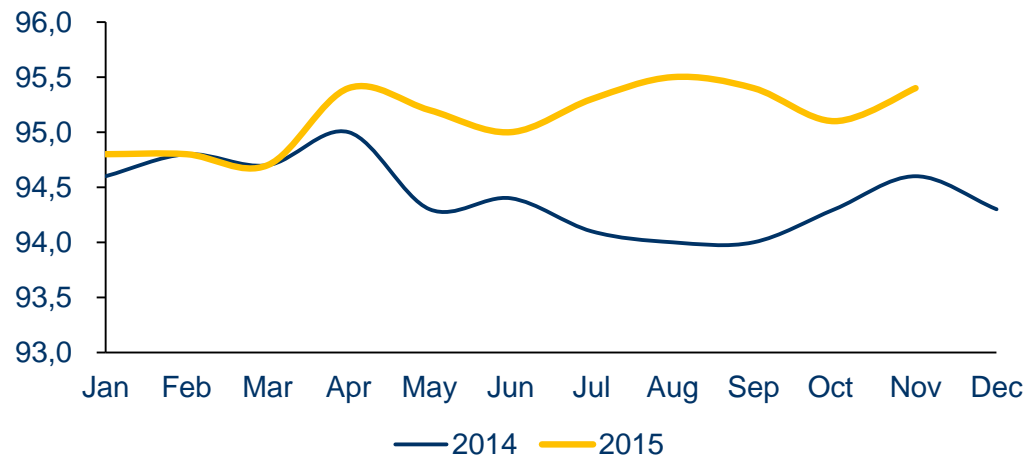
Consumer confidence



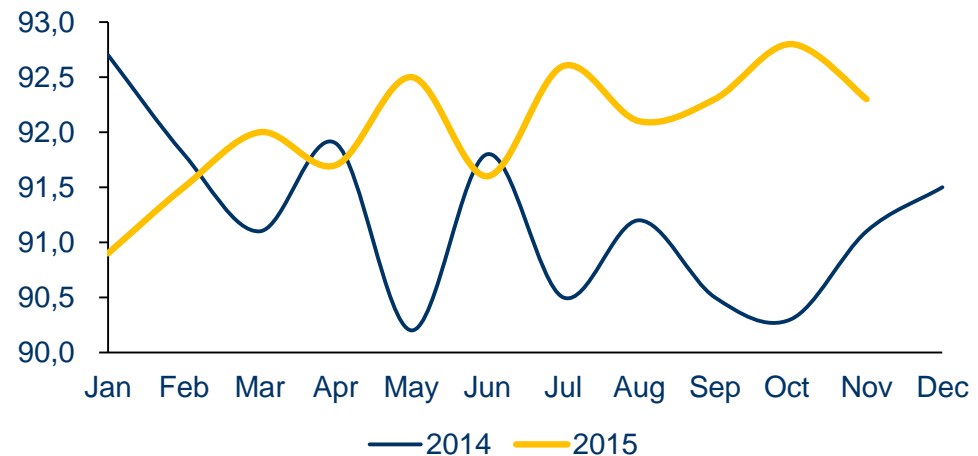
Business confidence index



Retail sales index

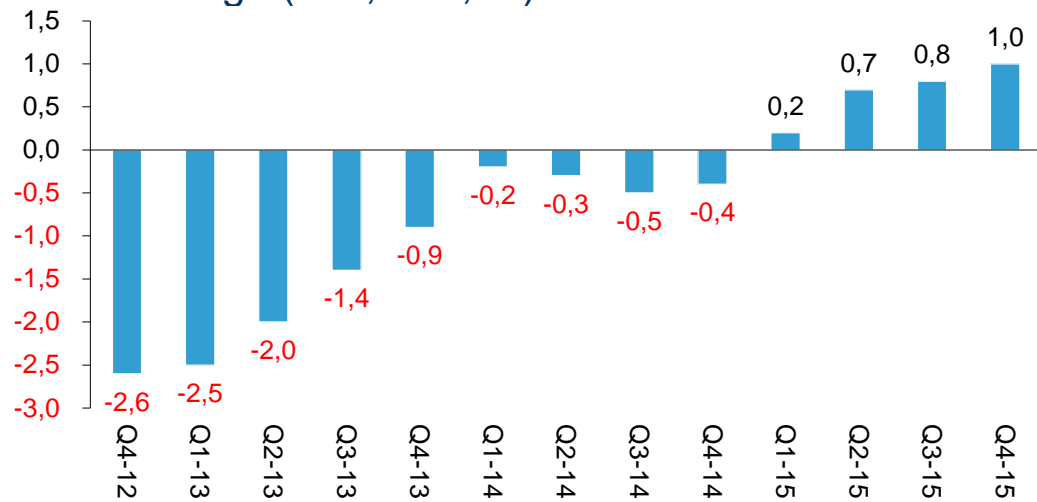


Industrial production

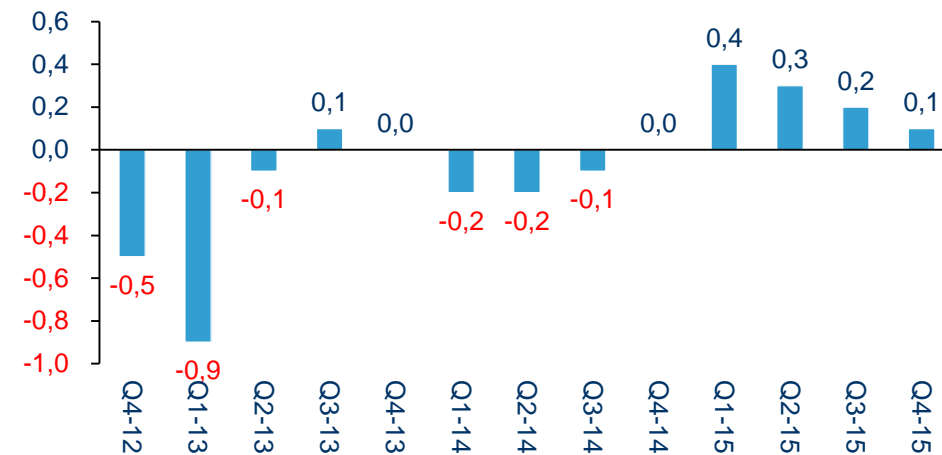


GDP and labour data

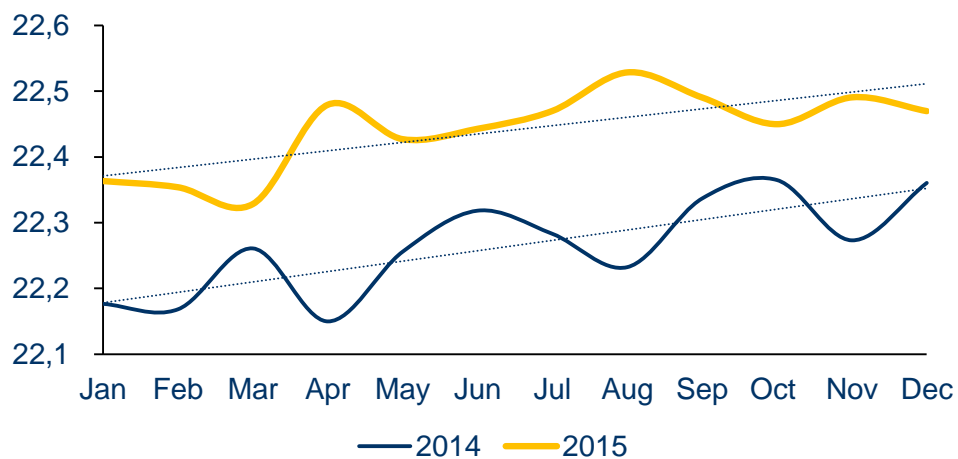
GDP Change (YoY, real, %)



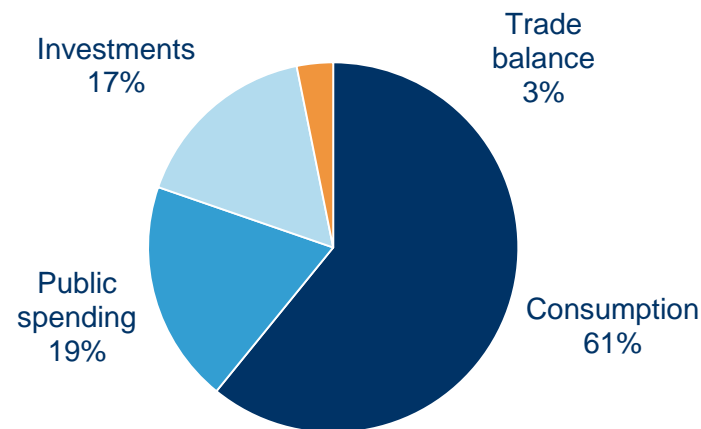
GDP growth (QoQ, %)



Employed people (million)

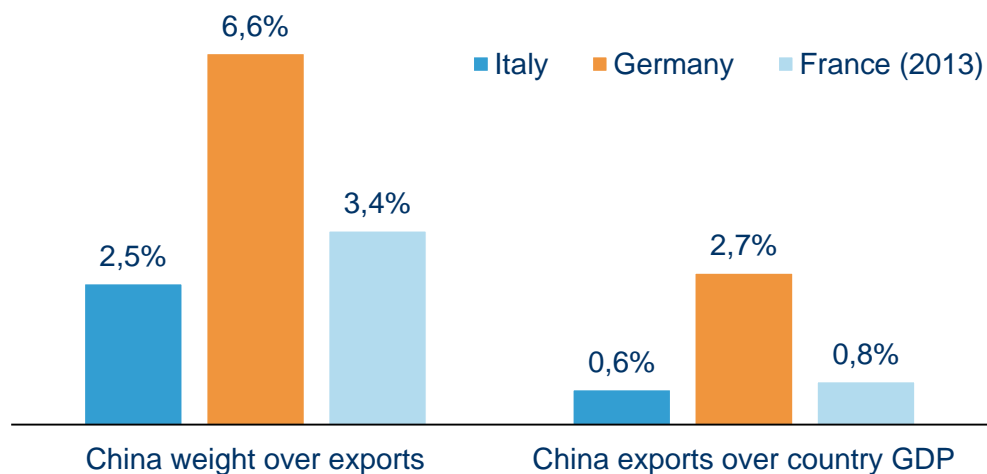


Italia GDP by component

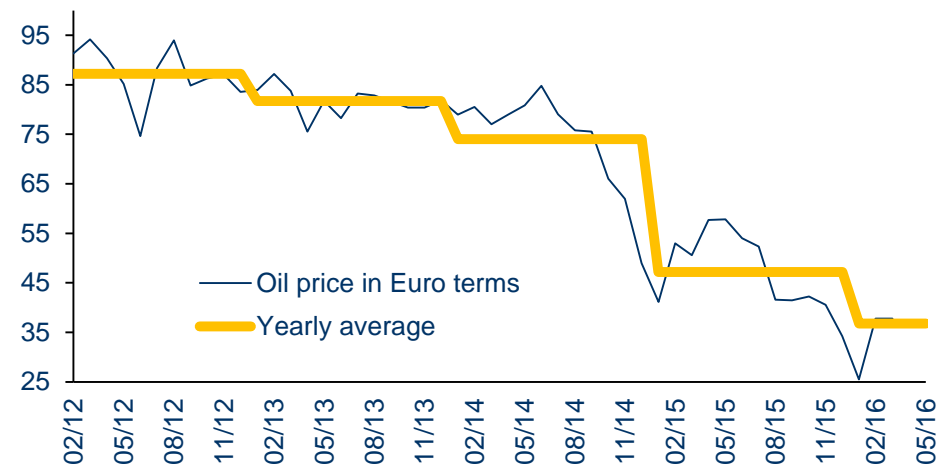


Trade balance: several reasons to be reassured

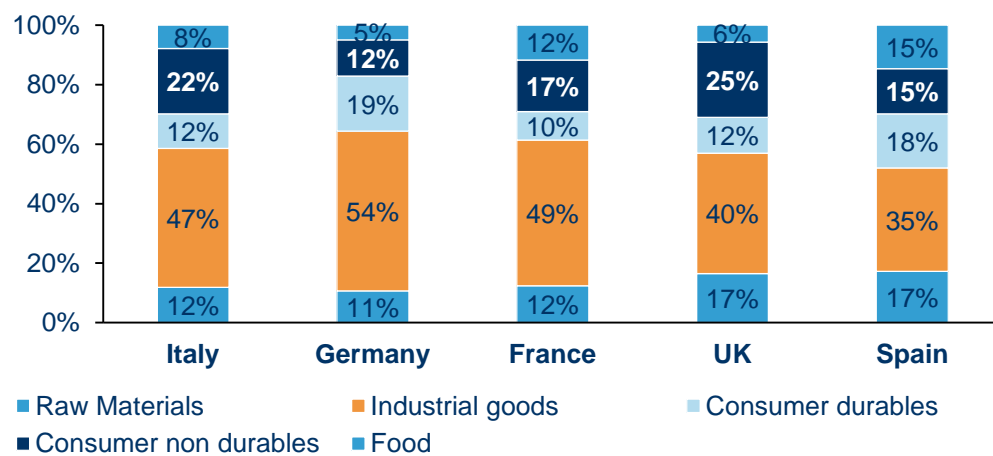
Weight of China



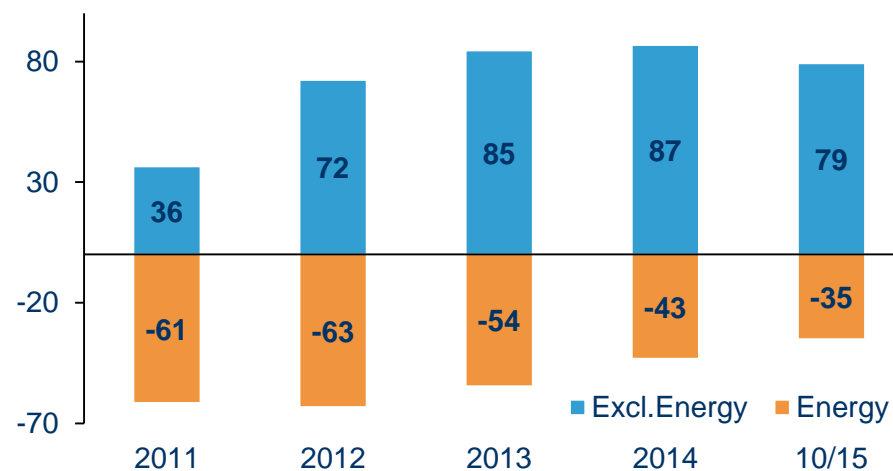
Oil price in euro terms



Exports structure

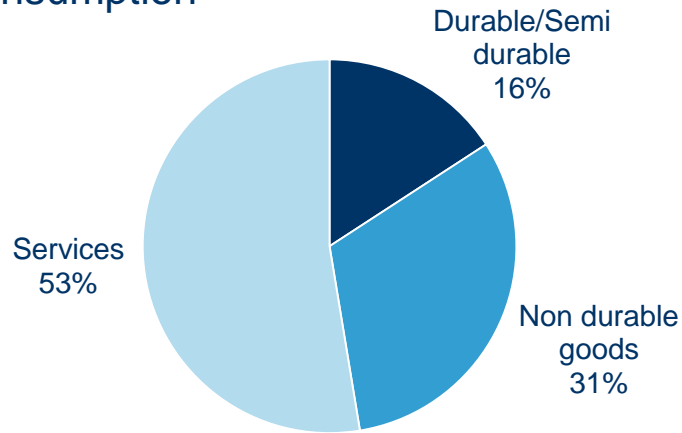


Trade balance – energy vs. non energy

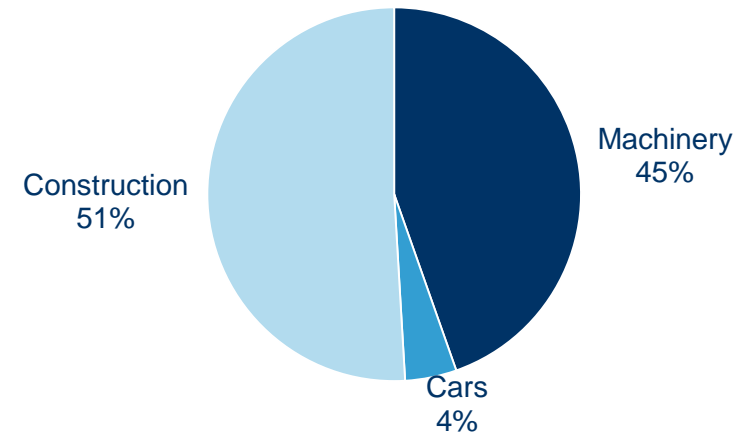


What room for recovery?

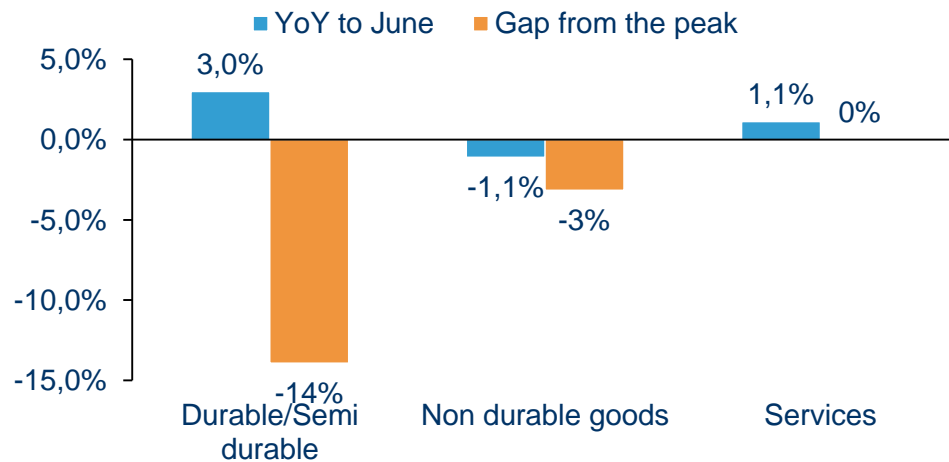
Private consumption



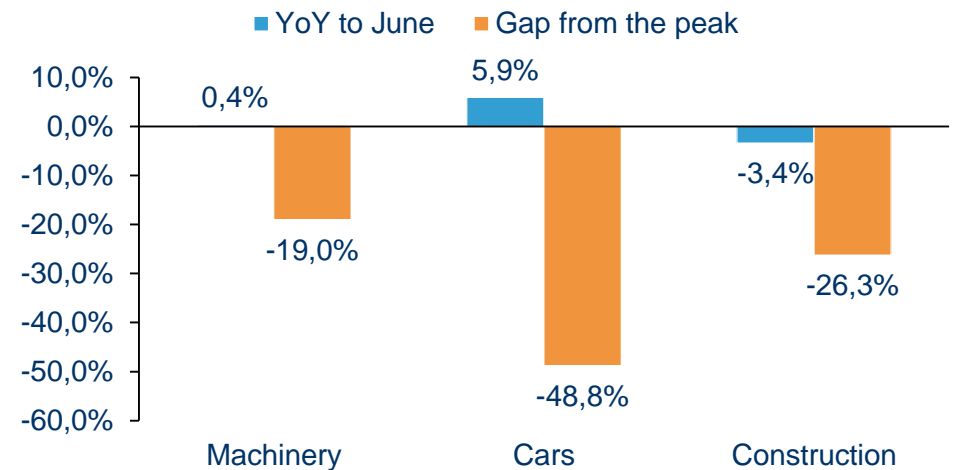
Investments



Consumption (gap from peak, nominal)



Investments (gap from peak, nominal)



Italian government budget 2014-18

(EURbn)	Actual				09/15	Forecast		
	2011	2012	2013	2014		2015E	2016E	2017E
Revenues	757	781	782	777	782	786	819	841
Tax	458	486	480	486	490	497	526	543
Social contributions	216	216	215	216	218	216	218	223
Other	63	64	68	69	68	68	69	70
Capital income	11	6	9	6	6	5	5	4
Expenditure	814	830	827	826	827	827	842	845
Opex	301	296	298	298	298	294	298	299
Social costs	304	311	320	328	333	338	343	351
Other expenses	61	64	66	66	66	66	67	65
Current expenses	666	671	684	692	697	698	707	715
Public investments	62	65	58	59	57	60	64	60
Interest payments	76	84	78	75	71	69	71	69
Primary balance	19	35	33	26	25	28	48	65
<i>Surplus/(Deficit) /GDP</i>	1.2%	2.2%	2.0%	1.6%	1.6%	1.7%	2.8%	3.8%
Total balance	(57)	(49)	(45)	(49)	(46)	(41)	(23)	(4)
<i>Surplus/(Deficit) / GDP</i>	(3.5%)	(3.0%)	(2.8%)	(3.0%)	(2.8%)	(2.5%)	(1.4%)	(0.2%)
GDP (SEC 2010)	1,639	1,615	1,609	1,616	1,626	1,639	1,688	1,738
<i>Nominal growth</i>	2.1%	(1.4%)	(0.4%)	0.4%		1.4%	3.0%	3.0%
<i>Deflator</i>	1.5%	1.4%	1.4%	0.8%		0.7%	1.7%	1.8%
<i>Real growth</i>	0.6%	(2.8%)	(1.7%)	(0.4%)		0.7%	1.3%	1.2%
Debt (after EU aids)	1,908	1,990	2,070	2,135		2,172	2,201	2,212
<i>Debt/GDP after EU aids</i>	116.4%	122.2%	127.9%	132.1%		132.5%	130.4%	127.2%

- Healthy primary surplus
- Better nominal GDP than real GDP
- Lower cost of debt
- Renzi: a “new approach”, particularly in communicating results

Key reforms impact

Expected impact of reforms

(% of GDP, %)	By 2020	By 2025	Long term
GDP	1.8	3.1	7.2
Consumption	2.3	3.7	5.4
Investments	2.1	3.3	8.2
Jobs	1.6	2.2	3.7

Expected cost of reforms

(EUR bn)	2015E	2016E	2017E	2018E	2019E
Spending review/tax reform	13.3	27.3	34	35.4	31.3
Infrastructures	-0.4	-0.4	-1.5	-2.3	-0.4
Labour/Pensions	-22	-25.2	-25.5	-24	-21.2
Innovation/human capital	-1.6	-4	-4.3	-4.3	-4.2
Support to businesses	-1.5	-2	-2.1	-2.1	-1.5
Other	3	1.4	0.9	1	0.6
Deficit/Surplus	-9.2	-3	1.6	3.7	4.5
Italian GDP	1,639	1,688	1,738	1,789	1,841
<i>as a % of GDP</i>	<i>-0.60%</i>	<i>-0.20%</i>	<i>0.10%</i>	<i>0.20%</i>	<i>0.20%</i>

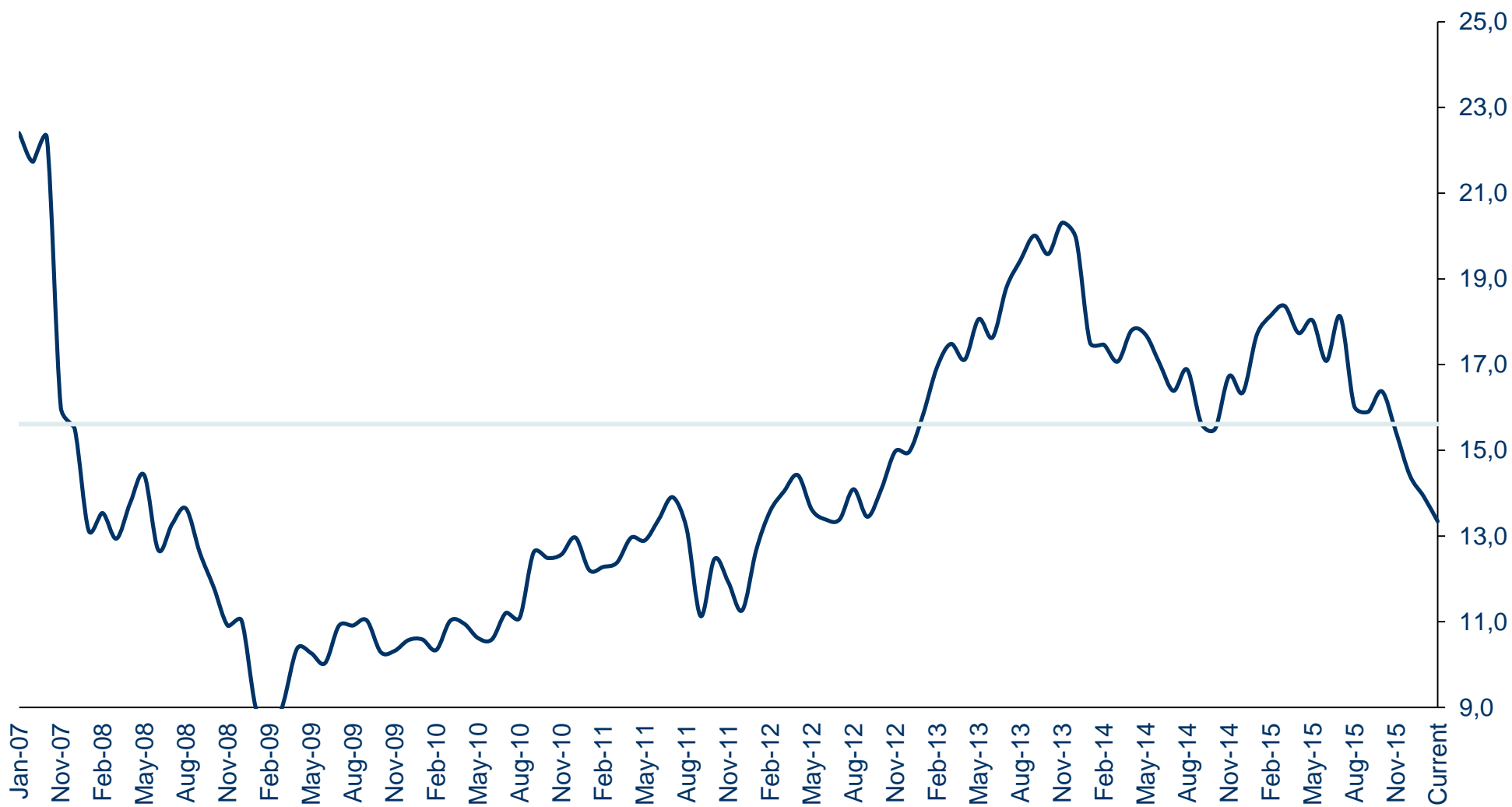
Labour reform

Sector	New rules	Impact
Labour contracts	New open-ended contract	
	Exit costs for the employer proportional to the employment period (2 months per year of employment, min 4 max 24 months)	Easier for employers to hire on open-ended contracts
Contract termination	Re-instatement of fired employees into their job only if proven racial discrimination	Higher flexibility of labour Lower discretion of the Court in litigations
Welfare	New unemployment subsidy of 75% of salary (max EUR1,300)	No significant impact (replacing other measures)
	Declining by 3% per month, lasting 24 months (18 from 2017)	

Labour cost with reform and tax cuts

(EUR)	Contract details	New hire	Existing contract
		EUR24,000 yearly gross	EUR24,000 yearly gross
Before cuts (2013)	Firm cost	2633	2633
	Net salary	1308	1308
	Total tax	1325	1325
After cuts (2015)	Firm cost	1983	2575
	Net salary	1483	1483
	Total tax	500	1092
Change	Total tax	-62%	-18%
	Net salary	13%	13%

Volatile stockmarket valuations [Luxury goods sector EV/EBIT]



A few remarks – how to fight volatility

- **Reduce quarterly reports size.** Quarterly results add volatility to estimates (particularly for seasonal businesses), push investors to focus on short term, absorb analysts time on maintenance.

Reduce the set of reported figures (only sales or operational items), avoid estimated items such as taxes, focus the reporting on business trends rather than on economic performance

- **Simplify segment reporting and build standard KPIs.** Investors need consistent and stable set of data for segment reporting.

Stick to maximum two segments for sales and provide at least one of these for earnings. Provide constant FX trends and organic growth where relevant

- **Sensitivity analysis:** big swings in currencies, raw materials and macro (last but not least inflation). Make sure investors understand how these drivers work for your companies

More detailed geographical breakdown or provide a guidance for FX impact “If current spot rates were to continue for the remainder of the year...”

A few remarks

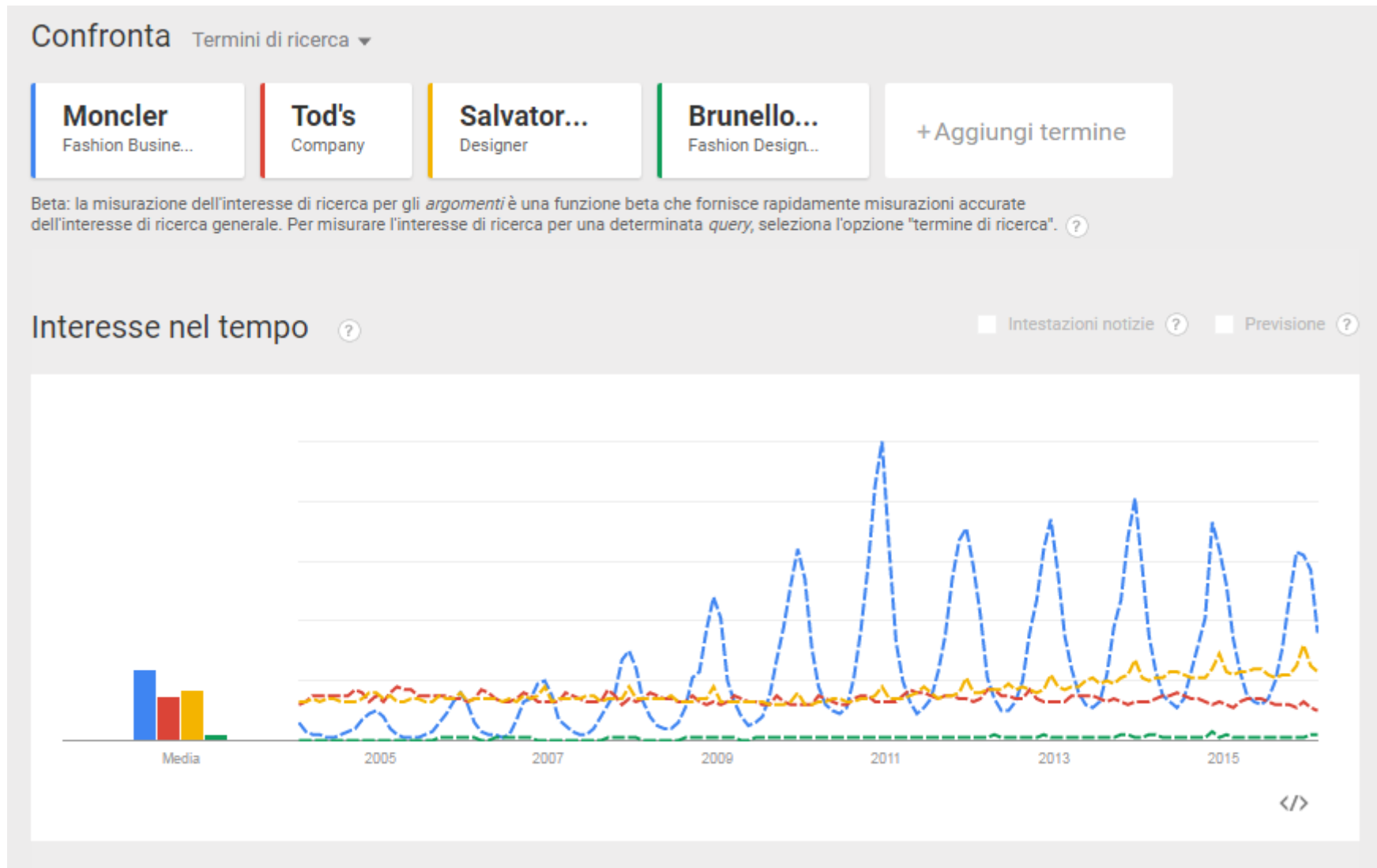
- **Big data.** External data becomes increasingly available, influencing investment decisions, sometimes with misleading signals.

Actively review what are key alternative datasets in the market, decide whether it is the case to provide own data, even if price sensitive, to reduce the gap between expectations and actual results

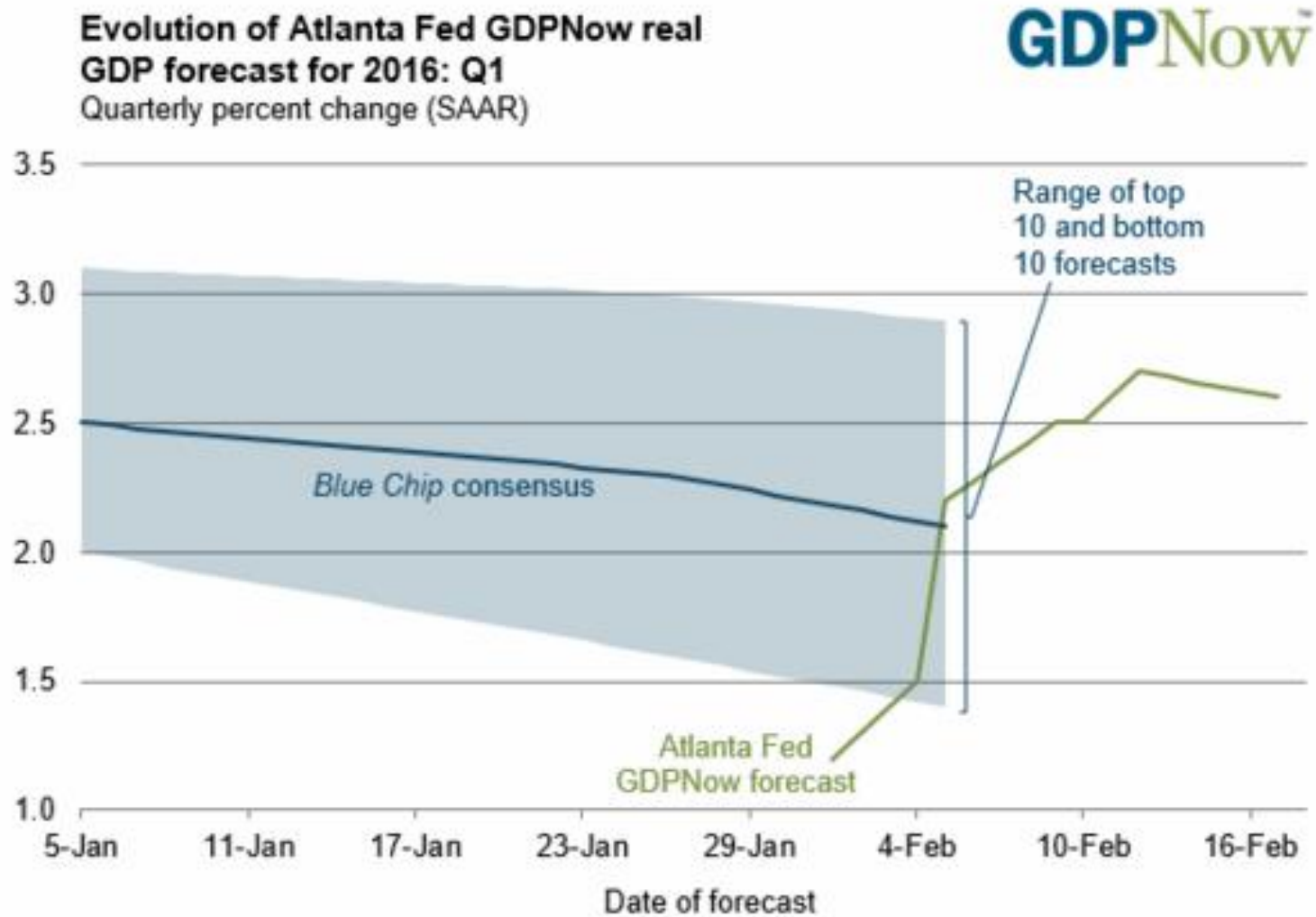
- **Focus on strategy.** Year-end results are an opportunity to state key strategic decisions and investments.

Several companies do not hold big capital market days but rather offer an annual update of strategy within results calls or meetings. Investments, growth outlook, M&A policy, dividend policy. Give investors the tools to well “define” your stock.

Big data (example: Google Trends)

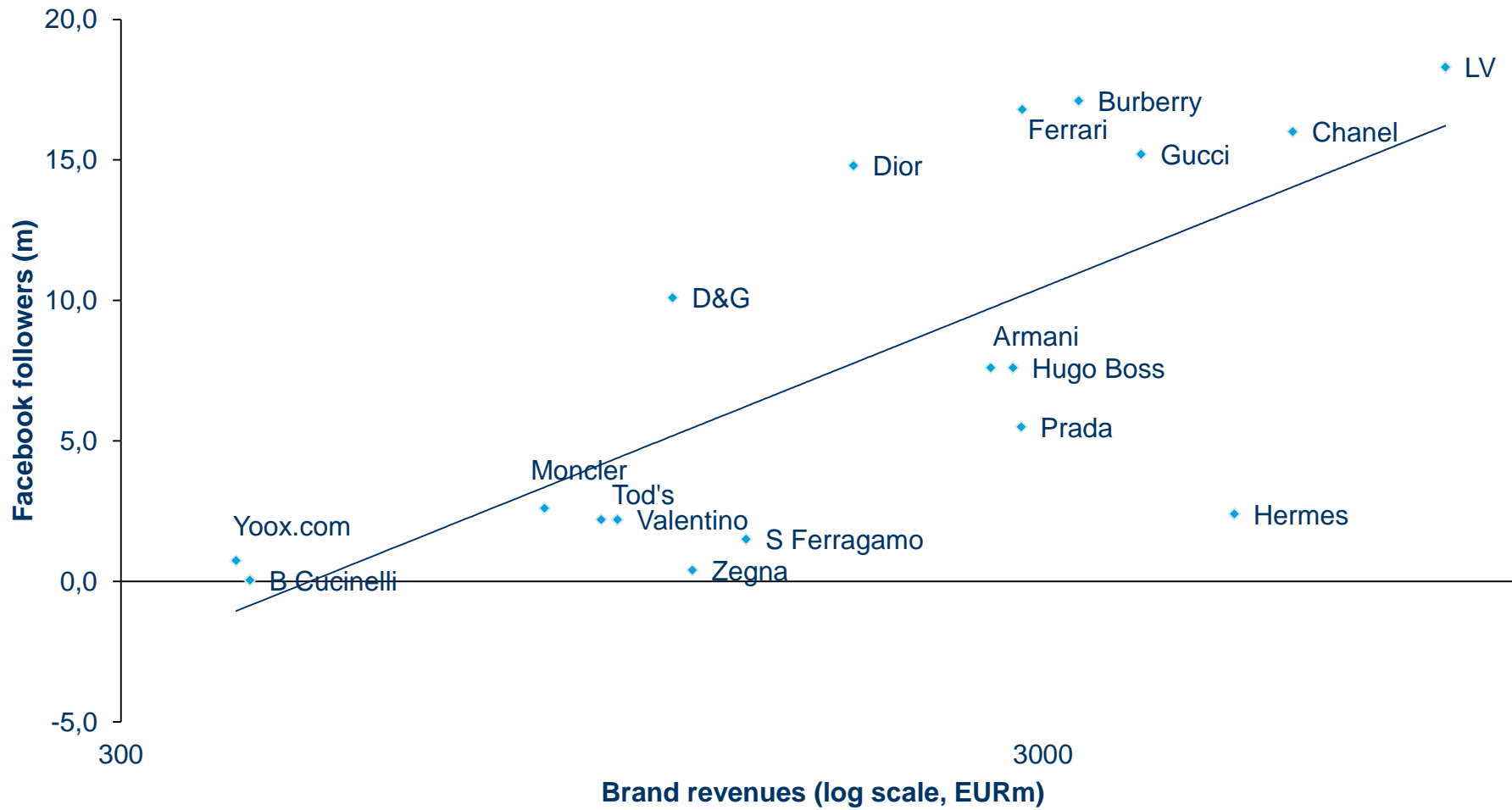


Real time forecast



Sources: *Blue Chip Economic Indicators* and *Blue Chip Financial Forecasts*

New ways to look at business



Kepler Cheuvreux refers to Kepler Capital Markets, SA ("Kepler SA") and its affiliates, including CA Cheuvreux, SA. No part of this material should be considered research or an offer to deal in securities. Research published by Kepler Cheuvreux is available at www.keplercheuvreux.com. See research disclosures at <http://www.keplercheuvreux.com/Categories/Research/ResearchDisclosures.aspx>. Terms and Conditions of Use: <http://www.keplercheuvreux.com/Categories/EmailDisclosures.aspx>.

Kepler Cheuvreux" refers to branches, affiliates and subsidiaries of Kepler Capital Markets SA. Kepler Capital Markets, Inc. is a member of FINRA and SIPC.

The information contained in this publication was obtained from various sources believed to be reliable, but has not been independently verified by Kepler Capital Markets (KCM). KCM does not warrant the completeness or accuracy of such information and does not accept any liability with respect to the accuracy or completeness of such information, except to the extent required by applicable law.

This publication is a brief summary and does not purport to contain all available information on the subjects covered. Further information may be available on request. This report may not be reproduced for further publication unless the source is quoted.

This publication is for information purposes only and shall not be construed as an offer or solicitation for the subscription or purchase or sale of any securities, or as an invitation, inducement or intermediation for the sale, subscription or purchase of any securities, or for engaging in any other transaction. This publication is not for private individuals.

Any opinions, projections, forecasts or estimates in this report are those of the author only, who has acted with a high degree of expertise. They reflect only the current views of the author at the date of this report and are subject to change without notice. KCM has no obligation to update, modify or amend this publication or to otherwise notify a reader or recipient of this publication in the event that any matter, opinion, projection, forecast or estimate contained herein, changes or subsequently becomes inaccurate, or if research on the subject company is withdrawn. The analysis, opinions, projections, forecasts and estimates expressed in this report were in no way affected or influenced by the issuer. The author of this publication benefits financially from the overall success of KCM.

The investments referred to in this publication may not be suitable for all recipients. Recipients are urged to base their investment decisions upon their own appropriate investigations that they deem necessary. Any loss or other consequence arising from the use of the material contained in this publication shall be the sole and exclusive responsibility of the investor and KCM accepts no liability for any such loss or consequence. In the event of any doubt about any investment, recipients should contact their own investment, legal and/or tax advisers to seek advice regarding the appropriateness of investing. Some of the investments mentioned in this publication may not be readily liquid investments. Consequently it may be difficult to sell or realize such investments. The past is not necessarily a guide to future performance of an investment. The value of investments and the income derived from them may fall as well as rise and investors may not get back the amount invested. Some investments discussed in this publication may have a high level of volatility. High volatility investments may experience sudden and large falls in their value which may cause losses. International investing includes risks related to political and economic uncertainties of foreign countries, as well as currency risk.

To the extent permitted by applicable law, no liability whatsoever is accepted for any direct or consequential loss, damages, costs or prejudices whatsoever arising from the use of this publication or its contents.

KCM has written procedures designed to identify and manage potential conflicts of interest that arise in connection with its research business. The KCM research analysts and other staff involved in issuing and disseminating research reports operate independently of KCM Investment Banking business. Information barriers procedures are in place between the research analysts and staff involved in securities trading for the account of KCM or clients to ensure that price sensitive information is handled according to applicable laws and regulations.

United Kingdom: This document is for persons who are Eligible Counterparties or Professional Clients only and is exempt from the general restriction in section 21 of the Financial Services and Markets Act 2000 on the communication of invitations or inducements to engage in investment activity on the grounds that it is being distributed in the United Kingdom only to persons of a kind described in Articles 19(5) (Investment professionals) and 49(2) (High net worth companies, unincorporated associations etc) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended). It is not intended to be distributed or passed on, directly or indirectly, to any other class of persons. Any investment to which this document relates is available only to such persons, and other classes of person should not rely on this document.

“Kepler Cheuvreux” refers to Kepler Capital Markets SA and its affiliates. Kepler Capital Markets, Inc. (“KCM”) is a wholly owned subsidiary of Kepler Cheuvreux. KCM is a broker-dealer registered with the U.S. Securities and Exchange Commission (“SEC”), Member of Financial Industry Regulatory Authority (“FINRA”) and the Securities Investor Protection Corporation (“SIPC”). You can reach KCM at 600 Lexington Avenue, New York, NY 10022. Compliance: (212) 710-7625. KCM also conducts business with the trade name “Kepler Cheuvreux North America”.

United States: This research is distributed in the United States by the entity that published the research as disclosed on the front page of this report to “major U.S. institutional investors,” as defined under Rule 15a-6 promulgated under the U.S. Securities Exchange Act of 1934, as amended, and as interpreted by the staff of the U.S. Securities and Exchange Commission (SEC). This research is also distributed in the United States to other institutional investors by Kepler Capital Markets, Inc., who accepts responsibility for the contents of the research, subject to the qualifications stated in this publication which are hereby incorporated. U.S. persons seeking to execute a transaction in the securities discussed in this research should contact Kepler Capital Markets, Inc., 600 Lexington Avenue, New York, NY 10022, phone (212) 710-7600. Kepler Capital Markets, Inc. is a broker-dealer registered with the SEC and is a FINRA member firm. Nothing herein excludes or restricts any duty or liability to a customer that Kepler Capital Markets, Inc. has under applicable law. Investment products provided by or through Kepler Capital Markets, Inc. are not FDIC insured, may lose value and are not guaranteed by the entity that published the research as disclosed on the front page or Kepler Capital Markets, Inc.. Investing in non-U.S. Securities may entail certain risks. The securities of non-U.S. issuers may not be registered with or subject to SEC reporting and other requirements. The information available about non-U.S. companies may be limited, and non-U.S. companies are generally not subject to the same uniform auditing and reporting standards as U.S. companies. Securities of some non-U.S. companies may not be as liquid as securities of comparable U.S. companies. Analysts employed by non-U.S. broker-dealers are not required to take the FINRA analyst exam.

France: This publication is issued and distributed in accordance with art. L 544-1 and seq of the Code Monétaire et Financier and with the articles 321-122 to 321-138 of the General Regulations of the Autorité des Marchés Financiers (AMF).

Germany: This report may be amended, supplemented or updated in such manner and as frequently as the author deems.

Italy: Information is for institutional clients only as defined by art. 31 of CONSOB reg. 11522/98. Reports on companies listed on the Italian exchange are approved and distributed to over 500 clients in accordance with art. 69 of CONSOB Regulation 11971/1999 for enforcement of the Consolidation Act on financial brokerage (legislative decree 24/2/1998). According to this article KCM, branch of Milano warns on potential specific interests in securities mentioned. Equities discussed are covered on a continuous basis with regular reports at results release. Reports are released on date shown on cover and distributed via print and e-mail. KCM branch of Milano analysts are not affiliated with any professional groups or organizations. All estimates are by KCM unless otherwise stated.

Spain: Reports on Spanish companies are issued and distributed by KCM, branch of Madrid, registered in Spain by the Comisión Nacional del Mercado de Valores (CNMV) in the foreign investments firms registry (member of the Madrid exchange). Reports and any supplemental documentation or information have not been filled with the CNMV. Neither verification nor authorization or compliance revision by the CNMV regarding this document and related documentation or information has been made.

Switzerland: This publication is intended to be distributed to professional investors in circumstances such that there is no public offer. This publication does not constitute a prospectus within the meaning of Articles 652a and 1156 of the Swiss Code of Obligations.

Canada: The information provided in this publication is not intended to be distributed or circulated in any manner in Canada and therefore should not be construed as any kind of financial recommendation or advice provided within the meaning of Canadian securities laws.

Other countries: Laws and regulations of other countries may also restrict the distribution of this report. Persons in possession of this document should inform themselves about possible legal restrictions and observe them accordingly.

Amsterdam
Kepler Cheuvreux Benelux
Johannes Vermeerstraat 9
1071 DK Amsterdam
+31 20 573 06 66

Milan
Kepler Cheuvreux Italia
C. Cornaggia 10
20123 Milano
+39 02 85507 1

Frankfurt
Kepler Cheuvreux Germany
Taunusanlage 18
60325 Frankfurt
+49 69 756 960

Paris
Kepler Cheuvreux France
112 Avenue Kleber
75016 Paris
+33 1 53 65 35 00

Geneva
Kepler Cheuvreux SA
Route de Crassier 11
1262 - Eysins
Switzerland
+41 22 361 5151

Stockholm
Kepler Cheuvreux Nordic
Regeringsgatan 38
10393 Stockholm
+46 8 723 51 00

London
Kepler Cheuvreux UK
12th Floor, Moorhouse
120 London Wall
London EC2Y 5ET
+44 20 7621 5100

Vienna
Kepler Cheuvreux Vienna
Schottenring 16/2
Vienna 1010
+43 1 537 124 147

Madrid
Kepler Cheuvreux Espana
Alcala 95
28009 Madrid
+34 914365100

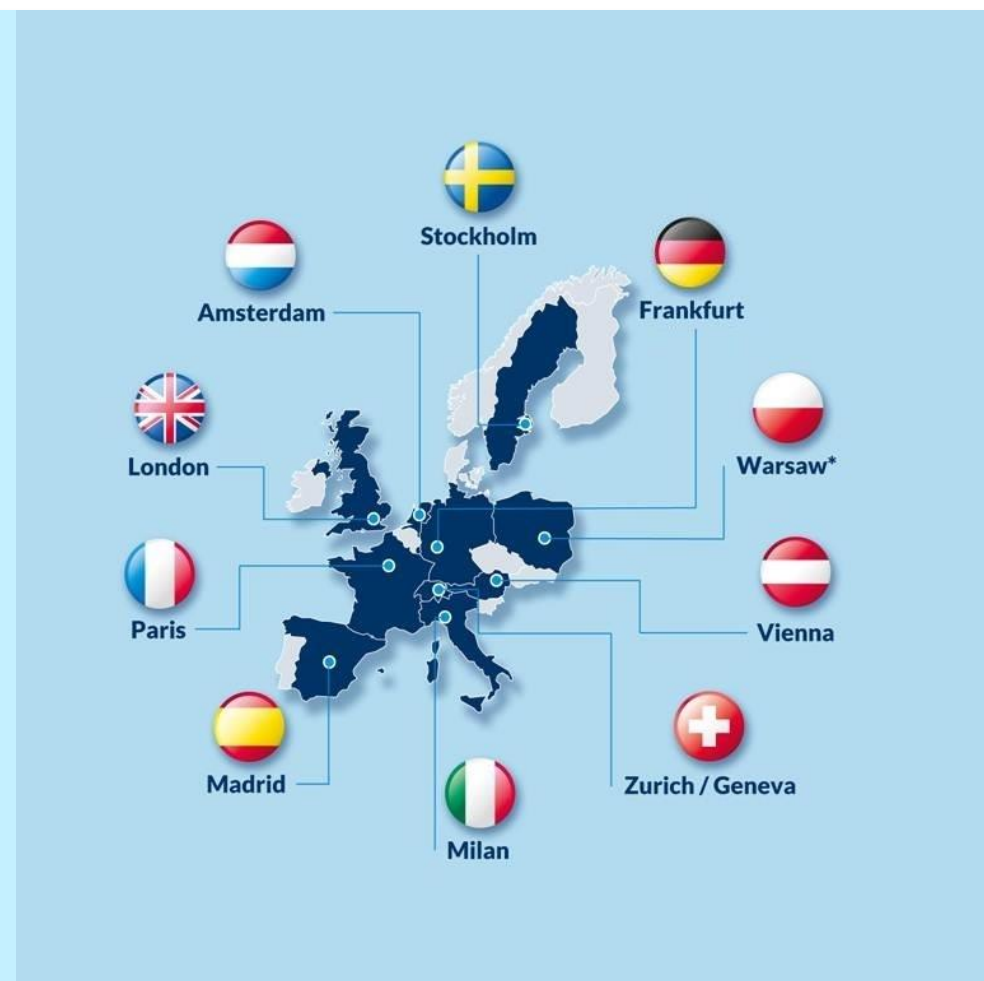
Zurich
Kepler Cheuvreux Switzerland
Stadelhoferstrasse 22
Postfach
8024 Zurich
+41 43 333 66 66

□ North America

Boston
Kepler Capital Markets, Inc
225 Franklin Street, Floor 26
Boston MA 02110
+1 617 217 2615

San Francisco
Kepler Capital Markets, Inc
50 California Street Suite 1500
San Francisco, CA 94111
+1 415 439 5253

New York
Kepler Capital Markets, Inc
600 Lexington Avenue, Floor 28
10022 New York, NY USA
+1 212 710 7600



*Kepler Cheuvreux has exclusive international distribution rights for UniCredit's CEE product.