

PRESS RELEASE

INTESA SANPAOLO PRESENTS THE 2011 REPORT ON THE ECONOMY AND FINANCE OF INDUSTRIAL DISTRICTS WITH THE ANALYSIS OF 49,000 BUSINESSES

- **THE 2011 DISTRICT TURNOVER IS UP 8.5%, LOWER GROWTH FORECASTS FOR 2012 AND 2013**
- **EXPORTING DISTRICT BUSINESSES ARE REWARDED, PARTIAL RECOVERY OF OPERATING MARGINS, THE POLARISATION BETWEEN THE BEST AND WORST BUSINESSES REMAINS HIGH**
- **ENTERPRISE NETWORKS AND LOAN GUARANTEE CONSORTIA ARE THE KEY ELEMENTS TO DEAL WITH THE CRISIS**

Milan, 7 February 2012. Today, Intesa Sanpaolo's Managing Director **Enrico Cucchiani** and the Chief Economist **Gregorio De Felice** presented the fourth edition of the annual Report that the Bank's Research Department dedicates to the **economic and financial evolution of district businesses**. This analysis concerns the company financial statements for the **2008-2010 period** and includes almost **13,000 businesses belonging to 139 industrial districts** and around **36,000 non-district businesses** specialising in manufacturing sectors that are relevant for such districts. The report then includes **estimates on the financial results of businesses in 2011** and forecasts for the **2012-2013 period**. Finally, the Report dwells on the signs of transformation of the district world, with special emphasis on the evolution of strategies aimed at strengthening competitiveness.

2010 Results

- **EXPORTING DISTRICT BUSINESSES ARE REWARDED**
- **PARTIAL RECOVERY OF OPERATING MARGINS**
- **POLARISATION BETWEEN THE BEST AND WORST BUSINESSES IS STILL HIGH**

The turnover of district businesses in 2010 grew by 8.3%, a higher value than that recorded for non-district businesses, which stood at 6.6%. The main factor accounting for such difference is above all the higher propensity of district businesses towards exportation, which rewarded them during a year of the global demand recovery, as opposed to a domestic market that remained weak. However, the 2010 turnover is still 10.6 down from the levels recorded in 2008; the gap is slightly wider in non-district areas (-11.5%).

On the profit margin front, 2010 represented a year of only partial recovery. In terms of net operating margins (in % of the turnover), district businesses gained back 0.6 percentage points, about half of what had been lost since 2008 levels. Non-district businesses are however experiencing a slower recovery (the 2008 level is still one point higher).

The recovery of profitability and growth has not resulted in a significant reorganisation of the discrepancy in the results among the different businesses which, both in district and non-district areas, remained highly polarised. In terms of EBITDA margin, the gap between the best and worst businesses was equal to about 20 percentage points (+15.7% for the best ones and -3.9% for the worst ones). In terms of turnover variation, the gap between the best and worst businesses has widened even further.

2011 projections and forecasts for the 2012-2013 period

- **2011: INCREASED TURNOVER (+8.5%)**
- **2012-2013: LOWER GROWTH FORECASTS**

In 2011, on the basis of the estimates contained in the Report, the district turnover recorded an 8.5% increase at current prices, up half a percentage point compared to non-district areas. Operating margins gained back another three decimal points.

The 2012-2013 period started with a view to more limited turnover growth forecasts. In the event that the industrial districts manage to leverage their structural characteristics of dynamism, a district turnover growth lower than one percentage point is expected for 2012 and around 3% for 2013. The increased projection onto foreign markets should continue to reward district businesses: therefore, the positive differential between the performances of industrial districts and non-district businesses should still remain in a forward-looking perspective.

The signs of the transformation in progress

- **THERE IS A GREATER PROPENSITY TO INVEST ABROAD AND INNOVATE IN THE DISTRICT WORLD**
- **CONSOLIDATION OF ENTERPRISE NETWORKS**
- **THE ROLE OF LOAN GUARANTEE CONSORTIA IS KEY IN ORDER TO OVERCOME THE CRITICAL ISSUES OF THE CHAIN**

The Report dwells upon some of the transformation signs in the district world. Thanks to an especially designed databank, district businesses show a greater propensity to invest abroad. Currently, there are 25 international subsidiaries for each 100 district businesses; the figure stands at 16 in non-district areas. This result is not linked to the operations of few major investors but rather to an ever rising and more widespread internationalisation. The number of district businesses with at least one international subsidiary is indeed higher than that of non-district businesses (6.6% vs. 4.5%). However, businesses have not lost contact with their original territory, on which they base part of their competitiveness. Conversely, the presence of foreign multinationals in Italian district areas is still limited.

An analysis of the most recent data from the European Patent Office shows the much greater and ever stronger propensity of district businesses to innovate as opposed to non-district ones (16 patents every 100 businesses vs. 12). At the same time, businesses operating in the districts appear less inclined to use scientific research results; therefore their innovations are less radical. This is obviously a weak point, which makes it more difficult to have an accelerated growth.

The relations of district businesses with other businesses are taking up new forms, often involving entities outside the district, through enterprise networks including “network agreements.” The synergies that may arise therefrom should help the network businesses to strengthen their competitive position, especially in terms of innovation, promotion and distribution. In one case out of two, the 179 network agreements entered into have innovation as their primary objective.

District businesses also continue to fully enjoy the benefits deriving from the “group” organisational set-up and there are signs of an increased use of said form. Taking into account group aggregations for the year 2011, the average size of district businesses grew considerably (+74% in terms of added value), mostly in line with the findings for non-district areas.

Relations along the chain have traditionally been a strong point of our industry in general and of districts in particular. However, the Report highlighted three critical issues.

- The smaller businesses experienced more difficulties in the last few years and therefore seem less equipped to manage the economic downturn expected in 2012. Therefore, there is the risk of a number of exits.
- Trade receivables from smaller businesses have continued to grow at an alarming rate due to the significant extended payment terms they are required to grant to their customers. In a forward-looking perspective, such tensions may prove to be difficult to manage for many businesses.
- The weaker businesses (whether they be small or large) are experiencing more difficulties than in the past finding solutions that may bring them back onto a path of economic and financial sustainability.

These three factors, with their combined effects, put the efficiency of chains at risk. Thus, it becomes necessary to develop initiatives to maintain their integrity. Loan Guarantee Consortia may be a useful tool. The analysis carried out showed that the Loan Guarantee Consortia measures yielded positive effects in terms of growth: the businesses that secured the guarantee recorded better performances overall both in terms of assets and turnover, despite showing markedly increased financial fragility.

The agro-food districts and the technological hubs

- EXCELLENT POTENTIAL FOR GROWTH FOR THE AGRO-FOOD SECTOR AND THE TECHNOLOGICAL HUBS
- SPILLOVER EFFECTS FOR THE ENTIRE ITALIAN INDUSTRY

Finally, the Report pays special attention to two specific sectors which may give significant contributions to the Italian overall growth. Firstly, the agro-food districts, which show excellent growth potential in foreign markets, thanks to the highly innovative and quality content of many products, which put up barriers against competitors. The other sector is represented by the “technological hubs.” The 20 hubs identified in the Report belong to the ICT, biomedical, aeronautical and pharmaceutical sectors and show structurally stronger expansion rates than “traditional” districts. It is unlikely that Italy will be able to regain a leading position on the high technology front in the short-term, however these sectors and hubs can still provide many opportunities for growth and guarantee significant spillover effects on the entire industry.

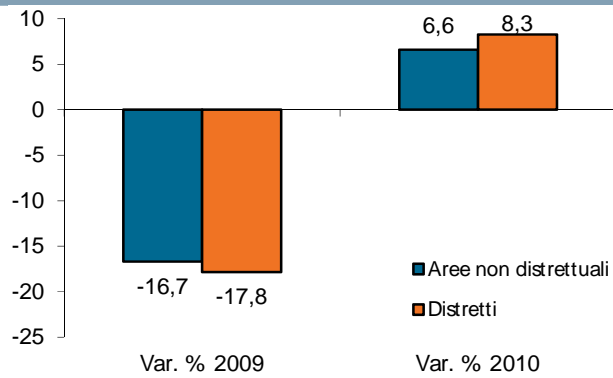
Milan, 7 February 2012

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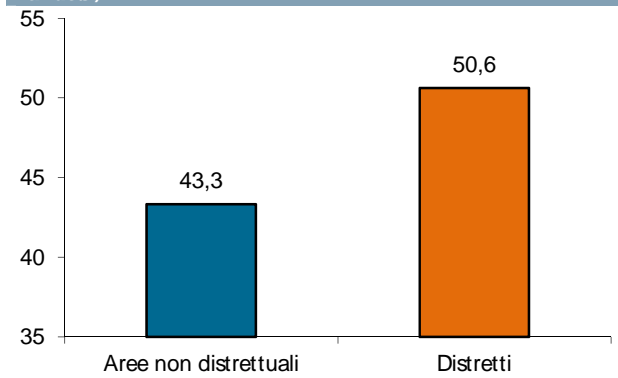
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Turnover evolution (at current prices; average values)



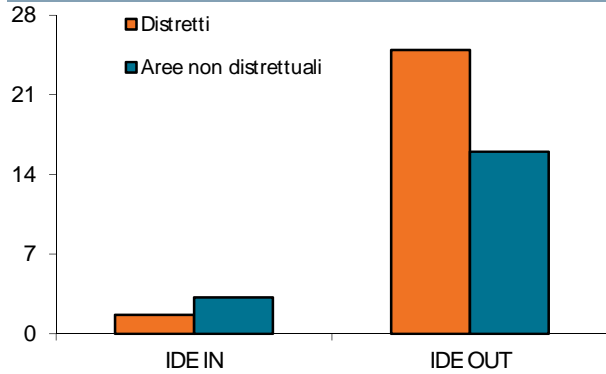
Source: Intesa Sanpaolo's analysis of company financial statements

Export propensity of businesses declaring exportations, 2010 (export in % turnover; average values)



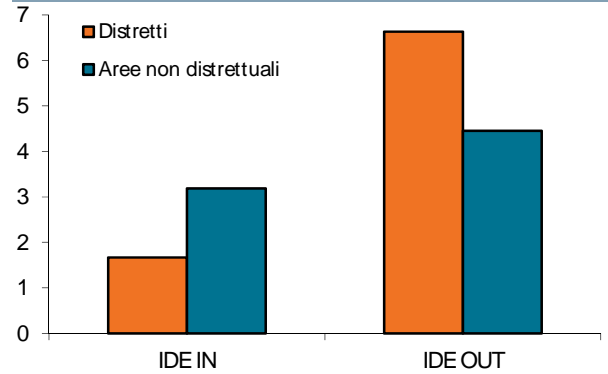
Source: Intesa Sanpaolo's analysis of company financial statements

Incoming (a) and outgoing (b) Direct Foreign Investments (DFI) in district sectors (every 100 businesses)



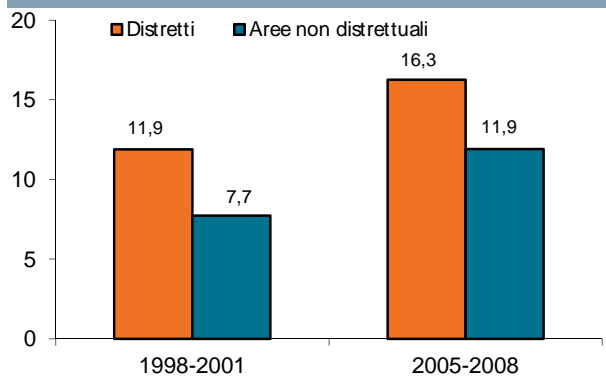
Notes: (a) number of Italian businesses with stakes held by foreign operators as at 31 December 2009; (b) number of foreign businesses with stakes held by Italian operators as at 1st January 2009. Source: Intesa Sanpaolo's analysis of company financial statements

Percentage of businesses with incoming (a) and outgoing (b) Direct Foreign Investments (DFI) in district sectors



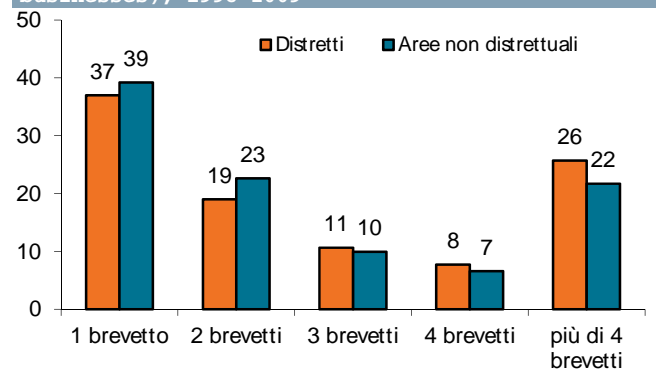
Notes: (a) number of Italian businesses with stakes held by foreign operators as at 31 December 2009; (b) number of foreign businesses with stakes held by Italian operators as at 1st January 2009. Source: Intesa Sanpaolo's analysis of company financial statements

Patent propensity in district sectors (patent applications every 100 businesses)



Source: Intesa Sanpaolo's analysis of company financial statements and EPO figures

Percentage of businesses by number of patents in district sectors (in % patent-holding businesses), 1998-2009



Source: Intesa Sanpaolo's analysis of company financial statements and EPO figures