

THE CHANGE IS AFOOT

The outlook for Italian exports

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Luigi Stefano Cuttica

SACE S.p.A.
Head of Milan Branch



INTERNATIONAL
BANKING
FORUM

NEW CHALLENGES. NEXT CHANGES.

UBI  Banca

A New World Order

Where global growth is coming from?

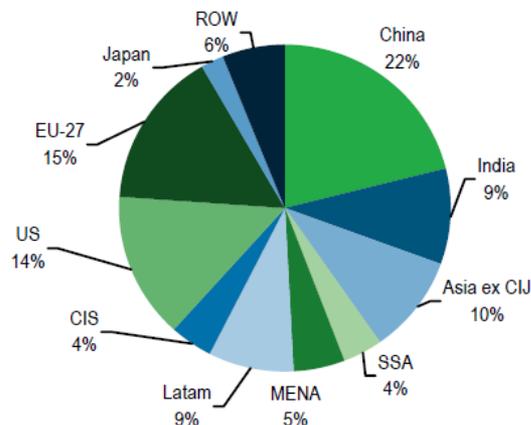
Emerging economies account for about one-third of the global economy but are currently responsible for two-thirds of its growth.

Who will be the “winners” in the global economy?

Countries :

- with financial resources
- with ability to leverage off natural resources (water, crops and industrial commodities)
- that can be competitive by adapting and changing.

Two-thirds of global growth to 2030 will come from Ems
% of total (based on real 2009 prices and dollars)



Sources: IMF, Standard Chartered Research



Increased trade... as driver of future growth

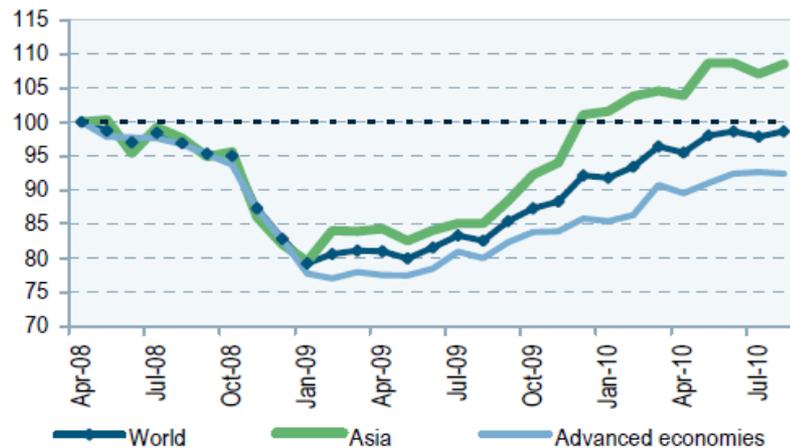
The world is more open: there has been a rapid expansion of bilateral and regional trade deals

New Trade Corridors have born **increasing trade between emerging economies**, as opposed to between or with advanced economies

The Emerging economies should avoid (i) the combination of cheap money, debt and leverage, and one-way expectations (particularly in asset prices) seen in the West ahead of the crisis, (ii) excessive protectionism against foreign investors

World trade has recovered, led by Asia

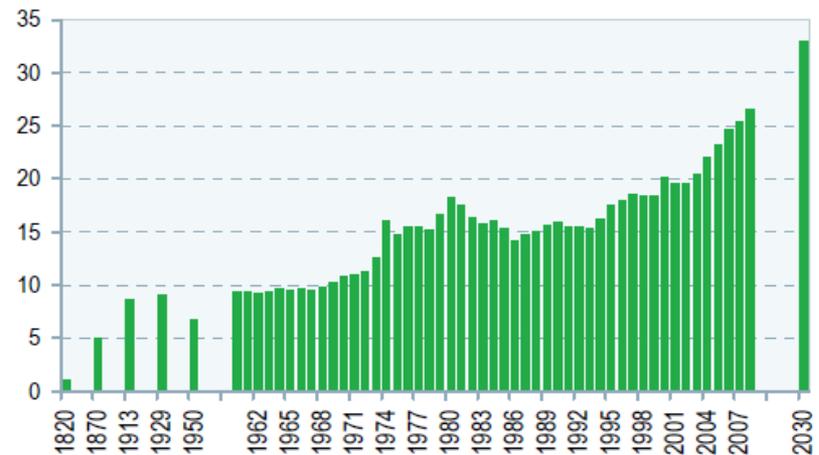
Export volumes, indexed to pre-recession peak



Sources: Angus Maddison, IMF WEO, Standard Chartered Research

The world is more open than ever

World export-to-GDP ratio



Sources: Angus Maddison, IMF WEO, Standard Chartered Research

POST *crisis* scenario

- Global recovery is geographically fragmented, reflecting the diverse impact of the crisis.
- The best performance will be achieved by the emerging markets of Asia and Latin America, where GDP will grow at an average rate of 8.7% and 4.6% respectively in 2010-2012.
- **Middle East** and **North Africa** need (i) increased government spending (ii) economic reforms and (iii) robust demand for raw materials. The economic outlook for **Sub-Saharan Africa** is good, despite the severe shortage of infrastructure.
- **Emerging Europe**: one of the areas worst hit by the crisis, is benefitting from a rise in international trade, although domestic demand continues to be weak.
- the U.S. appears more reactive than the **Eurozone** but both are burdened with high fiscal deficits.
- Emerging economies: it will be some time before the increase in middle-class consumers has any effect on consumption levels. In order to benefit from an increase in demand, **exporters will have to focus on upper middle class consumers, and adapt their products to their purchasing power and local needs**

Italian Exports

Asia continues to be Italy's third-biggest export destination thanks to well-established markets such as China and India (average growth of 13.1% and 12% respectively for 2010-2012), as well as developing economies such as Indonesia and Malaysia.

In Latin America, where sales recovered at a decidedly positive pace in 2010, exports to **Brazil** will enjoy substantial growth (average growth of 16.9% for 2010-2012) thanks to the surge in demand for manufactured goods and mechanical engineering. Chile is also a fast growing market worthy of note (11.1%).

The “**advanced**” emerging markets will offer the best prospects for more traditional Italian products:

- **food and beverages** (average growth of 6.4% in the five-year period 2010-2014)
- **furniture** (+7.3%)
- **fashion** (+6.7%)

	Advanced	Advanced Emerging	Emerging
Made in Italy			
Food and beverages	↔	↑↑	↑
Furniture	↓↓	↑↑	↔
Fashion	↓↓	↑↑	↑
Luxury	↔	↑	not significant
Accessible luxury	↔	↑↑	not significant
Standard	↓↓	↓↓	↓↓
"New" Made in Italy			
Mech. engineering	↓	↑↑	↓

Extremely positive
↑↑↑

Positive
↑

Negative
↓

Extremely negative
↓↓↓

Stable
↔

**Forecast period 2010-2014. This qualitative data is based on expected growth rates for each area with respect to the world.*

Source: SACE.



Growth of Italian exports by sector

Intermediate and capital goods will drive Italian export growth. As good predictors of future activity, the former have reacted to signs of recovery of industrial activity. On average, intermediate goods exports will rise significantly (11.3%) during the three-year period 2010-2012, exceeding the overall rate for goods (8.3%).

Exports of intermediate goods will be driven by **mineral products** (13.9%) and **chemicals-pharmaceuticals** (12.3%). World demand for capital goods will peak in 2012-2013, with the complete recovery of investment activity in the advanced markets. Italian exports in this sector will rise by an average of 8.7% in 2010-2012, in line with last year's forecast.



Italian exporters will look increasingly to “advanced” emerging markets

The “**advanced**” **emerging economies** will also be an important driving force for Italian capital goods, including mechanical engineering. The development of stronger industrial capabilities by these countries will further boost Italy’s leadership in many machinery and equipment building industries.

Growth will not be as dynamic in the emerging markets, where the increase in Italian exports will fall slightly short of the world average (+6.3% in the five year period 2010-2014).

Demand in **industrialized countries** is a more complex picture and will mainly be driven by the need to replace equipment rather than to expand production plants. However, in some individual markets, such as Germany and the U.S., Italian exports will continue to enjoy brisk growth.

New and traditional landscapes for Italian exports

- **Emerging Asia** and **Latin America** driving the growth in exports (10% and 14.2% in 2010-12)
- **African continent:** (7.5% in 2010-12) positive reactivity of demand in the housing bubble effects in the **Middle East** (4.5% in 2010-12)
- **Emerging Europe:** (8.4% on average in 2010-12) different faces with Russia and Turkey leading the field of emerging markets for Italian exports
- **Advanced markets:** the return to pre-crisis levels will require more time (7% on average in 2010-12)



Something has changed...and will change

- Exporters are looking to **new markets** (Chile, Indonesia and Malaysia) **alongside traditional destinations** (Brazil, China and India)
- The “**advanced**” **emerging economies** will be an important driving force for Italian exports, including in the traditional sectors
- **Improving competitiveness of the financial offer**: the role of export credit insurance



The role of SACE

We support companies' competitiveness

We offer solutions for the integrated management of commercial and political risks

- Export credit and project finance
- Protection of foreign investments
- Financial guarantees
- Credit insurance
- Surety and construction risks
- Factoring

EXPERIENCE

Over 30 years of providing risk management solutions

FINANCIAL SOUNDNESS

€ 6.3 billion Shareholders' equity and AA- credit rating (Fitch)

FLEXIBILITY

With SMEs and large corporations in 183 countries



Export credit and project finance

Offer competitive terms of payment

Export credit for supplies and projects using credit lines granted at competitive rates, also for project & structured finance transactions

Advantages for exporters

- Longer repayment schedules
- Credit is protected, even in emerging countries
- Help with finding the best financial structure

We insure against the risk of non-payment of loans

Protection of foreign investments

Investments abroad with confidence

Insurance cover for the value of the investment against loss or non-payment of amounts due in connection with the investment as a result of political events (war, civil unrest, currency restrictions, expropriation, etc.)

Advantages for companies/banks investing overseas

- Possibility of expanding abroad in countries with a high growth potential but where there are political problems or an uncertain legal framework
- Flexible insurance cover (possibility of selecting the individual risks to be insured)
- Better credit terms for the companies, as policy rights can be transferred to the lending bank

We insure foreign investments against political risk

Financial guarantees for SMEs and large corporations

Easier access to credit

- For **SMEs**: insurance cover for funding of activities to promote growth in international markets granted under framework agreements with leading financial intermediaries
- For **Large Corporations**: insurance cover for loans earmarked for specific investments abroad or to cover requirements for working capital in connection with international contracts

Advantages for the company that receives the loan

- Availability of favourable credit terms
- Access to loans with longer payment schedules

We facilitate access to credit by guaranteeing bank loans to companies

Financial guarantees for infrastructure and renewable energy sources

Funding for investment projects

- Insurance cover for funding to develop **infrastructure** to expand the national transport system, improve telecommunications networks or promote the diversification of energy sources
- Insurance cover for funding of projects in each stage of the **renewable energy** chain: from research and development to the production of raw materials and machinery and building of power production plants

Advantages for the company that receives the loan

- Availability of favourable credit terms
- Access to loans with longer payment schedules

We foster the development of projects of strategic importance for the Italian economy



Surety and construction risk insurance

Peace of mind when executing large or small works

- **Surety:** guarantees to cover contractual obligations (bid bonds, performance bonds, advance payment bonds, etc.) and performance of legal obligations (tax bonds, custom bonds, etc.), in connection with contracts undertaken in Italy and abroad
- **Construction risk:** insurance against risks associated with the construction of plant and civil works for companies carrying out civil, industrial or infrastructure works in Italy or abroad under public or private contracts

Advantages for the policyholder

- More efficient financial management
- No need to use bank credit facilities

**We boost the competitiveness of companies bidding
for tenders in Italy and abroad**



Our sales network



Italian network

- 9 branches/offices
- 52 agents*
- 132 brokers*

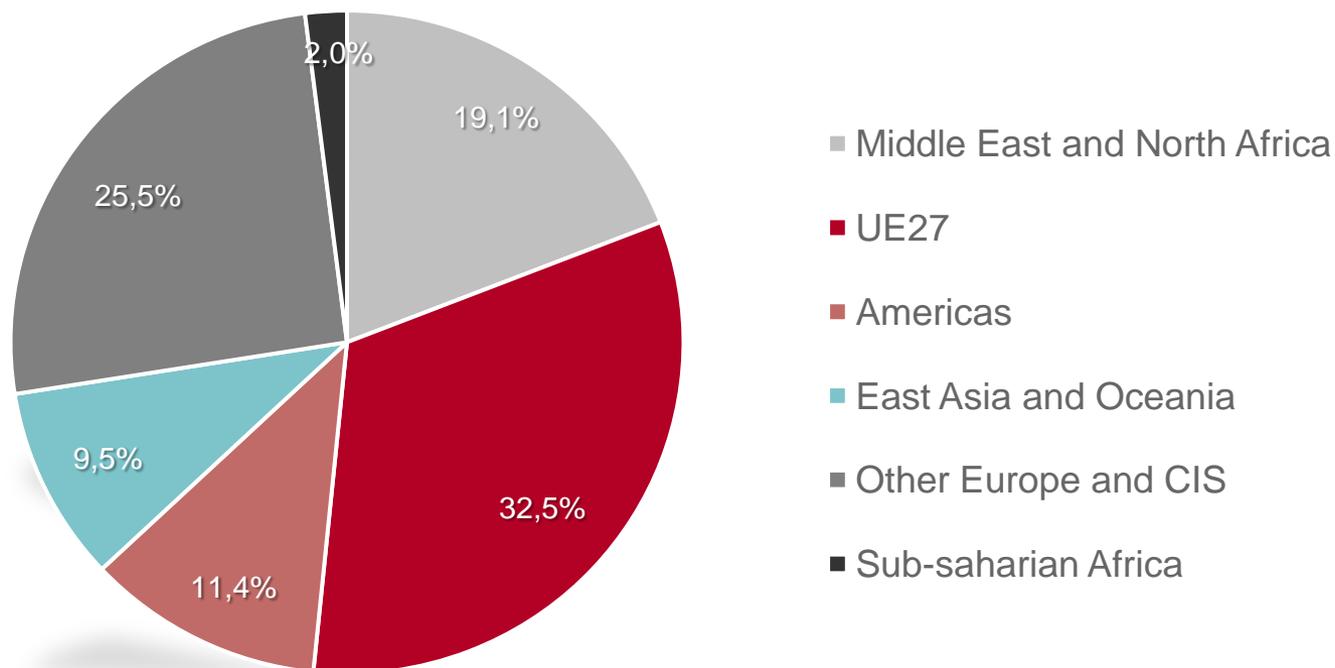
* Credit insurance, surety and construction risk businesses only



Overseas network

- 6 representative offices serving the emerging economies
- 1 office imminent new opening (Mumbai)

Risks insured by geographical area



Total exposure¹ by geo-economic area as at 31.12.2010

¹ Exposure for activities of SACE excluding the credit insurance, surety and construction risk businesses



Head office

Rome

Piazza Poli 37/42 • 00187 Rome
Tel +39 06 67361
Fax +39 06 6736225

Customer care

+39 06 6736000
info@sace.it

Domestic branches/offices

Milan branch

Via A. De Togni, 2 • 20123 Milano
Tel +39 02 434499701 –
Fax +39 02 434499749

Modena branch

Via Elsa Morante, 71 • 41100 Modena
Tel +39 059 891240 - Fax +39 059 820832

Rome branch

Piazza Poli, 37/42 • 00187 Rome
Tel +39 06 6736309 - Fax +39 06 6736770

Venice branch

Viale Ancona, 26 • 30172 Venice
Tel +39 041 2905111 - Fax +39 041 2905103

Bari office

Via Amendola, 172/5 • 70126 Bari
Tel +39 080 5467763 - Fax +39 080 5467764

Lucca office

Via Dante Alighieri, 167 • 55100 Lucca
Tel +39 0583 40071 - Fax +39 0583 400790

Monza office

Via Damiano Chiesa 3 • 20052 Monza
Tel +39 039 3638247 - Fax +39 039 3638208

Turin office

c/o ICE - Via Bogino, 13 • 10100 Turin
Tel +39 011 836128 - Fax +39 011 836425

Verona office

Piazza della Cittadella, 12 • 37122 Verona
Tel +39 045 8099460 - Fax +39 045 8041656

Representative offices

Bucharest

Str. A.D. Xenopol 15, Sector 1
010472 Bucharest
Tel +40 21 2114240 - Fax +40 21 2100613

Istanbul

c/o Consulate General of Italy in Istanbul
Tom Tom Kaptan Sokak, 15
34433 Beyoglu, Istanbul
Tel +90 212 2458431 - Fax +90 212 2458432

Hong Kong

40/f Suite 4001 - Central Plaza 18
Harbour Road - Wanchai, Hong Kong
Tel +852 36202323 - Fax +852 36210227

Johannesburg

Two Commerce Square, 39 Rivonia Road
Sandhurst 2196 Sandton, Johannesburg
Tel +27 11 2680623 - Fax +27 11 2680617

Moscow

Krasnopresnenskaja Naberejnaja, 12
123610 Moscow - Office n.1202
Tel +7 49 52582155 - Fax +7 49 52582156

Sao Paulo

Al. Ministro Rocha Azevedo, 456 - cjto. 101 Edificio
Jau Cerqueira César - 01410-000 - São Paulo
Tel +55 11 31712138 - Fax +55 11 32664051

WWW.SACE.IT



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