

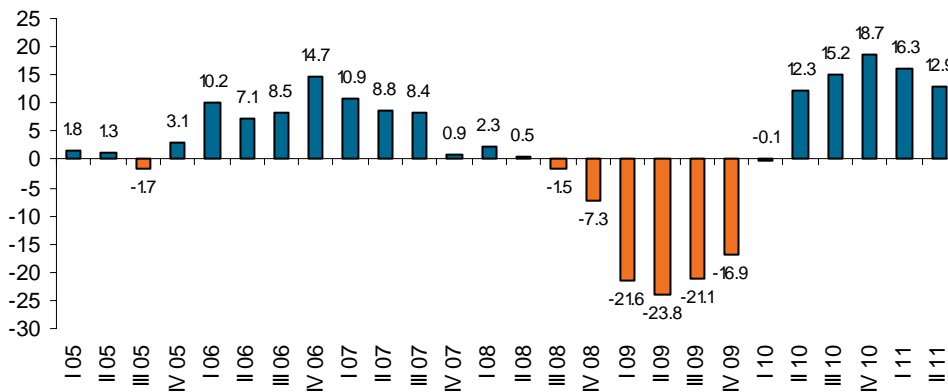
## District Monitor Excerpt

### Districts report double-digit export growth in 2Q11

Another jump in exports for the 140 Italian districts, reporting a 12.9% yoy increase in 2Q11. This is the fifth consecutive quarter of double-digit growth. Exports amounted to EUR 19.3Bn in 2Q11, a EUR 2.2Bn increase compared to the same period in 2010.

This performance by the 140 Italian districts is even more impressive compared to Germany's: Germany manufacturing export growth slowed sharply in 2Q11 to 10.6%, below the 12.9% pace set by the Italian districts.

Export growth by industrial district (yoy % change)

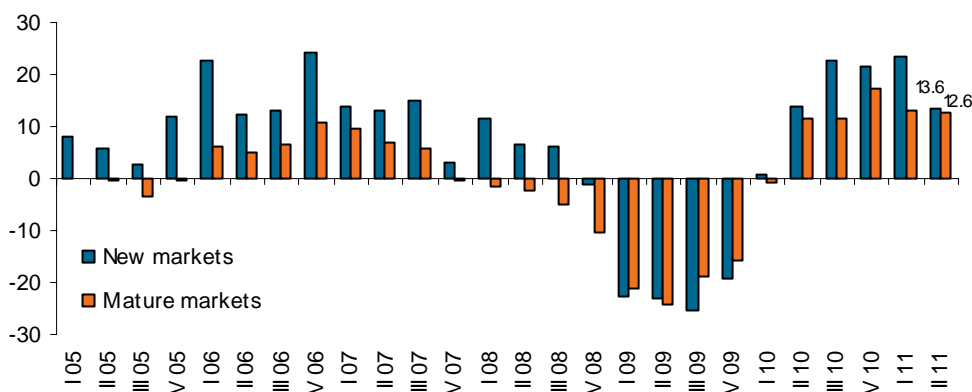


Source: Intesa Sanpaolo calculations on ISTAT data

### Propensity to export to new markets increases

Increasing was the propensity to export to "new" high potential markets to which districts recorded around 13.6% yoy export growth, though slowing.

District exports to new markets and mature markets side-by-side (yoy % change)



Source: Intesa Sanpaolo calculations on ISTAT data

Another sharp increase in Italian districts' exports to China, up from EUR 483M in 2Q10 to a record EUR 606M in 2Q11. Growth in exports to Russia, another major emerging market, also continued, up 20.6% yoy. Another BRIC country, Brazil, began to take on a major role, where exports reached a record EUR 173M, led by mechanics industry districts. Exports to Romania, Poland, Saudi Arabia, and Algeria also increased.

Nonetheless, Italy's long-time trading partners accounted for around two-thirds of the overall growth: Germany up 17.7%, France 15.7%, and Switzerland 35.5%. Italian district exports increased even to the US, up 10.3%. But growth slowed in some long-time markets such as UK and Spain.

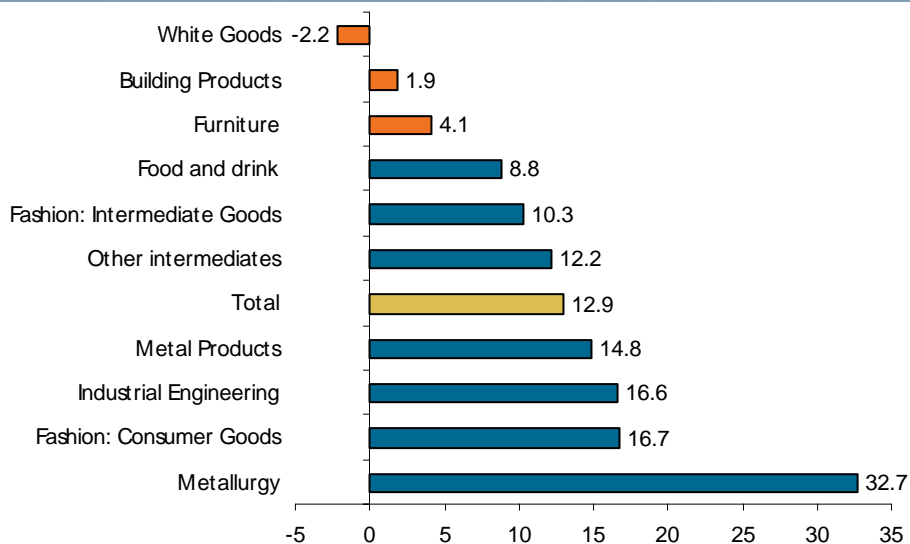
## Growth driven by fashion and mechanics

The fashion industry achieved a surprising 16.7% yoy increase in exports in 2Q11, led by several major manufacturing centres in Tuscany (Florence leather goods, Empoli apparel, Arezzo leather and footwear), Biella (textiles), and Fermo and Riviera del Brenta (footwear). Once again Italian fashion did well in France, Germany, US and China, confirming its global competitiveness, driven by French brands, strengthening in traditional markets such as Germany and US, and seizing opportunities in Russia and China.

The mechanical industry reported 16.6% yoy export growth, led by Lecco (metal mechanics), Bologna (packing machines), Vicenza (mechanical equipment), Brescia (textile and plastics machines), Mantua (metal mechanics), all with growth rates exceeding 25%. Long-time markets such as Germany, France, and US drove growth in this case as well, but BRIC also made a significant contribution.

The agribusiness districts also reported noticeable export growth, up 8.8% yoy in 2Q11.

District performance by industrial sector (yoy % export growth in 2Q11)



Source: Intesa Sanpaolo calculations on ISTAT data

## Problems in housing-related industries

Real estate is in the doldrums in many markets, with a negative impact on district housing-related industries, slowing growth noticeably in the furniture and construction products and materials industry, and even a contraction in household appliances, in part due to relocation to emerging markets of major links in the supply chain.

In summary, Italian industrial districts continued to recover in 1H11, proving to be highly competitive on international markets. Around half the districts have by now recovered what they lost during the 2008-2009 financial crisis and recession, including many agribusiness districts, major fashion industry districts, and several mechanical industry districts.

At the same time, however, many businesses and districts are still far from their pre-recession export levels. The laggards are the housing-related industries, hampered by both the 2008-2009 financial crisis/recession that hit international markets and troughing real estate markets in many advanced countries.

Going forward, the slowdown in foreign demand in 3Q11 will noticeably slow the pace of the recovery, triggering further acceleration in the ongoing natural selection process in Italy's industrial districts.