Net Insurance

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Italy | Insurance

Investment Research

Company Update | **Reason: Company newsflow** | **5 July 2019**

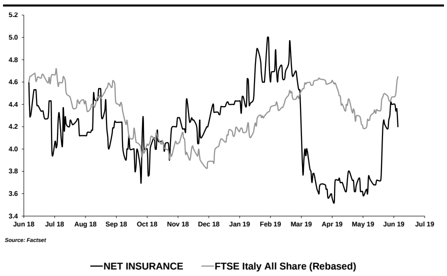
Buy	
Recommendation unchanged	
Share price: EUR	**4.20**
closing price as of 04/07/2019	
Target price: EUR	**6.00**
from Target Price: EUR	*5.50*
Upside/Downside Potential	**42.9%**
Reuters/Bloomberg	NET.MI/NET IM

Market capitalisation (EURm)	**73**
Current N° of shares (m)	17
Free float	**82%**
Daily avg. no. trad. sh. 12 mth	6
Daily avg. trad. vol. 12 mth (m)	5.91
Price high/low 12 months	5.00 / 3.52
Abs Perfs 1/3/12 mths (%)	16.67/6.60/-8.70

Key financials (EUR)	**12/18**	**12/19e**	**12/20e**
Life Gross premiums (m)	0	0	0
Non-Life Gross prem.(m)	65	77	95
Total Net Revenues (m)	*29*	*42*	*56*
Life Ins.Tech.Result (m)	0	0	0
Non-Life Ins. Tech.Result	*6*	*3*	*5*
EBIT (m)	6	9	11
Net Profit (adj.) (m)	7	6	7
Shareholders Equity (m)	54	59	64
ANAV (m)	54	59	64
ROE (adj.) (%)	21.6	10.3	11.5
Combined ratio (%)	*53.8*	*87.3*	*87.2*
P/E (adj.)	10.7	13.3	10.9
P/BV	1.3	1.3	1.2
P/ANAV	nm	nm	nm
P/EbV	nm	nm	nm
Dividend yield (%)	0.0	0.0	1.8
EPS (adj.)	0.39	0.32	0.39
BVPS	3.16	3.21	3.52
ANAVPS	0.00	0.00	0.00
EbVPS	*0.00*	*0.00*	*0.00*
DPS	*0.00*	*0.00*	*0.08*

Shareholders

Net's founding shareholders 13%; Management 5%;



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The "Black Swan" does not jeopardise the strategy

Based on our Valuation models and after the business plan presentation, we come to a fair value of EUR 110m for Net Insurance. We obtain a new TP of EUR 6.0 per share from the previous EUR 5.5. We confirm our Buy rating on the stock.

On the back of the business plan and thanks to its direct and transparent presentation, we believe the management has convinced the financial community that there will be no other negative surprises from the past. The value creation opportunity still stems from: 1) a resilient and improvable salary/pension-backed loans business: the solid background in this business, along with the new competences provided, are the premises to streamline and to further develop the existing portfolio, as well as its technical performance; 2) the Non-Life bancassurance market trend, which offers very interesting growth and profitability perspectives; 3) the management team's expertise, know-how and business relationships are at the core of the overall development strategy.

✓ The new financial targets are almost in line with the previous plan, with the exception of the SII ratio, which will be lower than expected due to the fraud that was uncovered in March 2019. The management team is outstanding and Mr Battista, Net's CEO, gave more details on the ongoing litigation and on the actions being undertaken by the company. The numbers do not provide for any recovery from the ongoing litigation, but only the incurred cost. Overall, the financial targets are also almost aligned with our expectations, with the exception of the SII ratio, which is expected between 170% and 180% vs the previous "above 200%" throughout the plan. The SII ratio is likely to reach 200% assuming that c. 50% of the misappropriated sums are recovered (i.e. c. EUR 26m).

✓ The starting point of the whole plan is the company's focus on NET's core business (Salary-backed loans) with the aim to optimise its technical performance and to set up distribution agreements with new partners. The attractiveness of the Italian Non-Life business (Non-Motor) is the premise to create an independent and open Non-Life bancassurance platform, mainly dedicated to small-to-mid-sized banks and financial institutions. Furthermore, the project provides for the development of well-known and proven intermediaries like brokers. An "insurtech" approach will embrace the entire plan period (2019-2023). Net's new business plan estimates are also supported by the agreement signed with Sparkasse, Banca Popolare di Puglia e Basilicata and IBL Banca in the last six months.

2019-2023 estimates – The distribution agreements and new business profitability will drive results, although our expectations are more conservative than Net's assumptions. We have estimated net premiums increasing by a CAGR 2019-2023 of c. 30%, mainly based on the strong development of the bancassurance agreements in the P&C (Property & Casualty) segment, as well as the broker retail channel. We expect a sizable improvement in technical results and profitability, before net income from investments, which we estimate at around EUR 14.9m at the end of 2023 from EUR 3.3m expected in 2019. CoR (Combined Ratio) is seen improving to 81.6% in 2023 from 87.3% expected in 2019, mainly thanks to the loss ratio (from 73.9% in 2019 to 42.8% in 2023). We obtain a net profit adj. of EUR 16.3m in 2023 from EUR 5.8m in 2019 (CAGR 2019-2022 c. 20%). The solvency ratio is likely to reach 172% in 2023 from 163% in 2018.

Produced by: Banca Akros GRUPPO BANCO BPM

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CONTENTS

Valuation

Based on our Valuation models, we come to an equity value of EUR 110m. We have based Net Insurance's equity valuation on a distributable income model and on a Gordon approach, considering that there is no real competitor in Italy and abroad. We obtain a TP of EUR 6.0 per share from the previous EUR 5.5. We confirm our rating Buy on the stock.

We have used a cost of equity of 9.5% (as previously). We cautiously assumed a 1.2 (uncahnged) Beta to calculate the cost of equity. Starting from the average 2-year weekly Beta of 0.92 (0.91) obtained from Bloomberg and calculated considering the main Italian listed companies (Generali, Cattolica and UnipolSai), we decided to add a sort of adjustment in order to consider the implied risk. We also applied a perpetual growth rate "g" of 0% (0%).

Distributable income model valuation

To value Net Insurance using a distributable income model we considered: 1) the explicit net profit and solvency ratio forecasts for 2019-2023; 2) the excess capital vs. a minimum solvency ratio of 170% (consistent with a sort of tolerance level we consider safe to avoid any capital management actions) to calculate the potential distributable excess capital at the end of 2023; 3) the terminal value in 2023 calculated considering the net profit we achieved in our explicit estimates.

COE calculation

Free Risk Rate (FRR)	*3.5%*
Company Risk Factor or Beta (CRF)	1.20
Market Risk Premium (MRP)	*5.0%*
Cost of Equity (COE)	***9.5%***

Source: Banca Akros estimates

Distributable income model

	2019E	2020E	2021E	2022E	2023E
Dividends	-	1.4	2.5	4.1	6.5
NPV of Dividends	-	1.2	2.0	3.0	4.3
Sum of NPV of Dividends - (A)	**10.6**				
Own Funds	**75.6**	**81.0**	**88.3**	**97.4**	**107.2**
SCR	47.7	49.6	53.9	58.6	62.4
Solvency Ratio	*159%*	*163%*	*164%*	*166%*	*172%*
Current excess capital	**27.9**	**31.4**	**34.4**	**38.8**	**44.8**
Solvency Target	*170%*	*170%*	*170%*	*170%*	*170%*
Excess Capital Target	*-11%*	*-7%*	*-6%*	*-4%*	*2%*
Distributable Excess Capital	0	0	0	0	1.1
Discounted Excess Capital@2023 - (B)	**0.8**				
Discounted Excess Capital & NPV of Dividends – (A) + (B)	**11.3**				
Net Profit @ 2023					16.3
Terminal Value	171.5				
Discounted Terminal Value – (C)	**114.0**				
Value of Minorities @BV	0				
Equity Value – (A)+(B)+(C)	**125.3**				

Source: Banca Akros estimates

Using this method, we estimate an equity value of c. EUR 125m.

Gordon model valuation

We also applied a Gordon model to the group's financials. In order to calculate the equity value and after the recent update and presentation of the business plan, we considered the average of the present value of the equity value we estimated for the period 2019 - 2023, underlining that, based on our hypothesis, the business combination ought to reach its full potential in 2023.

Gordon Model

	2019E	2020E	2021E	2022E	2023E
Book Value	58.7	64.4	72.0	81.6	91.4
Intangible	0.9	0.9	0.9	0.9	0.9
Net income	5.8	7.1	10.2	13.7	16.3
TBV	57.9	63.5	71.1	80.7	90.5
ROTE	*10.9%*	*12.2%*	*16.0%*	*19.2%*	*20.2%*
Equity Value - (ROTE-g)/(Ke-g) x TBV	66.4	81.6	120.1	163.2	192.3
Equity @ valuation date	**63.5**	**71.2**	**95.7**	**118.7**	**127.8**

Source: Banca Akros estimates

Using this method, we estimate an equity value of c. EUR 95m.

By applying the simple average to the equity values obtained with the foregoing two models, we calculate an equity value of EUR 110m, which implies the following multiples:

Multiples implied in our equity value

	2019E	2020E	2021E	2022E	2023E
P/BV	1.9	1.7	1.5	1.4	1.2
P/E	19.1	15.6	10.8	8.1	6.8

Source: Banca Akros estimates

Sensitivity analysis

We decided to run a sensitivity analysis in order to simulate how the target price changes when we modify the COE and/or the net profit we expect in 2023.

Target price sensitivity to COE and to net profit in 2023

		-1.0%	COE	1.0%
		8.5%	***9.5%***	*10.5%*
+20%	19.6	7.9	6.9	6.0
Net profit - 2023	**16.3**	6.9	**6.0**	5.3
-20%	13.0	6.0	5.2	4.6

Source: Banca Akros estimates

Multiple comparison

It must be underlined that **a peer comparison is not so simple in Italy and abroad** and could be misleading. Each company has its own peculiarities in terms of products, asset mix, strategy, network structure and so on. Furthermore, there aren't insurance companies whose core business is focused on the same market niches as the credit insurance linked to salary/pension backed loans and/or bancassurance.
As regards M&A, the only transactions we could consider are the two recent deals in the Italian bancassurance sector, closed in 2017 and concerning related party transactions:

- the agreement for the acquisition by Cattolica of a 65% stake in Avipop Assicurazioni and Popolare Vita and the establishment of a 15-year Life and Non-Life bancassurance partnership was closed at a multiple **P/E we calculated around 15x;**
- the sale of 63.4% of Arca Group, whose profits totalled more than 50% in the Non-Life business, from Unipol to UnipolSai and which was closed at a multiple **P/E we calculated around 12.3x and at a multiple P/BV of c. 1.6x**. At the same time Unipol renewed some distribution agreements in the bancassurance segment for five years.

Main investment risks

Here we underline what we consider are the most significant risks:

- **Macroeconomic risk**: any worsening in the macroeconomic scenario in Italy could increase the frequency of claims linked to the unemployment rate and/or quicken the tightening of the credit cycle, thus impacting the salary/pension-backed loan volumes.
- **Italian government bond exposure**: the group's capital position, like any other insurer, is linked to the creditworthiness of the Italian state, and any potential worsening of its credit risk could worsen the capital position, as could any tightening of the rules on the possession of government bonds.
- **Execution risk:** the reshaping and the enlargement of the offer in the bancassurance and broker segments could require more time or be less intense than planned, due to possible delays in signing and/or in implementing the new agreements.
- **Digitalisation and increased competition**: the new technologies could support the entrance of new competitors. The competitive pressure is also very high in the non–life bancassurance business, mainly from consolidated and bigger banks and financial groups, with a possible decrease in tariffs that could partially offset the development expected in volumes.
- **Regulatory risks**: the group is exposed to changes in the legal and regulatory framework, as far as the capital and CQS business is concerned.

The strategic pillars are "alive"

The "Black Swan": a fraud that could have jeopardised the equity story

On March 30 2019, Net Insurance informed the market it had **cancelled the shareholder's meetings** scheduled for 16th and 17th April 2019 because it had **uncovered a fraud** to embezzle securities (Italian government bonds) in Net's portfolio for a total of c. EUR 26.6m, gross of the tax effect and any possible recovery of the assets. The news **opened up an uncertain phase**, until June 19 2019, when Net Insurance unveiled an **update of its 2019 – 2023 business plan** in order to take into consideration any possible effects resulting from the aforementioned fraud. The foundation on which the "new" plan was built was the full review and the **re-approval of the 2017 and 2018 financial statements**, as well as an independent review of all the fundamental processes.

After a direct and transparent report and the full understanding of the story, several and diverse legal actions have been undertaken, both directly and indirectly. At the moment, and according to a legal opinion, the company is **likely to recover at least EUR 15-20m**, although the recovery time remains uncertain and is strictly related to the lawsuit dynamics.

That said, the new business plan does not incorporate any hypothesis as **regards the recovery, which therefore is a sort of a "free option" embedded it the equity story,** which is overall unchanged apart from the **weaker capital position:** the Solvency Ratio was around 163% at the end of 2018 and under the Solvency Capital Required (SCR) at the end of 2017.

We believe the equity story is intact. Net Insurance aims to set up **the first Italian non-life innovative insurance player** by leveraging on the old Net Insurance's **niche market** (salary-backed loans) and on the management's **background and track record** in the **independent open-platform bancassurance segment**, as well as on the underpenetrated and attractive **Italian P&C market**, also by riding the wave of the **disruptive insurtech segment.** The financial resources Archimede SPAC put into the merged entity will fund the strategic plan and growth, thus **restoring and preserving a solid capital position** at the same time, despite the fraud.

Net Insurance's future growth is based on the following key strategies .

A few **cross-cutting enablers** have been identified and implemented:

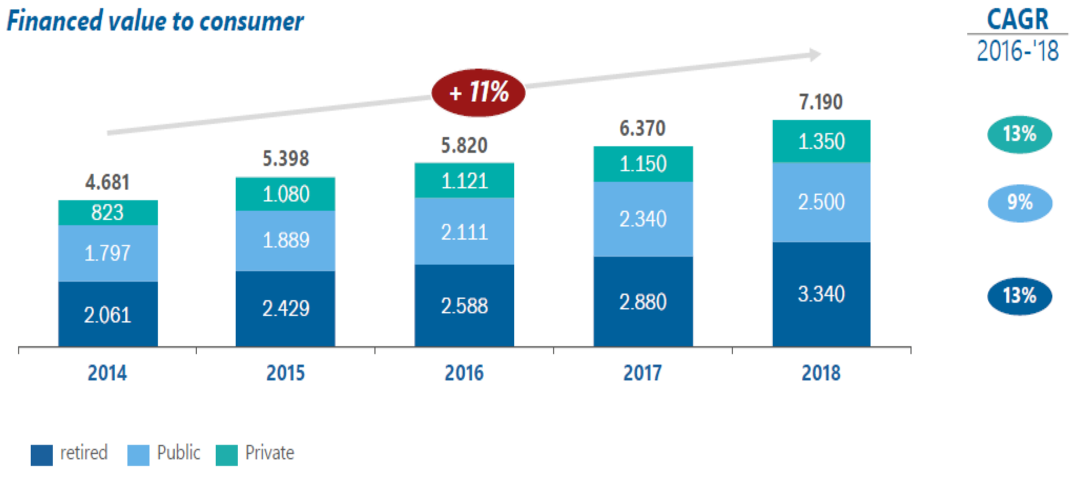
- **Capitalisation** – despite the fraud, the Solvency Ratio was still safe at c. 163% at the end of 2018. This is a good starting point to implement the growth strategy, although it is not as solid as the previous business plan.
- **New organisation structure** – Net enhanced its middle management with five new entries from December 2018 to May 2019. From four to five additional new entries are planned over the next 6-12 months.
- **Technological architecture** – the company expects to invest c. EUR 8m on value-added strategic assets to build up a competitive advantage and to enable faster time-to-market and fronting with different platforms downstream.
- **Brand Equity** – as we have described in the following sections, Net has sponsored the Italian football referees. This action, along with the development of a range of products specifically intended for the football world, are likely to give great visibility to the group.

CQS: a growing market ahead

The credit reference market is growing and is **expected to grow in the medium term**, also thanks to the new regulation.

As a matter of fact, ECOFIN has approved a number of **amendments to the Capital Requirements Regulation** (CRR), including the reduction to 35% from the current 75% of the risk weighting for loans secured by one fifth of salaries (CQS) or pensions (CQP). The amendments ought to come into effect in 2019. This is positive news for the CQS business, whose volumes could be underpinned by the higher **convenience of the products in terms of capital absorption.**

Salary-backed loans (CQS) market 2014 – 2018 – EUR m



Source: company presentation

Furthermore, **we believe there are still good opportunities** considering that CQS are secure products with an appealing risk-reward profile and a lower default rate in the mid-term perspective. It is also worth noting that the main CQS drivers are **consumption trends**, strictly linked to the GDP trend, which, despite the current difficult macro scenario in Italy, is still expected to grow in the next couple of years.

After expected Gross Written Premiums of around EUR 49m at the end of 2018, **Net estimates premiums of around EUR 58m** in 2019, up by c. 18% Y/Y. The **CoR**, gross of reinsurance, is expected around 89% in 2019 from c. 81.7% in 2018 but the **profitability is likely to recover**, mainly thanks to already implemented additional **underwriting and pricing measures** and to the high **reinsurance protection,** which ought to stabilise results even if the economic conditions worsen.

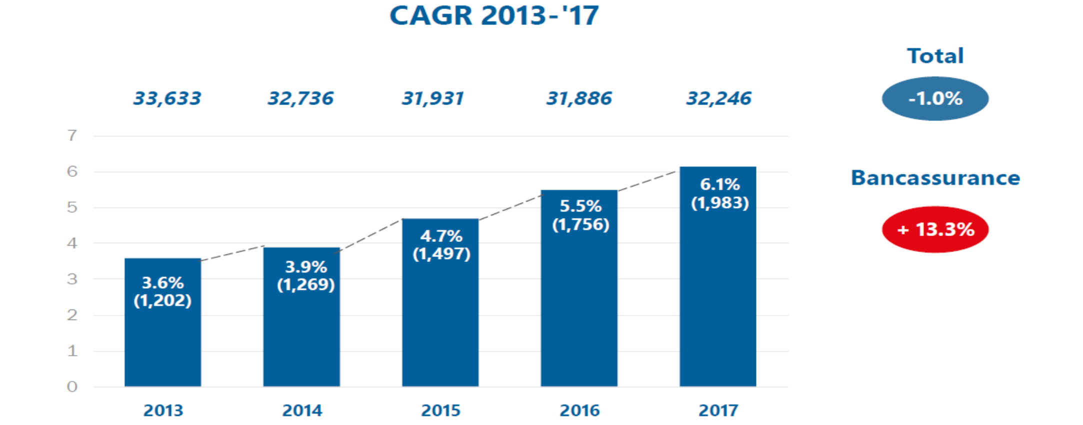
The starting point of the whole strategic plan will be the company's focus on the old Net Insurance's core business with the following purposes:

- **Restructure -** the old Net Insurance's **core business must be reshaped**, through in-depth fine-tuning, by carrying out further **portfolio pruning** and optimising and strengthening the technical reserves if and when needed. In this first stage, all efforts will converge on **technical performance optimisation**, maintaining the current premium almost stable and **cutting the non-operating costs.** On the assets side, the **non-core activities** will be reorganised, while the group's **asset allocation** ought to be optimised. The business review cannot stray from the **rethinking of the internal organisation** to shape it properly in order to face the next level of development;
- **Develop –** the **new management team**'s skills, track record and networking will be crucial in developing and setting up **new distribution agreements on CQS** with new partners and in **improving and revamping the business quality** of the existing agreements, also by leveraging on a still solid capital position and on greater bargaining power. On the **organisation side**, the business development may also require implementation, maybe also in outsourcing to other strategic partners, of a **shared service centre**, for example on analytics, credit collection and claims management, in order to improve the service core competencies.

Bancassurance: an underpenetrated and profitable segment

Bancassurance is the distribution channel with the highest growth rate in recent years. It still has **significant growth potential,** especially in the Non-Motor segment.

Italian Non-Life market distribution channel 2013 – 2017- EUR m

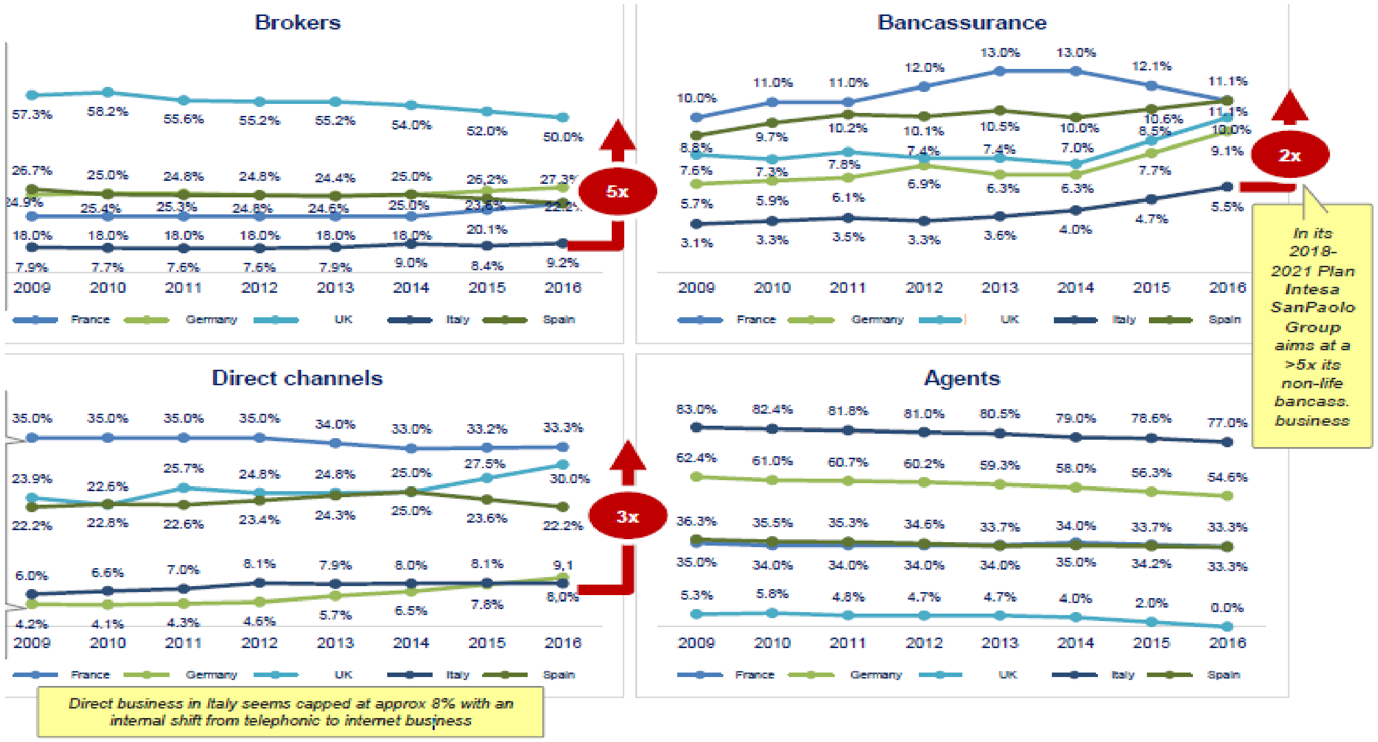


Source: company presentation

Compared to other European countries, Italian **Non-Life distribution still looks very conventional**, with huge growth opportunities for channels other than agents, which have lost ground since 2013.

In the last couple of years, the most important **Italian banks**, like Banca Intesa and BBPM (which signed a partnership agreement with Cattolica Assicurazioni), **financial groups** (like Poste Italiane) or **diversified insurance companies** (like UnipolSai), have decided to **push on the Non-Auto business much more**, thanks to its **interesting profitability** (CoR around 70% on average in 2017) and to the need to underpin their revenues, which are still suffering from the modest NII. As a matter of fact, in 2017 Mr Messina, Banca Intesa's CEO, said that the bank aimed to become the leading insurance player in the market in the coming years. At the moment, the Italian **small-to-mid-sized banks** are also extremely interested in developing the bancassurance channel, attracted by its margins and by the still favourable growth prospects, also considering the still low interest rates.

Non-Life - Strong potential growth for banks, brokers and direct channels vs other European countries



Source: Company presentation; Insurance Europe and Eurostat - ANIA "L'Assicurazione Italiana 2016 - 2017"

The **attractiveness of the Italian Non-Life business** (Non-Motor), due to its **underdevelopment** compared to other European countries, to its **traditional distribution model**, based mainly on insurance's agencies, and to its very interesting **growth rate** and **profitability,** is the premise to create an independent and open Non-Life **bancassurance platform**, mainly dedicated to **small-to-mid-sized banks and financial institutions**.

The main **pillars of Net's strategy** are the following:

- **Distribution capacity build-up –** once again the new management team's thorough knowledge of the banking sector and track record will be crucial in signing and setting up **distribution agreements with new partners**. It is also worth underling that building up the distribution capacity will also rely on **cross-selling**, leveraging on the existing distribution agreements, which will be improved and enlarged to other non-life products in addition to the traditional core business (CQS). Discussions on agreements on "protection" are for example already in place.

- **Offering and "service-machine" set-up –** the development of an innovative Non-Life bancassurance business cannot but include a consideration of the **introduction of new products**, also drawing on the know-how of other insurance companies. The business plan considers the **setting up of new non-life policies for retail and family** (like Home, Health, Pets, Travel, Assistance & Legal, General TPL) as well as an **ad-hoc multi-risk product** targeted at SMEs. The innovation of the portfolio will also leverage on **bundling offers** with banking, credit and financial products as well as proposing a **pure cross selling** offering. In order to support the **reshaping of the offer**, the business plan includes the adoption of some organisational improvements like the **creation of a dedicated commercial/channel assistance business unit** as well as **hiring** highly skilled managerial and operative staff. The "new" product portfolio should also be combined with an **excellent service**. The plan includes the creation of the necessary **devoted service structure**, starting from the existing ICT & Operation assets. New channels, new products and new customers will be supported by the implementation of

innovative processes and by some new industrial **service-partnerships** (i.e. assistance, call & contact centres, claims management, customer care…etc.). To conclude, the strategy will also promote a **full paperless or digital approach** to the bancassurance business, inside and outside the organisation.

Overall, the development of Net's Bancassurance segment has been **faster than previously expected.** In the first six month of 2019:

- Net Insurance announced it had signed two 10-year distribution agreements with "**Cassa di Risparmio di Bolzano**" **(Sparkasse)**, the aim being to start a long-term strategic partnership in non-motor insurance and in the protection business, both for private and corporate customers. The sale launch date was 3rd May 2019. We remind readers that Cassa di Risparmio di Bolzano has more than 100 branches in one of the most attractive areas in Italy;
- Net Insurance signed a new ten-year agreement with **Banca Popolare di Puglia e Basilicata.** The five-year agreement, renewable for further 5 years, will focus on Non-Auto business. Banca Popolare di Puglia has c. 100 branches at the moment. The sale launch is due to be in the first half of July.
- Net Insurance and **IBL Banca**, which is already one of Net Insurance's historic partners and a leader in financing through salary- backed or pension-backed loans, are strengthening their cooperation though a Protection insurance policies distribution agreement through IBL Assicura, a subsidiary of IBL Banca. Net Insurance's products, in particular personal and home insurance policies, are going to be distributed by IBL Assicura through its 53 bank branches nationwide, and through the exclusive agents' and insurance brokers' indirect network. The sale launch date is going to be within the end of the year.

We remind readers that **Cassa di Risparmio di Bolzano, Banca Popolare di Puglia e Basilicata** and **IBL Banca** are shareholders of Net Insurance with a stake of c. 4%, c. 1% and c. 9% respectively.

Brokers: another opportunity to further diversify the distribution

In order to further **diversify the distribution** channels and to **cover other niches or business segments** with a higher degree of flexibility, the project provides for the development of well-known and proven intermediaries like brokers.

- **Distribution capacity build-up –** like in the development of the bancassurance channel, building up the capacity will imply the **setting up of some agreements** with selected brokers characterised by a distribution network structure, specific skills and/or expertise. According to the strategy, selection and management of this channel will also be supported by hiring or partnering with specialists.
- **Offering and "service-machine" set-up –** setting the offer and the service structures will be done by extracting synergies from what has already been set up for the bancassurance channel, but with a more flexible approach. An innovative credit protection related product (rent protection) is already available, as is an agricultural product with a strong reinsurance protection.

Several negotiations are underway with medium sized brokers:

- In May 2019, Net Insurance announced it had signed a distribution agreement with the broker **Vitanuova** aiming to distribute Net' products through more than 300 of Vitanuova' s advisors. Net's products will be dedicated to the protection of Family and Heritage and the offer will soon be enriched by the introduction of an innovative health policy.

Digital Innovation & Insurtech will embrace all the plan period

To conclude, the strategic plan emphasises the role the new technologies will play in the future of the Insurance industry, considering that the sector, like Fintech and Mobile banking some years ago, is still **at the beginning of its technologica**l revolution. It's impossible to find an industry that has not been **materially transformed** by the introduction of technology and data usage, and a move forward in this field will undoubtedly be a competitive advantage. This strategic phase will **embrace all the plan period** (2018-2022) with the aim to permeate the entire organisation and the whole value chain with an insurtech approach. The journey could be simplified by three core guidelines/stages of the **innovation model:**

1. Starting as an **add-on/cross selling on the client base**;
2. Mixed "**Open-platform core-satellite**" innovation model;
3. **Stand-alone development** after the plan period (2023).

The drivers of this ambitious strategic objective are:

Setting up a continuous innovation model – the first step will be to **introduce technology** at every stage of the value chain in order to improve the efficiency and efficacy of the offer. A trial and error approach and the learning-by-doing strategy will be the mantras, along with the mixed "open platform core-satellite" innovation model.

Innovative distribution channel support – technology will support **analysis of the customer base**, with the aim to enhance the targeting process and the market psychographic segmentation, also thanks to contextual information collection through mobile apps. Particular attention will be given to **Text Messages,** through the introduction of a smart front-end in order to sell standardised products. On the **CQS** side, the company will introduce an innovative **CQS multi-year selling proposition** thanks to apps and web applications that will provide clients with a simple and flexible self-service post sales service.

Insurtech-enabled products – the offer will immediately be enriched by the introduction of a new" **connected-home**" product and by the add-on **mobile instant insurance** proposition.

Furthermore, new **interactive ways of networking** for customers will be developed, alongside the whole relationship/product lifecycle.

Bancassurance platform – the last driver of the strategic objective will be to position the bancassurance platform in order to attract **fintech newcomers** in Italy, as well as to develop the **incidental channel business**. The platform could also be very attractive for players that want to develop partnerships in order to enhance their positioning on high value added channels and products.

Net Insurance announced it had acquired a stake in **Yolo Group**, and signed a distribution agreement with it. Yolo is one of the best insurtech companies in Italy. The total consideration for the deal was c. EUR 1.2m through Yolo's two tranche capital increase. In the end Net will have between 9.32% and 10% in Yolo. Net Insurance will also have access to Yolo's wide digital market place, the aim being to improve and develop it and offer innovative insurance products. Net and **Neosurance** also launched a new partnership and an instant bike product has been in place since May. Net also aims to **acquire minority shareholdings** in digital and/or insurtech business partners, like marketplace, data analytics, claims tool and Instant Insurance engine, a total investment of up to EUR 3-4m.

Other development options ahead

The business model could also generate **other additional development options**. Net Insurnace and the Italian Association of Referees have signed a new **official sponsorship agreement** to last from 1st July 2019 until 2023. The contract envisages the presence of Net Insurance in the uniforms of over 30k Italian referees (more than 600k official matches each year). Net's offer could also be enriched by the introduction of some **protection collective policies** like Long Term Care or offering business under the freedom to **provide digital services**. Furthermore, Net could offer its products through other channels like the **financial advisor networks**.

Financials

Net Insurance restated 2017 and 2018 balance sheets

Including the fraud effect, the 2017 bottom line closed at EUR -17.5m, while the normalised net profit was c. EUR 3.5m.

Restated 2017 and 2018 balance sheets

		2017	2018
Gross Written Premiums	€ Mln	58.4	62.3
Operational Expenses	€ Mln	12.1	13.1
Net Technical Result	€ Mln	4.3	8.6
Net Profit	€ Mln	(17.5)	4.1
Normalized Net Profit	€ Mln	3.5	6.7
Combined Ratio *	%	88%	78%

Source: company presentation

Business plan: achievable targets still in line with our assumptions

On 19th June 2019, Net Insurance unveiled the update of its strategic and economic guidelines, which were overall in line with our assumptions which we will describe in more depth in the next section. More in detail, Net's 2019 – 2023 plan sets the following **financial targets**, which **do not include any recovery from the ongoing litigation** but only the costs incurred.

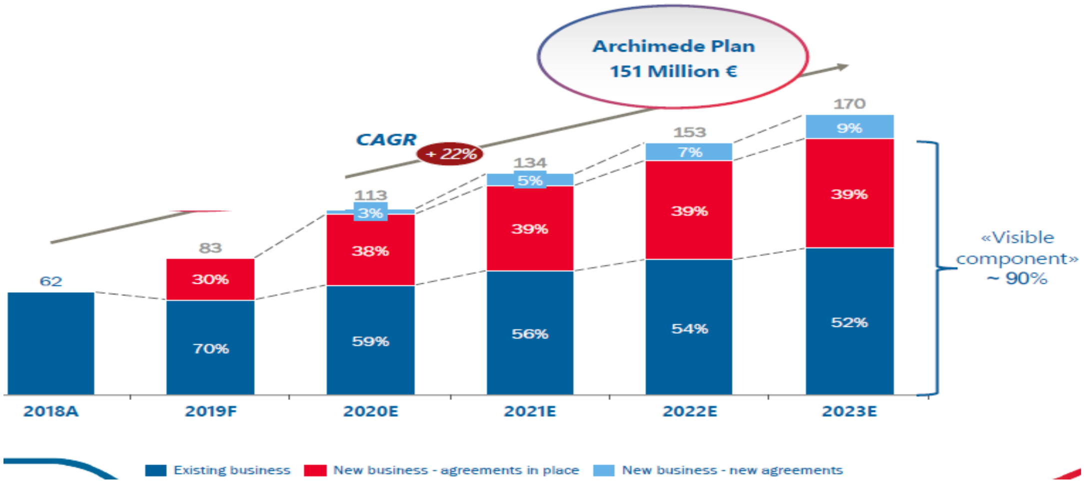
2019 – 2023 targets

		2018	2019 forecast	2020 Targets	2023E
Gross Written Premiums	€ Min	62.3	83.4	112.9	170.3
Overheads	€ Min	12.9	19.6	20.2	23.5
Net Technical Result	€ Min	8.6	7.1	6.6	19.7
Net Profit	€ Min	4.1	4.5	6.2	17.5
Normalized Net Profit	€ Min	6.7	6.5	6.3	17.5
Shareholders Equity*	€ Min	53.8	58.3	63.3	92.0
ROE	%	11.3	8.0	10.2	20.2

**Net of paid dividends - Source: company presentation*

The **gross written premiums** are seen at c. EUR 170m in 2023, growing at a 2019-2023 CAGR of c. 22%, mainly thanks to the new business related to the agreements in place.

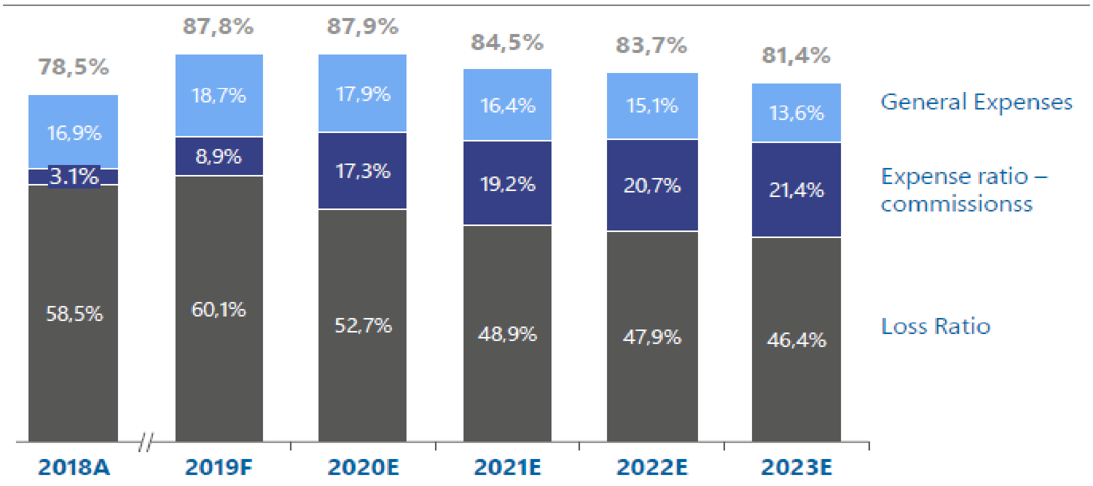
GWP development



Source: company presentation

The **technical profitability** is expected to improve year after year. The net technical result is seen around EUR 20m in 2023 from c. EUR 7m assumed for 2019, mainly thanks to the decline the company expects in the **CoR**, which ought to achieve 81.4% in 2023 from 87.8% expected in 2019. The improvement will be driven by the **excellent profitability of the bancassurance products** and by the **decrease in the loss ratio** as effect of the strong increase Net expects in the gross written premiums.

2018 – 2023 CoR development



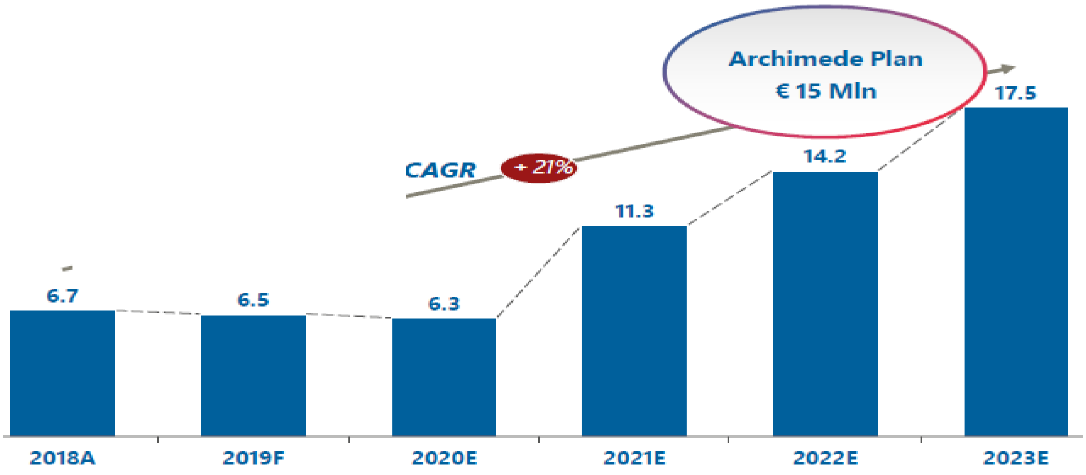
Calculated on earned premiums, gross of reinsurance - Source: company presentation

The improvement in the technical profitability, along with the streamlining of the investment portfolio (see the next paragraph for more details), will push the **normalised net profit** to c. EUR 17.5m in 2023 from EUR 6.5m expected in 2019.

Solvency well above 150% throughout the plan

Thanks to the **capital generation** and to the **conservative dividend policy, the Solvency Ratio** ought to reach 170% / 180% vs the previous “above 200%” throughout the plan. The SII ratio is likely to reach 200% **assuming a recovery** of c. 50% of the sums misappropriated (i.e. c. EUR 26m).

Normalized net profit evolution



Source: company presentation

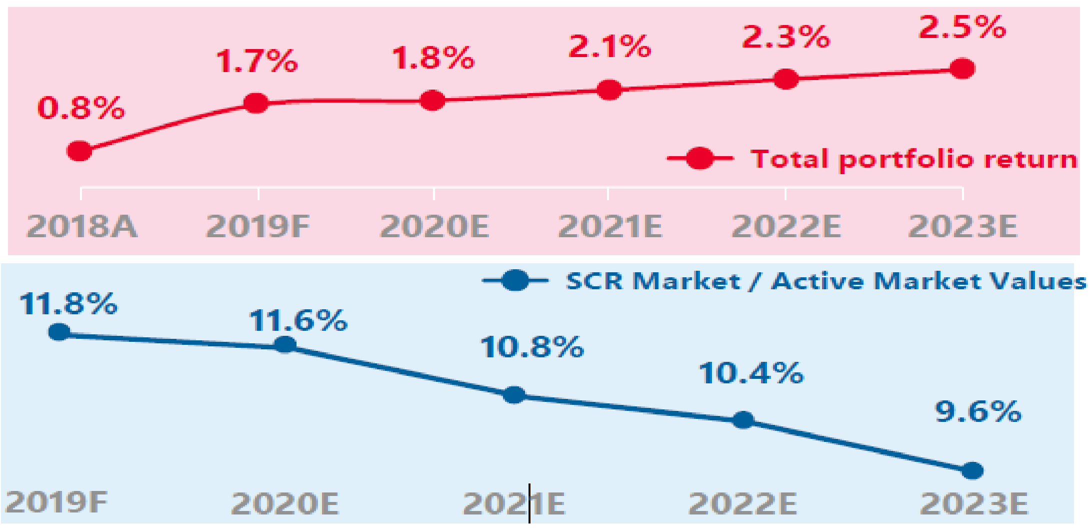
According to Net's management, the Solvency Ratio is also highly resilient to stress scenario analysis of business, technical and financial variables.

Financial investments: further room to streamline

According to Net Insurance's management's presentation, there is further room to improve the company's current **asset allocation** and its **risk-reward profile**. The main target is the reduction of the **exposure to Italian government bonds** from 28% in 2018 to 14% in 2019 with the aim to stabilise the investment between 15% and 20% in the future. At the same time, the investments in **corporate bonds** are seen to increase from 40% in 2018 to 54% going forward.

The more limited exposure to the Italian government bond risk, the higher resilience to the spread volatility and the better diversification are likely to push the **total return** on the portfolio, smoothing the **risk** and the **capital absorption** at the same time.

Risk/Reward optimization



Source: company presentation

Our FY 2019/23 estimates

Our estimates consider **all the strategic guidelines** of the project. The numbers will incorporate remarkable growth **starting from 2020**, when we believe the "start-up" phase is likely to have been concluded and the financial statements to have improved materially, mainly thanks to the **new profitable business** and to the **management team's skills.**

We have estimated **net premiums** increasing by a CAGR 2019-2023 of c. 30% based on the following assumptions:

- The strong development in the **bancassurance agreements** in the P&C segment, as well as in the **broker retail channel** from 2019, thanks to the new business we expect. The potential of these two markets is justified by the still low market share and by the efforts the new management team is making to put them in place and to exploit their business connections and experience.
- The almost flat premiums in the **core business is linked to CQS**, mainly due to the optimisation of the current portfolio and to our cautious approach, considering this credit insurance product is strictly linked to the credit cycle and to the macroeconomic scenario.
- **Insurtech's** contribution could become evident, though still negligible, only at the end of 2022.
- The progressive decrease in the portion of **premiums transferred to reinsurers**, related to the different business mix going forward.

Consolidated P&L

	2019E	2020E	2021E	2022E	2023E	CAGR19-23
Gross earned premiums	77.2	95.4	125.7	150.2	160.0	19.6%
- growth rate	*18.2%*	*23.6%*	*31.8%*	*19.5%*	*6.5%*	*27.4%*
Premiums transferred under reinsurance	-51.1	-58.3	-70.9	-74.7	-79.2	12.9%
- on gross earned premiums	*-66.2%*	*-61.1%*	*-56.4%*	*-49.7%*	*-49.5%*	*-5.7%*
Net premiums	**26.1**	**37.1**	**54.8**	**75.5**	**80.8**	**29.7%**
Net claims paid	**-19.3**	**-22.7**	**-28.2**	**-33.6**	**-34.6**	**26.7%**
- on net premiums	*73.9%*	*61.0%*	*51.4%*	*44.5%*	*42.8%*	-2.3%
Net income from investments	**5.5**	**6.0**	**7.0**	**8.5**	**10.0**	**147.9%**
- on avg. Investments	*3.0%*	*3.0%*	*3.1%*	*3.2%*	*3.2%*	120.5%
Operating expenses	**-14.0**	**-22.2**	**-32.5**	**-45.3**	**-48.0**	**30.7%**
Commissions received from reinsurers	**10.5**	**12.5**	**14.4**	**15.7**	**16.7**	**8.1%**
EBT	**8.8**	**10.8**	**15.5**	**20.8**	**24.9**	**31.8%**
Taxes	-3.0	-3.7	-5.3	-7.2	-8.6	31.8%
Tax rate	*-34.4%*	*-34.4%*	*-34.4%*	*-34.4%*	*-34.4%*	*0.0%*
Net profit adjusted	**5.8**	**7.1**	**10.2**	**13.7**	**16.3**	**19.5%**

Source: Banca Akros estimates

We expect a **sizable improvement in technical results and profitability** with a technical result, net of net income from investments, we estimate around EUR 14.9m at the end of 2023 from EUR 3.3m we assume in 2019.

Technical result net of net income from investments

	2019E	2020E	2021E	2022E	2023E	CAGR19-23
Technical result	3.3	4.8	8.5	12.3	14.9	*7.8%*
Technical results / Net premiums	*12.7%*	*12.8%*	*15.6%*	*16.3%*	*18.4%*	*n.m.*

Source: Banca Akros estimates

At the same time, as far as **margins** are concerned, **CoR** is seen improving to 81.6% in 2023 from 87.3% expected in 2019 mainly thanks to the **loss ratio** (from 73.9% in 2019 to 42.8% in 2023) and despite the progressive worsening in the **expense ratio** (from 13.4% in 2019 to 38.8% in 2023).

CoR Analysis

	2019E	2020E	2021E	2022E	2023E
Loss Ratio	73.9%	61.0%	51.4%	44.5%	42.8%
Expense ratio (net of commissions from reinsurers)	13.4%	26.1%	33.0%	39.2%	38.8%
CoR	**87.3%**	**87.2%**	**84.4%**	**83.7%**	**81.6%**

Source: Banca Akros estimates

Along with the development of the top line we explained above, **our assumptions in estimating the abovementioned trend in profitability** could be summarised as follows:

- The improvement in the **loss ratio**. We expect lower implied claims going forward **due to the new business plan,** which ought to have a better loss ratio compared to the current business.
- The worsening in the **expense ratio**. We expect the start-up phase and the introduction of the new businesses to squeeze operating expenses (CAGR 2019-2023 of c. 31%), while the increase in commissions received from reinsurers (CAGR 2019-2023 c. 8%) ought to be more limited and mainly due to the optimisation of the business in force and to the new business which usually has a lower reinsurance policy compared to the core business in force;

The **net income from investments** is estimated at EUR 10m in 2023 from EUR 5.5m in 2019, considering the expansion of investments, which we estimate consistently with the evolution in premiums and technical reserves, and the improvement in the **average yield on investments**, which we expect at 3.2% in 2023 from 3% in 2019 according to market expectations on interest rates and considering the improvement in the asset allocation.

After applying a **stable tax rate** of around 34% in 2019-2023, we obtain an adjusted **net profit** of EUR 16.3m in 2023 from EUR 5.8m in 2019 (CAGR 2019-2023 c. 20%). **RoE** is seen improving consequently from 10.3% in 2019 to 18.8% at the end of 2023.

Consolidated Balance Sheet

	2019E	2020E	2021E	2022E	2023E	CAGR 19-23
Intangible assets	0.9	0.9	0.9	0.9	0.9	*0.0%*
Tangible assets	15.8	15.8	15.8	15.8	15.8	*0.0%*
Investments	**192.7**	**211.7**	**245.3**	**291.9**	**338.9**	***13.7%***
Other assets	98.0	90.9	84.7	77.7	57.0	*-1.2%*
Net Provisions	**122.3**	**136.5**	**164.8**	**205.3**	**245.0**	***16.9%***
Financial liabilities	14.6	14.6	14.6	14.6	14.6	*-0.1%*
Other liabilities	**111.7**	**103.8**	**95.2**	**84.8**	**61.6**	***-3.8%***
Shareholders' equity	**58.7**	**64.4**	**72.0**	**81.6**	**91.4**	***11.2%***

Source: Banca Akros estimates

RoE: Dividend

	2019E	2020E	2021E	2022E	2023E
RoE	*10.3%*	*11.5%*	*14.9%*	*17.8%*	*18.8%*
Pay-out ratio	*0.0%*	*20.0%*	*25.0%*	*30.0%*	*40.0%*
Total Dividend	-	1.4	2.5	4.1	6.5

Source: Banca Akros estimates

Assuming a pay-out ratio of 40% in 2023 from 0% in 2019 and considering the capital injection resulting from the business combination, we believe the solvency ratio is likely to stay around 172% in 2023 thanks to the capital generation and although we have estimated strong business expansion in 2019-2023.

Solvency ratio

	2019E	2020E	2021E	2022E	2023E
Solvency Ratio	*159%*	*163%*	*164%*	*166%*	*172%*

Source: Banca Akros estimates

SWOT analysis

STRENGTHS	WEAKNESSES
▪ Strategy: low execution risk thanks to promoters' experience, track record, commitment and relationship networks; ▪ Stable and strong positioning in the core business of the insurer, linked to salary/pension-backed loans; ▪ Diversified and outstanding partnerships, as well as shareholders, with some of the most important financial intermediaries; ▪ Clear and innovative approach to managing the digital transformation; ▪ Solid and strong capital position over the plan;	▪ The project will take time to accomplish (from 2 to 4 years) and it could face some problems in achieving its targets; ▪ Current still small size of the Italian Non-Auto P&C market; ▪ Strategy strictly linked to the management team; ▪ Exposure to Italian sovereign credit risk with consequences on the capital position;
OPPORTUNITIES	**THREATS**
▪ Attractiveness and profitability of the still underpenetrated Italian Non-Auto P&C business; ▪ Business diversification in other new complementary insurance lines of business or abroad; ▪ Opportunities to enter other attractive specialty finance business/ specialised financing mainly thanks to the open platform approach and insurtech; ▪ Competitive business model with potential M&A appeal in the medium term.	▪ More aggressive competition both in credit and life insurance, linked to CQS and in bancassurance business, with pressure on pricing; ▪ Changes in industry regulation; ▪ Deterioration in the macroeconomic scenario with the worsening of the unemployment rate; ▪ Execution risk of the plan or delay in achieving the strategic guidelines; ▪ M&A in the mid-small Italian banks which are the main clients and targets of the project; ▪ Contraction of the salary/pension-backed loans market due to other credit restriction policies.

Net Insurance : Summary tables

PROFIT & LOSS (EURm)	12/2016	12/2017	12/2018	12/2019e	12/2020e	12/2021e
Life Gross Premiums	0.0	0.0	0.0	0.0	0.0	0.0
Life Gross Premiums (APE) (1)	0.0	0.0	0.0	0.0	0.0	0.0
Non-Life Gross Premiums	73.0	64.1	65.3	77.2	95.4	126
Total Reinsurance (Life & Non-Life)	-47.9	-41.7	-43.3	-51.1	-58.3	-70.9
Banking Interest Income	0.0	0.0	0.0	0.0	0.0	0.0
Banking Non Interest Income	0.0	0.0	0.0	0.0	0.0	0.0
Insurance Investment Income	-6.0	5.7	0.1	5.5	6.0	7.0
Other Revenues	10.3	-23.6	7.3	10.5	12.5	14.4
Total Net Revenues	**29.4**	**4.5**	**29.4**	**42.1**	**55.6**	**76.2**
Total Claims & Provisions	-23.1	-13.5	-10.6	-19.3	-22.7	-28.2
Operating Expenses	-8.3	-11.7	-12.6	-14.0	-22.2	-32.5
Life Insurance Technical Result	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Non-Life Insurance Technical Result	**4.1**	**-26.4**	**6.1**	**3.3**	**4.8**	**8.5**
Pre-Tax Profit Insurance	0.0	0.0	0.0	0.0	0.0	0.0
o/w Pre-Tax Profit (Non-Life)	0.0	0.0	0.0	0.0	0.0	0.0
Pre-Tax Profit Banking	0.0	0.0	0.0	0.0	0.0	0.0
Earnings Before Interest & Tax (EBIT)	**-1.9**	**-20.7**	**6.3**	**8.8**	**10.8**	**15.5**
Paid interests on sub/hybrid debt	0.0	0.0	0.0	0.0	0.0	0.0
Tax	-0.4	3.2	-2.2	-3.0	-3.7	-5.3
Tax rate	*nm*	*15.4%*	*34.4%*	*34.4%*	*34.4%*	*34.4%*
Discontinued Operations	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
Net Profit (Reported)	**-2.4**	**-17.5**	**4.1**	**5.8**	**7.1**	**10.2**
Net Profit (adj.)	**-2.4**	**4.5**	**6.7**	**5.8**	**7.1**	**10.2**

BALANCE SHEET & OTHER ITEMS (EURm)	12/2016	12/2017	12/2018	12/2019e	12/2020e	12/2021e
Intangibles	**4.5**	**0.6**	**0.9**	**0.9**	**0.9**	**0.9**
of which Goodwill	*4.2*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
of which Deferred Acquisition Costs (DAC)	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Insurance Investments (Own Account)	**218**	**173**	**178**	**193**	**212**	**245**
of which Fixed Income	*161*	*118*	*138*	*150*	*165*	*191*
of which Equity	*15.8*	*10.6*	*8.7*	*9.4*	*10.4*	*12.0*
of which Real Estate	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
of which Other Investments	*41.2*	*44.3*	*30.8*	*33.4*	*36.7*	*42.5*
Unit-Linked Investments	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Banking Assets	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
of which Banking Interest Earnings Assets	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Other Assets	76.0	71.9	76.4	114	107	100
Total Assets	**299**	**246**	**255**	**307**	**319**	**347**
Technical Provisions Life	0.0	0.0	0.0	0.0	0.0	0.0
Technical Provisions Non-Life	134	121	112	122	137	165
Financial Debt (2)	0.0	0.0	0.1	0.0	0.0	0.0
Sub/hybrid debt	14.6	14.6	14.6	14.6	14.6	14.6
Other Liabilities	114	91.1	74.7	112	104	95.2
Banking Liabilities	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
of which Banking Interest Bearing Liabilities (IBL)	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Shareholders Equity	**36.1**	**18.9**	**53.8**	**58.7**	**64.4**	**72.0**
Minorities Equity	0.0	0.0	0.0	0.0	0.0	0.0
Total Liabilities	**299**	**246**	**255**	**307**	**319**	**347**

GROWTH RATES	12/2016	12/2017	12/2018	12/2019e	12/2020e	12/2021e
Life Gross Premiums Growth						
Non-Life Gross Premiums Growth	*-20.9%*	*-12.3%*	*1.9%*	*18.2%*	*23.6%*	*31.8%*
Banking Revenue Growth						
EBIT Growth	*+chg*	*-chg*	*+chg*	*40.8%*	*22.3%*	*44.2%*
Net Profit Growth (adj.)	***+chg***	***+chg***	***48.1%***	***-13.9%***	***22.3%***	***44.2%***

Net Insurance : Summary tables

KEY RATIOS	12/2016	12/2017	12/2018	12/2019e	12/2020e	12/2021e
Insurance Investment Yield (average)	*-2.8%*	*2.9%*	*0.1%*	*3.0%*	*3.0%*	*3.1%*
ROE (adj.)	***-6.5%***	***-63.5%***	***21.6%***	***10.3%***	***11.5%***	***14.9%***
WACC (3)	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Expense Ratio (Life)	***0.0%***	***0.0%***	***0.0%***	***0.0%***	***0.0%***	***0.0%***
Expense Ratio (Non-Life)	*15.4%*	*-16.0%*	*-5.7%*	*-13.4%*	*-26.1%*	*-33.0%*
Claims Ratio (Non-Life)	*-91.9%*	*-60.4%*	*-48.1%*	*-73.9%*	*-61.0%*	*-51.4%*
Combined Ratio (Non-Life)	***76.5%***	***76.4%***	***53.8%***	***87.3%***	***87.2%***	***84.4%***
Retention Ratio (Non-Life)	*34.4%*	*35.0%*	*33.7%*	*33.8%*	*38.9%*	*43.6%*
Reserving Ratio (Non-Life)	*532.7%*	*541.1%*	*508.7%*	*468.5%*	*367.7%*	*300.6%*
Cost/Income (Banking)	***0.0%***	***0.0%***	***0.0%***	***0.0%***	***0.0%***	***0.0%***
Loan Loss Provisions (Banking)	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Solvency-Ratio (4)	***104.0%***		***162.8%***	***158.5%***	***163.2%***	***163.9%***
Financial Leverage (5)	***45.8%***	***77.3%***	***27.1%***	***24.9%***	***22.7%***	***20.3%***

PER SHARE DATA (EUR)(6)	12/2016	12/2017	12/2018	12/2019e	12/2020e	12/2021e
Average diluted number of shares	17.0	17.0	17.0	18.3	18.3	18.3
EPS (reported)	-0.14	-1.03	0.24	0.32	0.39	0.56
EPS (adj.)	**-0.14**	**0.27**	**0.39**	**0.32**	**0.39**	**0.56**
BVPS	2.13	1.11	3.16	3.21	3.52	3.94
ANAVPS	0.00	0.00	0.00	0.00	0.00	0.00
EbVPS	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
DPS	0.00	0.00	0.00	0.00	0.08	0.14

VALUATION	12/2016	12/2017	12/2018	12/2019e	12/2020e	12/2021e
P/Premiums	2.9	4.4	3.2	2.8	2.0	1.3
P/E (Reported)	**nm**	**nm**	**17.4**	**13.3**	**10.9**	**7.5**
P/E (adj.)	nm	21.8	10.7	13.3	10.9	7.5
P/BV	2.1	5.2	1.3	1.3	1.2	1.1
P/ANAV	**nm**	**nm**	**nm**	**nm**	**nm**	**nm**
P/EbV	*nm*	*nm*	*nm*	*nm*	*nm*	*nm*
Payout ratio	***0.0%***	***0.0%***	***0.0%***	***0.0%***	***20.0%***	***25.0%***
Dividend Yield (gross)	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*1.8%*	*3.3%*

PRICE & SHARES & MKT CAP (EURm)	12/2016	12/2017	12/2018	12/2019e	12/2020e	12/2021e
Price (7) (EUR)	4.4	5.8	4.2	4.2	4.2	4.2
Outstanding number of shares for main stock	16.9	16.9	16.9	17.3	17.3	17.3
Total Market Cap (8)	**74.1**	**97.8**	**70.9**	**72.7**	**72.7**	**72.7**
Assets under management (9)	0.0	0.0	0.0	0.0	0.0	0.0
NAV	36.1	18.9	53.8	58.7	64.4	72.0
Adjusted Net Asset Value (ANAV)	**31.9**	**18.9**	**53.8**	**58.7**	**64.4**	**72.0**

Source: Company, Banca Akros estimates

Notes

(1) Annual Premium Equivalent (APE) is a measure of the amount of new business in an accounting period

(2) Financial debt is operating financial debt net of subordinate/hybrid debt

(3) The Cost of Debt is calculated only on subordinated and hybrid instruments

(4) Solvency-one ratio = Capital available/Capital required under Solvency-one framework

(5) Financial Leverage is (Subordinated + Hybrid instruments) / (ANAV + Minorities)

(6) EPS (adj.) diluted= Net Profit (adj.)/Avg DIL. Ord. (+ Ord. equivalent) Shs. EPS (reported) = Net Profit reported/Avg DIL. Ord. (+ Ord. equivalent) Shs.

(7) Price (in local currency):Fiscal year end price for Historical Years and Current Price for current and forecasted years

(8) Total Market Cap includes also other categories of shares (preferred and/or savings)

(9) Assets under management is third-party-assets excluding life separate accounts (e.g. unit/linked)

Sector: Insurance/Insurance

Company Description: Archimede S.p.A. is an Italian SPAC. It was listed on the AIM Italia segment of the Italian Stock Exchange in May 2018 and raised EUR 48m from the IPO. On 18th June 2018, Archimede S.p.A. and Net Insurance Group ("NET"), the Italian market leader in the insurance of salary and pension-backed loans, announced they had signed a binding framework agreement for a business combination involving the reverse merger of Archimede into NET

European Coverage of the Members of ESN

Aerospace & Defense	**Mem(*)**	Corticeira Amorim	CBI	Hkscan	OPG	Oncodesign	CIC
Airbus Se	CIC	Ence	GVC	Italian Wine Brands	BAK	Oriola-Kd	OPG
Dassault Aviation	CIC	Metsä Board	OPG	La Doria	BAK	Orion	OPG
Figeac Aero	CIC	Mytilineos	IBG	Lanson-Bcc	CIC	Orpea	CIC
Latecoere	CIC	Outokumpu	OPG	Laurent Perrier	CIC	Pihlajalinna	OPG
Leonardo	BAK	Semapa	CBI	Ldc	CIC	Recordati	BAK
Lisi	CIC	Ssab	OPG	Massimo Zanetti	BAK	Silmaasema	OPG
Safran	CIC	Stora Enso	OPG	Olvi	OPG	Terveystalo	OPG
Thales	CIC	The Navigator Company	CBI	Orsero	BAK	**Household Goods**	**Mem(*)**
Alternative Energy	**Mem(*)**	Tubacex	GVC	Pernod Ricard	CIC	Abeo	CIC
Siemens Gamesa Re	GVC	Upm-Kymmene	OPG	Raisio	OPG	De Longhi	BAK
Voltalia	CIC	**Chemicals**	**Mem(*)**	Remy Cointreau	CIC	Elica	BAK
Automobiles & Parts	**Mem(*)**	Air Liquide	CIC	Tipiak	CIC	Fila	BAK
Bittium Corporation	OPG	Arkema	CIC	Vidrala	GVC	Maisons Du Monde	CIC
Brembo	BAK	Kemira	OPG	Vilmorin	CIC	**Industrial Engineering**	**Mem(*)**
Ferrari	BAK	Tikkurila	OPG	Viscofan	GVC	Alstom	CIC
Fiat Chrysler Automobiles	BAK	**Electronic & Electrical Equipment**	**Mem(*)**	Vranken Pommery Monopole	CIC	Biesse	BAK
Gestamp	GVC	Rexel	CIC	**Food & Drug Retailers**	**Mem(*)**	Caf	GVC
Indelb	BAK	**Financial Services**	**Mem(*)**	Carrefour	CIC	Cargotec Corp	OPG
Kamux	OPG	Amundi	CIC	Casino Guichard-Perrachon	CIC	Carraro	BAK
Landi Renzo	BAK	Anima	BAK	Jeronimo Martins	CBI	Cnh Industrial	BAK
Nokian Tyres	OPG	Athex Group	IBG	Kesko	OPG	Danieli	BAK
Piaggio	BAK	Azimut	BAK	Marr	BAK	Datalogic	BAK
Pininfarina	BAK	Banca Farmafactoring	BAK	Sonae	CBI	Emak	BAK
Sogefi	BAK	Banca Generali	BAK	**General Industrials**	**Mem(*)**	Fincantieri	BAK
Banks	**Mem(*)**	Banca Ifis	BAK	Cembre	BAK	Groupe Gorge	CIC
Aktia	OPG	Banca Mediolanum	BAK	Huhtamäki	OPG	Haulotte Group	CIC
Alpha Bank	IBG	Banca Sistema	BAK	Pöyry	OPG	Ima	BAK
Banca Carige	BAK	Capman	OPG	Sergeferrari Group	CIC	Interpump	BAK
Banca Mps	BAK	Cir	BAK	**General Retailers**	**Mem(*)**	Kone	OPG
Bcp	CBI	Digital Magics	BAK	Fnac Darty	CIC	Konecranes	OPG
Bnp Paribas	CIC	Dobank	BAK	Fourlis Holdings	IBG	Manitou	CIC
Bper	BAK	Eq	OPG	Jumbo	IBG	Metso Corporation	OPG
Bpi	CBI	Eurazeo	CIC	Ovs	BAK	Outotec	OPG
Credem	BAK	Ffp	CIC	Stockmann	OPG	Ponsse	OPG
Credit Agricole Sa	CIC	Finecobank	BAK	Tokmanni	OPG	Prima Industrie	BAK
Creval	BAK	Poste Italiane	BAK	Unieuro	BAK	Prysmian	BAK
Eurobank	IBG	Rallye	CIC	**Healthcare**	**Mem(*)**	Talgo	GVC
Intesa Sanpaolo	BAK	Tinexta	BAK	Ab Biotics	GVC	Valmet	OPG
Mediobanca	BAK	Tip Tamburi Investment Partners	BAK	Amplifon	BAK	Wärtsilä	OPG
National Bank Of Greece	IBG	Wendel	CIC	Atrys Health	GVC	Zardoya Otis	GVC
Natixis	CIC	**Food & Beverage**	**Mem(*)**	Biom'Up	CIC	**Industrial Transportation**	**Mem(*)**
Nordea	OPG	Advini	CIC	Cellnovo	CIC	Bollore	CIC
Piraeus Bank	IBG	Altia	OPG	Cerenis	CIC	Ctt	CBI
Rothschild & Co	CIC	Atria	OPG	Crossject	CIC	**Insurance**	**Mem(*)**
Societe Generale	CIC	Bonduelle	CIC	Diasorin	BAK	Axa	CIC
Ubi Banca	BAK	Campari	BAK	El.En.	BAK	Cattolica Assicurazioni	BAK
Unicredit	BAK	Coca Cola Hbc Ag	IBG	Fermentalg	CIC	Generali	BAK
Basic Resources	**Mem(*)**	Danone	CIC	Fine Foods	BAK	Net Insurance	BAK
Acerinox	GVC	Ebro Foods	GVC	Genfit	CIC	Sampo	OPG
Altri	CBI	Enervit	BAK	Guerbet	CIC	Unipolsai	BAK
Arcelormittal	GVC	Fleury Michon	CIC	Korian	CIC		

Materials, Construction & Infrastructure	**Mem(*)**	Iol	BAK	Smcp	CIC	Rai Way	BAK	Acea	BAK
Acs	GVC	Ipsos	CIC	Swatch Group	CIC	**Technology Hardware & Equipment**	**Mem(*)**	Albioma	CIC
Aena	GVC	Jcdecaux	CIC	Technogym	BAK	Adeunis	CIC	Derichebourg	CIC
Astaldi	BAK	Lagardere	CIC	Tod'S	BAK	Ericsson	OPG	Edp	CBI
Atlantia	BAK	M6-Metropole Television	CIC	**Real Estate**	**Mem(*)**	Evolis	CIC	Edp Renováveis	CBI
Buzzi Unicem	BAK	Mediaset	BAK	Citycon	OPG	Hf Company	CIC	Enagas	GVC
Capelli	CIC	Mediaset Espana	GVC	Grivalia	IBG	Ingenico	CIC	Endesa	GVC
Caverion	OPG	Nrj Group	CIC	Igd	BAK	Nokia	OPG	Enel	BAK
Cramo	OPG	Publicis	CIC	Kojamo	OPG	Osmozis	CIC	Erg	BAK
Eiffage	CIC	Rcs Mediagroup	BAK	Lar España	GVC	Stmicroelectronics	BAK	Eydap	IBG
Eltel	OPG	Sanoma	OPG	Merlin Properties	GVC	Teleste	OPG	Falck Renewables	BAK
Ezentis	GVC	Solocal Group	CIC	Realia	GVC	**Telecommunications**	**Mem(*)**	Fortum	OPG
Fcc	GVC	Teleperformance	CIC	Technopolis	OPG	Acotel	BAK	Hera	BAK
Ferrovial	GVC	Tf1	CIC	**Software & Computer Services**	**Mem(*)**	Bouygues	CIC	Iberdrola	GVC
Groupe Adp	CIC	Ubisoft	CIC	Agile Content	GVC	Dna	OPG	Iren	BAK
Groupe Poujoulat	CIC	Vivendi	CIC	Akka Technologies	CIC	Elisa	OPG	Italgas	BAK
Groupe Sfpi S.A.	CIC	Vogo	CIC	Alten	CIC	Euskaltel	GVC	Naturgy	GVC
Herige	CIC	**Oil & Gas Producers**	**Mem(*)**	Altran	CIC	Iliad	CIC	Public Power Corp	IBG
Imerys	CIC	Ecoslops	CIC	Amadeus	GVC	Masmovil	GVC	Red Electrica Corporacion	GVC
Lafargeholcim	CIC	Eni	BAK	Assystem	CIC	Nos	CBI	Ren	CBI
Lehto	OPG	Galp Energia	CBI	Atos	CIC	Orange	CIC	Snam	BAK
Maire Tecnimont	BAK	Gas Plus	BAK	Axway Software	CIC	Ote	IBG	Solaria	GVC
Maisons France Confort	CIC	Hellenic Petroleum	IBG	Basware	OPG	Telecom Italia	BAK	Terna	BAK
Mota Engil	CBI	Maurel Et Prom	CIC	Capgemini	CIC	Telefonica	GVC		
Obrascon Huarte Lain	GVC	Motor Oil	IBG	Cast	CIC	Telia	OPG		
Ramirent	OPG	Neste Corporation	OPG	Catenon	GVC	Tiscali	BAK		
Sacyr	GVC	Qgep	CBI	Econocom	CIC	Vodafone	BAK		
Saint Gobain	CIC	Repsol	GVC	Esi Group	CIC	**Travel & Leisure**	**Mem(*)**		
Salini Impregilo	BAK	Total	CIC	Exprivia	BAK	Accor	CIC		
Sias	BAK	**Oil Services**	**Mem(*)**	F-Secure	OPG	Aegean Airlines	IBG		
Sonae Industria	CBI	Bourbon	CIC	Gigas Hosting	GVC	Autogrill	BAK		
Srv	OPG	Cgg	CIC	Gpi	BAK	Beneteau	CIC		
Tarkett	CIC	Gaztransport Et Technigaz	CIC	Groupe Open	CIC	Compagnie Des Alpes	CIC		
Thermador Groupe	CIC	Rubis	CIC	Indra Sistemas	GVC	Elior	CIC		
Titan Cement	IBG	Saipem	BAK	Neurones	CIC	Europcar	CIC		
Trevi	BAK	Technipfmc Plc	CIC	Novabase	CBI	Finnair	OPG		
Uponor	OPG	Tecnicas Reunidas	GVC	Reply	BAK	Gamenet	BAK		
Vicat	CIC	Tenaris	BAK	Rovio Entertainment	OPG	I Grandi Viaggi	BAK		
Vinci	CIC	Vallourec	CIC	Sii	CIC	Ibersol	CBI		
Yit	OPG	**Personal Goods**	**Mem(*)**	Sopra Steria Group	CIC	Intralot	IBG		
Media	**Mem(*)**	Basicnet	BAK	Tieto	OPG	Melia Hotels International	GVC		
Alma Media	OPG	Cie Fin. Richemont	CIC	Visiativ	CIC	Nh Hotel Group	GVC		
Arnoldo Mondadori Editore	BAK	Geox	BAK	**Support Services**	**Mem(*)**	Opap	IBG		
Atresmedia	GVC	Hermes Intl.	CIC	Asiakastieto Group	OPG	Pierre Et Vacances	CIC		
Cairo Communication	BAK	Interparfums	CIC	Bureau Veritas	CIC	Sg Company	BAK		
Cofina	CBI	Kering	CIC	Cellnex Telecom	GVC	Sodexo	CIC		
Digital Bros	BAK	Lvmh	CIC	Edenred	CIC	Sonae Capital	CBI		
Digitouch	BAK	Marimekko	OPG	Enav	BAK	Tallink	OPG		
Gedi Gruppo Editoriale	BAK	Moncler	BAK	Fiera Milano	BAK	Trigano	CIC		
Gl Events	CIC	Safilo	BAK	Inwit	BAK	**Utilities**	**Mem(*)**		
Il Sole 24 Ore	BAK	Salvatore Ferragamo	BAK	Lassila & Tikanoja	OPG	A2A	BAK		
Impresa	CBI	Sarantis	IBG	Openjobmetis	BAK	Acciona	GVC		

LEGEND: BAK: Banca Akros; CIC: CM CIC Market Solutions; CBI: Caixa-Banco de Investimento; GVC: GVC Gaesco Beksa, SV, SA; IBG: Investment Bank of Greece, OPG: OP Corporate Bank:;as of8th May 2019

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(**) excluding: strategists, macroeconomists, heads of research not covering specific stocks, credit analysts, technical analysts

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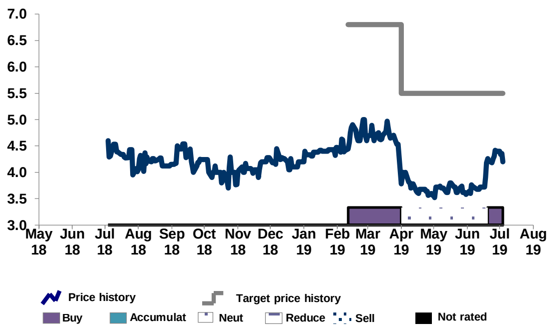
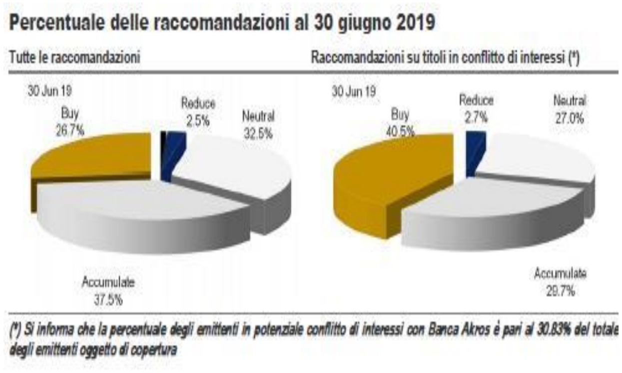
Recommendation history for NET INSURANCE

Date	Recommendation	Target price	Price at change date
05-Jul-19	Buy	6.00	4.20
01-Apr-19	Neutral	5.50	3.78
11-Feb-19	Buy	6.80	4.44

Source: Factset & ESN, price data adjusted for stock splits.
This chart shows Banca Akros continuing coverage of this stock; the current analyst may or may not have covered it over the entire period. Current analyst: Enrico Esposti, CIIA (since 11/02/2019)





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The ESN Recommendation System is **Absolute**. It means that each stock is rated on the basis of a **total return**, measured by the upside potential (including dividends and capital reimbursement) over a **12 month time horizon**.

SELL	REDUCE	NEUTRAL	ACCUMULATE	BUY
	-15%	-5%	5%	15%

The ESN spectrum of recommendations (or ratings) for each stock comprises 5 categories: **Buy (B), Accumulate (A), Neutral (N), Reduce (R) and Sell (S)**.

Furthermore, in specific cases and for a limited period of time, the analysts are allowed to rate the stocks as **Rating Suspended (RS)** or **Not Rated (NR)**, as explained below.

Meaning of each recommendation or rating:

- **Buy**: the stock is expected to generate total return of **over 15%** during the next 12 months time horizon
- **Accumulate:** the stock is expected to generate total return of **5% to 15%** during the next 12 months time horizon
- **Neutral**: the stock is expected to generate total return of **-5% to +5%** during the next 12 months time horizon
- **Reduce**: the stock is expected to generate total return of **-5% to -15%** during the next 12 months time horizon
- **Sell**: the stock is expected to generate total return **under -15%** during the next 12 months time horizon
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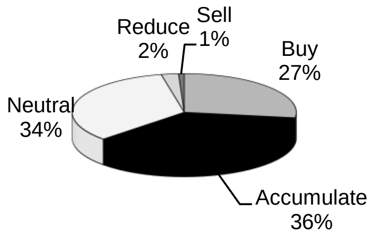
Certain flexibility on the limits of total return bands is permitted especially during higher phases of volatility on the markets

Banca Akros Ratings Breakdown



For full ESN Recommendation and Target price history (in the last 12 months) please see ESN Website Link
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