

EL.EN.***OUTPERFORM (unchanged)**

Italy: Industrial, Aesthetic and Medical Laser

	Sales	EBITDA	EBIT	Net Profit	EPS adj	DPS	EV/Sales	EV/EBITDA	EV/EBIT	P/E	Yield
	Eur m	Eur m	Eur m	Eur m	Eur	Eur	x	x	x	x	%
2013A	157	14	10	6.1	0.24	0.13	0.4	4.9	7.0	16.6	3.1%
2014A*	180	18	14*	11.4*	0.60	0.25	0.4	3.7	4.8	9.1	4.6%
2015A	218	26	22	14.4	0.76	0.30	0.6	4.8	5.7	12.5	3.2%
2016E**	233	29	25	39.1	0.87	0.33	0.8	6.5	7.6	15.1	2.5%
2017E	244	32	28	19.1	1.01	0.36	0.7	5.7	6.5	13.1	2.8%

Source: Company data and Banca Aletti & C.S.p.A. estimates; Note: historical multiples calculated on average yearly prices; *EBIT and net profit adj.; ** Net profit adj.

Pr. Close 21/06/16 (€):	13.16
Tot Mkt Cap. (€ m):	254.0
Tot No. of Shares (m):	19,300
Min-Max pr.(52 wks €):	8.4 - 14.3
Bloomberg/	ELN IM/
Reuters:	ELEN.MI
-3M vol. avg.	34,343
Price Target (€)	15.5 (from 14)
Fair Value (€)	17.5 (from 15)

Perf.	-3M	-6M	-1Y
Abs.	33.9%	29.4%	42.3%
Rel.	33.9%	34.5%	44.6%

Major shareholders:

Cangioli Andrea	15.17%
Pecci Alberto	10.77%
Clementi Gabriele	9.92%
Bazzocchi Barbara	9.78%
Immobiliare Del Ciliegio	7.51%
Kempen Capital Management N.V.	5.01%
Invesco	2.20%
Free float	39.6%

Source: Consob

El.En. vs. FTSE Italia Star (-1Y)**Andrea Bonfà (HOR)**

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*Banca Aletti acts as Corporate Broker.

Main inputs from yesterday's presentation

- **No change in guidance from Elen's yesterday presentation with trading environment confirmed however solid.** Elen's guidance is of sales +5% and EBIT flat which after Q1'16 with sales/EBIT up14/51% respectively would imply April-Dec. sales/EBIT of +2%/-13% respectively. Main reasons for company to remain prudent involve:
 - Some one off orders in laser sources booked in H1'16 which given the strong Q1'16 might affect Q2'16. However, company was reassuring that the single client has been replaced by multiple clients spread throughout the year.
 - The loss of an order from Cynosure in H2'16e
 - And finally we might add some modest visibility in China which although now performing well might replicate the sudden stop of H2'15 following the small yuan devaluation
- **We remain however slightly above company guidance or April-December sales/EBIT of +5%/+9% based on:**
 - The strong Q1'16 performance which suggest that the one off laser source effects have been substantially reabsorbed;
 - The strong momentum in industrial laser in Italy. This is supported by the fact that some industrial lines are producing twice as much as the volumes of last year;
 - New markets and new products hitting the market this year. The company signed agreements to introduce Mona Lisa touch in new markets which will not have a large impact but every little helps; Elen introduced this year new products like Discovery Pico for tattoo removal and Motus Ax for hair removal which should have an impact;
 - The strengthening of the Japanese yen which should support profitability and the USD still around 1.10 which support competitiveness of the company toward USD based players especially in some markets like the middle east.
- **Longer terms prospects in terms of R&D and new products remains interesting** with in our opinion the most interesting in the short/medium term is the incontinence application for the Mona Lisa Touch which is being co-studied and co-financed with Cynosure. We remind investors that this potential market is by far larger than the current applications. 2017e might benefit from the fall out effect acquisition of RoFin by Coherent which might spur the search from RoFin's clients of new laser source suppliers.
- **OUTPERFORM PT EUR 15.5 (18% UPSIDE) and Rating OUTPERFORM CONFIRMED.** ELEN shares on our forecasts are trading at app. 10x on 2016e adj. profit net of the cash assets mentioned above (see our SOP in next page). The shares are trading at large discount toward Cynosure despite being a supplier of Cynosure in the laser technology, that Elen was more profitable than Cynosure in 2015 at operating/EBIT margin level (9.9% vs. 7.8%) and that barring 2009, Elen expanded sales each year between 2002 and 2015 and likely 2016e. We still believe the reason behind the discount is a lack of knowledge of the sheer size of the undervaluation by the market due to its small cap status combined with some uncertainties on the cash re-investment options. As such, we confirm our OUTPERFORM rating and we confirm our PT to Eur 15.5 from (18% upside) based on our 2016e arbitrary PE targets of 13x supported also by our steady growth DCF. Longer term once earnings momentum accelerates or visibility improves we might consider higher multiples for our valuation.
- **Main risks/opportunities: Weaker/stronger USD; fall/increase in consumer demand; lower/higher credit availability; superior/lower peers' technology; lower tax rate from the patent box.**

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BANCA ALETTI

ELEN Stub Value (EURm)

	16e			16e			Implied PE			Mkt Cap.	Comments	
	16e Sales	Recur. EBITDA	EBITDA margin	16e EBIT	EBIT margin	Net Pr. Adj.	EV/ Sales	EV/ EBITDA	EV/ EBIT			net of cash assets
Group	233	29.4	12.6%	25.2	10.8%	16.6	1.1x	8.6x	10.1x	10.5x	254	
Net Cash/(Debt)											-30	2015
Peripheral assets											-50	Proceeds Cyno sh.+ off balance sheet
Group's equity value											174	

Source: Company Data, Banca Aletti & C. forecasts;

ELEN SOP (EURm)

	16e			16e			Implied			Target PE Exc. Cash	Mkt Cap Target	Comments
	16e Sales	Recur. EBITDA	EBITDA margin	16e EBIT	EBIT margin	Net Pr. Adj.	Implied EV/ Sales	Implied EV/ EBITDA	Implied EV/ EBIT			
Group	233	29.4	12.6%	25.2	10.8%	16.6	1.0x	8.0x	9.3x	13x	215	
Net Cash/(Debt)											30	2015
Peripheral assets											50	Proceeds Cyno sh.+ off balance sheet
Target Mkt Cap Inc. Cash Assets											295	
Ord. Share PT											15.5	
Price											13.2	
Upside/(Downside)											18%	
Net Cash/(Debt)											-30	2015
Peripheral Debt											-50	Proceeds Cyno sh.+ off balance sheet
Group's retirement provisions											3	2015e
Minorities											17	10x PE or 2x BV
Target EV											235	

Source: Company Data, Banca Aletti & C. forecasts;

ELEN: Comps Table

	Market Cap	EV/SALES*		EV/EBITDA*		EV/EBIT*		P/E (adj.)	
		2016	2017	2016	2017	2016	2017	2016	2017
SYNERON MEDICAL LTD	223	0.6 x	0.6 x	13 x	7 x	n.a.	n.a.	27 x	14 x
ZELTIQ AESTHETICS INC	948	3.2 x	2.7 x	42 x	18 x	13.3 x	3.6 x	3,007 x	59 x
CUTERA INC	125	0.9 x	0.8 x	22 x	14 x	11 x	8 x	18 x	13 x
BIOLASE INC	59	1.2 x	1.1 x	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
CYNOSURE INC-A	1016	2.4 x	2.2 x	17 x	13 x	27 x	18 x	38 x	26 x

* ratio calculated on current EV

Average	na	1.7 x	1.5 x	23 x	13 x	57 x	21 x	772 x	28 x
Median Total	na	1.2 x	1.1 x	19 x	13 x	27 x	18 x	32 x	20 x
Average Exc. Peaks (1)	na	1.5 x	1.4 x	19 x	13 x	27 x	18 x	32 x	20 x
Samples' Size	na	5	5	4 x	4 x	3 x	3 x	4 x	4 x
Max	na	3.2 x	2.7 x	42 x	18 x	13.3 x	3.6 x	3,007 x	59 x
Min	na	0.6 x	0.6 x	13 x	7 x	11 x	8 x	18 x	13 x

EI.En. (Aletti Estimates)	Eur 254 m	0.8 x	0.7 x	6.5 x	5.7 x	7.6 x	6.5 x	15.1 x	13.1 x
Premium/(Discount) from (1)		-4.5%	-4.6%	-6.7%	-5.8%	-7.2%	-6.4%	-5.3%	-3.4%

	Market Cap	EV/SALES		EV/EBITDA		EV/EBIT		P/E (adj.)	
		2016	2017	2016	2017	2016	2017	2016	2017
IPG PHOTONICS CORP	3960	3.8 x	3.4 x	9.2 x	7.9 x	10.5 x	8.9 x	18.0 x	15.7 x
ROFIN-SINAR TECHNOLOG	902	1.6 x	1.4 x	11.9 x	9.3 x	16.7 x	12.5 x	25.0 x	20.7 x
PRIMA INDUSTRIE SPA	Eur140m	0.6 x	0.5 x	6.6 x	5.1 x	10.8 x	7.5 x	14.0 x	9.0 x

Average	na	2.0 x	1.8 x	9.2 x	7.4 x	12.7 x	9.6 x	19.0 x	15.1 x
Median Total	na	1.6 x	1.4 x	9.2 x	7.9 x	10.8 x	8.9 x	18.0 x	15.7 x
Average Exc. Peaks (1)	na	1.6 x	1.4 x	9.2 x	7.9 x	10.8 x	8.9 x	18.0 x	15.7 x
Samples' Size	na	3	3	3	3	3	3	3	3
Max	na	3.8 x	3.4 x	11.9 x	9.3 x	16.7 x	12.5 x	25.0 x	20.7 x
Min	na	0.6 x	0.5 x	6.6 x	5.1 x	10.5 x	7.5 x	14.0 x	9.0 x

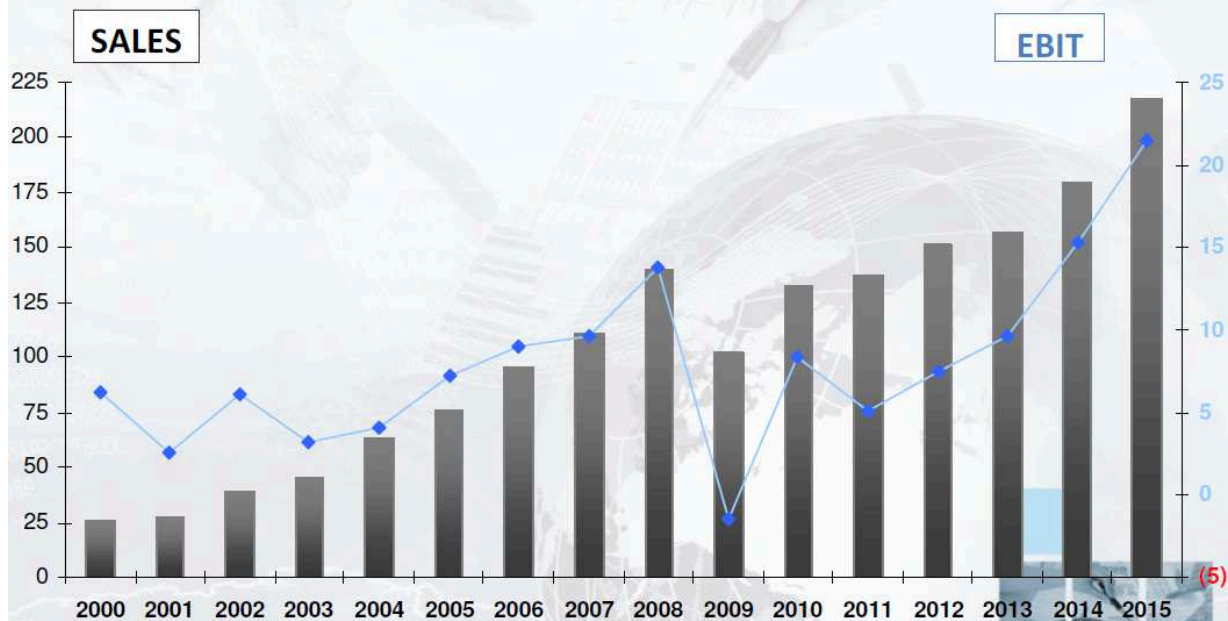
EI.En. (Aletti Estimates)	Eur 254 m	0.8 x	0.7 x	6.5 x	5.7 x	7.6 x	6.5 x	15.1 x	13.1 x
Premium/(Discount) from (1)		-4.7%	-4.7%	-2.9%	-2.8%	-3.0%	-2.7%	-1.6%	-1.7%

Source: Company Data; Banca Aletti & C. forecasts; Bloomberg

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ELEN: Growth Trackrecord (Eurm)

Consolidated Revenues and EBIT



Source: ELEN presentation

ELEN: DCF stable EBIT margin scenario (Eurm)

CASH FLOW CALCULATION	2016	2017	2018	2019	2020
EBIT	25.2	26.5	27.8	29.2	30.7
% Chg.	17%	5.0%	5.0%	5.0%	5.0%
EBIT Margin	10.8%	10.8%	10.8%	10.8%	10.8%
Taxes	-7.6	-7.2	-7.5	-7.9	-8.3
Tax rate	30.0%	27.0%	27.0%	27.0%	27.0%
NOPLAT	17.7	19.3	20.3	21.3	22.4
Depreciation & other provisions	4.2	4.3	4.5	4.7	4.9
Operating Cash Flow	21.8	23.7	24.8	26.0	27.3
Capex/Acquisitions	-8.0	-6.0	-4.5	-4.7	-4.9
Change in Net Working Capital	-4.4	-2.7	-3.3	-3.5	-3.7
Free Oper. CF (FOCF)	9.4	15.0	17.0	17.8	18.7

DCF EVALUATION	2016	2017	2018	2019	2020
WACC	8.5%	8.5%	8.5%	8.5%	8.5%
Discount factor	1.00	0.92	0.85	0.78	0.72
Disc. Free Operating Cash Flow	9.4	13.8	14.4	14.0	13.5
Cumulated DFOCF	9.4	23.2	37.6	51.6	65.1

DCF Analysis (EURm)	
Perpetual Growth Rate	2.00%
WACC	8.5%
Terminal Value	291.7
Discounting Rate of Terminal V	0.72
Discounted Terminal Value	211
Cumulated DFOCF	65
Financial assets	50
Enterprise Value	326
Net Debt	30
Minorities mkt. value	(17)
Retirement provisions	(3)
Equity Value	336
Value per share (€)	17
Price as of 22/06/16 (€)	13.16
Upside (downside)	32%

Source: Banca Aletti & C. forecasts

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EL.EN.: Company profile

Business. El.En. (Electronic Engineering) controls a group of companies operating in the field of manufacturing, research and development, distribution and sales of laser systems. The Group – market leader in Italy and among the top operators in Europe – conducts its activities in two major sectors that of laser system for medicine and aesthetics and that of laser system for industrial uses.

The *Medical laser equipment* (54% of FY 2014 sales) are employed in area concerned with general well-being and a healthy body, in fields such as dermatology, cosmetics, physiotherapy, dentistry and gynecology. It markets its devices in over 80 countries and can count on over 40 distributors in the international markets, with branches in France, Germany, Japan and the USA, and a network of agents in Italy.

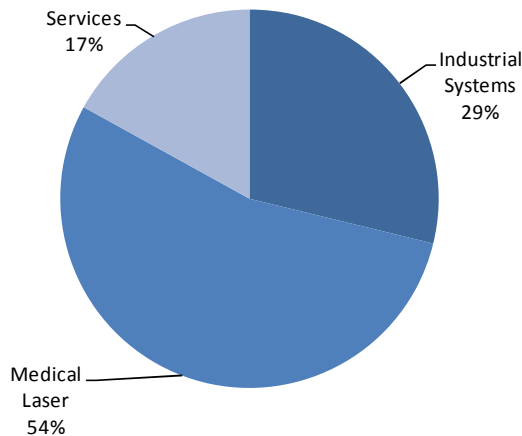
The *Industrial laser system* (29% of FY 2014 sales) are used for cutting, marking and welding metals, wood, plastic and glass to decorating leather and textiles and restoring/conserving artwork.

Besides the main company activity of selling laser systems, there is also a *post sales customer assistance* (12% of FY 2014 sales).

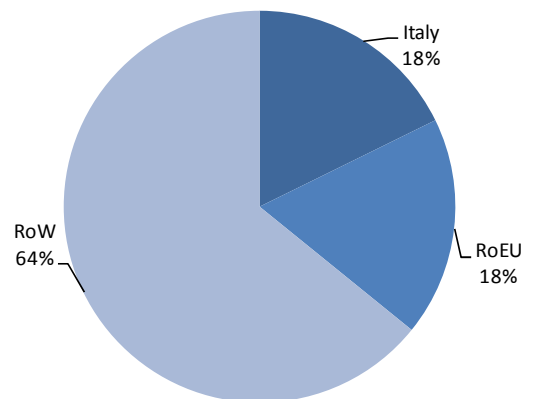
In FY 2015 the Group realized a total turnover of Eur 218m of which 18% generated in Italy, 18% in Europe (ex-Italy) and 64% in RoW. The Group has 965 employees and operates through 5 multi-disciplinary and multi-facility research centres located in Italy and Germany and 7 production facilities located in Italy, Germany, China and Brazil. The sales organization is differentiated by geographical market and by product ranges. The Group operates worldwide and today can count on a capillary presence in the international market, with over thirty firms working in Italy and a network of international distributors.

Market. According to BCC research, in 2014 the *medical laser market* was worth USD 2.2bn (+12% YoY) and is expected to grow to USD 4.2bn by 2019E (+13.8% CAGR in the period 2014-2019E). As concerning the forecast for the market of laser systems, according Optech Consulting is expected to exceed Eur 6.2bn in FY 2020E with a +7.6% CAGR in the period 2016-2020E.

Sales breakdown by Division 2015



Sales breakdown by Area 2015



Source: Company data

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EL.EN.: Aletti Summary

EV CALCULATIONS (EUR m)	2008A	2009A	2010A	2011A	2012A	2013A	2014A	2015A	2016E	2017E	CAGR 14/17e
Price of ordinary share	5.69	2.92	2.98	2.99	3.19	3.98	5.47	9.49	13.16	13.16	
Total ord. Shares outst. (000)	19,300	19,300	19,300	19,300	19,300	19,300	19,300	19,300	19,300	19,300	
Market Cap (adj.)	109.9	56.3	57.6	57.7	61.6	76.7	105.6	183.2	254.0	254.0	
Others	98.3	48.3	50.2	51.8	19.3	12.1	8.0	-29.9	9.8	9.8	
EV (adj.)	140.2	35.8	32.9	56.5	63.1	67.0	66.6	123.4	190.8	181.4	
PROFIT & LOSS (EUR m)											
Sales	140.0	101.8	132.6	137.4	151.2	157.4	180.0	217.7	232.8	244.5	11%
EBITDA	18.5	2.3	13.3	10.8	12.5	13.7	18.0	25.7	29.4	32.1	28%
Depreciation & Amortisation	-4.6	-3.7	-5.0	-5.7	-5.0	-4.2	-4.1	-4.2	-4.2	-4.3	
EBIT	13.8	-1.5	8.4	5.1	7.5	9.6	13.8	21.5	25.2	27.7	35%
Net Financial Interest	-0.2	0.1	0.1	0.3	-1.4	-1.2	1.6	-0.3	0.5	0.5	
Other Financials	0.1	-0.7	-0.8	-0.7	2.2	-0.2	3.0	1.9	0.3	0.3	
Extraordinary Items	0.0	0.0	0.0	0.0	18.9	2.5	5.9	0.0	23.0	0.0	
Earning Before Tax	13.8	-2.0	7.7	4.8	27.2	10.7	24.4	23.1	49.0	28.5	42%
Tax	-5.1	-0.9	-3.7	-2.7	-3.0	-4.3	-6.4	-7.1	-8.3	-7.7	
Tax rate	37%	n.m.	49%	56%	11%	40%	26%	31%	17%	27%	
Minorities	-0.5	-0.2	-1.8	-1.4	-1.0	-0.3	-1.5	-1.7	-1.7	-1.7	
Net Profit (reported)	8.1	-3.1	2.2	0.7	23.2	6.1	16.5	14.4	39.1	19.1	54%
Net Profit (adj.)	8.1	-3.1	2.2	0.7	5.2	4.5	11.4	14.4	16.6	19.1	21%
PER SHARE DATA (EUR)											
EPS	0.420	-0.159	0.114	0.038	1.202	0.314	0.854	0.745	2.023	0.992	54%
EPS (adj.)	0.427	-0.162	0.116	0.038	0.276	0.239	0.600	0.757	0.871	1.007	21%
CFPS	0.659	0.034	0.371	0.335	1.464	0.530	1.068	0.961	2.239	1.216	45%
BVPS	5.010	4.673	4.878	4.907	5.819	6.646	7.407	8.857	10.580	11.242	20%
DPS	0.075	0.000	0.050	0.000	0.125	0.125	0.250	0.300	0.330	0.363	15%
KEY MARKET RATIOS											
EV/Sales	1.00	0.35	0.25	0.41	0.42	0.43	0.37	0.57	0.82	0.74	
EV/EBITDA	7.6	15.7	2.5	5.2	5.0	4.9	3.7	4.8	6.5	5.7	
EV/EBIT	10.1	-24.6	3.9	11.1	8.4	7.0	4.8	5.7	7.6	6.5	
P/E (adj)	13.3	-18.0	25.8	77.9	11.6	16.6	9.1	12.5	15.1	13.1	
P/CF	8.6	85.4	8.0	8.9	2.2	7.5	5.1	9.9	5.9	10.8	
P/BV	1.1	0.6	0.6	0.6	0.5	0.6	0.7	1.1	1.2	1.2	
Dividend Yield (Gross)	1.3%	0.0%	1.7%	0.0%	3.9%	3.1%	4.6%	3.2%	2.5%	2.8%	
MARGINS AND RATIOS											
Sales growth	nm	-27.3%	30.2%	3.6%	10.1%	4.1%	14.4%	20.9%	7.0%	5.0%	
EBITDA growth	nm	-88%	485%	-19%	16%	10%	31%	43%	15%	9%	
EBIT growth	nm	-111%	-673%	-39%	47%	28%	44%	56%	17%	10%	
EPS (adj.) growth	nm	-138%	-172%	-67%	nm	-13%	151%	26%	15%	16%	
EBITDA margin	13.2%	2.2%	10.1%	7.9%	8.3%	8.7%	10.0%	11.8%	12.6%	13.1%	
EBIT margin	9.9%	-1.4%	6.3%	3.7%	4.9%	6.1%	7.7%	9.9%	10.8%	11.3%	
ROCE	7.2%	-2.0%	4.1%	1.7%	20.4%	6.0%	7.4%	9.5%	14.1%	13.2%	
NFP/EBITDA	-0.8	-3.9	-0.8	-0.1	-1.4	-1.6	-2.6	-1.2	-2.5	-2.6	
Interest Cover	104.8	n.a.	n.a.	n.a.	9.2	11.6	n.a.	101.1	n.a.	n.a.	
Payout Ratio	18%	0%	44%	0%	10%	40%	29%	40%	16%	37%	
NWC on Sales	na	na	na	na	34.4%	30.8%	27.5%	27.5%	27.6%	27.4%	
OpFCF/Mkt. Cap.	na	na	na	na	67.3%	14.7%	9.5%	0.0%	12.7%	6.4%	
CASH FLOW (EUR m)											
Net Profit (reported) + Minorities	8.7	-2.9	4.0	2.1	24.2	6.4	18.0	16.1	40.7	20.8	
Non cash items	4.5	4.4	5.7	6.4	2.9	4.4	1.1	2.3	3.9	4.0	
Cash Flow	13.1	1.5	9.7	8.5	27.1	10.8	19.1	18.4	44.6	24.9	
Change in Net Working Capital	na	na	na	na	16.9	3.7	-1.1	-10.3	-4.4	-2.7	
Capex	na	na	na	na	-2.5	-3.2	-8.0	-8.0	-8.0	-6.0	
Oper. Free Cash Flow (OpFCF)	na	na	na	na	41.4	11.3	10.0	0.0	32.2	16.1	
Disposals/(Acquisitions)	na	na	na	na	na	0.0	16.2	-10.4	16.7	0.0	
Dividends	-5.3	-1.6	-0.2	-1.4	-0.4	-3.9	-2.9	-4.8	-5.8	-6.4	
Others (incl.Capital Increase)	na	na	na	na	na	-3.1	-1.0	-3.9	-0.3	-0.6	
Free Cash Flow	na	na	na	na	na	4.3	22.2	-19.2	42.8	9.2	
BALANCE SHEET (EUR m)											
Net Tangible Assets	na	na	na	na	21.4	21.9	26.9	32.6	19.8	21.4	
Net Intangible Assets	na	na	na	na	3.4	3.4	3.6	3.9	3.9	3.9	
Goodwill	na	na	na	na	0.0	0.0	0.0	0.0	0.0	0.0	
Net Financial Assets & Others	na	na	na	na	38.3	47.7	31.2	61.3	61.3	61.3	
Total Fixed Assets	na	na	na	na	63.2	73.0	61.8	97.8	84.9	86.6	
Net Working Capital	na	na	na	na	52.1	48.4	49.5	59.9	64.3	67.0	
Total Net Assets	na	na	na	na	115.2	121.4	111.3	157.6	149.2	153.6	
Shareholders Equity	na	na	na	na	112.3	128.3	143.0	170.9	204.2	217.0	
Minorities equity	na	na	na	na	11.7	6.0	7.6	8.6	10.0	11.1	
Net Debt	-15.0	-8.8	-10.0	-1.2	-17.8	-21.8	-47.1	-29.8	-72.9	-82.4	
Provisions	na	na	na	na	3.3	3.1	3.7	3.4	3.4	3.4	
Others liabilities	na	na	na	na	5.7	5.8	4.2	4.5	4.5	4.5	

Source: Company data and Banca Aletti & C S.p.A. estimates; * Note: historical multiples calculated on average yearly prices.

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1. NEITHER THE ANALYST(S) NOR ANY MEMBER OF THE DEPARTMENT SERVES AS AN OFFICE, DIRECTOR OR ADVISORY BOARD MEMBER OF THE ISSUER;
2. BANCA ALETTI IS A SPONSOR, SPECIALIST, MARKET MAKER OR LIQUIDITY PROVIDER IN THE FINANCIAL INSTRUMENTS OF THE ISSUER;
3. BANCO POPOLARE GROUP IS PARTY TO AN AGREEMENT WITH THE ISSUER RELATING TO THE PROVISION OF INVESTMENT BANKING SERVICES THAT HAS BEEN IN EFFECT OVER THE PREVIOUS 12 MONTHS OR HAS GIVEN RISE DURING THE SAME PERIOD TO THE PAYMENT OF A COMPENSATION OR TO THE PROMISE TO GET A COMPENSATION PAID.

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EL.EN.: RATINGS HISTORY IN THE LAST 12 MONTHS

DATE	RATING	Old TP	New TP	Old MKT PRICE	New MKT PRICE
22/06/2016	OUTPERFORM	na	15.5	na	13.16
07/06/2016	OUTPERFORM	na	15.5	na	13.53
13/05/2016	OUTPERFORM	62.0	15.5	43.80	10.95
28/04/2016	OUTPERFORM	56.0	14.0	42.25	10.56
22/03/2016	OUTPERFORM	54.0	13.5	39.65	9.91
18/02/2016	OUTPERFORM	54.0	13.5	39.00	9.75

STOCK RATINGS

THE "OUTPERFORM", "IN LINE" AND "UNDERPERFORM" RECOMMENDATIONS ARE BASED ON THE NEXT 12 MONTHS EXPECTED RELATIVE STOCK PERFORMANCE, INCLUSIVE OF THE DIVIDEND PAID OUT BY THE STOCK'S ISSUER, COMPARED TO THE PERFORMANCE OF THE MARKET INDEX SHOWN IN THE CHART ON THE FRONT PAGE OF THIS REPORT.

EXPLANATION OF THE RATING SYSTEM:

OUTPERFORM: STOCK ESTIMATED TO OUTPERFORM THE MARKET BY MORE THAN 10% OVER A NEXT 12 MONTHS PERIOD

IN LINE: STOCK PERFORMANCE ESTIMATED AT BETWEEN -10% AND +10% COMPARED TO THE MARKET OVER A NEXT 12 MONTHS PERIOD

UNDERPERFORM: STOCK ESTIMATED TO UNDERPERFORM THE MARKET BY HIGHER THAN 10% OVER A 12 MONTHS PERIOD

IN CERTAIN OCCASIONS, THE RELATIVE PERFORMANCE MAY FALL OUTSIDE OF THESE RANGES BECAUSE OF MARKET PRICE MOVEMENTS AND/OR OTHER SHORT TERM VOLATILITY OR TRADING PATTERNS. SUCH INTERIM FROM THE SPECIFIED RANGES MIGHT NOT REQUIRE A CHANGE IN RATING.

NOT RATED: NO RATING OR TARGET PRICE ASSIGNED ALTHOUGH THE ISSUERS IS OR MAY BE COVERED BY THE EQUITY RESEARCH OFFICE

SUSPENSION OF COVERAGE: SITUATION WHERE THE COVERAGE IS SOSPENDED INDEFINITELY FOR COMMERCIAL REASONS (EXAMPLES OF THIS MIGHT BE LACK OF INTEREST FROM INSTITUTIONAL INVESTORS, LACK OF LIQUIDITY), OR TEMPORARILY TO COMPLY WITH APPLICABLE REGULATIONS AND/OR BANCA ALETTI'S POLICIES IN CERTAIN SITUATION OF CONFLICT OF INTERESTS, INCLUDING WHEN BANCO POPOLARE IS ACTING IN AN ADVISORY CAPACITY OR INVOLVED IN ANY TERM IN STRATEGIC TRANSACTION INVOLVING THE ISSUERS

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RATINGS DISTRIBUTION

BANCA ALETTI & C. S.P.A. EQUITY RESEARCH DEPARTMENT'S DISTRIBUTION OF STOCK RATINGS AS AT APRIL 1, 2016 IS AS FOLLOWS:

	OUTPERFORM	IN LINE	UNDERPERFORM	Not Rated
% ON ALETTI UNIVERSE	54%	32%	14%	0%
OF WHICH INV. BANKING CLIENTS	100%	0%	0%	0%

VALUATION METHODOLOGIES

THE BANCA ALETTI EQUITY RESEARCH DEPARTMENT OBTAINS A FAIR VALUE FOR THE COMPANIES UNDER COVERAGE USING A RANGE OF VALUATION METHODS, OF WHICH THE MOST PREVALENT ARE THE DISCOUNTED CASH FLOWS METHOD (DCF) DIVIDEND DISCOUNT MODEL (DDM) AND MULTIPLE-BASED MODELS (E.G. EV/SALES, EV/EBITDA, EV/EBIT, P/E, P/BV,). THE ANALYSTS ARE NEVERTHELESS FREE TO USE ALTERNATIVE OFFICIAL VALUATION METHODOLOGIES, WHERE DEEMED NECESSARY.

THE ASSIGNED TARGET PRICE MAY DIFFER FROM THE FAIR VALUE OBTAINED ABOVE, AS IT ALSO TAKES INTO ACCOUNT OVERALL MARKET/SECTOR CONDITIONS (E.G. RISK PREMIUM), CORPORATE/MARKET EVENTS, AND CORPORATE SPECIFICS (I.E. HOLDING DISCOUNTS, LIQUIDITY) REASONABLY CONSIDERED TO BE POSSIBLE DRIVERS OF THE COMPANY'S SHARE PRICE PERFORMANCE. THESE FACTORS MAY ALSO BE ASSESSED USING THE METHODOLOGIES INDICATED ABOVE.

ORGANIZATIONAL AND ADMINISTRATIVE MECHANISMS TO PREVENT CONFLICTS OF INTEREST

THIS RESEARCH HAS BEEN PUBLISHED IN ACCORDANCE WITH OUR CONFLICT MANAGEMENT POLICY. TO ENSURE THE INDEPENDENCE AND THE IMPARTIALITY OF ITS FINANCIAL ANALYSTS' JUDGMENT, EMPLOYED IN THE EQUITY RESEARCH DEPARTMENT (AS FOLLOW DEPARTMENT), INVOLVED WITH THE RESEARCH, ANALYSIS, COMPANIES VALUATION AND/OR FINANCIAL INSTRUMENTS, AND WITH INVESTMENT RECOMMENDATIONS DISTRIBUTED TO PROFESSIONAL INVESTORS, BANCA ALETTI HAS ADOPTED THE FOLLOWING ORGANIZATIONAL AND ADMINISTRATIVE MECHANISMS:

- THE DEPARTMENT HIERARCHICALLY RESPONDS TO THE GENERAL MANAGER OF THE BANK AND EXCLUSIVELY AND DIRECTLY RESPONDS TO HIM;
- THE EXISTING HIERARCHICAL RELATIONSHIP BETWEEN GENERAL MANAGER AND THE DEPARTMENT OR EACH ONE OF ITS FINANCIAL ANALYST(S) MEMBERS ARE SUBJECT TO PRINCIPLES OF PROFESSIONALISM AND TRANSPARENCY;
- THE CURRENT GENERAL AND/OR SPECIFIC GUIDANCE GIVEN BY THE GENERAL MANAGER TO THE DEPARTMENT SHOULD NOT RESULT IN CONTRAST WITH THE EXISTING LEGISLATIVE OBJECTIVES OF COMPLETENESS, CLEARNESS AND IMPARTIALITY OF THE PRODUCED STUDIES AND BE INFLUENCED BY THE SPECIFIC INTERESTS OF THE BANK RELATED TO A PARTICULAR SUBJECT OR FINANCIAL INSTRUMENT;
- THE REQUESTS OR THE COMMERCIAL COLLABORATIONS IN FAVOUR OF OTHER STRUCTURES OF THE SAME BANK OR THE GROUP TO WHICH THE BANK IS PERTINENT, WHICH, BY PRINCIPLE, COULD POTENTIALLY RESULT IN A CONFLICT OF INTEREST ACCORDING TO THE EXISTING REGULATIONS, CAN BE ORDERED TO THE DEPARTMENT OR A SINGLE ANALYST ONLY BY THE GENERAL MANAGER;
- IN THE RELATIONS WITH THE OTHER STRUCTURES OF THE BANK OR THE GROUP TO WHICH THE BANK BELONGS TO, THE DEPARTMENT OR EACH COMPONENTS OF THE SAME MUST RETAIN THEMSELVES FROM SEARCHING, RECEIVING OR FURNISH INFORMATION THAT MIGHT INVALIDATE THE INDEPENDENCE AND/OR THE IMPARTIALITY OF JUDGMENT OF THE RESEARCH COMMENT AND/OR RECOMMENDATIONS OF INVESTMENTS OR FAVOUR AN ASYMMETRIC DISTRIBUTION OF THE INFORMATION EITHER INSIDE OR OUTSIDE THE BANK OF OR THE GROUP. THE DEPARTMENT AND EACH COMPONENTS OF THE SAME MUST STICK TO THE PRINCIPLES AND BEHAVIOUR RULES FOR A CORRECT CARRY OUT OF THE FINANCIAL ANALYST ACTIVITIES;
- THE REMUNERATION OF THE FINANCIAL ANALYST(S) AND OF DEPARTMENT EMPLOYEES IS NOT TIED, DIRECTLY OR INDIRECTLY, TO INVESTMENT BANKING TRANSACTIONS AND/OR TO THE BUSINESS RELATIONSHIP DEVELOPMENT WITH ISSUERS UNDER FINANCIAL ANALYSIS.

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