

2010 IPO Market Outlook

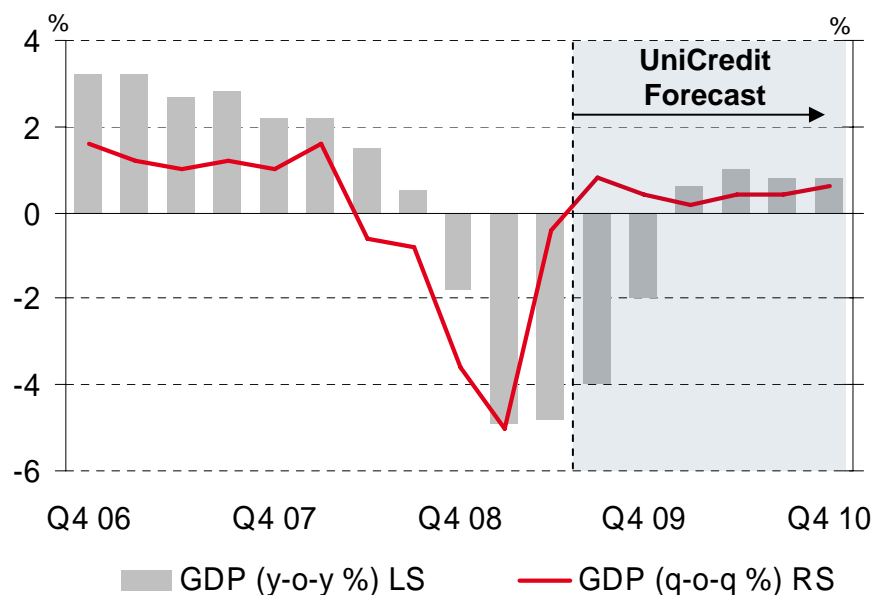
Discussion Materials

Relevant Macro-Economic Variables (1/2)

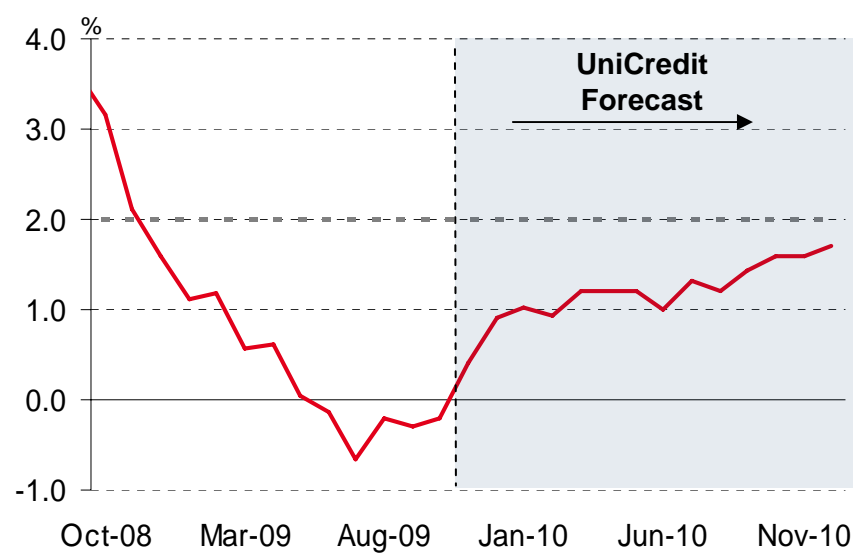
Early Signs of a Real Economy Recovery

- Economic indicators in Q2 signalled a sustained improvement, mainly thanks to a rebalancing between supply and demand in the industrial sector, a revive in global trade and a massive fiscal stimulus. GDP is thus set to return into positive territory in Q3 – UniCredit estimates a 0.4% q-o-q growth – after five consecutive q-o-q declines
- After having reached -0.7% in July, headline inflation should gradually go back to positive values. With the base effect on energy turning unfavourable and food inflation set to resume a moderate upward trend, UniCredit expects the inflation rate rising to about 1% in December. All in all, HICP should average 0.3% in 2009 and 1.3% in 2010

Eurozone GDP Trend ²⁾



Eurozone Inflation – (y-o-y %) ²⁾



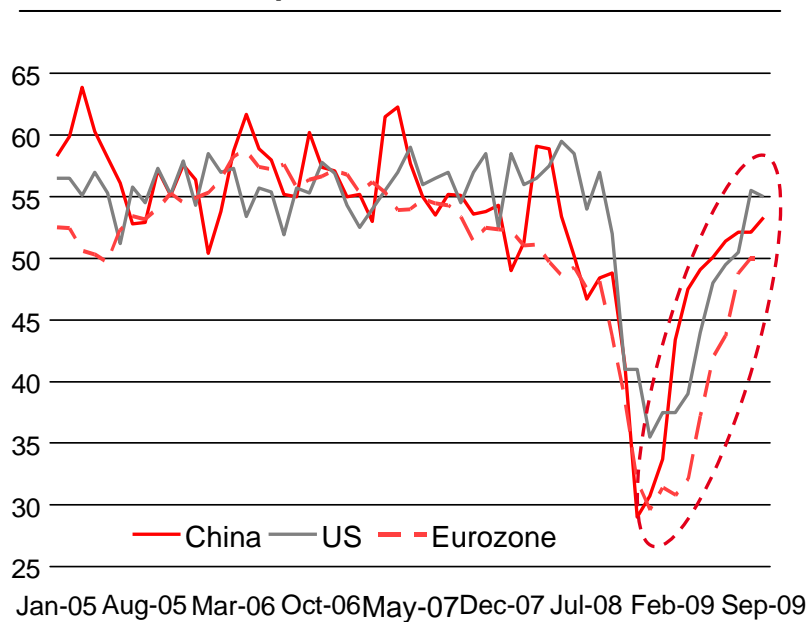
Relevant Macro-Economic Variables (2/2)

Strong Rebound in Export Orders and Inventory Rebalancing are driving Growth

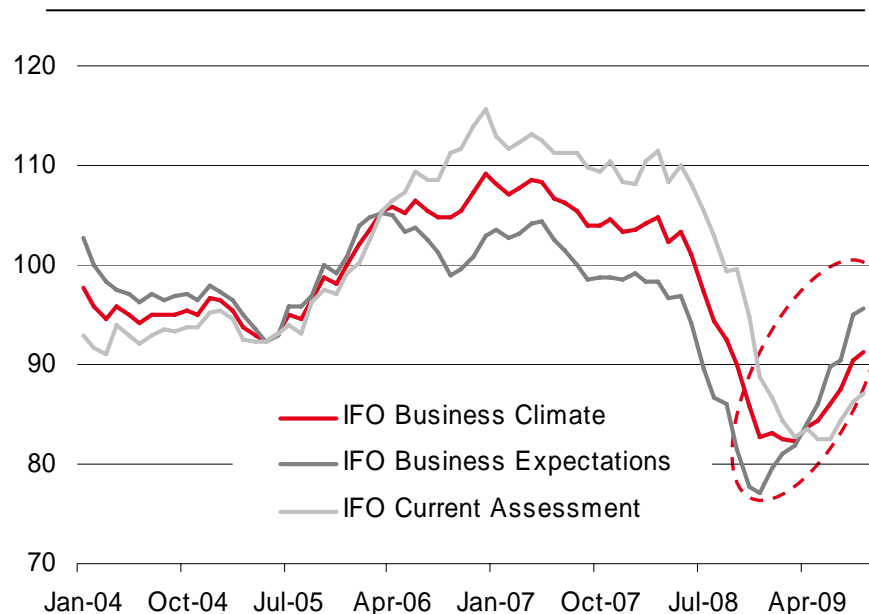
Comments

- During 2H08 Eurozone exports have been in freefall in the wake of the collapse of global trade. Since spring however the stronger than expected rebound in Asia has benefited Eurozone net exports leading to an upward revision in GDP growth forecasts
- After over a year of negative readings, the Current Assessment component of the IFO Survey has started rising again in July, August and September confirming that the expected economic recovery is finally materialising

Eurozone PMI Export Orders ¹⁾



IFO Survey – Business Climate ²⁾



1) UniCredit Macroeconomic Research Estimates

3) UniCredit analysis on Bloomberg data

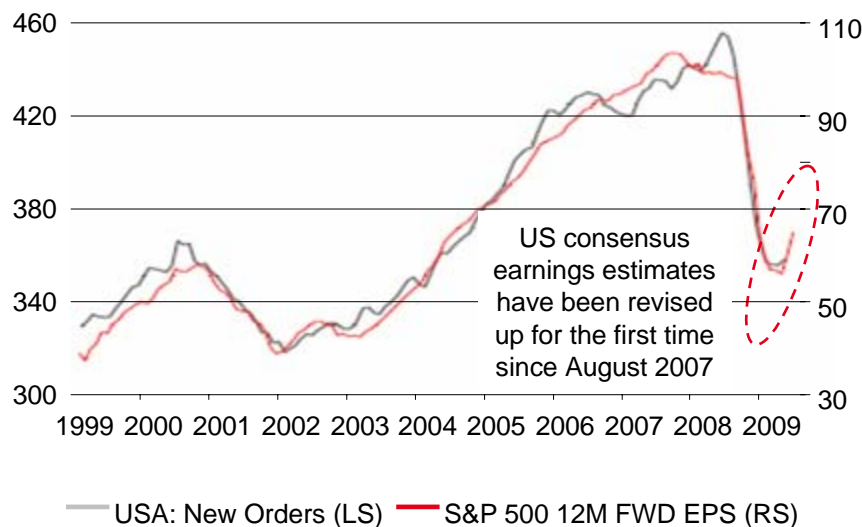
Relevant Leading Indicators

Many Risk Indicators are Back to Pre-Lehman Levels and Earnings are Being Revised Up





Comments

- The improvement in the leading indicators suggests that the revisions trend of the earnings estimates (i.e. US consensus earnings estimates have been revised up for the first time since August 2007) will improve further in the coming months. At the same time, the improvement in order intake and industrial production is providing the necessary real economic underpinning
- Many risk indicators are back to pre-Lehman values whilst main market indices have recovered almost all the losses

Corporate Earnings Estimates²⁾



Risk Indicators – Pre and Post Lehman³⁾

	12-Sep-08	Current	% / bps change	Now vs. pre-Lehman
 S&P 500	1,251.7	1,092.9	-12.7%	worse
 VIX	25.66%	28.89%	3.2%	In line
 DJStoxx 600	280.4	237.6	-15.3%	worse
 VSTOXX	27.04%	30.98%	3.9%	In line
Oil Price	100.3	77.7	-22.5%	better
CRB Industrials	429.1	289.3	-32.6%	worse
ISM New Orders	48.2	58.5	+21.4%	better

1) UniCredit analysis on Bloomberg data

2) UniCredit Macroeconomic Research Estimates

3) UniCredit Macroeconomic Research Estimates and UniCredit analysis on Bloomberg data

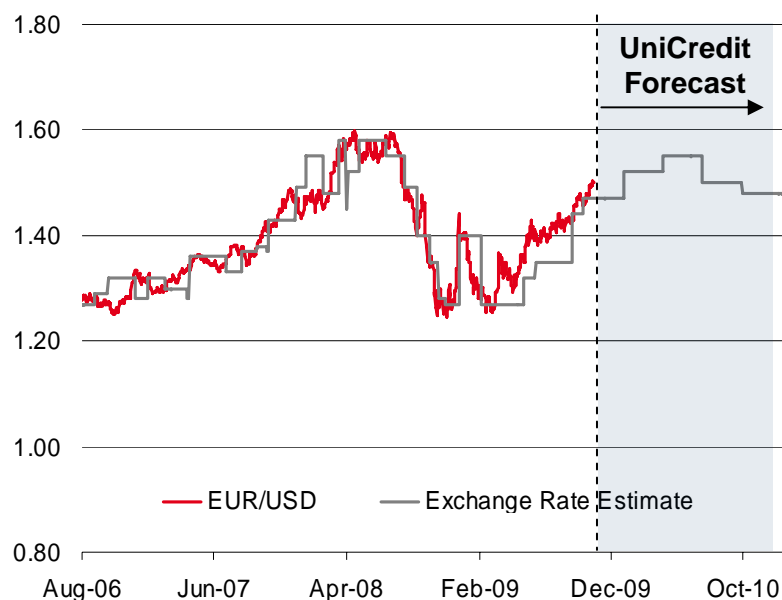
FX and FI Current Outlook Point to a Risk Appetite Increase

Rising Global Appetite for Risk but Pick up in Corporate Credit is Expected only in 2H10

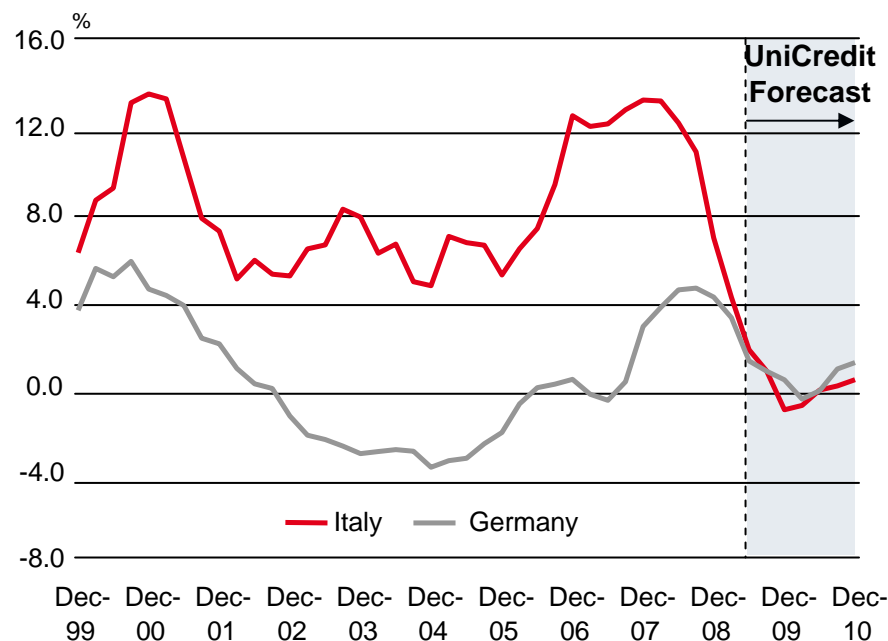
Comments

- During the worst phases of the financial crisis, the USD was perceived as a safe haven and posted strong gains vs. the EUR. Starting from March '09 the EUR recovered its strength and is expected to rise above 1.50 throughout 1H10. UniCredit expects then the EUR to fall back towards the 1.48-1.45 area in 2H10
- In Italy, however, the slowdown in credit growth is likely to be stronger than in previous crisis and some moderation in the pace of the corporate sector's re-leveraging has to be anticipated. A gradual pick up in corporate credit is expected only in 2H10, in line with the economic recovery

EUR USD Exchange Rate ¹⁾



Loans to NFCs (in %, y-o-y) ²⁾



1) UniCredit analysis on Bloomberg data

2) UniCredit Macroeconomic Research Estimates

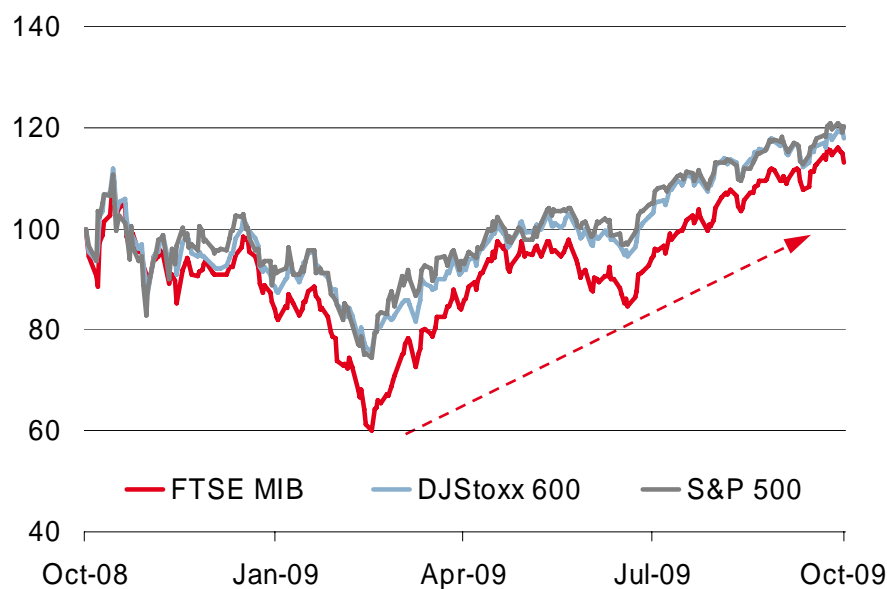
Global Equity Market Conditions

The Parameters for a Continuation of the Uptrend are Intact

Comments

- The Q3 reporting season thus far has supplied the positive impulses we had anticipated. Large companies from various cyclical sectors have presented bullish reports over the last days that are bolstering confidence in the earnings turnaround generally
- Share prices have reacted clearly positively to these reports, which demonstrates that the improving environment is not yet adequately reflected in share prices
- Volatility has retraced strongly from the extraordinary levels reached during the aftermath of the Lehman collapse and is now stabilising between 20% and 25%

Main Indices Trend– Last 12M



American vs. Euro Zone Volatility



Source: UniCredit analysis on Bloomberg data

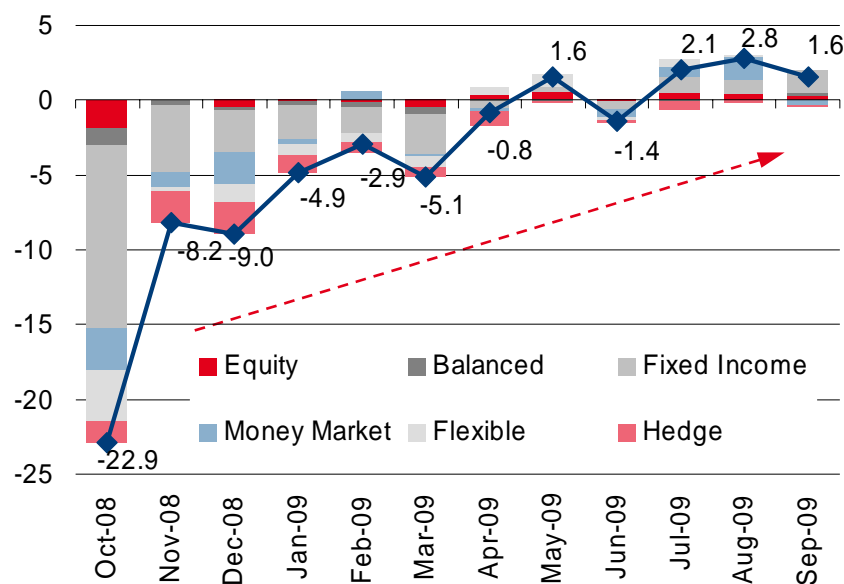
Market Liquidity and Investors' Appetite

Positive Net Inflows with Investors Finally Nudged to Overweight Equities

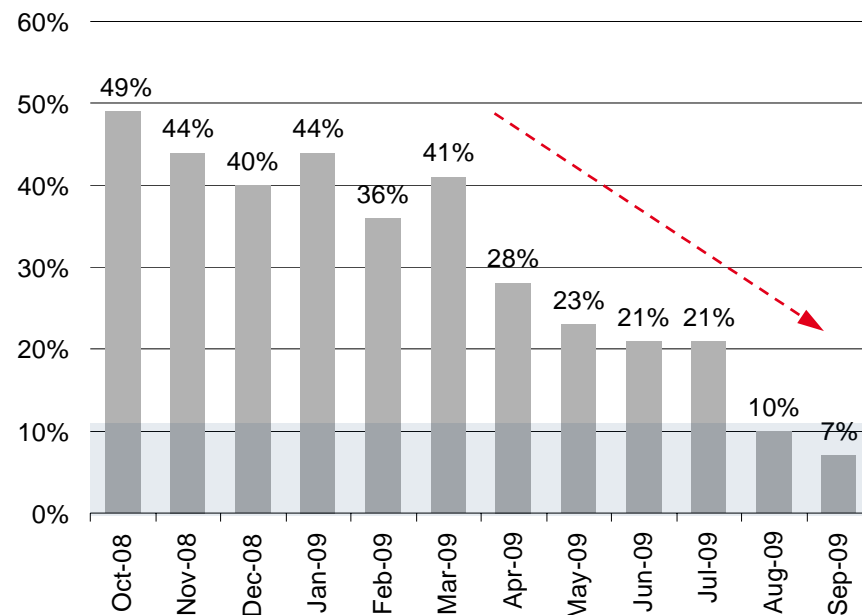
Comments

- Starting from March 2009 fund managers have progressively taken a less defensive stance, reducing their overweight cash position to the 5 years low of 7%
- After 15 consecutive months of outflows from Italian equity funds, in May the trend reversed and, except for the small parenthesis of June, cash started flowing back in July, August and September
- For that reason, fund managers were finally nudged to overweight equities and an ongoing increase in equity exposure should be expected

Italian Funds Flows Trend - Eur bn ²⁾



Global Net Cash Overweight in Funds Portfolios ¹⁾



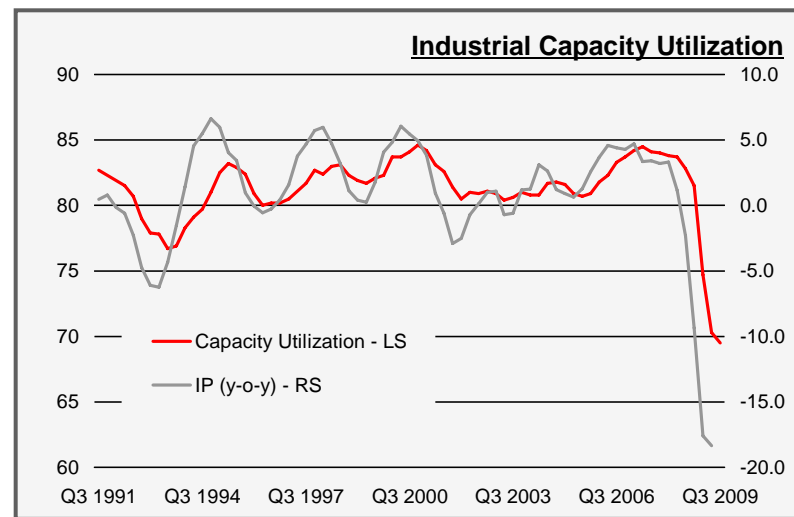
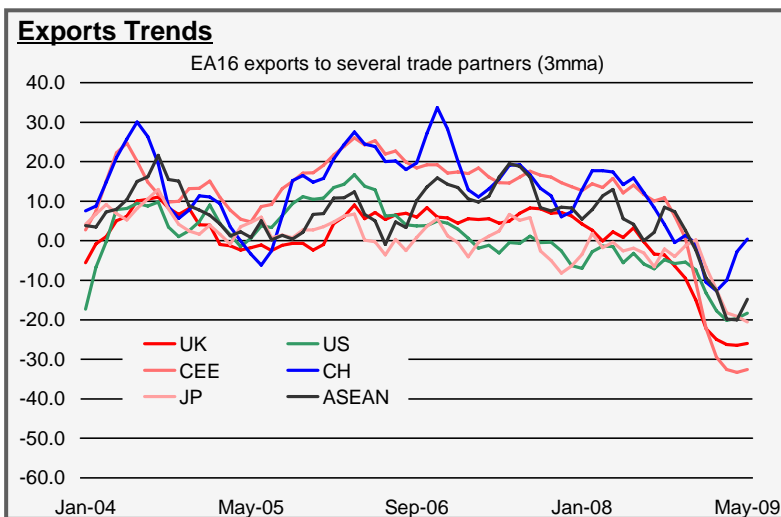
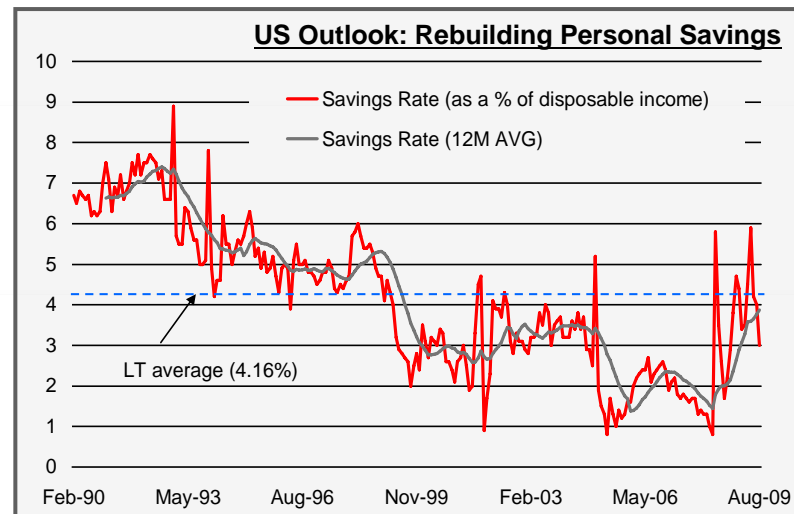
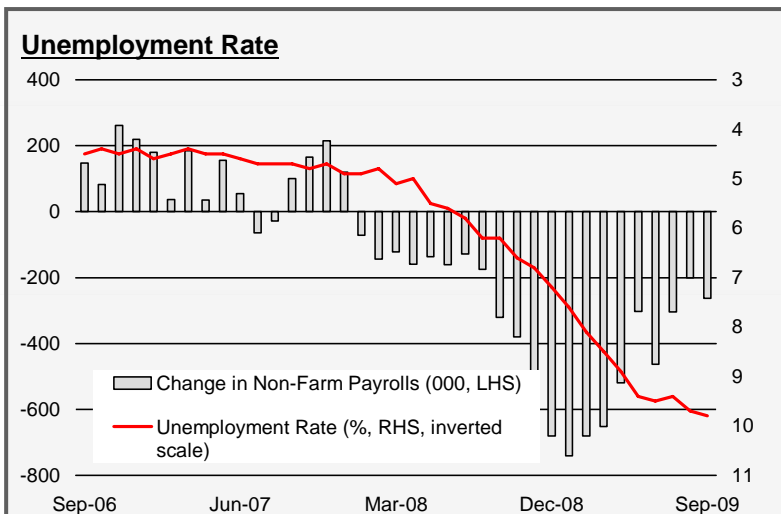
1) UniCredit analysis on Bloomberg data

2) Assogestioni monthly reports

3) UniCredit Macroeconomic Research Estimates














Key Indicators to be Monitored

Main Parameters which will Drive the Sustainability of the Recovery in 2010



Sector Allocation and Portfolio Selection

UniCredit Equity Research View on the Italian Market

Sector	Recommendation	Sector	Recommendation
Apparel Retail	Underweight 	Branded Goods	Overweight 
Banks	Underweight 	Consumer Discretionary	Overweight 
Healthcare & Pharma	Underweight 	Media	Overweight 
Food & Beverage	Underweight 	Industrials	Overweight 
Insurance & asset Gatherers	Underweight 	Software & Technology	Overweight 
Utility	Underweight 	Oil & Services	Overweight 
		Telecom	Overweight 

Source: UniCredit Research

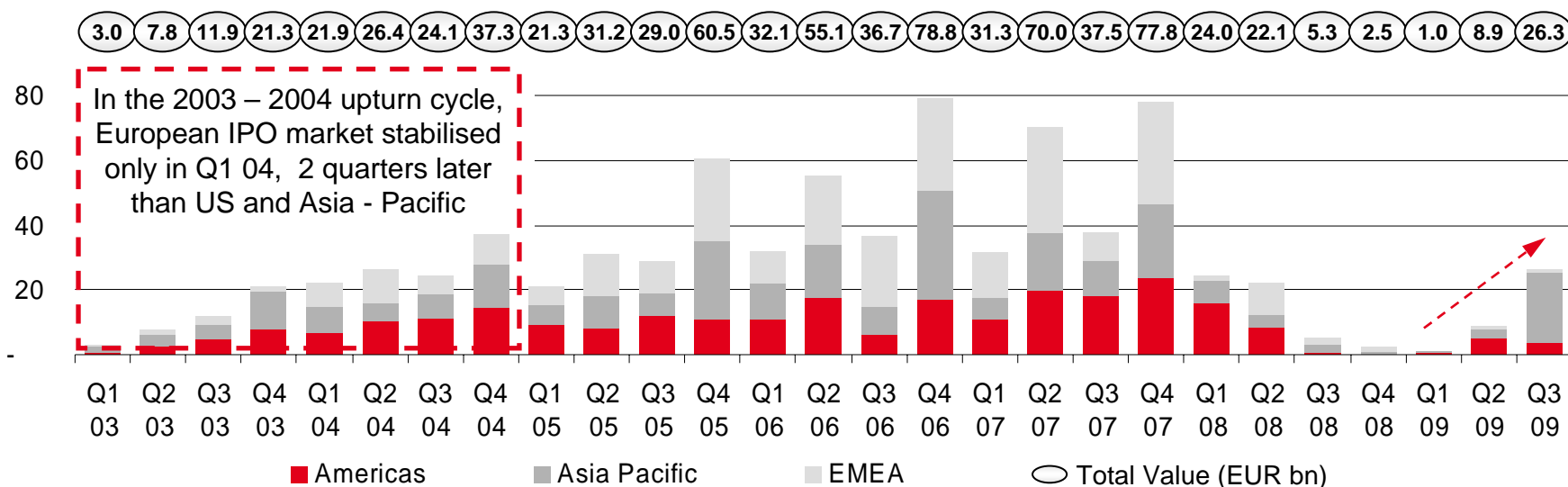
IPO Activity

US & Asian IPO Activity a Lead Indicator for 2010 Recovery in EMEA

IPO Market is Expected to Re-open

- On the back of a global equity market rally that began mid-March, the primary equity capital markets have roared back to life with fund managers finally nudged to overweight equities
- In the first half of 2009, there have been 11 corporate IPOs successfully priced in the US equity capital market, raising in excess of USD 2.1bn. Notably, subscription levels were strong, with several deals pricing at the upper-end of their indicative range or above
- In Europe the market has not seen real IPO activity. However, history has shown that the US leads the UK / Europe by two to three quarters in terms of renewal of deal activity and actually investors are seeing full normalisation in H1 2010

Global IPO Activity by World Region – EUR bn



Source: Dealogic Equityware

Market Sentiment: Latest Feedback from Investors (1/2)

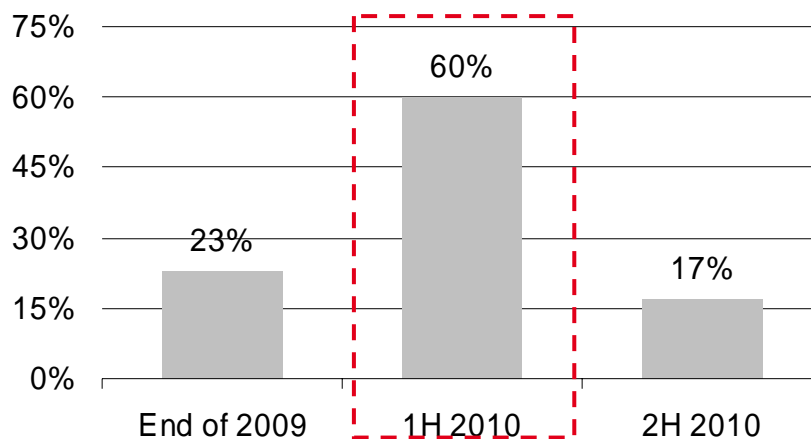
Full Normalisation of European IPO Market Expected in H1 2010

Comments

- On the back of a global equity market rally that began mid-March, the primary equity capital markets have roared back to life with fund managers finally nudged to overweight equities. In the first half of 2009, there have been 11 corporate IPOs successfully priced in the US equity capital market, raising in excess of USD 2.1bn. Notably, subscription levels were strong, with several deals pricing at the upper-end of their indicative range or above
- In Europe the market has not seen real IPO activity. PGE was the largest IPO to be priced in 2009 registering an outstanding level of oversubscription (7.5x institutional / 43x retail)
- In terms of leading macro-indicators that may portend a recovery in European IPO activity, reduction in equity market volatility was a clear standout (in volatile markets, investors risk tolerance diminishes, with a negative impact on IPO investment decision). Expectations of an economic turnaround, as opposed to hard evidence of GDP growth, figure prominently as well in the key leading indicators actually screened by investors. Finally, IPO market activity will be encouraged by a reduction in fund outlays for balance sheet repair, the conclusion being that a greater supply of investor “cash” should help to support demand for IPOs

Full Normalisation of European IPO Market in H1 2010

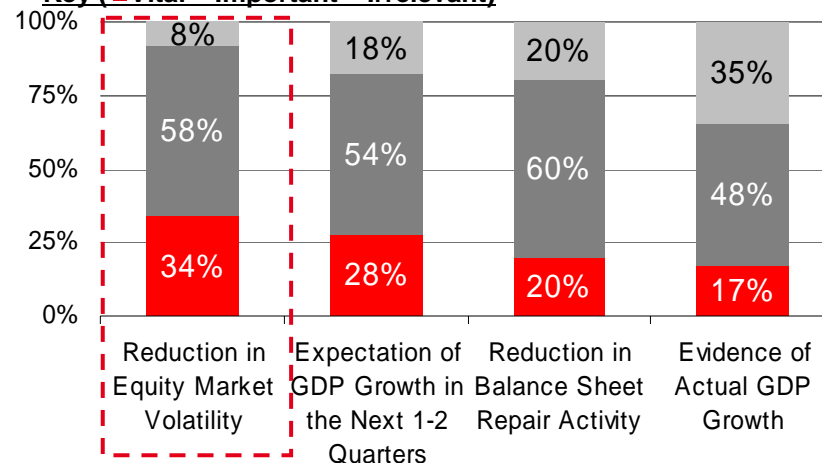
When do you expect there to be an active IPO Market in the UK/Europe?”



Leading Indicators for a Recovery in IPO Activity

“What are the most important macro/market requirements for a recovery in UK/European IPO markets?”

Key (■ Vital ■ Important ■ Irrelevant)



Source: 2009 European IPO Market Institutional Investor Survey (July/August 2009)

Note: Respondents included analysts, PMs, and dealers from over 40 European-based investment institutions and hedge funds

Market Sentiment: Latest Feedback from Investors (2/2)

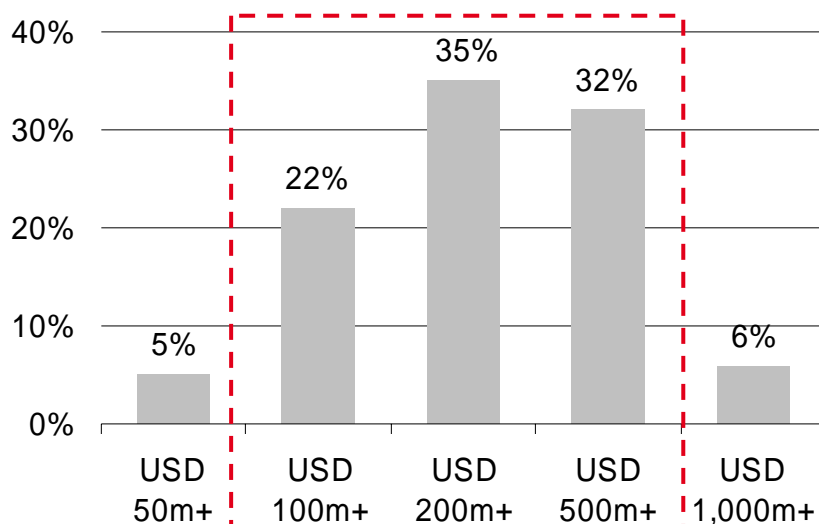
Defensive Growth Stocks with Adequate Liquidity Should Lead the Upturn in European IPOs

Comment

- Contrary to expectations, the early IPOs completed in the US have been on the smaller end of the capitalisation spectrum, often characterised by high-growth and high beta; despite the positive performance of such IPOs, European investors seem to maintain a more conservative approach with bullish viewpoint on companies with defensive growth profile and lower beta
- Starting from H2 2008 liquidity has become a primary concern for investor driving them into cash or very liquid securities; although risk-appetite has greatly improved since then, there is still hesitation to invest in small cap stocks

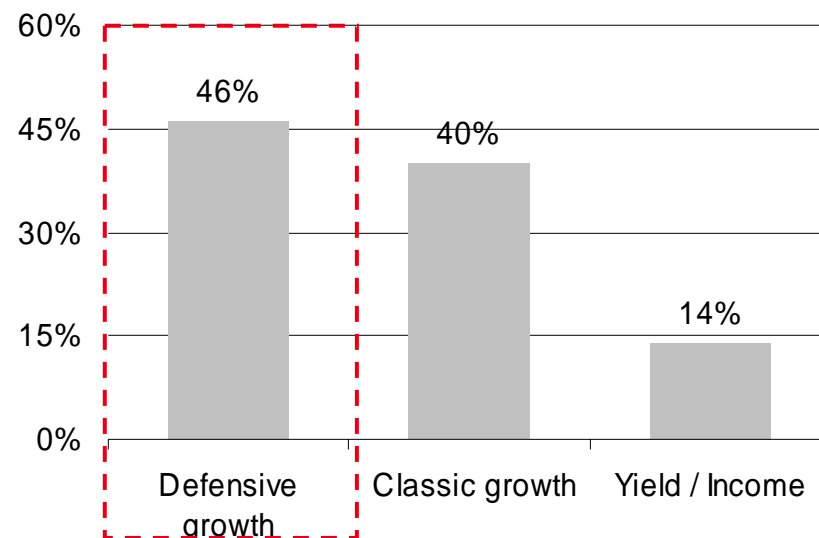
Medium / Big Size IPOs to Avoid Liquidity Concerns

"Everyone understands the importance of liquidity these days. What level of public free float would, in your view, be a minimum size to be viewed as "investable" in the context of a new IPO?"



Bullish View on Defensive Stocks / Belief in the high-βs

"What types of equity stories will likely receive the best audience in an early cycle UK/Europe IPO market?"



Source: 2009 European IPO Market Institutional Investor Survey (July/August 2009)

Note: Respondents included analysts, PMs, and dealers from over 40 European-based investment institutions and hedge funds

Case Study PGE Group, Eur 1.4bn

The largest IPO in Europe YTD

The Company



- PGE Group is one of the largest power utilities in CEE, in terms of both installed capacity (12.4GW) and production volume (56TWh) and sales revenues (€5.9bn in '08)
- #1 player in Poland, with 42% market share in power generation
- Integrated position – mining, generation, wholesale, distribution and retail
- Young company, formed only in 2007 via a combination of several state-owned assets. Pre-deal PGE was 100% state-owned
- Demonstrated robust profitability and solid financial position: 1H '09 EBITDA margin of >38% and <0.6x net debt / EBITDA)
- Introduced an ambitious plan of streamlining capital group structure and initiated ~PLN39 or €9bn capex plan 2009-12 and took a lead on deployment of nuclear generation in the country
- Still, heavy CO2 footprint, not yet finished liberalisation, significant market power of the regulator and volatility in power consumption and prices

The Challenges

- First large IPO in Europe since end of 2008
- Privatisation
- Totally new industry introduced to the Polish investors
- Very complex corporate structure
- Timing constraints
- Political and regulatory risks
- CO2-related challenges
- Investors required significant discount to peers including CEZ as main comparable
- The management change during the transaction
- No stabilisation due to regulatory reasons

The Deal Structure

PGE



€1.4bn
IPO

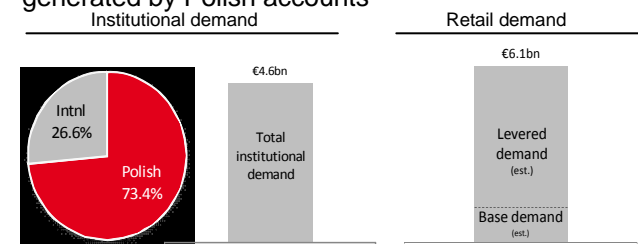
Joint Global
Coordinator Joint
Bookrunner
Joint Lead Manager
Offeror

October 2009

- **Pricing date:** 27 Oct 2009 (first listing planned 6 Nov)
- **Listing:** Warsaw
- **Size:** €1.4bn / PLN 6bn
- **Number of shares:** 260m
- **Free float:** 15%
- **Price Range:** PLN 17.5-23
- **Issue Price:** PLN 23
- **Market Cap @ Offer:** €9.5bn
- **Offer size:** 15% capital post-deal
- **Offer Type:** Primary shares
- **Joint Global Coordinators, Joint Bookrunners, Lead Managers:** UniCredit and Goldman Sachs

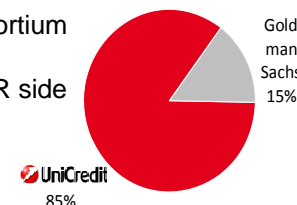
Deal Results & UniCredit Difference

- Priced at the top of the range at a level comparable to EBITDA multiple of CEZ, and with premium on P/E
- At issue price, the institutional book covered over 3.8x, total demand (incl. retail) exceeded €10.7bn or 7.5x of the book
- Over 73% of all institutional orders at Offer Price generated by Polish accounts



UniCredit Group's Superior Execution:

- UCG was very active with both local and international investors and produced a comprehensive, quality research
- UCG managed relationships with local regulator, contributing to prospectus approval in <4 weeks (unusually short for Poland)
- UCG coordinated the consortium of 23 retail houses, aiding superior deal support on PR side
- UCG generated **85%** of institutional orders at the deal price



Note: €/PLN 4.2013 NBP rate as of pricing date

Date: 2 Nov 2009

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