SURVEY OF ITALIAN INVESTMENTS IN THE UK

19

A SECTOR ANALYSIS

THE ITALIAN CHAMBER
OF COMMERCE
AND INDUSTRY
FOR THE UK

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Foreword

The 6th edition of the Italian Chamber of Commerce and Industries for the UK's study, Survey of Italian investments in the UK, comes at a time of profound changes. This makes it a more valuable tool than ever in analysing the evolution of systemic dynamics as the UK prepares to leave the EU. The report is an agile and extremely useful instrument for economic operators.

Among the report's most important findings are that the UK economic system has shown a remarkable resilience, namely in the ability to respond positively to the systemic shocks that followed the 2016 referendum. As a matter of fact, the country remains an attractive investment destination for Italian industrial companies and groups in general. Even in a global context in which investment flows are conditioned by numerous harbingers of instability, the UK retains an exceptional ability to attract people, projects, capital and investment.

Italian businesses continue to see the UK favourably, thanks to the solid, long-standing, wide-reaching connections between the Italy and the UK, and there is every reason to believe that relations between the two countries and their economies will continue to be efficient and fruitful.

The Embassy of Italy has a long-standing collaborative relationship with the Italian Chamber of Commerce and Industries in the UK. The Chamber's purpose is to support Italian companies already operating in the UK and those that are looking to set up here. It is thus a valuable resource for companies evaluating strategies for market penetration or gathering information, and its report on Italian investment in the UK therefore sits at the heart of the Chamber's mission.

The Embassy of Italy is proactively engaged in supporting all sorts of economic cooperation between the two countries and has established itself as a crucial platform for promoting Italy as a business destination. Much focus, lately, was given to innovation, namely to encourage a deeper integration of the Italian and British innovators in different fields.

I would like to thank the Chamber of Commerce for the valuable support it offers to Italian businesses in the UK and for its work to produce a report that is extremely helpful to those seeking to understand the trends and investment opportunities in the UK, across a wide range of sectors.

The Ambassador of Italy
Raffaele Trombetta

Preface

by the President

I am very pleased to introduce the sixth Survey of Italian Investments in the UK. Knowing the limitations inherent in such type of research, in each edition we have tried to improve our data to the best of our knowledge. It is also difficult to compare the data of each edition because of the changes in the surveyed firms included in our sample and of the changing scenario. There has also been a difference in the relative weight of the analysed sectors caused by the increasing globalisation, the economic cycles and some elements of nationalistic approach.

The increasing need of specialisation and of higher efficiency has caused a shift of localisation of labour-intensive productions, but at the same time there has been a growing need of Mergers and Acquisitions in order to compete in a larger market characterised by a competitive arena with aggressive players. Companies which have seen a decrease of sales in their domestic market have to sustain an additional effort to expand internationally and there has been a more careful selection of countries where to invest.

Global Foreign Direct Investments slumped by 40% between 2016 and 2018, affecting mostly the developed countries, while the developing ones saw a slightly improved level of investment. The developing Asia region constitutes the world's largest recipient for FDIs. Different reasons can be attributed to the continued success of the developing countries (one for all the opportunity for developed economies to diversify their investments): attracting financial institutions and larger capital flows gives their relatively large labour pools the potential for high rates of productivity growth.

We have seen the number of Italian investments in the UK practically stable: around 700 companies included in our internal database, with an estimated 900 Italian firms in the country.

The Italian investors, notwithstanding the uncertainties due to Brexit, continue to address specific investments in the UK: over the recent years Italy has consistently ranked 6th among the top ten countries at world level investing in the British economy, accounting for about 100 projects yearly since 2013, particularly in Energy, Advanced Engineering (Aerospace and Automotive), Construction, Creative and Digital industries.

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In the UK, the reasons of this Italian success should bring back to the fiscal system flexibility and to the quality of services offered to firms, but we should not forget the social reasons, which show us how society, particularly the employers, are open-minded and available to accept changes, modifications, conversions and reorganisations, which aim at improving the working environment and the competitive position. I regard this as a crucial aspect: the UK, thanks to a mix of historical, cultural, political and surely economic factors, proposes itself as a place where reorganisations and re-launching of companies is an achievable goal, a place where enterprises do not fear to follow long-term strategies.

I would like to thank the staff of the Chamber and Professor Amendolia for his advice and supervision: their dedication and professionalism made this sixth edition possible. I like also to thank the companies for having completed our questionnaires and the entrepreneurs that very kindly accepted to be interviewed.

We appreciated the comments that were expressed towards our previous effort and we will carefully consider also the constructive comments aimed at improving our research in the future.

I hope that again our Survey of Italian Investments in the UK will be useful for people interested in cross border FDIs and will help fostering the already good cooperation between Italy and the UK.

Our research is quantitative more than qualitative and the evaluation of the trends and the considerations are left also to the readers.

Introduction

STRUCTURE OF THE REPORT

This report is divided into three chapters.

The first chapter commences with an overview of global Foreign Direct Investments (FDIs) between 2014 and 2018 and continues with detailed insight into FDI trends, focusing on European countries. The chapter finishes with a glance at Greenfield Investments.

FDI's trends include financial flows, stocks and cross-border mergers and acquisitions (M&A). The data for the chapter were derived from the 2014-2018 World Investment Reports and Global Investment Trends Monitors, published by the United Nations Conference on Trade and Development (UNCTAD). The UKTI Investment Reports, the FDI Reports, the Global Greenfield Investment trends and Greenfield investment monitor of the European Commission, have also been used.

The second chapter analyses the UK as a leading country for investments, outlining FDI performances and future trends, main industries, strengths and weaknesses of the economy, with a focus on 2018. Italian FDI trends are also analysed, whilst maintaining a critical view on issues that impact the Italian economy.

The third chapter will provide an economic overview of key sectors, including key Italian businesses present in these markets in the UK. It will also report interviews with Italian business leaders in these sectors.

Methodological notes

This research is based on a survey of Italian firms present in the UK, defined as those companies owned by, partially owned, or associated with Italian corporations. We have also included two further types of investment analysis: firms whose capital is not held directly by an Italian investor but are associated with an Italian counterpart through an agency relationship, or an exclusive distribution agreement for one or more products. These companies are included in the database of the Italian Chamber of Commerce and Industry for the UK.

All the information used to construct the database on which the analysis is based is taken both from field research and secondary sources. Field research has been conducted through a questionnaire, sent by email and followed up with telephone calls. Secondary sources include UKTI (UK Trade & Investment), Gov.UK annual reports, sector research and studies.

SURVEY OF ITALIAN INVESTMENTS IN THE UK

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Global foreign direct investment (FDI) trends.

Chapter 1

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GLOBAL FOREIGN DIRECT INVESTMENT (FDI) TRENDS

1.

The following chapter aims to outline inward and outward flows of global FDI, exploring economic conditions, political and geopolitical challenges and government policies that might explain how and why certain countries might have experienced a growth or, contrary, a downturn of FDI flows.

We define FDI as "*an investment made by a firm or individual in one country into business interests located in another country. Generally, FDI takes place when an inves establishes foreign business operations or acquires foreign business assets, including establishing ownership or controlling interest in a foreign company.*

FDI can be made in a variety of ways, including the opening of a subsidiary or associate company in a foreign country, acquiring a controlling interest in an existing foreign company, or by means of a merger or joint venture with a foreign company." [1]

[1] Office for National Statistics.

OVERVIEW OF GLOBAL FDI FLOW

1.1

Global foreign direct investment (FDI) flows fell by 23% to $1.43 trillion in 2017 from a revised $1.87 trillion in 2016 (**Figure 1**). This is in stark contrast to the accelerated growth in GDP and trade.

The fall was caused in part by a 22% decrease in the value of cross-border Mergers and Acquisitions (M&As).

But even discounting the large one-off deals and corporate restructurings that inflated FDI numbers in 2016, and the volatile financial flows, the 2017 decline remained significant and was part of a longer-term negative cycle.

This negative cycle is caused by several factors. One factor is asset-light forms of overseas operations, which cause a structural shift in FDI patterns.

Another major factor is a significant decline in rates of return on FDI over the past five years. In 2017, the global rate of return on inward FDI was down to 6.7%, extending the steady decline recorded over the preceding five years. Rates of return in developed economies have trended downwards over this period but stabilised.[2]

The negative trend continued in 2018, with a further decrease of 19% down to $1.2 trillion.

FDI flows fell sharply in developed economies and economies in transition while those to developing economies remained stable. As a result, developing economies accounted for a growing share of global FDI inflows in 2018, absorbing 58% of the total.

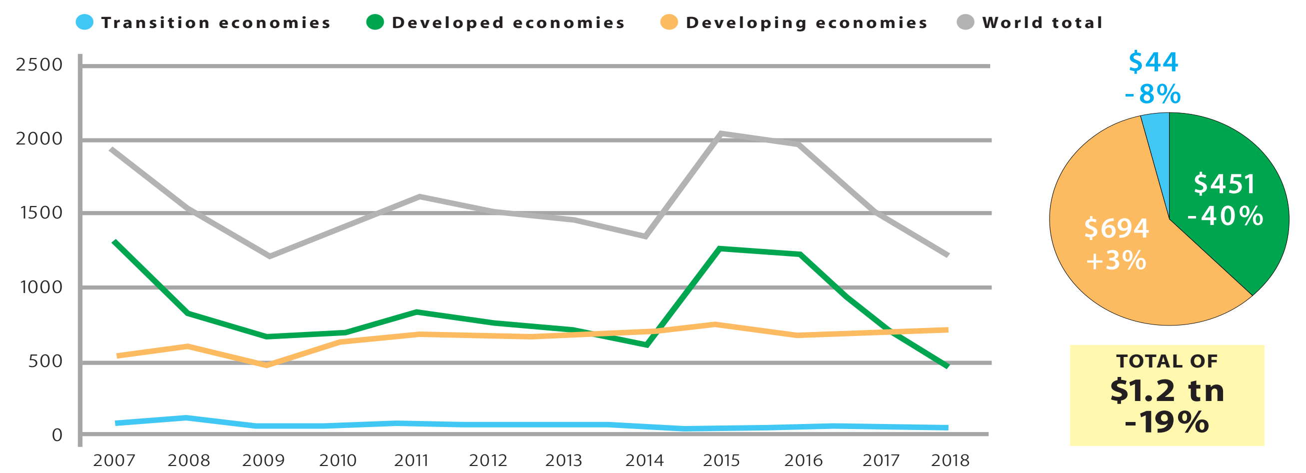

Figure 1: FDI inflows, global and by group of economies, 2007-2018 **Source:** UNCTAD – World Investment Reports 2018-2019.

[2] UNCTAD – World Investment Report 2018.

STARTING FROM PREVIOUS YEARS 1.1.1

Total global GDP increased by 3.45% between 2014 and 2015 (driven by cross-border M&A's). This recovery continued in the following years to 2018, at an average rate of 3-3.5%. Despite these trends, the FDI flows, which saw a 32.5% increase between 2014 and 2015, started a decline since 2016.[3]

In 2015, developing economies reached a new height of $765 billion of inwards, 9% higher than the level recorded in 2014.

FDI inflows were concentrated in high income and/or largest economic regions, such as Hong-Kong (China), China, Singapore and India. These four subregions received more than three quarters of the total FDI inflow addressed to this economic region.

In 2015 Africa's inflows from foreign countries fell to $54 billion, a decrease of 7% over the previous year. Latin America and the Caribbean's FDI flows, excluding offshore financial centres, stayed stable at the minimum level in 2015.

In contrast, Central America's manufacturing sector attracted a vast pool of investments. However, this positive trend slowed down in 2016, as macroeconomic challenges have continued to persist.[4] Developed economies demonstrated a higher performance in 2015, recovering lost ground after three years of successive contraction due to the crisis.

According to Eurostat, European countries regained much of the ground lost over the three years. In 2015, inflows to Europe rose to $504 billion, accounting for 29% of the global inflows.[5] However, it is also important to note that this has been characterised mainly by cross border mergers and acquisitions (up to $295 billion in 2015), thus it has had little impact on the overall GDP growth and on the creation of new jobs. In 2014, amongst the major recipient countries, UK and France experienced a substantial surge in mergers and acquisitions.

The Netherlands and Ireland were close behind as the largest target recipient countries in 2015. Germany remained a top investor country, despite its outflows falling by 11%. The increase in outflows from Switzerland was the largest among developed countries. Other major investor countries in Europe were Luxembourg and France.

3 UNCTAD – World Investment Report 2016.
4 UNCTAD – World Investment Report 2018.
5 Archive: Foreign direct investment statistics – European Commission.

FOCUSING ON THE CURRENT FDI TRENDS 1.1.2

Global flows of foreign direct investment fell by 23% in 2017. Cross-border investment in developed and transition economies dropped sharply, while growth was near zero in developing economies. With the subsequent fall (-19%) in 2018, this negative trend is a long-term concern for policymakers worldwide, especially for developing countries, where international investment is indispensable for sustainable industrial development.

Considering the global context, we can analyse the situation in different countries.

Asia

FDI inflows to developing Asia remained stable at $476 billion in 2017, thanks to the high-tech sector in China, a rebound in Indonesia, and increases in most ASEAN countries.[6]

The Chinese performance can be linked to the shift in strategy by the government in attracting FDIs towards service sectors (these accounted for about 40% of the total FDI inflows in 2017). In addition, the automotive industry has become a central global strategy, as it has continued to attract large investment by multinational

6 UNCTAD – World Investment Report 2018.

enterprises (MNEs), who are attracted by the largest car market in the world. In contrast, inflows into the manufacturing sector dropped to 25% in 2017. China, which had an almost stable FDI inflow from 2015 to 2017, increased this by 3% in 2018 to $142 billion. Hong Kong is fourth place worldwide ($112 billion in 2018).

As part of China's investment strategy, its outbound direct investments saw a constant growth until 2016 (+49%), but it came to a halt in 2017 due to the authorities' restrictive measures to curb capital outflows. Notwithstanding that, in 2017-2018 China streamlined its outflow investments focusing on the Belt and Road Initiative, which has therefore seen an increase in flows to specific areas in Europe and Asia, with Europe leading with about $90 billion received in 2017. The attention that China in the past had for Africa has receded, and in 2017 its investments in Africa were only 0.6% of the total Chinese outflow (down from 4.2% in 2016).[7]

Africa

In 2017 FDI flows to Africa slumped to $38 billion, a 21% decline from 2016 (weak oil prices and harmful ongoing macroeconomic effects from the commodity bust were responsible for contraction in Egypt, Mozambique, Congo, Nigeria and Angola). In addition, foreign investment to South Africa continued to underperform. FDI inflows to diversified exporters, including Ethiopia and Morocco, were more resilient.

Africa saw an increase of 6% in 2018 on 2017, mostly due to a recovery in Egypt (+7%) and South Africa ($1.3 billion to $7.1 billion from 2017 to 2018).

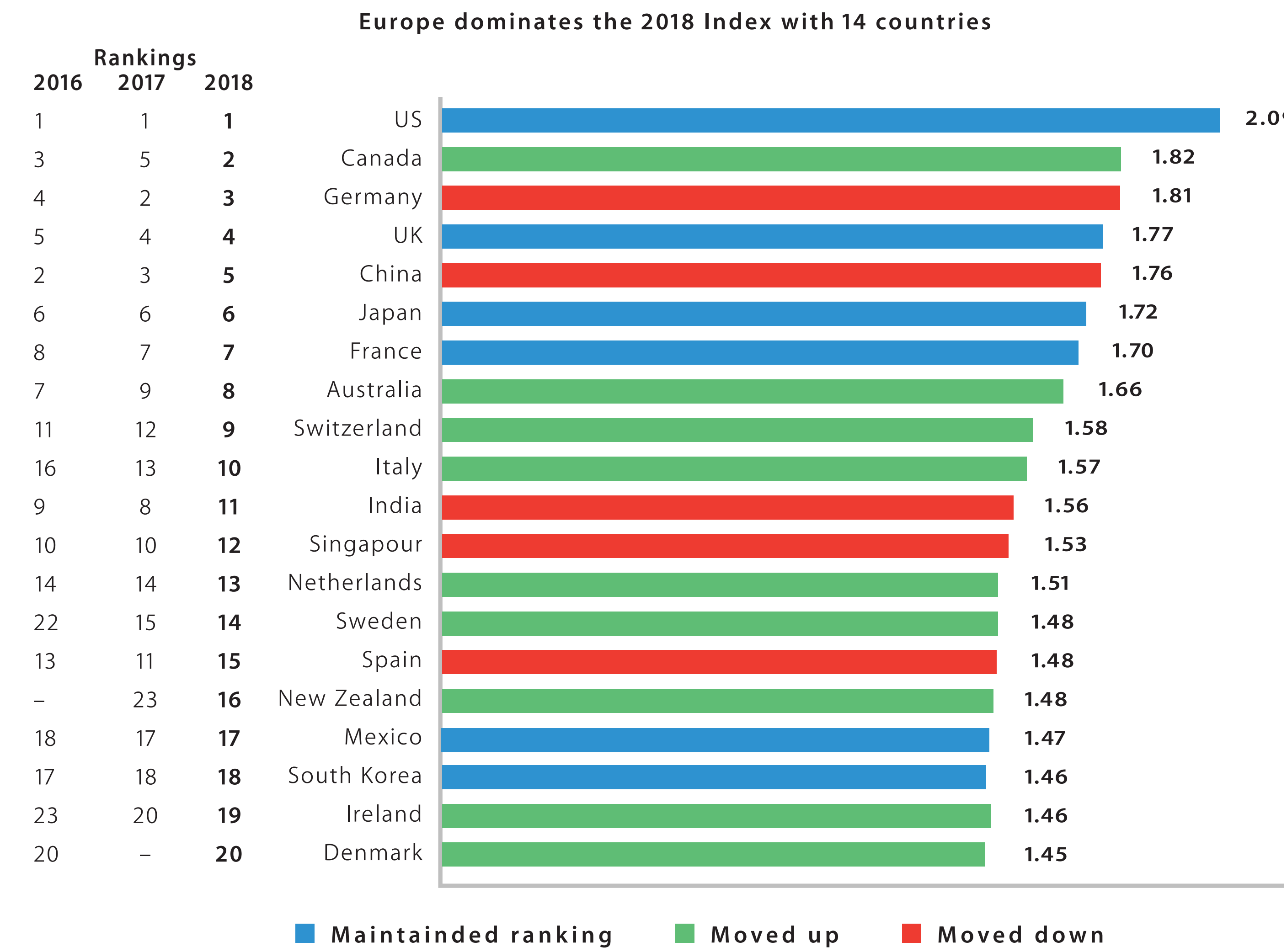

Figure 2: Index: Top 20 countries where to invest. **Sources:** United Nations, Conference on Trade and Development; A.T. Kearney analysis.

[7] BBVA – China Economic Watch/February 2018.

Latin America

Regarding the American context, FDI flows to Latin America and the Caribbean increased by 8% in 2017 to $151 billion. Lifted by the region's economic recovery, this was the first rise in six years, although inflows remained well below the peak reached in 2011 during the commodity boom.[8] In 2018 FDI flows to Latin America and the Caribbean were 4% lower than in 2017. This decline followed a different pattern between South and Central America.[9] In South America, FDI declined by an estimated 6% due to lower flows in Brazil and Colombia. The challenging economic situation and the uncertainty prior to the election may have deterred foreign investors in Brazil, the region's principal recipient, where FDI flows declined by 12%, to $59 billion. In Colombia an economic slowdown weakened investors' confidence, with flows falling by 21%.

Transition Economies

Moreover, following the global trend in 2017, FDI flows to the transition economies of South-East Europe and the CIS declined by 27%, to $47 billion, the second lowest level since 2005. Most of the decline was due to sluggish FDI flows to four major recipient economies of the CIS: the Russian Federation, Kazakhstan, Azerbaijan and Ukraine. FDI to South-East Europe recovered by 20%, to $5.5 billion, after the decline in 2016. Inward FDI was lifted by robust GDP growth, support for private sector job creation and growing cooperation with the EU.

In addition, in 2017 FDI outflows from economies in transition recovered by 59%, to $40 billion, after being dragged down by the recession in 2014-2016.

In 2017 FDI flows to developed economies fell by 37% to $712 billion. FDI to France and Germany bounced back in 2017, but overall flows to Europe declined due to a normalization of FDI to the UK following a string of megadeals in 2016. FDI inflows grew in 15 of the 32 European economies in 2017. Inflows more than doubled in Germany (to $35 billion), as cross-border M&As targeting assets in the country rose to $23 billion. FDI flows to France rose 42%, mainly due to large M&A deals. Nevertheless, FDI inflows to Europe as a whole declined by 41% to $334 billion, mainly due to a contraction in the UK. The decline in 2018 was concentrated in developed countries where FDI inflows fell by 40% to an estimated $451 billion, mainly due to large repatriations of accumulated foreign earnings by the US MNEs, following tax reforms.[10]

[8] UNCTAD – World Investment Report 2018.

[9] Global Investment Trends Monitor no31, Jan 2019.

[10] UNCTAD – Investment Trend Monitor Jan 2019.

A FOCUS ON GLOBAL GREENFIELD INVESTMENTS

1.2

We define the Greenfield investment as "a type of foreign direct investment (FDI) where a company establishes operations in a foreign country.

In a greenfield investment, the company constructs new facilities (sales office, manufacturing facility, etc.) cross-border from the ground up." [11]

From the investors point of view, there are many advantages. MNEs can benefit from a major and direct control over the investment enterprise; enter into a foreign market and have a total control over the products or services manufactured or sold.

It is also possible to create partnership with native businesses to gain further market penetration and avoid intermediary costs by using intermediaries in loco.

The hosting country gains benefit mainly in two ways. One by the creation of new jobs; in the long term, contributing to economic development (and to the GDP's growth) of the hosting country by the new work force created. [12]

The fall in greenfield announcements in 2017 was concentrated in services. However, over the past five years, the level of greenfield projects in manufacturing has been consistently lower than in the preceding five-year period across all developing regions. This has important implications for industrial development. Greenfield projects accounted only for a small portion of the total world FDI flows in 2015.

In this paragraph we will examine the trends, with a focus on European countries between 2016 and 2017. While 2016 was marked by a strong growth in international Greenfield Investments, 2017 witnessed a return to a more stable market.

The two top investors in Europe, between 2014 and 2016, were North America and China. As shown in (Figure 3)[13] the United States, a historical major investor in Europe, declined its greenfield investments between 2008 and late 2014, followed by a modest recovery.[14]

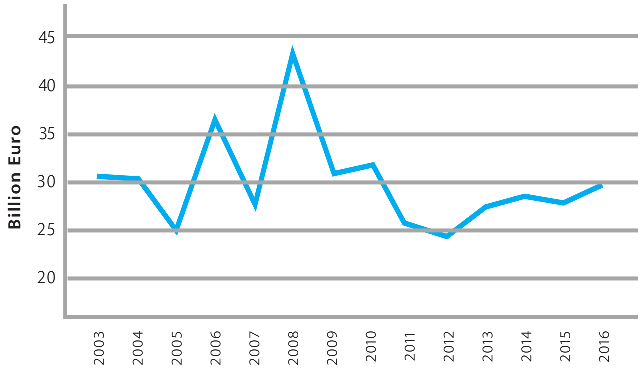

Figure 3: US greenfield investment in EU continue to recover.
Source: FDI Markets.

Greenfield FDI flows into the European Union totalled €16.9 billion in the first quarter of 2017, creating 50,862 jobs. This represents a major increase on last years' first quarter results, when FDI flows to the EU stood at €1.4 billion, creating 14,344 jobs. This spectacular rise has been largely driven by large-scale US investments in the communications sector across Europe. [15]

According to a research carried out by KPMG, there were two main clusters of top destinations in 2017 for international greenfield investments: Western Europe and Eastern Asia. Where, among the top 35 global cities, which attracted 45% of the world's greenfield investments in 2017, London resulted to be the top city while Milan ranked at 28th. [16]

In line with other European countries the UK government has adopted positive measures in order to let foreign investors open businesses in the country.

12 Corporate Finance Institute – Greenfield Investment https://corporatefinanceinstitute.com/resources/knowledge/strategy/greenfield-investment/

13 "Gains from Foreign Direct Investment: Macro and Micro Approaches," Laura Alfaro, The World Bank Economic Review, Vol. 30, 1 March 2016.

14 Greenfield investment monitor; In Focus: The EU and the US: Stable Partners for Greenfield FDI Growth, 2017.

15 Greenfield Investment Monitor; In Focus: The EU and the US: Stable Partners for Greenfield FDI Growth; European Political Strategy Centre.

16 KPMG – Global Cities Investment Monitor 2018; new rankings, trends and criteria.

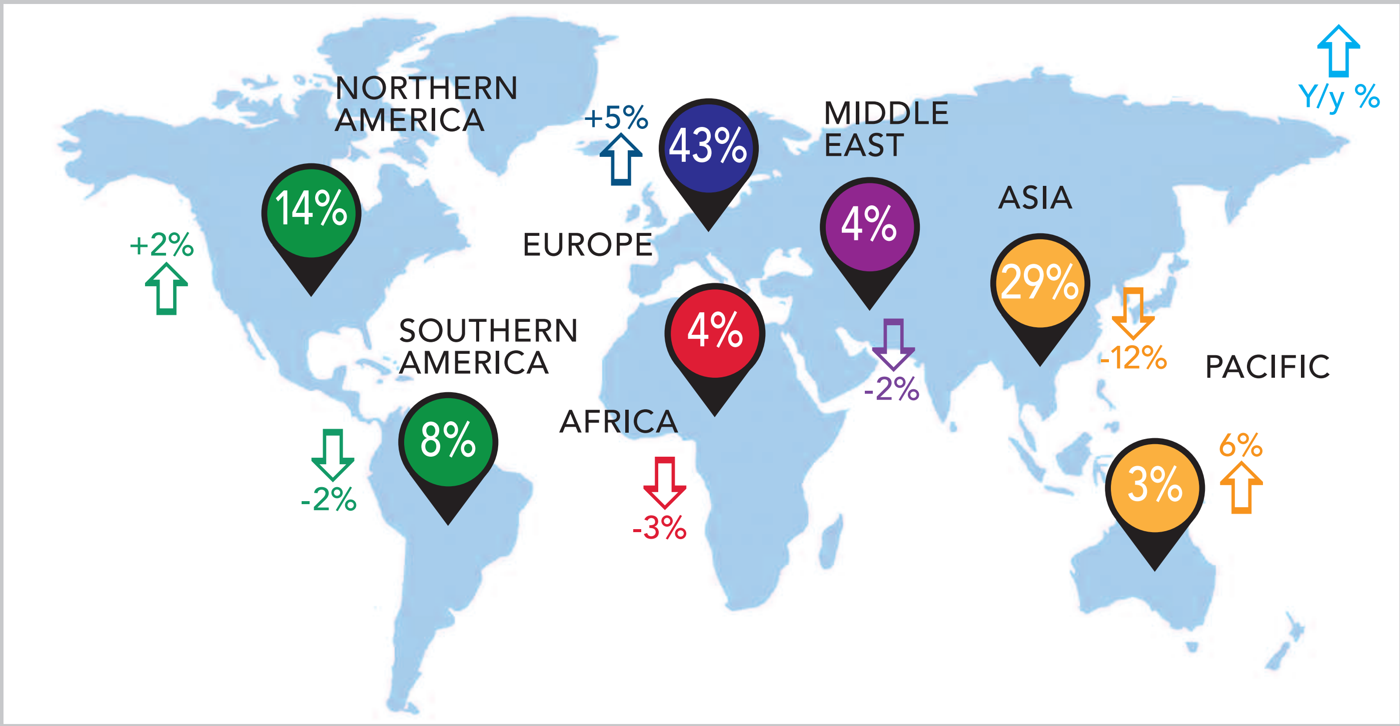

Figure 4: Percentage of total by world region and year-on-year variation for each region in 2017.
Source: Global Cities Investment Monitor 2018; new rankings, trends and criteria; KPMG.

For example, once they are established in the country, foreign companies are treated exactly like British companies ensuring that new jobs are created as a direct consequence of greenfield investment, the Government has set very restricted parameters. For instance, developers of offshore wind farms who intend to apply for subsidies must explain how they plan to create more British jobs before applying. This combination of positive measures and restricted parameters has created a fertile ground, facilitating Greenfield investment and creating jobs. [17]

While the UK continues to be the EU's largest recipient of inward greenfield FDI, its role has been markedly reduced throughout 2016 and Q1 2017. In 2016 the UK' share of total EU greenfield investments fell to 29% (€18 billion) and, in Q1 2017 **(Table 1)**, it represented just 24% (€4 billion). Reduced inflows into the UK have been largely offset by increased inflows to the EU27, so that total flows into the EU28 not only remained stable in 2016, but also increased drastically in Q1 2017. [18]

FDI into the UK has been impacted by the Brexit vote.

In a 2018 survey, about a fifth of foreign investors had changed their plans, most of them reducing or holding back investments (though with a patchy behaviour depending on the geographical area).

Research by EY across Europe suggests that after 2020 around 50% of foreign companies might move assets out of the UK.

However, despite 2018 being a year of rollercoaster uncertainty surrounding Brexit, UK received a high number of greenfield foreign investment projects, for a total of $36.5 billion. [19]

It is interesting to note that within real estate acquisitions, at least, foreign interest in the UK remained resilient throughout 2017 and 2018 since global investors tend to think long term and are, therefore, not as preoccupied with Brexit. The devalued sterling has made the UK attractive.

[17] Santander – Trade Portal 2019.
[18] Global Cities Investment Monitor 2018; new rankings, trends and criteria; KPMG.
[19] FDi Intelligence – Brexit-mired UK sees highest ever FDI projects in 2018 – April 2019.

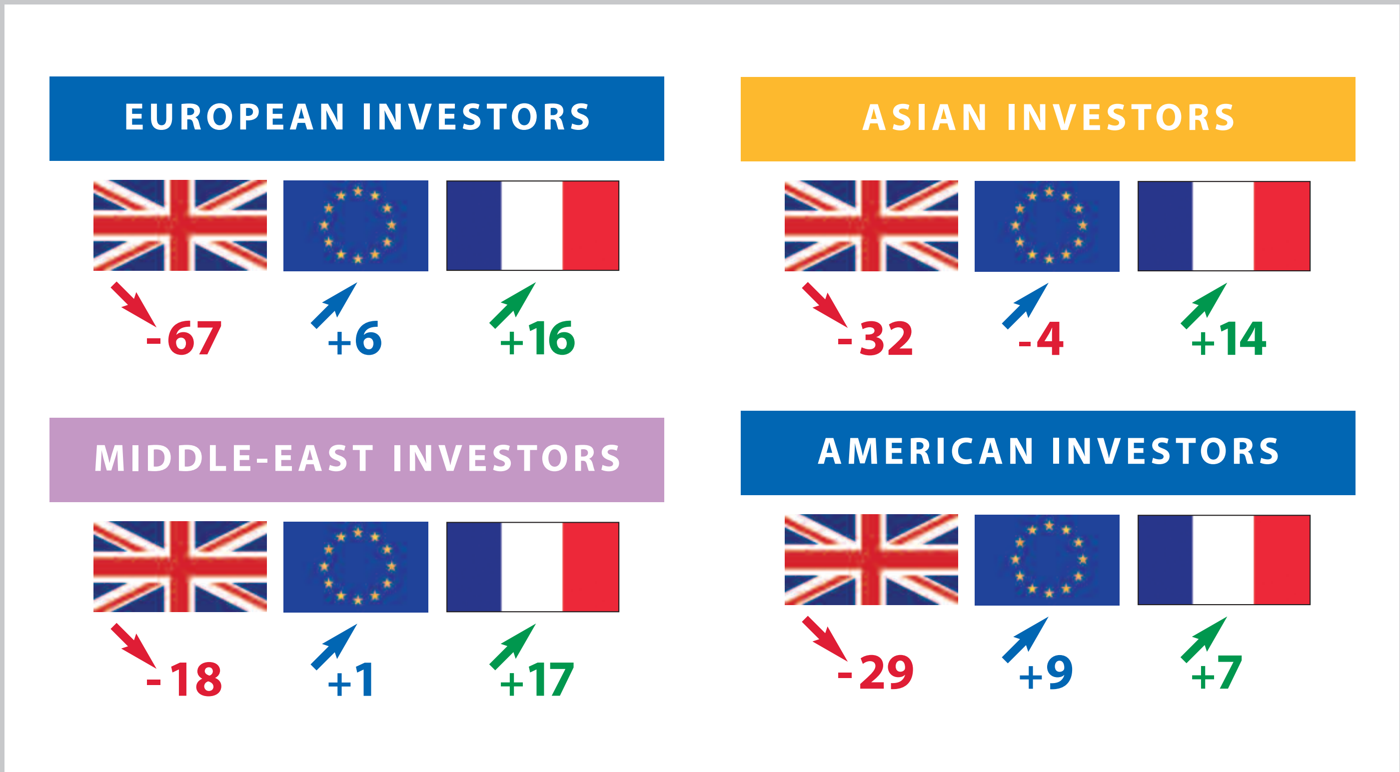

Figure 5: Brexit: the impact on perceived attractiveness (shown are UK, Europe, France).
Source: Global Cities Investment Monitor 2018; new rankings, trends and criteria; KPMG.

[20] FDi Intelligence – Brexit-mired UK sees highest ever FDI projects in 2018 – April 2019.

Investment trends of the UK and Italy.

Chapter 2

THE ITALIAN CHAMBER
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ITALIAN ECONOMIC SITUATION AND IMMIGRATION TO THE UK

2.1

Italy has been facing macroeconomic-political-social issues that have put a strain on its economy. This keeps causing a high level of unemployment (the unemployment rate was at 10.5 in 2018).[1] Therefore, many young and talented-Italians have emigrated towards other countries, for better jobs opportunities and economic conditions, a phenomenon known by the name of "Brain Drain." [2]

Italy, though investing a good amount of its GDP in educating its people, fails to provide job opportunities for those which it has invested in. According to Confindustria, families spend an average of €165k to grow and educate a child from birth to 25 years old. Just to give an insight of the volume in 2015 51,000 people under 40 emigrated. This translated into an estimated loss of €8.4 billion, that the Italian economy did not recieve. [3]

The UK resulted in one of the top chosen destinations for many young and highly skilled Italians, seeking better economic conditions, a higher salary and more job opportunities: especially in finance, healthcare, consultancies, research and engineering.

Semi-skilled people too have continued to emigrate to the UK over the last years. This is due to the high demand for labour by the English market, especially in the hospitality and manufacturing sectors.

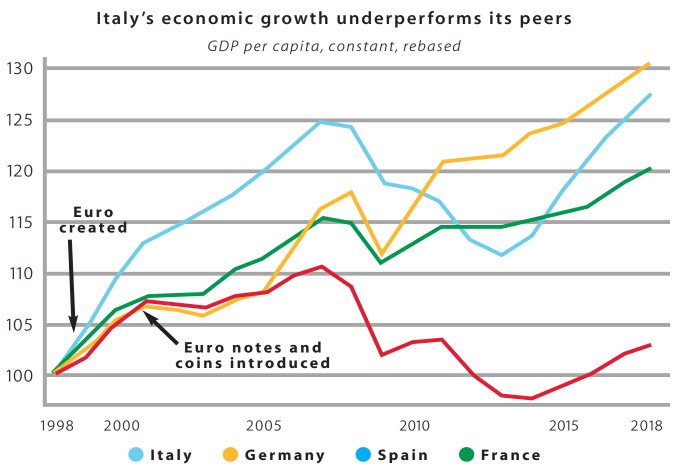


Figure 6: Italy's economic growth underperforms its peers.
Source: Financial Times.

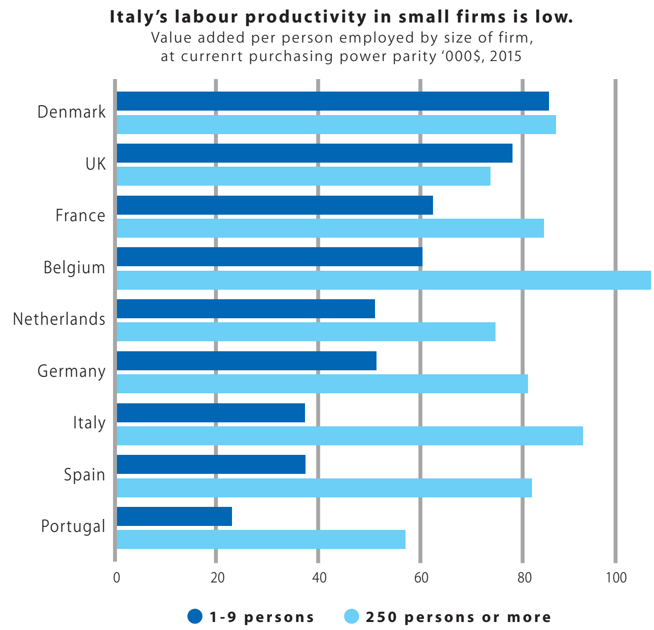


Figure 7: Italy's labour productivity in small firms is low.
Source: OECD.

Italy has a good entrepreneurial culture, represented by a well routed SMEs economy. According to the European Commission's SME tracker, 95% of Italy's businesses have fewer than 10 employees. The downside is that small and medium size companies, in Italy are family-owned. An insufficient distinction between ownership and management risks of bringing a less than professional management. This might have reduced the company's potential growth and competitiveness.

According to OECD data, Italian companies of that size have lower levels of labour productivity than their peers.

All the above can explain, in part, the stagnant GDP growth of the last three decades, as well as the reason why many Italians have continued to emigrate abroad (especially to the UK). Italy has an inefficient public administration, besides a complex tax code.

1 ISTAT.
2 OECD, International Migration outlook, 2018,
3 Confindustria, Le sfide della politica economica, Centro studi, Scenari economici, 2017, n30.

In the past, there was a limited incentive for these Italian SMEs to invest in R&D and to increase their digital presence. Indeed, few non-financial businesses in Italy used to sell online compared to other developed countries.[4]

However, in the last years new legislation has become effective (e.g. IP-Box, RD credit tax) that allowed Italy to top the digital tax index in 2018, ahead of all other European countries.[5] This will certainly bring in a substantial change in the investment landscape for the country.

An additional cost on business arises from an inefficient bureaucracy compared to other countries, in particular to the UK. This, coupled with other factors, held back foreign investments and impaired growth. While UK ranks 9th worldwide for the "ease of doing business," Italy ranks 51st in 2018.[6] **Figure 8** shows a comparison between Italy and UK on some key performance indicators,[7] while **Figures 9 & 10** summarise the perception of investors of the most problematic aspects in the two countries (note that percentages in these figures are normalized for each country, so only the respective rank and relative weight matter).

Notably, Italy is a fertile ground for start-ups, also thanks the recently introduced laws that speed up their creation. However, Italian entrepreneurs are discouraged to invest domestically. This could be due to the difficulties in getting large-scale investments (allowing to compete with scaled-up companies at an international level), scarce incentives for business.[8] Therefore, they prefer to invest abroad, especially in London considered to be the biggest hub for start-ups.

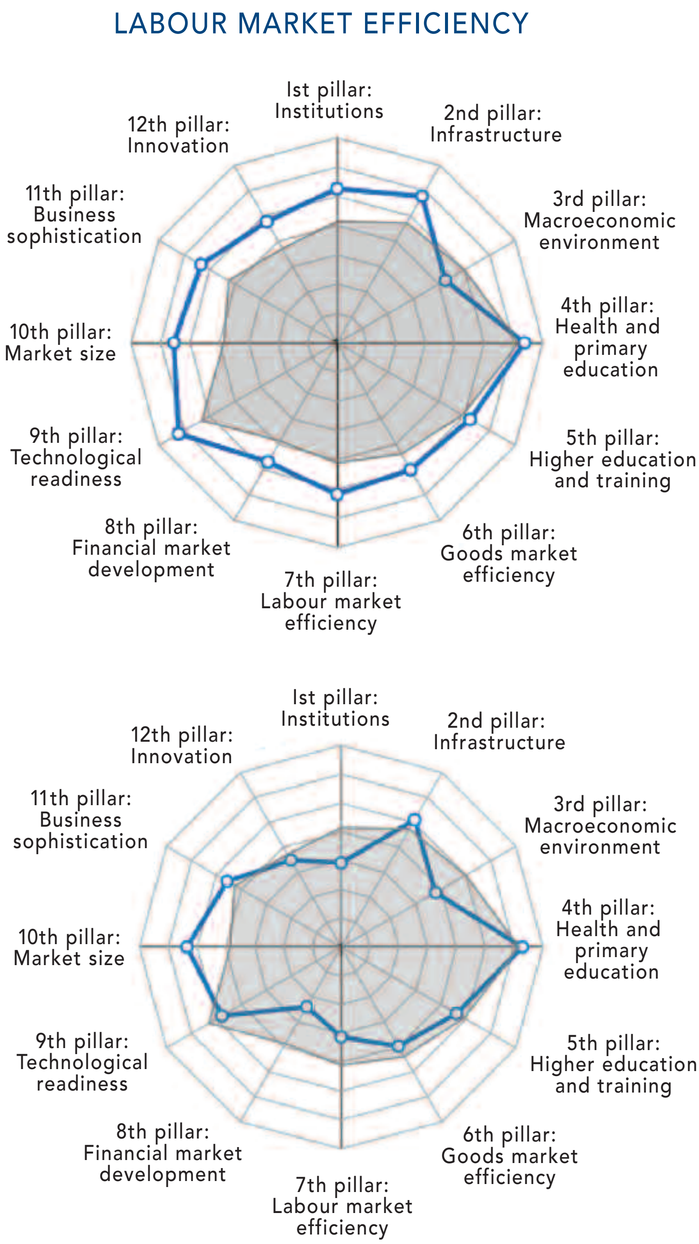


Figure 8: Key indicators performance, Italy and UK vs Europe and North America average.
Source: World Economic Forum, The Global Competitiveness Report 2017-2018 – WEF Executive Opinion Survey 2017.

4 FT November 2018 (from OECD).
5 PWC – Digital tax index 2018.
6 World Bank Group Flagship report "Doing Business 2019."
7 World Economic Forum, The Global Competitiveness Report 2017-2018.
8 AGI ECONOMIA – 2018.

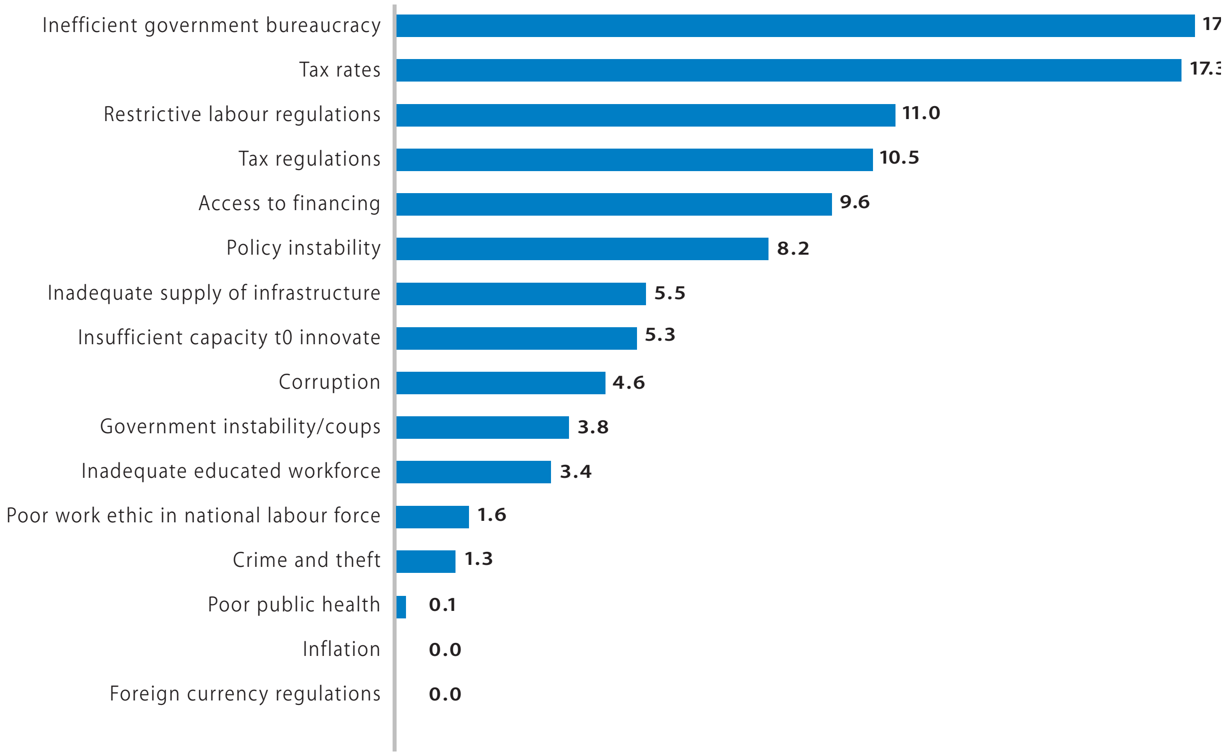


Figure 9: Most problematic factors for doing business in Italy, 2017.
Source: World Economic Forum, Executive Opinion Survey 2017. Image: WEF Global Competitiveness Index 2017-2018. (From the list of factors, respondents to the World Economic Forum's Executive Opinion Survey were asked to select the five most problematic factors for doing business in their country and to rank them between 1 (most problematic) and 5. The score corresponds to the responses weighted).

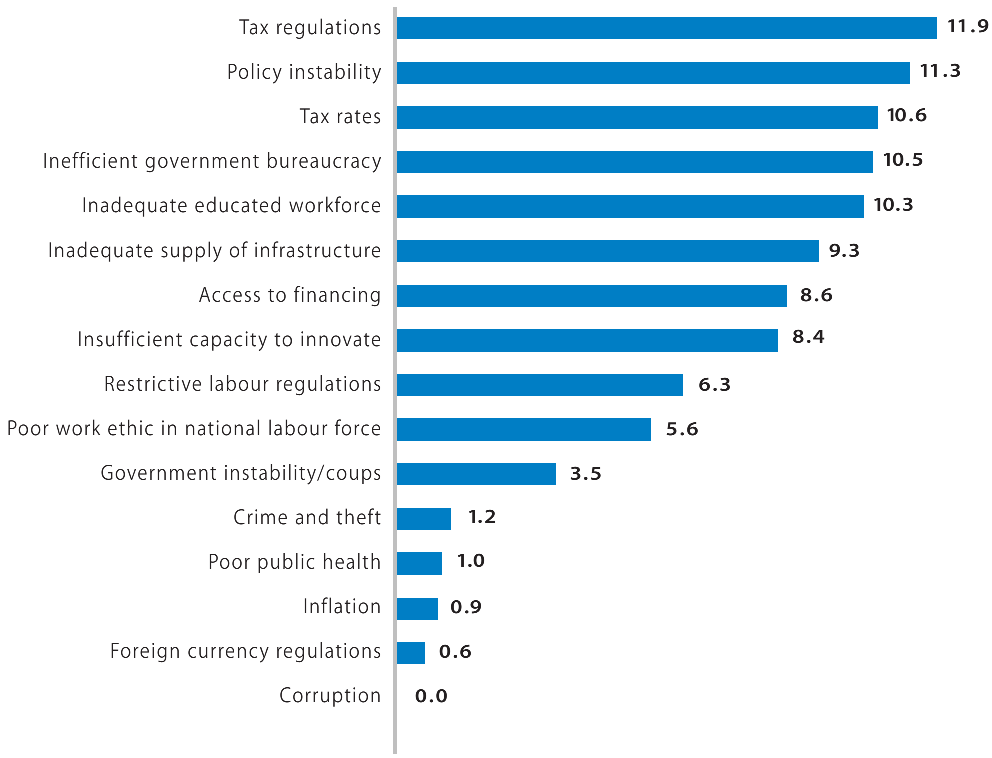


Figure 10: Most problematic factors for doing business in UK, 2017.
Source: World Economic Forum, The Global Competitiveness Report 2017-2018 – WEF Executive Opinion Survey.

A FOCUS ON THE ITALIAN FDI OUTFLOWS AND INFLOWS

2.2

In 2014, the Italian economy was characterised by a long-term contraction, with its real GDP fallen to the minimum historical level since 2000. In contrast, real GDP grew slightly in 2016 from 2015, to 0.9% up from 0.7%.[9]

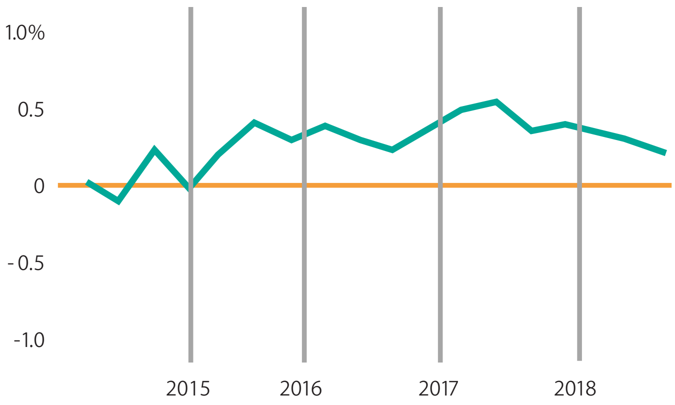


Figure 11: GDP. **Sources:** ISTAT.

A glance at 2018 demonstrates that the Italian economy was still stagnant.[10] After a short recovery in the second half of 2017, where its annual GDP rate increased at 1%, its rate dropped again in 2018.

Despite this, Italy continues to invest and do business in the UK. The Commercial relationships between the two countries remains very strong, despite Brexit.

99

Number of Italian projects in the UK between 2016-2017.

1482

New jobs created between 2016-2017.

In addition, according to the UK Trade & Investment annual reports, Italy ranks as one the top ten FDI investor countries. This FDI trend can be linked to the perception of UK, by Italians, as an appealing country for business: open a new branch, establish operational headquarters; buy or acquire assets etc.

The internal database at the Italian Chamber of Commerce and Industry for the UK has recorded the Italian market trends between 2015 and 2018. Certain sectors thrived, whereas others have weakened. The main sectors that have been impacted are finance, hospitality and intermediary services.

The presence of Italian companies in the financial sector in the UK is characterised mainly by few giant Italian banks: UniCredit, Intesa Sanpaolo, and by investment bank Mediobanca. Although these banks have branches in London, they only provide UK services to institution and corporate clients interested in capital investment. Other Italian banks such as Banca Monte Dei Paschi di Siena, were forced to shut down; others operate just services online.

The hospitality sector, one of the biggest markets for many semi-skilled people seeking job opportunities, has continued to grow. This trend will continue, unless the free movement of people will be guaranteed only to highly skilled people (engineers, surgeons, lawyers) as a result of Brexit. At the present time, Italian entrepreneurs have continued to open new restaurants, seek new partnerships etc. Ultimately, the number of Italian SMEs in the UK that need commercial advises (such as legal, tax, marketing, business and strategy) has increased between 2015 and 2018.[11]

There are two main types of investment strategies: non-equity (export and contractual agreement) and equity (joint venture, franchising/licensing and wholly owned subsidiary).

The Italian Chamber conducted a survey of about 800 Italian companies registered in the internal database.

The aim was to investigate what strategies had been used by Italian companies to enter into the UK market.

9 European Commission – Country Report Italy 2017, Including an In-Depth Review on the prevention and correction of macroeconomic imbalances – February 2017.

10 OECD.

11 ICCIUK Internal Database.

Some of these companies existed in the UK before the year in which this survey took place. Around 50% of the companies took part in the survey.

SECTORS OF ITALIAN COMPANIES

0.30%
Aerospace and Defence

4.25%
Automotive

2.58%
Banking, Insurance & Financial Services

7.74%
Chemical, Pharmaceutical & Healthcare

15.17%
Clothing, Shoes & Accessories

9.10%
Electronics, Electrical Components, IT and Technology

1.97%
Energy

4.25%
Engineering & Construction

8.50%
Food and Beverage

13.61%
Furniture, Household Appliances

15.63%
Machinery

2.28%
Metallurgy

1.21%
Packaging

1.21%
Paper & Related Products

3.79%
Printing, Publishing & Communication

4.70%
Tax & Legal Consultancy

0.91%
Tourism

2.88%
Transport Service & Logistics

Figure 12: Sectors of Italian companies.
Source: ICCIUK Internal Database.

Figure 13: Investments from Italy to the UK, per Region.
Source: ICCIUK Internal Database.

From our analysis, it emerged the absolute predominance of subsidiaries (+ 45%) as the main way to enter the UK market. It should be noted 21% of the companies in the survey have decided to invest in the UK through a "commercial subsidiary with a warehouse," 15% through a "commercial subsidiary without warehouse," 15% with only a "representative office," 11% with a new manufacturing plant and 8% with an "agent."

The rest of the sample did not provide any response.

Furthermore, the main emerging Italian regions to invest are Lombardy, Emilia Romagna, Piemonte and Veneto. (Figure 13)

MAIN ITALIAN COMPANIES IN THE UK

ENERGY

- Eni
- Terni Energia
- Falck Renewables
- Ansaldo Energia
- Saipem
- Green Network Energy

AEROSPACE AND DEFENCE SECTOR

- Leonardo
  - Agusta Westland
  - Selex ES

FOOD AND BEVERAGE

- Ferrero
- Lavazza
- Illy
- DeCecco
- Sacla'
- Kimbo

AUTOMOTIVE

- Fiat Chrysler Automobiles
- Pirelli Tyres

FURNITURE, HOUSEHOLD AND ELECTRICAL APPLIANCES

- Natuzzi
- Lema
- Candy Hoover
- Scavolini
- Alessi

BANKING, INSURANCE AND FINANCIAL SERVICES

- Intesa Sanpaolo
- Unicredit Group
- Assiciurazioni Generali

MAJOR ITALIAN DEALS IN THE UK

2.3

For simplicity, we will only name some of the most important deals which took place between 2014 and 2018, by Italian companies in the UK (without diminishing the importance of other deals). [12]

2014

In spite of a world decline in foreign investments, this was an interesting year for Italian's FDI.
In the hotel sector, Fondo Strategico Italiano S.p.A. acquired a 23% stake in Rocco & Family UK Plc, a London-based owner and operator of hotels, for £60 million ($95.238 million), in a privately negotiated transaction.
In the Energy sector, Ansaldo Energia S.p.A., a unit of Fondo Strategico Italiano S.p.A. agreed to acquire the entire share capital of Nuclear Engineering Services Ltd, a manufacturer of nuclear plant equipment, from LDC Ltd, for £29.15 million ($49.167 million).

Regarding the IT sector, GTECH UK Interactive Ltd (GTECH), a wholly owned subsidiary of GTECH S.p.A. acquired entire share capital of Probability PLC (a London-based developer of mobile application software) for £0.5 million ($0.834) in cash per share (total value of £17.983 million i.e. $29.992 million) via a scheme of arrangement. GTECH also acquired the money options convertible into 2.184 million Probability ordinary shares. GTECH received irrevocable undertakings with respect to 58.4% of the Probability's ordinary share capital.

2015

Following on from the positive world economic growth, some of the biggest Italian deals took place during this year. They were both in terms of consistency and money spent, in fact, 10 major deals, with a total of £2 billion, were concluded over the year.

Regarding fashion, the merger of Net-a-Porter Ltd, a London-based online retailer, with a unit of Compagnie Financiere Richemont SA, was acquired by YOOX Group S.p.A., a giant Italian fashion company in Milan.

This has marked one of the biggest deals of the years to come. This deal was worth $1.6 billion. From the fusion of the two entities, a new giant was created named "YOOX Net-A-Porter Group." The company now employs over 4000 people worldwide, generating, in 2016, a turnover of €1.82 billion.

The media and entertainment sector has witnessed a good deal: Exor S.p.A. a unit of Giovanni Agnelli e C Sapaz, raised its stake to 43.4%, from 4.7%, by acquiring a 38.7% stake in The Economist Newspaper Ltd (Economist Group), a London-based newspaper publisher and a unit of Financial Times Ltd (Financial), ultimately owned by Pearson PLC. The deal, worth £287 million ($446.773 million) in cash, was a privately negotiated transaction.

Ferrero Group acquired for £112 million Thorntons, the UK chocolate manufacturer. Following this acquisition, Ferrero almost doubled its presence on the UK market.

Water supply services saw a good investment: De Nora S.p.A. acquired the water purification business of Severn Trent Plc, a Birmingham-based water supply system operator, for a total £62.897 million ($99 million).

2016

Despite the world's general FDIs drop, in 2016, the general Italian trend towards the UK market remained very positive.

Rina S.p.A. agreed to acquire the entire share capital of Edif Group Management Ltd, a London-based provider of technical consulting services, from Phoenix Equity Partners Ltd, for a total £118.5 million ($171.576 million).
In the Chemical, Pharmaceutical and Healthcare sector, the deal carried out by Chiesi Farmaceutici S.p.A., was certainly a great gain. The Italian company acquired the entire share capital of Atopix Therapeutics Ltd, an Abingdon-based manufacturer of biological products, for an estimated £64.316 million.

[12] Internal Data Base.

2017

Fondazione ENPAM acquired a 50% interest in Principal Place Commercial, a provider of land subdivision services, from Brookfield Multiplex Ltd, who was owned by Brookfield Asset Management Inc., for a grand total of £381.5 million.

Trenitalia S.p.A. are a unit of the Italian state-owned Ferrovie dello Stato Italiane S.p.A., acquired NXET Trains Ltd, a Birmingham-based railroad operator, for a total £72.6 million.

Enel S.p.A. acquired the entire share capital of Tynemouth Energy Storage Ltd, a London-based provider of battery storage energy services, from Element Power Ltd, for a total £16.97 million.

2018

Elcograf S.p.A. a unit of Pozzoni S.p.A., acquired Clays Ltd, a London-based book publisher, from St Ives PLC, for a total £20 million.

A FOCUS ON THE UK FDI INFLOWS 2.4

An overview of the United Kingdom's economy shows that the UK is still one of the strongest economies in the world.

Despite the economic and financial turbulences caused by Brexit, according to OCSE, the UK economy will continue to be stable. However, the GDP has slowed down its growth rate (+2.3% in 2015, +1.9% in 2016 and +1.7 in 2017). In 2018, it was at +1.5%, and it is forecast to remain around 1.5% through 2019 and 2020.

Remarkably, the unemployment rate is now (early 2019) at 3.9%, the lowest it's been since 1975.[13] This however may be partly because companies, in light of the Brexit uncertainty, favour hiring staff (which can then be fired) instead of making new investments.

The UK's balance of trade is in deficit (as it is since the years 2000). According to the Office for National Statistics, trade deficit widened £4.1 billion to £28.6 billion in the twelve months to December 2018, mostly due to a low trade balance in services.[14] According to a report of the European Commission, the business confidence Index increased from 108.8 in 2016, to 112.4 in 2017, while the Consumer Confidence Index remained stable between 2016 and 2017 (62% of the GDP). It is expected to stay around this value in 2018-2020.

Between 2014/15, according to the OECD, the UK recorded 1,988 FDI inflow projects (12% up from the previous year), and more than 80,000 new jobs were created. During the same year, the total FDI stock amounted to £1 trillion, confirming the UK as a top destination, among European countries, for direct foreign investments.[15]

Despite the objective fact that the UK economy has proved and still proves to be fairly resilient, Brexit had an unquestionable impact on the FDI inflow, starting with 2016.[16]

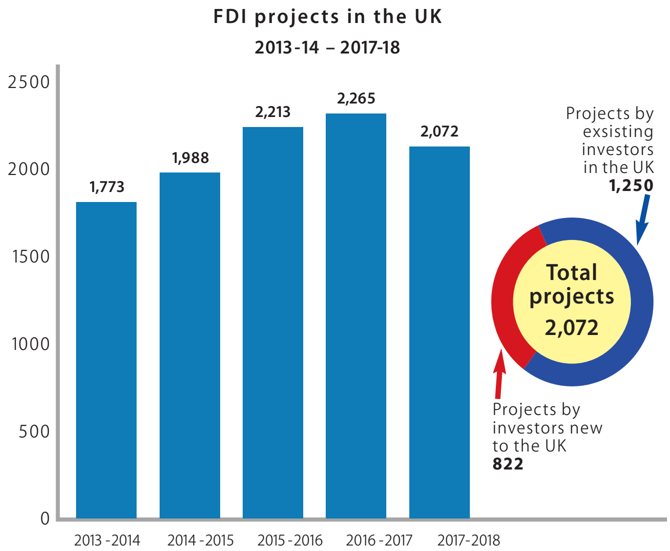


Figure 14: FDI projects in the UK.
Source: DIT.

The loss of FDI in the UK favoured other European countries, like Luxembourg (+121%), France (+48%), Netherlands (+24%), Belgium (+19%), Spain (+19%) and Ireland (+6%) in 2017.

As shown in the **(Figure 13)** the FDI inflow is not consistent across all the country.[17]

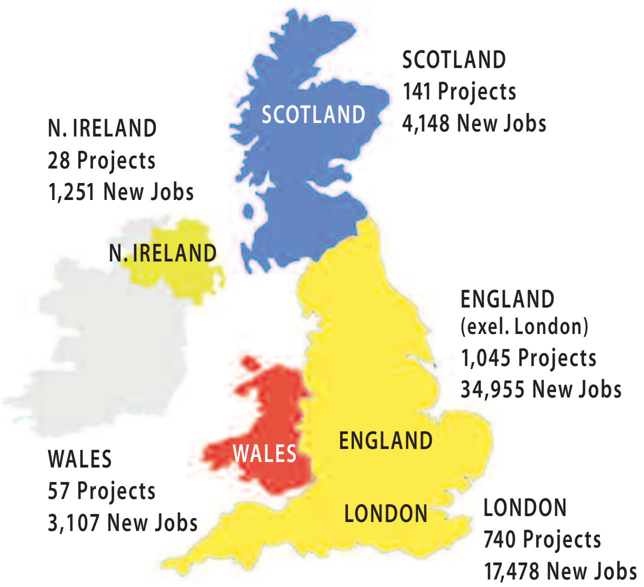
In 2018, London alone have accounted for almost 42% of all FDI inflows received in England. Regarding the rest of the county, the south received the most of FDI projects, followed by the central, and ultimately, the north, which received the least number of FDI projects. Outside England, Scotland received 141 FDI projects, becoming the second largest recipient for FDI in UK, and at the second place was Wales. UKTI records that over 70 countries and territories have chosen UK as a top destination for their investments.

In terms of individual countries, rather than economic grouping and/or sub-regions, USA remains the largest source. Though its FDI projects (about 564 in 2014/15) decreased to 514 in 2016/17 (about 25,000 jobs created) USA remains the top investor country.[18]

13 Office for National Statistics.
14 ONS 2018.
15 UNCTAD – World Investment Report 2016.
16 UKIT Inward Investment Report 2017-2018.

17 Inward Investment Report 2014/15, UKIT 2016/17.
18 Inward Investment Report 20 n14/15, UKIT 2016/17.

NEW PROJECTS AND JOBS FROM FDI



ENGLISH REGIONS	FDI	NEW JOBS
North East	69	2,379
North West	139	3,689
Yorkshire and The Humber	107	4,623
East Midlands	72	3,714
West Midlands	171	9,424
East of England	94	2,235
London	740	17,478
South East	294	5,238
South West	99	3,653

Figure 15: Distribution across the UK. **Source:** Inward Investment Report UKIT, 2018.

TYPE OF INVESTMENTS PROJECTS	2013-14	2014-15	2015-16	2016-17	2017-18	% change
New investment	820	1,058	1,130	1,237	1,179	-5%
Expansions (including retentions)	677	740	821	822	714	-13%
Mergers & Acquisions (including joint ventures)	276	190	262	206	179	-13%
Total projects	1,773	1,988	2,213	2,265	2,072	-9%

Table 1: Types of foreign direct investors (UK). **Source:** DIT.

France (the second largest source, with 124 projects in 2014/15, generating 5,584 new jobs) was in 8th place in 2017. Whereas, China ranked almost on a par with Germany in 2017.

Data show that Italy ranked consistently between 7th and 6th place between 2014 and 2017 **(see Table 2 for 2017).** Italy is one of the top 10 countries to invest in UK. **Tables 3 and 4** show the weight of different goods imports and exports in 2018.

It is evident the importance of the automotive and aerospace sectors, together with the pharmaceutical one, the second largest industry in UK along with chemical. Note that British Aerospace is the largest industry in Europe in the sector.

	Country	Investment 2016/17
1	United States	514
2	Germany	127
3	*China	125
4	India	120
5	Japan	116
6	Italy	99
7	**Australia	95
8	France	94
9	Netherlands	56
10	Spain	54

* (inc. Hong Kong) ** (inc. New Zealand)

Table 2: Top ten investor countries in the UK 2016-2017.
Source: FDI projects.

TOP 10 UK GOODS EXPORTS IN 2018, SEASONALLY ADJUSTED

Rank	Commodity (SITC division)	Division	Value in 2018 (£ billion)	% of total goods exports
1	Cars	78m	33.3	9.5%
2	Medicinal & pharmaceutical products	54	24.7	7.1%
3	Mechanical power generators (intermediate)	71m	34.7	7%
4	Crude Oil	330	20.2	5.8%
5	Aircraft	792	15.2	4.3%
6	Refined Oil	33R	14.0	4%
7	Non-ferrous metals	68	9.6	2.7%
8	Scientific instruments (capital)	87k	9.3	2.6%
9	Miscellaneous electrical goods (intermediate)	771	9.2	2.6%
10	Organic chemicals	51	9.1	2.6%

Table 3: Main UK goods exports, 2018. **Source:** ONS UK Trade, March 2019.

TOP 10 UK GOODS IMPORTS IN 2018, SEASONALLY ADJUSTED

Rank	Commodity (SITC division)	Division	Value in 2018 (£ billion)	% of total goods imports
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2	Medicinal & pharmaceutical products	54	24.7	5.0%
3	Refined Oil	33R	22.7	4.6%
4	Mechanical power generators (intermediate)	71m	20.6	4.2%
5	Clothing	84	19.9	4.1%
6	Crude Oil	330	19.7	4%
7	Telecoms & sound equipment (intermediate)	76k	19.3	3.9%
8	Miscellaneous electrical goods (intermediate)	771	16.1	3.3%
9	Road vehicles other than cars (intermediate)	781	14.3	2.9%
10	Other manufactures (consumer)	890C	13.3	2.7%

Table 4: Main UK goods imports, 2018. **Source:** ONS UK Trade, March 2019.

A note is due for the Financial Services sector: it is ranked as a top attractive sector for FDI – and one of the most internationally focused financial marketplaces in the world. This was thanks especially to its incomparable concentration of capital and capabilities; a regulatory system that is effective (fair and principled), allowing overseas financial institutions and investors to choose to do business in, and with, the UK instead of other countries.

The recent fall in investment in the financial services and business services sectors provides direct evidence of the impact of Brexit. In 2017, the UK experienced a fall of 26% in financial services projects from 106 to 78 despite a 13% growth in this sector across Europe. Investment in business services in the UK, traditionally one of the country's strongest sectors for FDI, remained stable around 170 projects in a European market that grew by

12%. Brexit's impact on UK FDI is also likely to be one of the factors causing the fall in HQ investments in 2017. Projects into the UK were down by 25% in 2017.[19] Furthermore, because of Brexit, the European Banking Authority (EBA), based in London, is being relocated in Paris.

The UK's success in attracting foreign investment derives from the free access guaranteed to worldwide investors; as well as a competitive business environment characterised by a range of facilitating factors: easy setting-up of procedures and financing; a world-class legal system; and a comprehensive labour regulation.

Rank	Product	Value in 2018 (£ billion)	Growth 2010-18 %
1	Precious stones and metals & imitation jewellery.	35.6	84.3%
2	Motor vehicles.	41.3	68.7%
3	Aircraft, spacecraft and parts thereof.	14.9	68.3%
4	Works of art, collectors' pieces and antiques.	5.4	59.2%
5	Machinery and mechanical appliances.	54.3	44%

Table 5: Fastest growing UK exports of goods 2010 - 2018.
Source: DIT, May 2019.

Rank	Type of service	Value in 2018 (£ billion)	Growth 2010-18 %
1	Insurance and pension services.	19.6%	6.3%
2	Telecommunication, computer and information.	20.8	4.4%
3	Financial services.	61.4	4.4%
4	Travel services.	38.9	2.0%
5	Transportation services.	30.2	1.7%

Table 6: Fastest growing UK exports of services between 2017-2018.
Source: DIT, May 2019.

UNITED KINGDOM STRENGTHS

Flexible labour market, highly skilled workforce.
[20] Favourable Tax System (tax rates decreased from 24% to 21% by 2014 and 20% by 2015).
Democratic political system and strong financial system.
A solid support and valid initiatives for SMEs.
Facilitated trade and investment incentives in key industries.
One of the top ten manufactures in the world, including ICT and innovative business industry.
Deep talent pool and strengths in advanced engineering, technology and services.
High quality education (among the top 5 ranked Universities in the world).
High standards of corporate governance.

[19] In Transition; EY's Attractiveness Survey UK, June 2018.

[20] Research and Development (R&D) Relief is a Corporation Tax relief that may reduce your company tax bill by receiving a tax credit.

Italian Investment analysis by main industries.

Chapter 3

THE ITALIAN CHAMBER
OF COMMERCE
AND INDUSTRY
FOR THE UK

ENERGY

3.1

Energy is an important and highly revenue-generating industry in the UK. According to the data collected through the research, it represents a growing sector for the Country from different points of view; employment, investments and production, especially in the renewable energy.

ENERGY SECTOR IN THE UK 2017

- 2.9% of GDP (+0.1% on 2016).
- Employment +2.8% on 2016 (181,000 reached, 6.3% of all industrial employment).
- Investment £18.7 billion (+0.6% on 2016).
- Imported energy 36% (down sharply due to increases in indigenous oil and gas output and to renewables).
- Renewables are 29.3% of electricity generation (+10% on 2014).
- 15 active nuclear reactors (9 GW), 4 more planned.

In regard to the trend of the energy industry period, oil and gas extraction has been the major energy contributor to the UK economy since the 80's. Considering the last four years, the following picture shows that between 2015-2016 oil production increased while in 2017 it fell (since oil prices increased, the oil and gas sector remained anyway the second largest energy economic contributor).[1]

Regarding 2018, the total energy production in the third quarter of the year was 0.7% higher than in the third quarter of 2017.

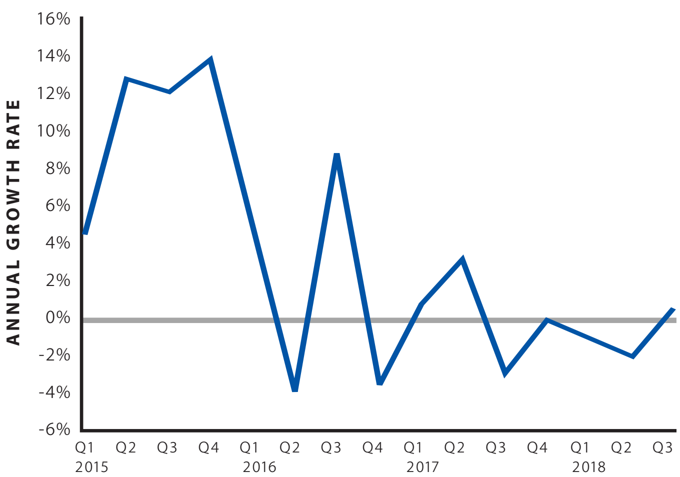


Figure 1: UK total energy production (annual growth rate).
Source: Department for Business, Energy & Industrial Strategy.

When it comes to UK energy import and export, the UK became a net energy importer in 2004. In 2013 even imports of petroleum products exceeded exports due to the closure in 2012 of the Coryton refinery, the UK's largest independent oil refinery.

As acknowledged in the UK Energy Report 2018 of the UK Department for Business, Energy & Industrial Strategy (BEIS), the UK remains a net importer of all main fuel types.

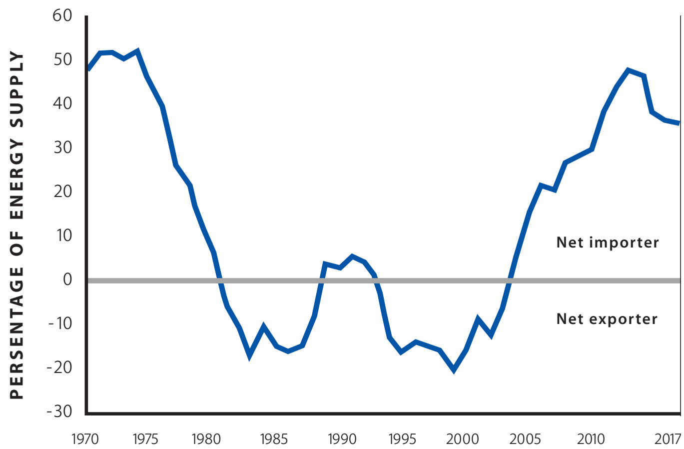


Figure 2: Import dependency.
Source: Department for Business, Energy & Industrial Strategy.

[1] Department for Business, Energy & Industrial Strategy – Energy Trends December 2018.

In 2018 the UK net import dependency was 31.8%, 4.2% less than in 2017. Latest comparable data from Eurostat, for 2016, show that the UK had the seventh lowest level of import dependency in the EU.[2]

In order to give a comprehensive overview of the UK energy industry, it is important to know where the UK energy imports come from. **Figure 3** shows the main origin countries of crude oil and natural gas for 2017.

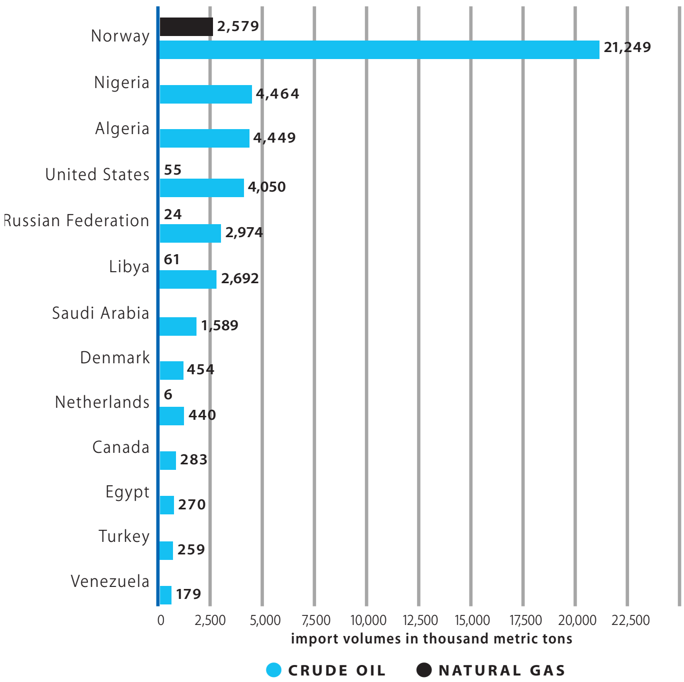


Figure 3: Origin countries of imported crude oil and natural gas liquids to the UK in 2017 (in 1,000 metric tons).
Source: The statistic Portal.

80% of the UK's 25 million homes are powered by gas – and around a quarter of the country's electricity is generated by gas-fired power stations. The UK currently produces enough gas to meet almost half of its needs (44%) from the North Sea and the East Irish Sea.

It also imports 47% of the gas via pipelines from Europe and Norway. The remaining 9% comes by tankers in the form of Liquefied Natural Gas (LNG).

The creation of an efficient distribution network of electricity remains a strategic opportunity for international investors.

The roll-out of smart meters (53 million planned by 2020) has incurred major delays (about 13 million installed to date). Nuclear plants provide about 21% of the total electricity, but almost half of this capacity is to be retired by 2025.

As mentioned before, renewables are progressively gaining importance in the UK energy mix. Although the renewables' share of generation fell slightly between 2015 and 2016 due to the exceptional poor weather conditions, in 2017 it reached a record high throughout the UK.[3] The UK maintains its commitment to reduce greenhouse gas emissions by 80% by 2050, relative to 1990 levels, and as of 2018 it is in line to achieve that goal.

	SCOTLAND	WALES	N. IRELAND	UK
2014	38.1	9.6	21.6	19.1
2015	42.4	13.7	25.5	24.6
2016	42.8	12.3	25.3	24.5
2017	51.7	20.0	34.0	29.3

Table 1: % shares of renewable generation 2014-2017.
Source: Department for Business, Energy & Industrial Strategy.

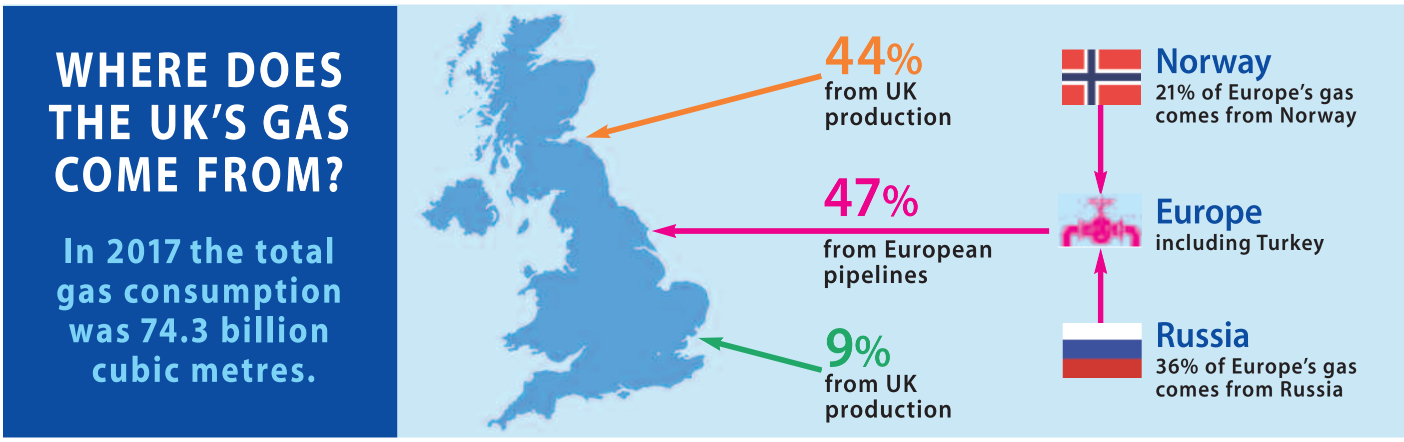


Figure 4: Where does the UK'S come from? **Source:** BEIS.

[2] Department for Business, Energy & Industrial Strategy – UK Energy in Brief 2018.

[3] Department for Business, Energy & Industrial Strategy – Energy Trends December 2018, page 70.

Regarding the UK's relationship with the EU in the energy sector, it is worth considering that the UK is currently a member of the EU internal energy market (IEM), which allows harmonised, tariff-free trading of gas and electricity across Europe, leading to lower prices and greater security of supply.[4] Uncertainty caused by Brexit, surrounding commercial, regulatory, and operational impacts, will likely bring new stages of planning. Definitely, the UK is open to dialogue with the EU on their future relationship and, according to reports in the Government's July 2018 White Paper, UK wants to *"explore with the EU the options for the future energy relationship. One option would be for the UK to leave the Internal Energy Market (IEM). In this case, the UK would explore what would be needed to ensure trade over interconnectors would continue without automatic capacity allocation via the IEM system.*

Also an alternative option would be for the UK to participate in the IEM to preserve the existing efficient trading practices over interconnectors."[5]

[4] House of Commons Library, Brexit: Energy and Climate Change, page 10.

[5] House of Commons Library, Brexit: Energy and Climate Change, page 16.

IMPORT & EXPORT ITALY-UK

3.1.1

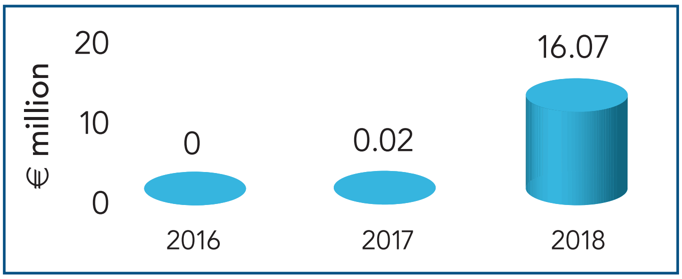


Figure 5: Italian imports from UK – Energy sector.
Source: InfoMercatiEsteri, Scambi commerciali (Regno Unito).

The data collected by InfoMercatiEsteri's report show that both Italian exports to the UK and imports from the UK maintain sufficiently stable flows however in 2018; Italian imports from the UK in Energetical products increased considerably.

These changes are mainly due to the rise in prices on world markets, as the imports in net mass remained relatively stable. Among the most important Italian subsidiaries operating in the UK's energy sector, some typical examples are:

Falck Renewables Ltd. Since 2014 Falck Renewables strengthened the Service Sector by the acquisition of 100% of Vector Cuatro Group. In the first semester 2017, Falck Renewables S.p.A. accounted for a turnover of €141 million (+9.6% compared with the same period in 2016) while the profit was €2.8 million with an increase of 42% compared with the same period in 2016.[6]

Turnover: £8,999,000
Total income: £138,577,000

Source: Companies House – GOV.UK.

Ansaldo Energia S.p.A. is 59.9% owned by Cdp Equity in the Cassa Depositi e Prestiti Group, an Italian state-owned entity which has been promoting the country's economy since 1850, and 40% by Shanghai Electric, the world-leading producer of power generation machinery and mechanical equipment.

Ansaldo Energia currently employs over 4,500 people and has an international presence through local companies. In the UK Ansaldo Energia S.p.A. is present with **Ansaldo Nuclear Ltd,** incorporated in 2003, which operates in the domestic and international nuclear markets. In 2017 Ansaldo Nuclear Ltd counted a total workforce of 283 employees with a turnover of £37 million (+10.75% on 2016).[7]

Turnover: £37,091,432

Source: Companies House – GOV.UK.

Eni Group in 2017 closed with a net profit of €2.4 billion reverting the loss incurred in 2016.

Eni has been present in UK since 1964 and currently it holds interests in four production areas of which Liverpool Bay is operated by Eni with a 100% interest and the Hewett Area is operated with an 89.3% interest.

The other non-operated fields are Elgin/Franklin (Eni's interest 21.87%), Glenelg (Eni's interest 8%), J-Block & Jasmine (Eni's interest 33%) and Jade (Eni's interest 7%).

Considering some of Eni's activities in the UK, in 2017 it completed its well operations in the Elgin Franklin field with production following at the end of the same year. Moreover Eni, through its subsidiary ETS, markets in the UK the equity gas produced at its fields in the North Sea and operates in the main continental natural gas hubs.[8]

Terni Energia, established in 2004, is the first italian smart energy company. It is listed on MTA of Borsa Italiana and it is part of the Italeaf Group. Through its subsidiaries Softeco, Sismat, Greenled Industry, GreenAsm, Purify, Wisave, Ant Energy, the company aims to achieve the objective of increasing energy production from renewable sources, energy efficiency and emissions reduction, in line with the European environmental laws.

In accordance with this, in 2017 Terni Energia approved the strategic guidelines for the 2018-2020 policy.

6 https://www.falckrenewables.eu/attivita/le-fontirinnovabili/energia-eolica?sc_lang=en.

7 DueDil: Ansaldo Nuclear Limited.

8 https://www.eni.com/en_IT/company.page

The plan, with expected revenues of €22 million, aims to define by 2020 the Group's new identity as a "global technology enabler" for energy and environmental efficiency. [9]

Saipem was founded in 1957 as services provider for Eni Group. In 1969 it started operating independently and it represents today one of the world leaders in the oil and gas services, especially in the offshore engineering and construction sector.

In 2017 the company closed with revenues of €9 billion while, for the first nine months of 2018, the revenue was €6,098 million (slightly less than 2016 for the same period).

Saipem, although their the UK subsidiery dissolved in 2015, keeps operating the UK energy sector of the North Sea with **Saipem 7000** (one of the most technologically advanced vessels in Saipem's fleet).

In 2017 Saipem was commissioned to transport and install the offshore platform and substations for Dong Energy's *Hornsea Project One* offshore wind farm off the UK's East Coast. [10]

[8] https://www.eni.com/en_IT/company.page
[9] https://www.ternienergia.com/
[10] http://www.saipem.com/sites/SAIPEM_it_IT/home/saipem-homepage.page
[11] http://www.rosetti.it/
[12] https://greennetworkenergy.co.uk/it/

Rosetti Marino S.p.A. based in Ravenna, is an Italian company that provides integrated services to several industrial sectors including Oil & Gas, Renewables, Chemical, Power Generation, Shipbuilding and Superyachts.

Its global energy sector reached €230 million in 2018.

Incorporated in the UK in 2013 in 2018 the company announced it had been awarded the EPCIC contract, which will start in 2020, for the Tolmount Field development project in the UK southern North Sea. [11]

Green Network Energy, founded in 2003 and based in Rome, invests in renewable energy technology and it is active also in the natural gas market. The Group opened in the UK in 2013 and represents basically the first Italian gas and power supplier stepping into the UK market.

In November 2017 Green Network Energy UK acquired the energy branches of Tradeinv Gas & Energy and Energrid, both with a 2017 turnover of €500 million. In 2018 the company signed an agreement for the acquisition of Burgo Energia. [12]

Turnover: £34,028,086
Gross Profit: £1,717,469

Source: Companies House – GOV.UK.

GREEN NETWORK ENERGY: "The Italian Touch" painted in Green

"To set-up a business in the UK you need to be motivated and work hard."

Why did you decide to invest in the United Kingdom?

Our journey into the UK started in 2013, when we decided to move our trading desk to London. In the first 3 years, we carefully observed the sales market and it immediately seemed like a market worth investing in.

It's a dynamic market, always ready to welcome the 11 whole bureaucratic machine.

We started our sales activities in November 2016. In just 12 months we served 200,000 measurement points and in 2018, we further doubled. Today, we serve around 450,000 customers for gas and electricity: something unthinkable in other countries. Of course, this market also has its shortcomings.

2018 was characterised by unsustainable competition from unscrupulous sales companies that of course went bankrupt. This caused quite a few problems to the system. But I admit that the regulator is prepared and careful in solving this problem and in modifying the rules to avoid future ones.

What insights and strategies have you introduced in order to thrive in the UK market?

Dexterity and passion. To set-up a business in the UK you need to be motivated and work hard. But this is a very competitive market. Without capability you can only survive a few months.

Our international programme began after more than ten years' experience in the retail business. We started the company by bringing the best talent from our parent company and employing highly qualified people from the UK. Shifting our talents from the Italian business was a tough but reasoned decision we took.

What is your company strategy in the face of Brexit?

Even if the United Kingdom leaves Europe, Green Network will not leave the UK. There is no doubt about this!

Ours is a local business and whatever the result of Brexit, nothing will change for us. Our concerns are related to this transitory moment of deadlock.

Firstly, the climate of uncertainty on the markets has grown and made the exchange rate variable. Our business is not affected by exchange rate risk, but we consolidate the financial statements in Italy with a continuous fluctuation of results.

However, this is a small problem compared to the mistrust that is slowing down migration from Continental Europe to the UK. Therefore, there's great interest on our part in understanding what will happen regarding the free movement of workers.

We are looking for talent: we are not interested in nationality. We're sure that inside or outside Europe, once the decision is made, uncertainty will vanish. The UK will continue to welcome anyone who wants to be involved and above all work.

It's in the DNA of the British!

How do you differentiate yourself from your competitors?

Quality and digital innovation. Our strategy is not to be a low cost/low quality service company.

We are making huge investments in digital innovation to better serve our customer in a 'smart' way. We are the only supplier outside the Big 6 with a fully integrated Salesforce. From the CRM to marketing solutions.

What insight would you offer Italian organisations in order to become internationally successful?

Besides what I already mentioned above #2, our advice is to be humble. Being conceited because of the success of your business in your home country is the worst approach you can have when entering a new market.

Things can be very different: your expertise counts but it can also cloud your sight!

Sabrina Corbo,
Green Network Energy:
Owner & Executive Vice-President.

AEROSPACE & DEFENCE

3.2

The UK Aerospace and Defence industry is the largest in Europe and second largest in the world after the USA and it accounts for 17% of the global market share.

AEROSPACE SECTOR IN THE UK 2017

- Sector's productivity: 3% of the UK economy.
- 120,000 direct employees and 118,000 jobs indirectly.
- Turnover of £31.8 billion (+ 39% on 2012).
- Investments of £3.9 billion in R&D allocated for the Aerospace Technology Institute (ATI).

The aerospace industry in the UK is in reasonably good health at present and, as the graph below shows, since the 2008 financial crisis it has seen almost continuous growth reaching +23% from 2010. [13]

AEROSPACE INDUSTRY ECONOMIC CONTRIBUTION 1990–2016

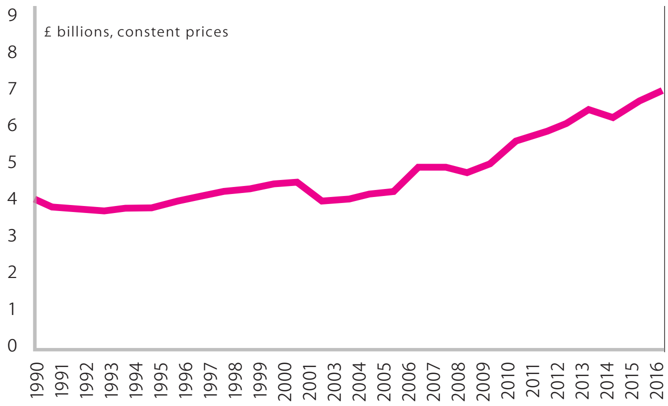


Figure 6: Aerospace industry economic contribution, 1990-2016.
Source: House of Commons.

It is also important to highlight that this sector is very R&D based attracting a vast pool of investment by companies and institutions. During the last edition of the Farnborough International Airshow in 2018, Prime Minister, Theresa May and the senior cabinet Minister Gavin Williamson announced, for the future, R&D and innovation projects in this sector worth £343 millions.

At the same occasion it was also announced the Civil Aerospace Sector Deal, an ambitious project to strengthen, through a concerted effort, the relationship between Government and Aerospace Industry.

This deal should aim to give the UK an important role in the hybrid-electric emerging global markets and to exploit related new markets, like drones and Urban Air Mobility vehicles.

The deal has also the goal to push the industry to introduce a Women in Aviation and Aerospace Charter to increase diversity and inclusion in the sector.

All the activities included in the deal aim to support the government's ambition to increase cross-sectoral investments by £2.3 billion in 2021-2022, as well as bringing the R&D spend to 2.4% of GDP by 2027. [14]

Regarding the Defence sector, the UK is the fourth largest exporter after the US, France and Germany.

In 2017 the security exports reached £4.8 billion (+12% on 2016) while exports in defence were £9 billion (up 53% on the 2016 total). [15]

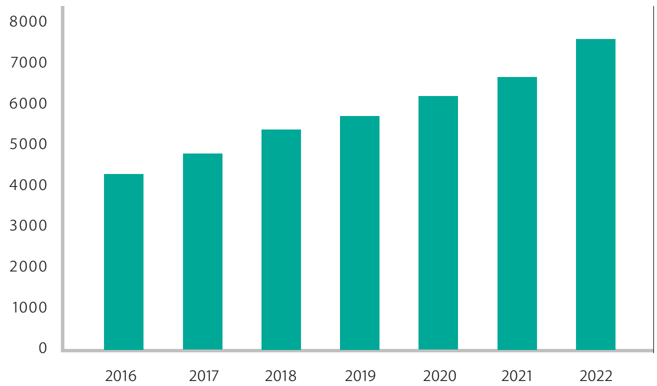


Figure 7: UK Security Export 2017 and forecast to 2022.
Source: Department for the International Trade.

13 House of Commons, The aerospace industry: statistics and policy 2017.

14 Department for Transport: Aerospace Sector Deal 2018.

15 Department for Transport: UK defence and security export statistics.

The sole aerospace industry represents the UK's eighth largest export sector, with Germany, France and the USA being today the main markets. A fast growth is found also towards South Korea, Saudi Arabia, Italy, France and Spain. Looking at the regional picture for UK aerospace exports, the graph below shows that Europe remains the UK's biggest trading partner, with a 46.3% share.

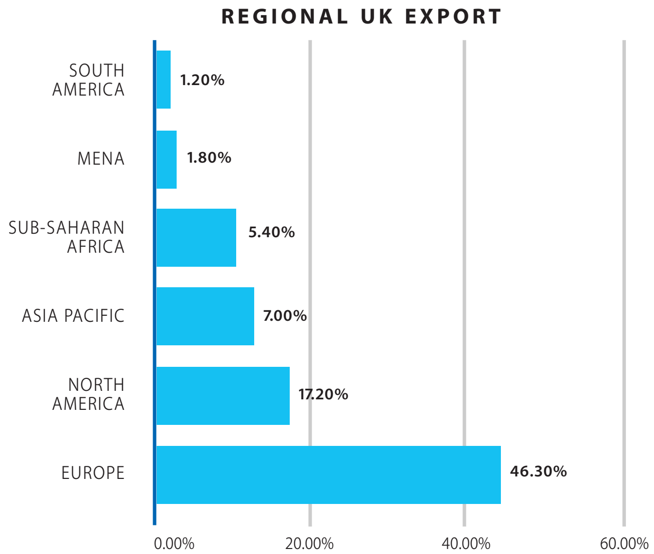


Figure 8: Regional Aerospace Export UK's Destinations.
Source: Industry Europe.

However, the fastest growing market is Asia Pacific, where exports are expected to grow at 3% a year to 2021 while the second one is South America, where UK exports are expected to grow by around 0.5% annually until 2021. [16]

The uncertainty around Brexit has already had an impact on the UK economy. Since the Brexit referendum bill, there has been in fact a marked drop in capital investment in the UK, creating a gap of around £22 billion.

If this under-investment continues it could cause significant and lasting damage to the UK industry. Specifically, for the UK's aerospace industry, another key concern is what might happen in 2020. Britain might in fact lose its membership of the European Aviation Safety Agency (EASA) due to the uncertainty that Brexit could create about the legal status of UK-certified aircrafts. Airbus, in its latest Brexit impact assessment, has described this eventuality as potentially 'catastrophic'.

In order to avoid that, it is likely that a deal will be struck allowing the Civil Aviation Authority (CAA) to continue to work closely with EASA, ensuring that British-made aircrafts and aircraft parts can continue to fly safely through European and international air space.

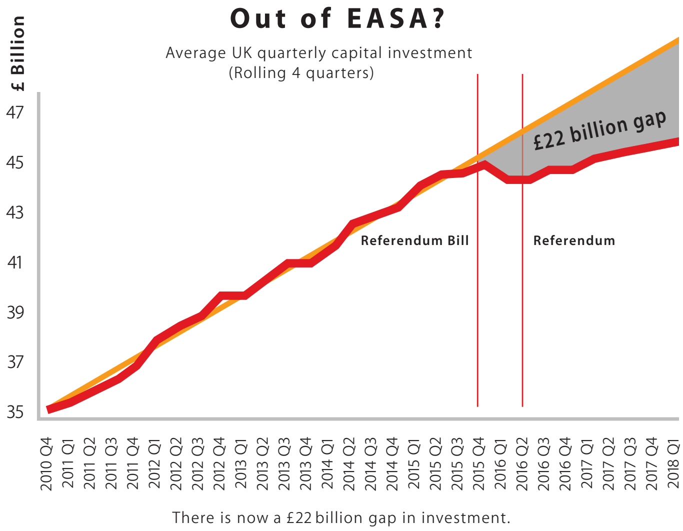


Figure 9: Out of EASA?
Source: Office for National Statistics 2018.

Brexit could also disrupt UK-based innovation in the sector, as EU funding for research and development programmes could be cut. According to ADS (Aerospace, Defence, Security & Space), in the latest call for space projects under FP7,[17] around 80% of successful bids included a UK partner and around 24% were led by one. In total, these partners benefitted from approximately 23% of the funds available under the programme.

If the UK remains part of the EU, it could expect to benefit from a further €2.5 billion by 2021.

Post-Brexit, any gap in funding is unlikely to be filled by the UK Government. Without a significant intervention from the private/public sector, it is feared that this situation could begin to erode the UK's position as a leading player in the global aerospace industry.

Additionally, Brexit could call into question the UK's involvement in the ongoing Clean Sky initiative. UK-based innovators of technologies designed to deliver quieter and more environmentally-friendly aircraft could lose out in the future or could be forced to consider re-locating elsewhere. [18]

16 Industry Europe: Aerospace UK's second fastest growing export sector.

17 FP7: A European Union's Research and Innovation funding programme for 2007-2013 (The current programme is Horizon 2020. But there are many projects funded under FP7 which are still running).

18 Royal Aeronautical Society: Brace for impact? Brexit and the UK aerospace supply chain.

IMPORT & EXPORT ITALY-UK

3.2.1

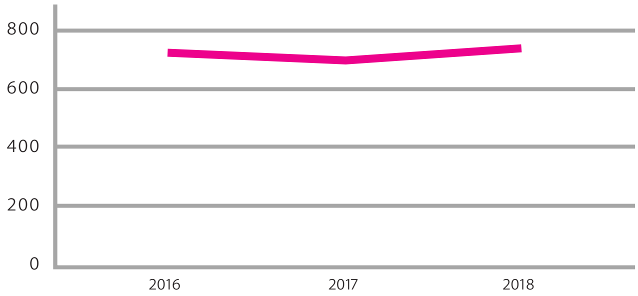


Figure 10: Italian export to UK – Aerospace sector (€ million).
Source: Info Mercati Esteri, Scambi commerciali (Regno Unito).

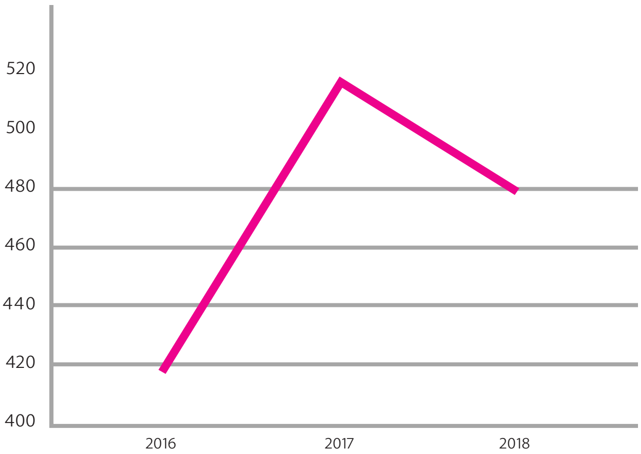


Figure 11: Italian import from UK – Aerospace sector (€ million).
Source: Info Mercati Esteri, Scambi commerciali (Regno Unito).

The data collected by Mercati Esteri's report show that both Italian export to the UK remained fairly stable inside 3% between 2016-2018 and import from the UK was sufficiently stable in 2018 after an increase of 20% in 2017.

In 2018 Italian export to the UK in Aerospace products was 3.12% of all UK imports, while Italian import from the UK in Aerospace products was 4.27% of all UK exports.

Among the most important Italian subsidiaries operating in the UK's aerospace and defence sector there are:

Leonardo S.p.A. was born as Finmeccanica in 1948. After sixty-eight years, in 2016 Finmeccanica rebranded as Leonardo S.p.A. Leonardo represents one of the world's leading suppliers of helicopters, aircrafts, aeronautics and defence systems.

The company, headquartered in Rome, is 30.2% owned by the Italian government through the Ministry of Economy and Finance, appearing as its largest shareholder. The Company ranks among the top ten global players in the Aerospace, Defence and Security industry establishing an important network of partnerships worldwide.

Leonardo is one of the largest investors in the defence sector of the UK and one of the biggest suppliers of defence equipment to the UK Ministry of Defence (MoD). The company generates exports worth around £1.3 billion to the UK economy every year and invests around £200 million in the UK (around 10% of turnover) in Research and Development. In 2018 Leonardo was one of the strongest players at the last edition of Farnborough International Airshow.[19]

LEONARDO S.p.A. 2017.
Present in 20 countries.
Total sites: 170 (6 of the main ones based in the UK).
Employees: 45,134.
Revenue: €11,500 million.
Investments in R&D: €1,500 million.
Turnover (2016): £4,000,243.

[19] www.leonardocompany.com

AgustaWestland are a helicopter design and manufacturing company. In 2016 it merged with Leonardo, where it became the company's helicopters division under the Leonardo Helicopters brand.

Recently Leonardo Helicopters were awarded a contract by the UK MoD to provide the Apache AH Mk.1 Attack Helicopter fleet with comprehensive support and maintenance services.

The Apache Integrated Operational Support (IOS) contract will start on April 2019 until 2024 and it is valued at approximately £293 million.

Selex ES was a subsidiary of Finmeccanica S.p.A. it specialised in the electronics and information technology business. Since 2016 its activities have merged into Leonardo.[20]

[20] http://www.us.selex-es.com/

CHEMICAL & PHARMACEUTICAL

3.3

In the international panorama, the pharmaceutical sector is certainly one of the most important industry and with the highest productivity and growth. Internationally, the UK represents and remains a global cluster.

C&P SECTOR IN THE UK 2017

- Turnover of £59.5 billion.
- Contributes 1% of the UK's output and 7.7% of manufacturing GVA.[21]
- Employees: overall 640,000 people, directly and indirectly. Directly employing more than 113,000 people in the sole pharmaceutical sector.[22]
- 3,640 Companies.
- Over £6.3 billion of investments in R&D.
- 8.2% of goods exported from the UK.[23] ◆ 5.3% of goods imported to the UK.

The pharmaceutical sector adds in fact £15 billion of value to the UK economy every year. The sector is a mixture of large UK headquartered firms, manufacturing and research sites, SMEs and microbusinesses that produce generic and over-the counter medicines for UK consumers and for a global market.[24]

In the 2017 investment plans for the industry the UK government has committed around £4.7 billion to support R&D and innovation, a first step of the ambitious project of boosting overall R&D spending to 2.4% of GDP by 2027. Most of this amount is being directed to the country's Research Councils and around £725 million is being earmarked to support the Industrial Strategy Challenge Fund (ISCF).[25]

UK has also been involved, from 2012 to 2017, in the project CHEM21, the Europe's largest partnership dedicated to the development of manufacturing sustainable pharmaceuticals and green chemistry. The total project of (£21.2 million) has been led by The University of Manchester and the pharmaceutical company GlaxoSmithKline.[26]

With regard to the UK pharmaceutical import and export main markets, the collected data show that EU represent the most important UK commercial partner. In 2017 the UK pharmaceutical exports were worth £24.9 billion while imports £24.8 billion, representing respectively 44% to the EU and 73% from the EU.

Given the relevance of the EU in the UK trade balance, the Government should prioritise continued friction free access to the EU market, and the roll-over of existing free trade agreements, over securing new third country agreements.[27]

21 House of Commons: The impact Of Brexit on the pharmaceutical sector 2017-19.
22 House of Commons: The impact Of Brexit on the pharmaceutical sector 2017-19.
23 House of Commons: The impact Of Brexit on the pharmaceutical sector 2017-19.
24 House of Commons: The impact Of Brexit on the pharmaceutical sector 2017-19.
25 Industrial Strategy: UK Research and Innovation.
26 Chem21: Pharmaceuticals and Universities working together on multi-pound project.
27 Parliament Business: The impact Of Brexit on the pharmaceutical sector.

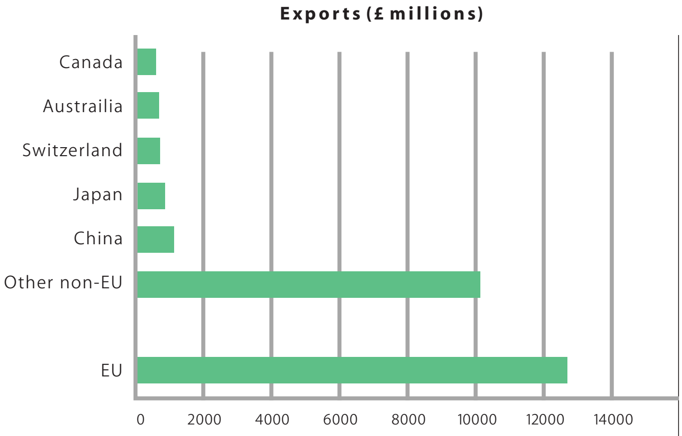


Figure 12: UK Trade in pharmaceutical and medical products 2017.
Source: HMRC, UK Trade Info, SITC Code 54.

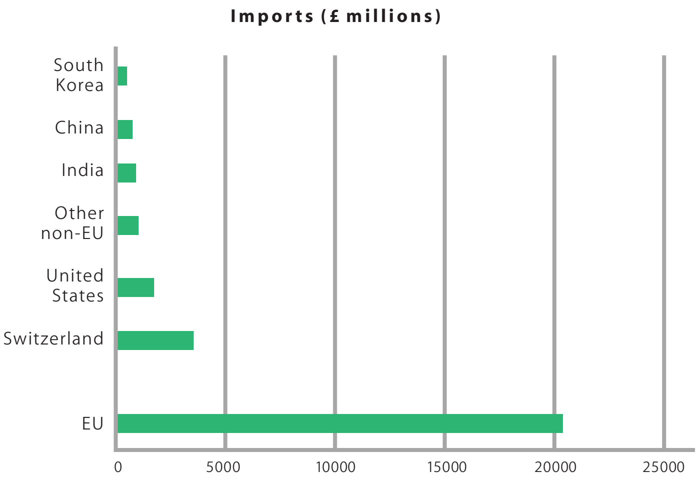


Figure 13: UK Trade in pharmaceutical and medical products 2017.
Source: HMRC, UK Trade Info, SITC Code 54.

Leaving the EU without a deal for pharmaceuticals would risk a hugely damaging effect on the sector in the UK, as access to markets diminish, including £11.9 billion of exports and more than 446 million potential patients and consumers in the EU.

UK may definitely become a less attractive location to launch new medicines if there will be a reduction of the access to pharmaceutical products coming from the EU.[28]

[28] House of Commons: The impact Of Brexit on the pharmaceutical sector 2017-19.

IMPORT & EXPORT ITALY-UK

3.3.1

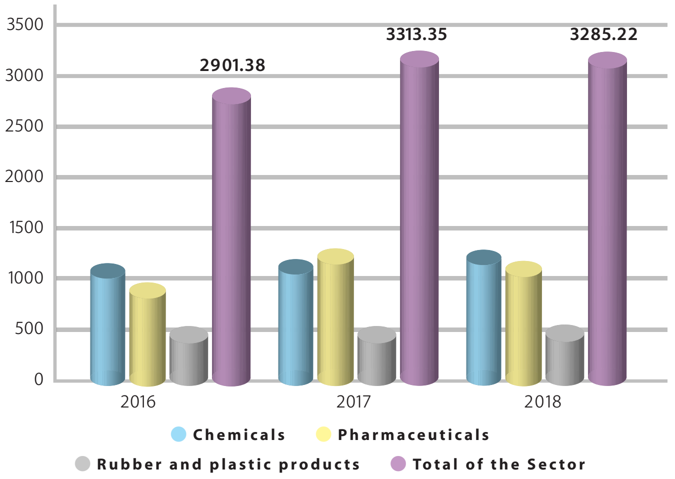


Figure 14: Italian export to UK – Pharmaceutical sector (€ million).
Source: Info Mercati Esteri, Scambi commerciali (Regno Unito).

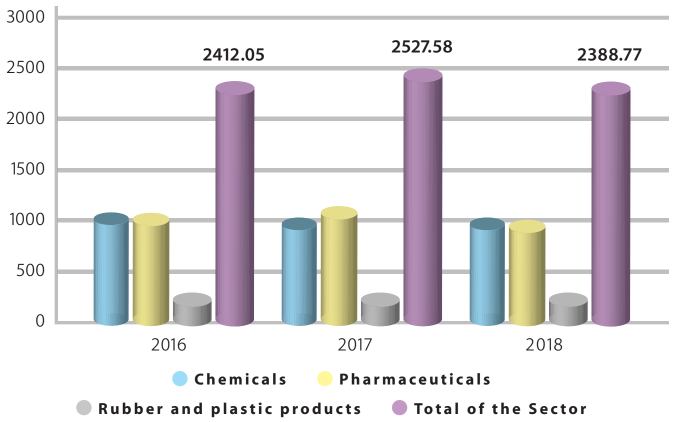


Figure 15: Italian import from UK – Pharmaceutical sector (€ million).
Source: Info Mercati Esteri, Scambi commerciali (Regno Unito).

The data collected by Mercati Esteri's report show that both Italian export to the UK and import from the UK maintain sufficiently stable flows.

In 2018 Italian export to the UK in Pharmaceutical products was 14% of total exports (6% more than 2017). Italian import from the UK in Pharmaceutical products was 21.21% of total imports from UK (9.27% more than 2017). Among the most important Italian subsidiaries operating in the UK's energy sector, some typical examples are:

Amplifon, founded in Milan in 1950, started providing hearing solutions for people experiencing hearing loss after the WWII. It is now the hearing care leader of the Italian market. **Amplifon UK Ltd** was incorporated in 2006.[29]

AMPLIFON HIGHLIGHTS 2017

Revenue: €1,266 million (+11.7% than 2016).

14,000 Employees.

Branches in 22 Countries and 8100 among direct point of sales, shop-in-shops & Corners.

141 branches and 64 hearing care centres in the UK.

10% market share.

Network expansion in Portugal and France.

Profit: £7,706,000.

Menarini Group, founded in 1886, is the leading Italian pharmaceutical group in the world and it ranks 13th among pharmaceutical companies in Europe and 35th among companies worldwide. The Group is divided in three sections: Menarini Ricerche, Menarini Biotech and Menarini Diagnostics. In 2017 the Group had a turnover of more than €3.6 billion and it counted more than 17,000 employees worldwide.

In 2018 the new R&D site of Menarini Biotech became operative, and established a UK Branch of its process development laboratories at the newly constructed Thames Valley Science Park in Reading. During 2019 the UK branch will double its current number of scientists and engineers; they are closely supported by a group of specialist outsourcing, regulatory and process development/technology transfer (TT) consultants.[30]

Turnover (UK & Ireland): £18,9444,848
UK Turnover: £16,818,134

Source: Companies House – GOV.UK,

29 https://www.amplifon.com/it/
30 https://www.menarini.com/

DRUG QUALITY COMES FIRST: MENARINI GROUP

"Innovation means seeking new technologies and investing in cutting-edge machinery for developing new and higher quality drugs."

Why did you decide to invest in the United Kingdom?

The UK is a reference market for pharmaceuticals both in Europe and worldwide and clearly having a presence in the UK is very important for Menarini.

Moreover, the NICE (National Institute for Health and Care Excellence) is one of the most influential healthcare bodies at global level, since its advices and guidelines are followed by many other countries and are based primarily on the quality of research evidence, in terms of efficacy, safety and cost-effectiveness.

A positive NICE recommendation definitely represents an important acknowledgement for our medicinal products.

What insights and strategies have you introduced in order to thrive in the UK market?

The UK market is very much an evidence-based environment with considerable focus on innovation to achieve clinical outcomes for patients.

Innovation comes in many ways. It can be system change, digital and care pathways together with the use of innovative medicines. Menarini introduced into the market medicines of highest caliber in areas of high medical need which are designed to achieve excellent patient outcomes and will be eager to collaborate with NHS in providing modern services both to the patients and scientific community.

What challenges has your business faced in the UK?

The UK is a very demanding market in all types of businesses always pursuing innovation through cycles of idea and relative experimentation. In this regard, the biggest challenge to ensure innovation is to find the right talents who need to be constantly taught and educated in order to develop the most efficient workforce to adequately face the challenges of the market.

What are the three most important aspects you focus on to ensure your company's growth?

1. Product development
2. Excellence in scientific education
3. Ethical compliance

For Menarini group and therefore for Menarini UK, compliance with the Law is more than just a mere statutory requirement, it's rather a proven corporate value.
Our commitment is to follow the laws and regulatory requirements that govern our business, this includes healthcare legislations, the rules and principles of ethics and professional conduct dictated by the professional associations and any law and regulatory requirements governing the research and development, manufacture, distribution, marketing, sale and promotion of all our products.

What advice can you share with Italian organisations looking to succeed in the UK market?

It is essential for Italian organisations to understand the issues surrounding corporate governance in the UK and also keep an eye to Brexit.

Whether its political uncertainty, economic uncertainty or what shape Brexit is eventually going to take, in planning business activities we never forget that both patients and their needs should be central.

As regards pharmaceutical environment, the NHS has launched a long-term plan to ensure the right management over the future of an ageing population looking for advances in medicine.

In this journey, the NHS is seeking partnership in many forms with the industries. Thus, Menarini keeps on supporting NHS services with the aim to gather real life data in the medical field and at the same time implementing novel clinical trial models fostering product development for the patients' health.

Francis Lynch,
General Manager, Irelnd and UK.

FOOD & BEVERAGE

3.4

Food & Beverage is the largest manufacturing sector in the UK. The collected data show that the industry remains a dynamic one for the Country.

F & B SECTOR IN THE UK 2017

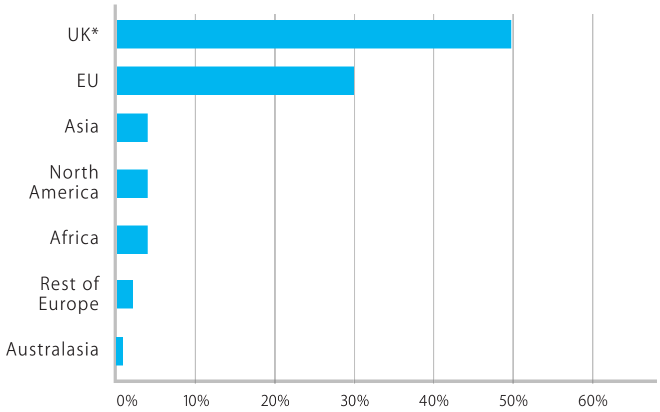
- Turnover £104 billion (19% of total UK manufacturing).
- Contributes £31 billion to the UK economy.
- Agri-food sector's contribution £113 billion (6.4% to national Gross Value Added).
- 450,000 employees (of which 103,000 from the EU).
- Exports record £22 billion (+1.9 billion on 2016).
- UK imports 48% of the food and drink it consumes (1).
- 97% of the 7000+ UK F&B businesses are SME's.

Food & Beverage is the sixth largest export sector of the country. According to forecasts by Wyelands Bank (founded in 1980 and focused to give financial support to SMEs), the industry will continue to represent a significant source of export growth for the UK over the next five years. The table below, obtained from the report of Wyelands Bank in collaboration with Global Trade Review (GTR), reveals in fact that food and beverage exports are expected to grow at 6.3% a year to 2021. This will be ahead of the aerospace, precious metals, automotive and pharmaceuticals sectors respectively.[31]

Rank (fastest growing)	Sector	Growth rate a year to 2021 (%)
1	Food and Beverage	6.30%
2	Aerospace	3.70%
3	Precious metals	2.30%
4	Automotive	1.70%
5	Pharmaceuticals	0.80%

Table 2: The UK's fastest growing export sectors.
Source: Food and Drink Network UK.

The following graph (referring to 2017) shows that the UK imports about half of its food and beverage products, especially from European countries.



**UK originconsists of UK domestic production minus UK exports.*

Figure 16: Origins of food consumed in the UK, 2017.
Source: Gov.UK.

Among them the most important five partner Countries are: Netherlands, France, Ireland, Germany and Italy.

Specifically, in 2017 EU food & drink exports to the UK was €32.2 billion while imports were €13.8 billion, with a

[31] Food and Beverage is the UK's fastest growing export sector; Ian Flaxman; October 2018.

KEY MEMBER STATE EXPORTERS OF FOOD AND DRINK TO THE UK (2017)

Member State	Exports to UK (£ billion)	Share of Members States' total exporters (%)	Rank of UK as export destination
Netherlands	5.6	9.5	4
France	4.6	9.9	3
Ireland	4.5	36.1	1
Germany	4.3	7.1	4
Italy	3	9.1	4
Belgium	2.9	9.2	4
Spain	2	6.4	4
Poland	2	9.3	2
Denmark	1.4	9.6	3
Greece	0.3	8.7	3

Table 3: Key Member State exporters of food and drink to the UK (2017). **Source:** Eurostat.

trade balance of €18.5 billion. Among the most prominent products exported to the UK wine occupies the first position, while spirits dominate the EU imports from the UK.[32]

When it comes to the new innovation challenge, which will involve also the food and drink sector, on January 2018 the UK Government launched its policy document: **"A Green Future: Our 25-Year Plan to Improve the Environment."** In line with this commitment, the UK Government has announced £60 million in new funding for sustainable packaging (this includes, potentially, transforming food scraps into plastic bags) and for developing smart labels on packaging in order to improve consumers' recycling behaviour.

Smart packaging and sustainability are certainly the right driver to revolutionise the UK food and drink sector which aspires, in the government's own words, *"to make the current generation the first to leave the natural world in a better state than it was before."*[33] Considering that most of the UK imports currently come from EU countries (with the same environmental and welfare food production standards as the UK), Brexit uncertain scenario produces a big question mark about food and farming. After Brexit, in fact, UK may end up importing much more of its food from countries outside the EU with demonstrably lower production standards, or which are exposed to significant environmental risk factors like water stress.[34]

TOP EU27-UK FOOD AND DRINK EXPORTS AND IMPORTS (2017, € MILLION)

Product	Exports	Imports	Trade balance
Wine	2.551	298	2.254
Bread, Pastry and Biscuits	2.109	751	1.357
Chocolate	1.802	562	1.24
Cheese	1.788	497	1.291
Offal, Poultry and Meat.	1.385	338	1.047
Animal Feed, Petfoods.	1.385	825	558
Prepared and Preserved Meat.	1.326	258	1.068
Bovine Meat. Fresh, Chilled and Frozen.	1.315	444	871
Food preparations.	1.127	667	460
Pork Meat. Fresh, Chilled and Frozen.	1.116	194	922
Soft drinks.	1.072	346	725
Fruit and Vegetable Juices.	770	185	585
Fat, Meat, Smoked.	736	81	655
Prepared and Preserved Vegetables.	697	79	618
Malt Extract, other food preparations.	624	149	474
Spirits.	603	2.047	-1.444

Table 4: Top EU27-UK food and drink exports and imports (2017, € million). **Source:** Eurostat.

32 Data & Trends, EU food and drink industry; Food Drink Europe; 2017.
33 National Statistics – Food Statistics in your pocket 2017, Summary – GOV.UK.
34 Protecting standards in UK food and farming through Brexit; James Elliott and William Andrews Tipper.

IMPORT & EXPORT ITALY-UK

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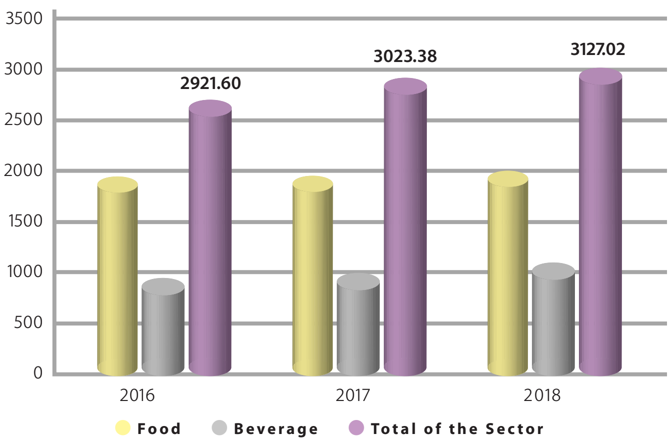

Figure 17: Italian export to UK – Food & Beverage sector (€million).
Source: Info Mercati Esteri, Scambi Commerciali (Regno Unito).

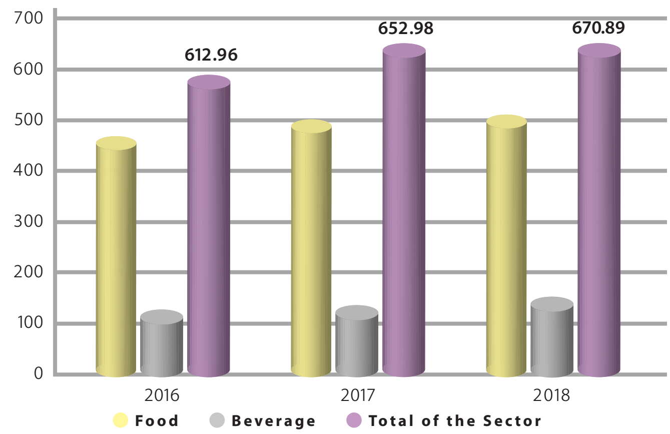

Figure 18: Italian import from UK – Food & Beverage sector (€ million).
Source: InfoMercatiEsteri, Scambi Commerciali (Regno Unito).

The data collected by InfoMercatiEsteri's report show that both Italian export to the UK and import from the UK maintain sufficiently stable flows.

In 2018 Italian export to the UK in Food & Beverage products was 13.30% of total Italian export to the UK.

Italian import from the UK in Food & Beverage products was 5.97% of total imports. According to Coldiretti's report, in 2017 the best-selling Italian F&B item within the UK was wine with a value of €810 million (particularly Prosecco). Pasta comes second place but also fruit, vegetables, cheeses and olive oil have an important market placement. [35]

Among the most important Italian subsidiaries operating in the UK's F&B sector, one should mention:

Ferrero Group, founded in 1942, ranks third among confectionery companies worldwide, while it is the undisputed leader in the Italian market. It is 100% owned by P. Ferrero & C, which in turn is headed by the parent company Ferrero International S.A. In 2015, Ferrero Group, through its subsidiary Ferrero UK, has further consolidated its presence in the Country thanks to the acquisition for £110m of the UK chocolatier Thorntons based in Derbyshire.

In 2017, Ferrero UK boosted revenue to £383.6 million from £292.3m (+31%) predominantly due to the full-year sales of Thorntons products.[36]

In 2018, the Kinder brand, together with the Oxford University (which boosts world-renowned experience and studies in the field of child development), launched a project in digital learning based on cutting-edge researches and education. The project aims to support the growth of children thanks to the realisation of a platform, Magic Kinder app.

The initiative is dedicated to encourage families to interact and learn together whilst giving a better understanding to children's learning through digital technology.[37]

In 2017 their turnover was £383.5 million.

FERRERO OVERVIEW

Products present in 170 countries.
91 companies consolidated worldwide and 23 production facilities.
Turnover €10.5 billion (+2.1% on 2016).
Overall employees 66,800.
€740 million in capital investment.
+2.2% in sales of finished products in 2017.

35 Food scraps could be turned into environmentally friendly plastic packaging. Department for Business, Energy & Industrial Strategy and The Rt Hon. Claire Perry MP.

36 https://www.insidermedia.com/insider/midlands/thorntons-sales-boost-ferrero-earnings

37 https://www.ferrero.com/fc-4073?newsRVP=444

De Cecco, based in Abruzzo, started in 1886 its important tradition of making pasta. De Cecco corporate brand has today become synonym for high quality in Italy and around the world. In 1986 De Cecco extended its business with the establishment of its olive oil production, paving the way to the differentiation of its product range, which expanded further in 1993.

De Cecco represents today the second pasta producer in the world and in 2017 its turnover has been of €455 millon. **De Cecco UK Ltd**, has been incorporated on 2003. The UK branch turnover was £8.3m (+6.6% on 2016). [38]

Saclà, based in Piemonte, has been founded in 1939 with the aim of distributing fresh products. Sacla' is another Italian business story made of creativity, ingenuity and passion that has specialised its production in a diversified range of pesto, pasta sauce and antipasti ingredients. **Sacla' UK Ltd** has been incorporated on 1991 and represents the UK's bestselling pesto brand. In 2016 Sacla' was the brand leader for the pesto category in UK showing a market share of 57.3%.[39]

Macellaio RC is a growing family of six Italian restaurants, an Authentic Steak House Concept founded in 2003 by Italian Restaurateur, Culinary Ambassador of Genoa and Board Director of Italian Chambers of Commerce UK, Roberto Costa.

The first restaurant in South Kensington launched in 2012, was awarded for the past two years by Gambero Rosso, and voted as best authentic Italian restaurant in London in 2018.

Then Roberto brought the Battle Royale to Exmouth Market (London) in 2015, the Ligurian Bakery in Southwark (London) in 2016, the Wine Bar in Battersea (London) in 2017, Milan Butcher's Theatre in 2018 and the Butcher's Petrol Station in Fitzrovia later in 2018.

Kimbo was formerly known as Café do Brasil S.p.A. and it has been founded in 1936. After seventy-seven years, in 2013 the Company has been rebranded taking the name of its most famous brand.

The Company has today four brands: Kimbo, Kosé, Caffè Karalis, La Tazza d'oro.

Kimbo represents one of Italy's most well-known and popular coffee brands, it is present in 80 countries and in 2017 has recorded a turnover of €181 million. In the Italian market, Kimbo is the second leader with more than 10% market share.[40]

38 https://www.dececco.com/gb_en/
39 https://www.sacla.co.uk/
40 https://kimbo.co.uk/

COMBINING A STRONG NEAPOLITAN HERITAGE WITH A COSMOPOLITAN OUTLOOK:
The Italian culture of coffee

"We are a traditional Neapolitan roaster and all our coffee is roasted and blended to Neapolitan recipes so it is a little bit darker, a little bit more intense and has a little bit more structure."

What challenges has your business faced in the UK?

Very competitive market in coffee with leading brands fighting for the same business. The casual dining sector has been hit hard with insolvency and CVA's amongst larger national groups.

The main Italian coffee brands are very aggressive with their pricing structure in order to retain clients and win new business.

The UK has become in recent years a driver in artisan coffee especially in London. New roasters are opening every week driving quality into the market and increasing consumer's expectations. This is very positive for the market but also adds more competition to an already congested sector.

How do you differentiate yourself from your competitors?

Kimbo are a traditional Neapolitan roaster, we roast our coffee to traditional recipes and blends, and this is where we differentiate ourselves from other large Italian roasters. We cannot rely on just being Italian now as there are so many small coffee brands from Italy entering the UK market. As Naples is the birth place of espresso (part of our everyday life) we use this message and passion in our coffee and brand pillars.

What are the three most important aspects you focus on to ensure your company's growth?

Quality of products – We source the best beans from around the world and roast them all in the same factory in Naples to guarantee quality and freshness.

Quality of customer support – We feel we offer some of the best POS and branding support of any of the large Italian coffee brands. Our crockery and glassware offer something for everyone.

Consistency of product – Due to the large amount of coffee we roast for over 50 countries worldwide consistency is key. We want the same bag of coffee wherever you are in the world to offer the same experience and taste of Naples.

What insight would you offer Italian organisations in order to become internationally successful?

Embrace the UK market and be open to change. The UK loves authentic Italian food and drink but it must be accessible to all. Do not be unapproachable, make sure you follow up on all things promised.

The UK customer demands reliable and swift responses to questions and deliveries.

What advice can you share with Italian organisations looking to succeed in the UK market?

Make sure packaging is UK shelf ready. Give your product a Unique Selling Proposition over other lines in the same category, make it very competitive: any message you can communicate that puts you in front of the competition would help. Quality over price. Listen to customer's needs and wants and adapt. It's not a one product fits all. Choice and range are very important to the consumer.

Damon Wilson,
Commercial Manager.

FURNITURE & HOUSE APPLIANCES

3.5

Furniture & House Appliances is a vital market of the wider UK economy and an important indicator of trends in the wider consumer retails market.

F&H SECTOR IN THE UK 2017

- Turnover £11.3 billion (of which £8.35 billion was furniture manufacturing).
- 8390 Companies.
- 118,000 employees (+2.6% on 2016).
- Expenditure of £58.8 billion (with a significant increase of +7.2% from 2016).
- Imports of furniture £6.5 billion (about 1% of all UK imports).
- Export of furniture £1.23 billion (+9% from 2016).

Furniture & House Appliances is a vital market of the wider UK economy and an important indicator of trends in the wider consumer retails market. The UK Furniture & House Appliances sector is much larger than many people think, even if, in the last years, more challenging market conditions have been recorded. Specifically, the consumer appliances market was under pressure for all of 2018, also due to the political uncertainty and economic nervousness around Brexit.

In 2018, electronics and appliance specialist retailers continued to lead sales of consumer appliances in the UK. However, this channel's volume share is progressively declining, due to an intensification of the competition from other distribution channels. [41]

Despite the current market trend, the whole sector recorded a large performance improvement in the kitchen sector. This is the result of a new concept of houses influenced by the trend of open-plan living spaces or kitchens as a family hub.

In 2017 in fact consumer spending on kitchens rose by 5% to £3,706 million. In the next five years 2018 -2023, the consumer spending is forecast to rise by 17.8% to reach £4,540 million. Jane Westgarth, senior retail analyst, explains the reasons of this growing tendency: *"The rise of television cookery, as well as social media cookery celebrities, is elevating the status of cookery to a favourite, relaxing pastime, especially at weekends when people have more time. This is driving demand for stylish and practical gadgets and appliances, in turn creating more pressure on work surfaces and kitchen storage. For the future, the emerging possibilities afforded by connected appliances and the smart home will mean that kitchen retailers need to get ahead of the game and become experts in creating smart kitchens where people can use their home hubs or mobile phones to control the ambience, appliances and make links to shopping lists and calendars."* [42]

According to the British Furniture Manufacturers (BFM) review on furniture, the data show that imports coming from the EU increased, while those coming from non-EU countries decreased similary with export.

Outside of the EU, the two largest furniture importers in the UK continue to be China and the USA.

In 2016, the import originated from China into the UK amounted to £1.9 billion. China continues to dominate all furniture categories, reaching a value of over £1 billion ›

[41] Consumer appliances in the U K, Country Report, Feb 2019 and Furniture industry statistical report, John Legg, Feb 2018.

[42] UK Kitchens and kitchen furniture market report, October 2018.

between January and June 2018, but that was down by over 7% on the same period of the previous year.

The USA remains the second largest importer to the UK, seeing its share of the market increase by 15% to £167 million. The value of imports from the European Community was, instead, £2.9 billion, an increase of 11% on the previous year. Of the top three EU furniture importers to the UK, Poland saw the biggest increase in items sold; up by over 8%. Italy remains at the top with Germany third.[43]

When it comes to export, outside the EU, the USA remains the major destination for UK companies with exports value at £285 million, down by 19.1% compared to 2017. Exports to the European Community instead totalled £0.71 billion in 2016 and France, Germany, The Netherlands, Belgium, Italy and Spain have been the primary recipients.

The balance between import and export in the furniture sector shows that UK imports from the EU are greater than exports and this negative trade gap was £2.20 billion in 2016. [44]

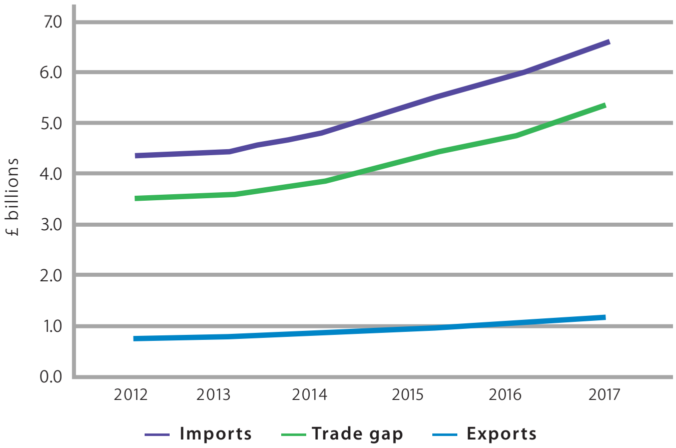

Figure 19: UK furniture trade, 2012-2017.
Source: Furniture Industry Research Association (FIRA).

[43] UK exports up, Chinese imports down; John Legg; Sept. 2018.

[44] UK exports up, Chinese imports down; John Legg; Sept. 2018.

IMPORT & EXPORT ITALY-UK

3.5.1

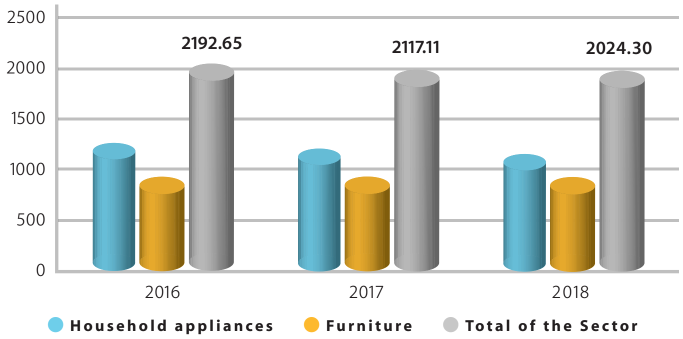

Figure 20: Italian export to UK- Furniture sector (€ million).
Source: Info Mercati Esteri, Scambi Commerciali (Regno Unito).

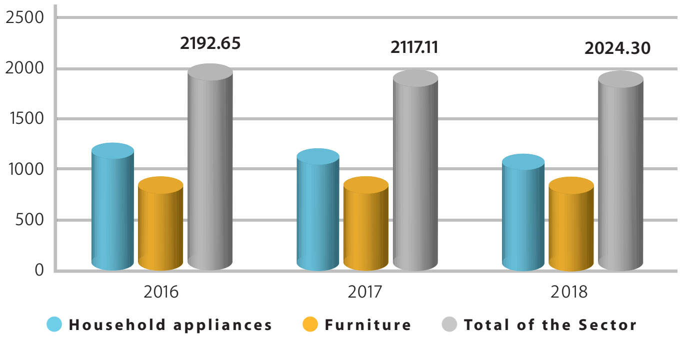

Figure 21: Italian import from UK-Furniture sector (€ million).
Source: InfoMercatiEsteri, Scambi Commerciali (Regno Unito).

The data collected by Mercati Esteri's report show that both Italian export to the UK and import from the UK maintain sufficiently stable flows.

In 2018 Italian export to the UK in Furniture products was 9% of all UK imports from Italy. Italian import from the UK in Furniture products was 4.27% of all Italian imports from UK.

Among the most important Italian subsidiaries operating in the UK's Furniture & House appliances sector, one should mention:

Natuzzi, based in Puglia, opened its first workshop in 1959 starting, in this way, its long tradition in making handcrafted sofas. In the 90's the company made the strategic decision to launch the "Natuzzi's total living concept" diversificating the collection including also other furniture and accessories. In the new millenium it opened new stores around the world and started important partnerships with international designers.

The company is now one of the largest Italian furniture and design companies and a world leader in leather upholstered furniture.

Natuzzi Service Ltd was incorporated in 2005 and is present in the UK with stores in London, Glasgow and Bristol. Natuzzi has collaborated with Furniture Village since 2014, the UK's largest independent furniture retailer to bring five exclusive ranges from its Private Label collection into its stores and online. [45]

Turnover: £8,400,000

Source: Companies House – GOV.UK.

Lema, based in Lombardia, was founded in 1970 by the Meroni family. However, the family's business story started much earlier in 1930's when Angelo Meroni, grandfather of the current President, opened the first shop specialised in classic furniture in Arosio.

In 1940, the Meroni family extended the business by opening a store in Milan and thanks to the collaboration with national affirmed architects and designers, the production's style changed into a more modern aesthetic one.

In 2004 Lema Contract was established dedicated to offer furnishing solutions for luxurious projects worldwide (In 2011 Lema Contract collaborated with the prestigious Bulgari Knightsbridge Palace Hotel in London).

Between 2012 and 2015 the company expanded further its global presence opening new shops around the world. **Lema UK Ltd** was incorporated in 2012. The 2018 turnover of Lema UK Ltd was €22 million.[46]

Candy Hoover, the historical Italian brand, is one of the European leaders in the market for small and large appliances. It has seven manufacturing facilities in Europe, Turkey and China, and 45 subsidiaries and representative offices around the world. Last September 2018, Qingdao Haier, Chinese world leader in the "white goods" sector and in the market for smart appliances, announced that it had reached an agreement with the Italian Fumagalli ›

45 http://www.natuzzi.com/
46 https://www.mobilificiomarchese.com/gb/44-lema-mobili-italia-furniture?gclid=CjwKCAjwqqrmBRAAEiwApDXtO3ConK9v5LztwUZgUaOrt5RJ0jITC550PKSIKo6oq9NRb6kcGIaNBoCvO0QAvD_BwE

family to buy 100% of Candy S.p.A. Haier Group, through this 475 million Euros worth acquisition, aims to further accelerate its growth in the European market.

The transaction was completed in early 2019 at Haier's European headquarters based in Brugherio.[47]

Scavolini has been producing kitchens for over 50 years. The company has grown to major industrial status, pursuing its growth aims through all the necessary stages with toughness and determination with absolute respect for the public at large, and in harmony with the needs of its surrounding area.

They work to improve the quality of life in the kitchen by raising the standards of both stylistic and functional aspects, in full accordance with their core values.[48]

47 http://www.candy-group.com/it/
48 https://www.scavolini.com/

MORE THAN 50 YEARS OF HISTORY DISCOVERING NEW FURNISHING IDEAS

"We want Italy's favourite kitchen to become a cherished family member in homes all over the world"

Why did you decide to invest in the United Kingdom?

For us, a presence in the UK is strategic because it constitutes a major hub for the contract and large-scale supplies market. We chose London in particular for the location of our branch because it is where all the biggest architects' studios in the world are located and is therefore an almost natural bridge for our products Made in Italy.

What insights and strategies have you introduced in order to thrive in the UK market?

Our strategy on the retail market is to grow the number of points of sale across the country: in terms of B2B our commitment is focused on raising brand awareness so that Scavolini becomes top of mind for architects and decision makers. To date, we have two single-brand stores in the UK and several exclusive and multi-brand dealers throughout the country. Not only in the UK. In fact, Ireland is a market we are aiming for; we have just opened an important new showroom in Dublin.

What is your company strategy in the face of Brexit?

The situation around Brexit is still quite muddled and honestly, we don't know what the real consequences will be in the medium term. What we hope is that all those involved work for a "light" Brexit which also protects the interests of companies who have invested in the United Kingdom. Certainly, Brexit is worrying the market, but we keep investing and next year will participate in one of the most important trade fairs in the furniture industry: KBB.

How do you differentiate yourself from your competitors?

We are attempting to take the drivers that have led to our success in Italy and other countries to the UK: a focus on products and materials, a production facility that can foster economies of scale and thus retain competitive pricing, the possibility of customising our products, which remains a fundamental plus within the contract market.

Our competitors in the UK are mostly from Germany, but the market wants a real Made in Italy product. For this reason, Scavolini has obtained the Made in Italy certification, issued by COSMOB and CATAS – the two biggest testing and certification laboratories for wood-furnishings in Italy – which declares the Italian origin of furniture. This certification meets two types of requirements: process and product requirements.

What are the three most important aspects you focus on to ensure your company's growth?

In addition to repeating what I've already mentioned about products, pricing and customising, another aspect which we focus on is communication: we are engaged in raising brand awareness by focusing on both advertising investments, as well as PR activities.

Fabiana Scavolini,
CEO.

PAPER & RELATED PRODUCTS

3.6

The paper-based industry represents one of the most key-sectors in the UK that, over the years, confirmed its own importance and strength in the country's wider economy.

P&R SECTOR IN THE UK 2017

- Contributes £4.1 billion to the GVA (+17% in seven years).
- Turnover of £11.5 billion.
- Nearly 1,497 companies.
- 56,000 employees.
- Paper and board production: nearly +5% on 2016.

The UK ranks in the top five EU countries in terms of consumption of paper per capita.

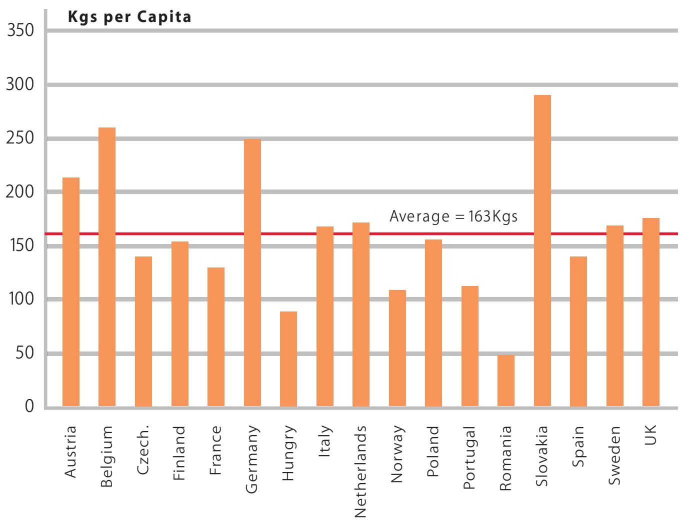

Figure 22: European per capita consumption of paper and board.
Source: Confederation of Paper and Industries (CP I).

According to the data collected in 2017 by Confederation of Paper Industries (CPI), the following graph represents the turnover of the UK paper manufacturing companies. The trend shows that the industry remains robust with an exception for 2016 where the production turnover recorded a fall.

2017 saw a constantly increased demand for packaging and tissue papers, generating in this way a return to growth in production from the UK's Papermaking sector.

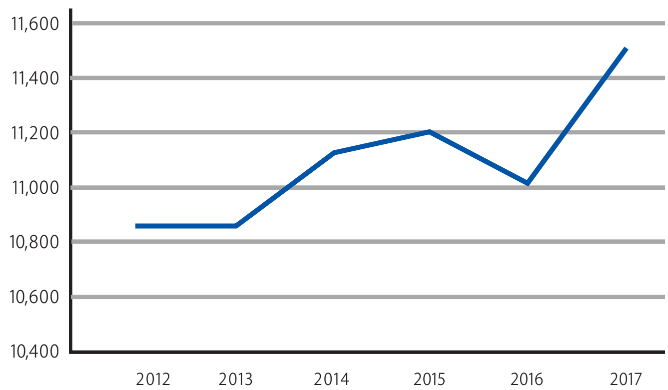

Figure 23: UK production turnover (£ billions).
Source: Confederation of Paper and Industries (CPI).

More in details, analysing the specific sub-sectors, the Packaging Board sector increased its output by 12.3% (+40,000 tonnes) to 376,000 tonnes, the production of Tissue Parent Reels remained stable at 731,000 tonnes while Graphics returned to growth adding a further 20,000 tonnes (+2.4%) to end the year on 918,000 tonnes.

Regarding imports and exports, in 2017 66% of UK paper imports came from other EU countries, with the remaining 34% divided almost evenly between other European Countries, the United States and Asia.

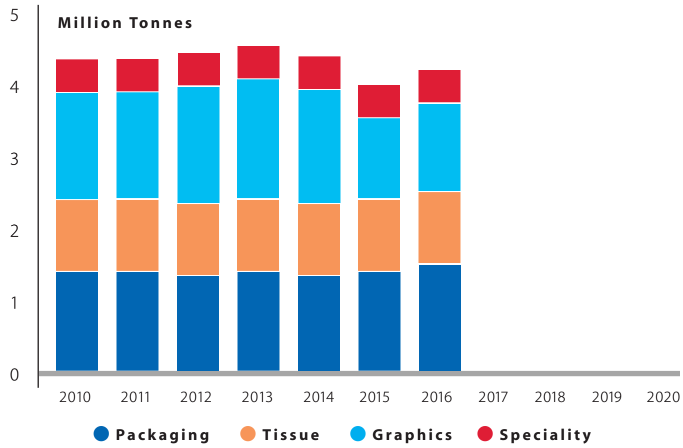

Figure 24: UK Production of Paper and Boards.
Source: Confederation of Paper and Industries (CPI).

In the same year, some 55% of the UK's paper exports went to the EU. The other main countries of destination are Asia (15%) and North America (16%).

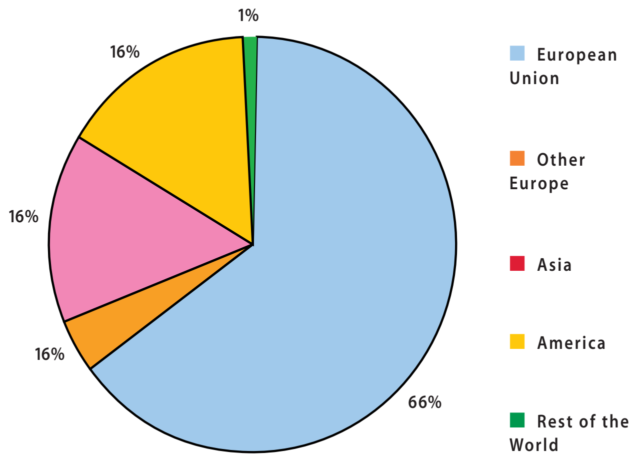

Figure 25: Imports of paper and boards by origin in 2017.
Source: Confederation of Paper and Industries (CPI).

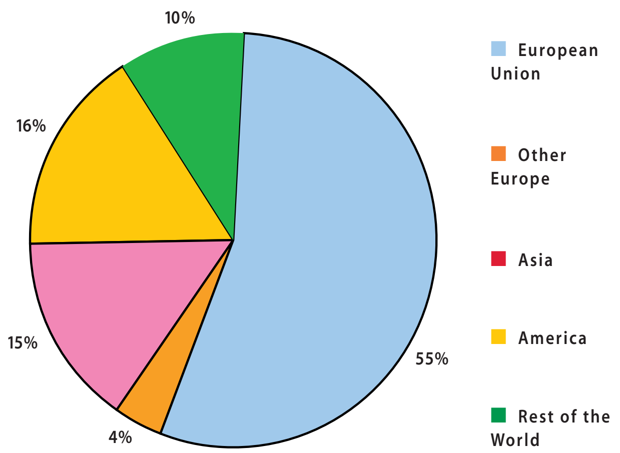

Figure 26: Exports of paper and boards by destination in 2017.
Source: Confederation of Paper and Industries (CPI).

Both graphs show that the UK's paper-based industries are highly dependent on the EU countries for their trade in finished paper and products.

In the longer term, the impact of Brexit on UK paper and board demand will concern basically two aspects: the UK's ability to import the paper it does not make internally, and the possibility to export finished paper it no longer consumes domestically (with the further consequence to favour the imports of its major customers from other EU countries).

A further aspect to take into consideration is the UK commitment in recycling paper. As it is well known, paper and board are inherently renewable, recyclable and sustainable materials but also a globally traded commodity. In 2017 the UK recovered 69% of all paper and board placed onto the market (a further 20% came from hygiene products or papers and boards in long term use). An estimated 84% (about 8 million tonnes of potential raw material) of packaging papers were recovered for recycling.

Of this material, over 3 million tonnes is consumed by UK mills, with a value of circa £300 million.

A further 5 million tonnes of material is currently exported for use in other countries.[34] Specifically, 74% of the UK recovered paper exports go to China, 14% to the EU, 12% to the rest of the world.

The UK recovered 69% of paper and board

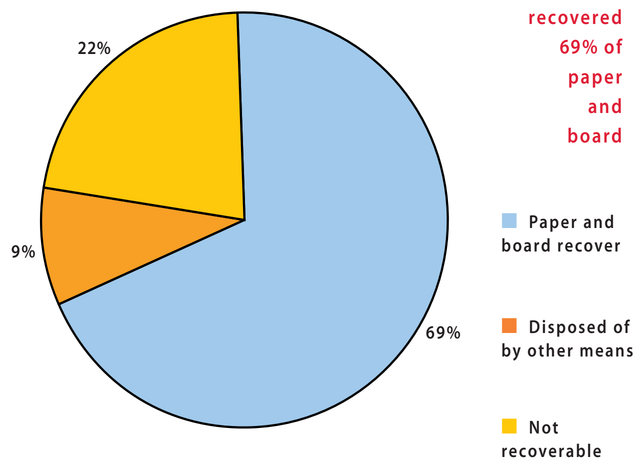

Figure 27: UK recovery of paper and board 2017.
Source: Confederation of Paper and Industries (CPI).

45 Paper: the sustainable, renewable and recyclable choice; confederation of paper industries; review 2017-18.

IMPORT & EXPORT ITALY-UK

3.6.1

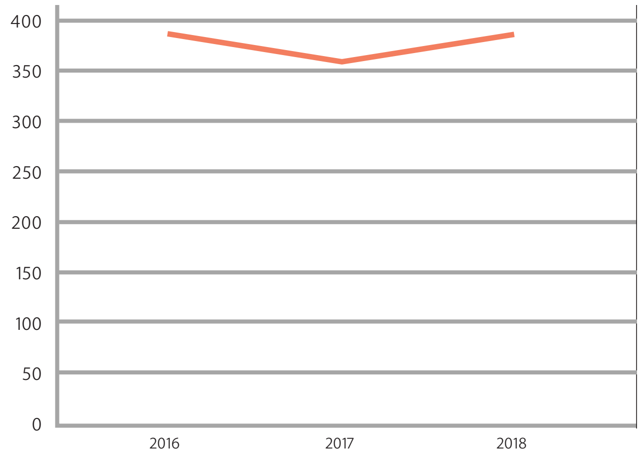

Figure 28: Italian export to UK – Paper sector (€ million).
Source: Info Mercati Esteri, Scambi commerciali (Regno Unito).

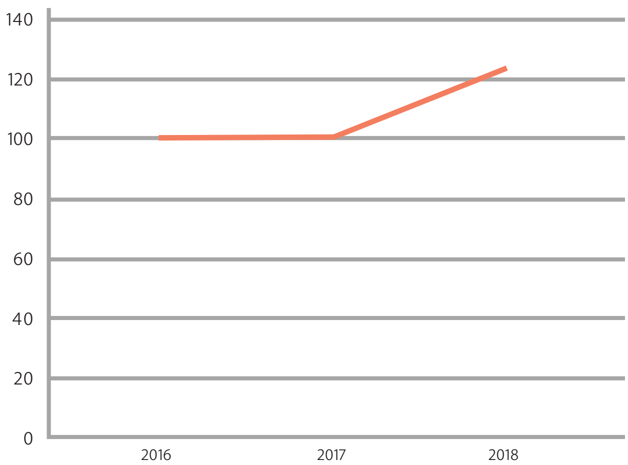

Figure 29: Italian import from UK – Paper sector (€ million).
Source: Info Mercati Esteri, Scambi commerciali (Regno Unito).

The data collected by Mercati Esteri's report show that both Italian export to the UK and import from the UK maintain sufficiently stable flows.

In 2018 Italian export to the UK in Paper products was 1.61% of all UK imports from Italy.

Italian import from UK in Paper products was 1.11% that is 20% more than 2017.

Intertissue are producers of tissue paper reels and manufactures finished products for the consumer market. Founded in 2003, this is the company through which the Sofidel Group focused its attention on the English market.

Intertissue has a production site in the UK at Briton Ferry and distributes its products throughout Europe.

The Group strongly believes that it is only possible to create a long-lasting value by implementing a sustainable development strategy for the environment and for society. [50]

Turnover: £128,889,000
UK Turnover: £117,602,000
EU Turnover: £11,258,000

Source: Companies House – GOV.UK.

50 http://www.sofidel.com/it/gruppo-sofidel/sofidel-nel-mondo/intertissue

A CORE EMBRACES HALF A CENTURY OF INNOVATION:
Intertissue Ltd

"Over the years we have been able to offer the big chains the opportunity to list high quality products."

SOFIDEL
ENDLESS CARE, INNOVATIVE LIFE

Why did you decide to invest in the United Kingdom?

The decision was made as part of our growth internationalisation strategy. The UK is a populous, highly developed country, with high living standards. In terms of the tissue market it has high rate for per capita consumption, ranking among the first ten countries in Western Europe. Among the main reasons is the presence of some of the biggest retailers in the world and the fact that it is a brand-oriented market. So, in short words, in many respects, a right place where to invest.

What insights and strategies have you introduced in order to thrive in the UK market?

On one side, in order to enter the UK market, we have relied on our highly innovative products both in terms of function and appearance with an excellent price/quantity/quality ratio. On the other side, we have counted on our capability to develop strong and supportive relationship with all our stakeholders, starting from our main clients, the big chains, in respect to which we have always committed to act as a trusty and reliable business partner.

What challenges has your business faced in the UK?

One of the main challenges has been to support the growth of private label sector. Over the years we have been able – by investing in terms of production capacity and quality of service – to offer the big chains the opportunity to list (with their own brands) high quality products. A leading role that has helped the whole private label category growth that has become more structured with "standard, better and best products" on the shelves.

At the present time we are facing two main challenges: to further consolidate our flagship brand, Regina, on the UK market; to get prices increased to offset the sharp increase in pulp cost.

How do you differentiate yourself from your competitors?

We offer premium quality tissue products at a reasonable price (fair price/value for money). For instance, with our fair price "tactical" brand Nicky.

What are the three most important aspects you focus on to ensure your company's?

Innovation (i.e. quality assets, with on average newer and better performing production plants than the sector average.) sustainability as a competitive lever of growth; the development of new and innovative products designed to meet peoples needs by offering increasing performance with an ever-shrinking ecological footprint. The final aim is to create shared added value (economic, social and environmental value) for all our stakeholders.

Giuseppe Munari,
Intertissue Ltd:
Country Operation Manager.

TELECOMMUNICATION, MEDIA & MARKETING 3.7

The Department for Digital, Culture, Media and Sport (DCMS) plays a key role in the future of the UK's economy helping to make Britain one of the most creative, digital and engaged nations of the world.

DCMS SECTOR IN THE UK 2017

- Contributes £267.7 billion to the UK economy.
- 14.6% of UK GVA (+3.4% on 2016).
- 5.4 million jobs (16.4% of all UK jobs). [51]

SUB-SECTORAL CONTRIBUTION TO THE ECONOMY:

- Telecoms Sector: £32.0 billion (+1.7% since 2016).
- Sports Sector: £9.6 billion (+3.1% since 2016).
- Gambling Sector: approximately £1 billion (-9.6% between 2016 and 2017. The Gambling Sector is a small industry and therefore can lead to some data volatility each year due to the sample size of businesses).
- Tourism Sector: £61.6 billion (-2.7% since 2016).

In 2016 the sector saw a slower growth than for the UK economy as a whole. The DCMS industry increased by 3.4% since 2016 (£258.9 billion), compared to 4.8% for the UK economy as a whole.

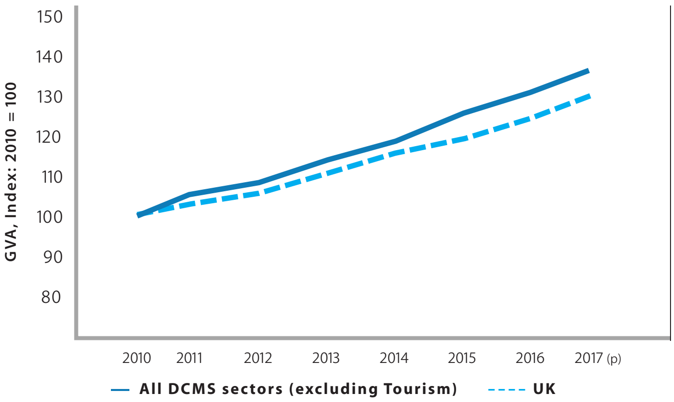

Figure 30: Indexed growth in GVA (expressed in current prices, 2010 = 100) in DCMS Sectors (excluding Tourism) and UK: 2010-2017.
Source: DCMS Sectors Economics Estimates 2017.

According to the 2017 report of the UK DCMS, the data in **Figure 30** show the growth rate for DCMS Sectors (excluding Tourism) as a whole.

Since 2010, DCMS Sectors (excluding Tourism) increased by 36.0% compared to a 28.7% growth for the UK economy as a whole in the same period. [52]

The DCMS Sectors cover:

- Civil Society
- Creative Industries
- Cultural Sector
- Digital Sector
- Gambling
- Sport
- Telecoms
- Tourism

Among these sectors, the UK government report shows that (excluding Tourism) Digital Sector, Creative Industries and Cultural Sector are the most relevant ones, recording a growth respectively of 4.6%, 4.5% and 4.9% since 2016 (in-line with the UK economy growth in the same period): [53]

51 DCMS Sectors Economic Estimates 2017: Employment; Department for Digital, Culture, Media and Support.

52 DCMS Sectors Economic Estimates 2017 (provisional): Gross Value Added; Department for Digital, Culture, Media and Support (Page 4).

53 DCMS Sectors Economic Estimates 2017 (provisional): Gross Value Added; Department for Digital, Culture, Media and Support (Page 10-14).

● **Digital Sector** contributed £127.2 billion to the UK economy in 2017 in terms of chained volume measures, accounting for 7.1% of UK GVA.[54]

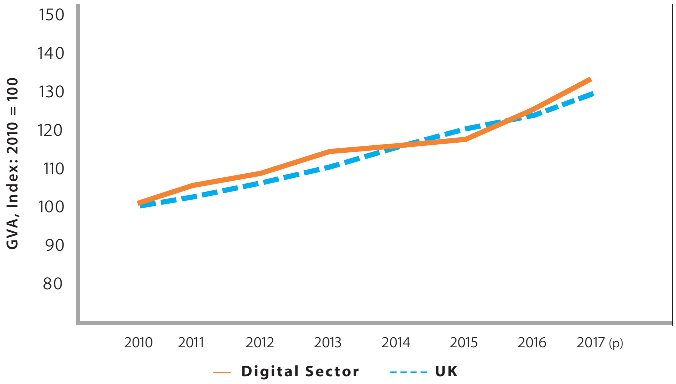

Figure 31: Index of GVA growth for the Digital Sector and for total UK: 2010 to 2017 (2010=100).
Source: DCMS Sectors Economics Estimates 2017.

● **Creative Industries** contributed £99.0 billion in 2017, accounting for 5.5% of UK GVA.[55]

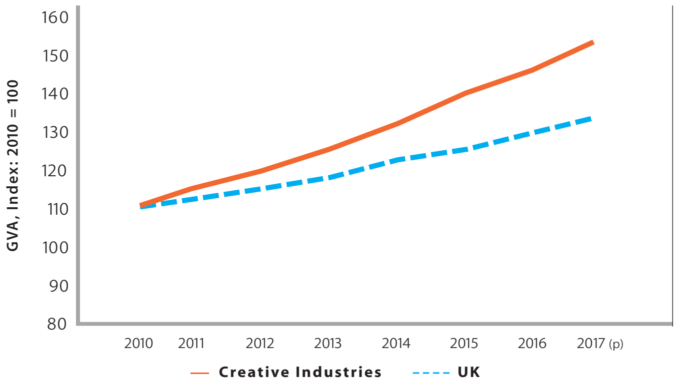

Figure 32: Index of GVA growth for Creative Industries and for total UK: 2010 to 2017 (2010=100).
Source: DCMS Sectors Economics Estimates 2017.

● **Cultural Sector** contributed £28.9 billion, 1.6% of UK economy GVA.[56]

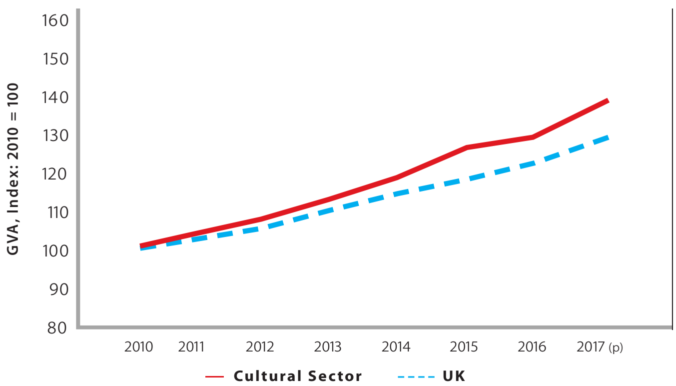

Figure 33: Index of GVA growth for the Cultural Sector and for total UK: 2010 to 2017 (2010=100).
Source: DCMS Sectors Economics Estimates 2017.

In the DMCS sector analysis it is important to consider also the changing consumer behaviour. It is increasing in fact the use of 'over-the-top' internet services such as those provided by Netflix, WhatsApp and Spotify. On top of that, images are becoming an increasingly central method of communication.

There have been reports that emojis are now the fastest-growing language in the UK. Snapchat is now used by more than 158 million people worldwide every day, and the rise of Instagram has paved the way for the creation of a whole new celebrity: the 'instafamous.'[57]

The sector as a whole is subject to competitive pressures, due to a constantly evolving technology, the increasing user expectations and the consequent necessity for investment in new digital infrastructure.

One of the industry responses to these pressures has been to move towards a consolidation across Europe to enable operators to gain scale, increase margins and invest more.

Considering the important EU funding opportunities, available for individual companies in the context of telecoms and broadband deployment, Brexit could have serious impacts on the telecommunications market in the UK. The effects of Brexit will definitely have repercussions on market regulation both in the UK and on EU companies operating in the UK. These companies in fact will no longer have the virtually automatic right under EU law to provide electronic communications services in the UK, once Britain leaves the EU.[58]

WeBizz is a small consulting agency. It has a flexible model that is one sole administrator supported by 7 external resources working from different countries on a project base. Up to day WeBizz works in Italy (60% of revenue) and foreign countries; they have customers in Australia, France, Switzerland and Sweden.

Our investment in UK is about a 30% of the overall annual investments. Our goal is to create partnership and business opportunities with UK companies and other foreign companies working in UK market.

54 DCMS Sectors Economic Estimates 2017 (provisional): Gross Value Added; Department for Digital, Culture, Media and Support.
55 DCMS Sectors Economic Estimates 2017. (provisional): Gross Value Added; Department for Digital, Culture, Media and Support.
56 DCMS Sectors Economic Estimates 2017. (provisional): Gross Value Added; Department for Digital, Culture, Media and Support.
57 Communications Market Report: Making Communications work for everyone 2017.
58 Brexit: Telecommunication Regulation in the UK implication by Graeme Maguire, Richard Eccles, Cathal Flynn.

PUT AN IDEA INTO PRACTICE AND CREATE VALUE: Webizz mission

"Cooperation with local partners can help you start your business while learning more about the local market."

Why did you decide to invest in the United Kingdom?

We decided to open a branch in the UK in order to differentiate our customer portfolio with a new set of services in a market "easy" to manage. Not only does the UK market represent a good solution from a "bureaucratical" point of view, but it also provides you with a hub of specialised resources and partnership possibility. Besides, UK is a constantly growing marketplace with demand for goods and services.

UK business ecosystem is made up of a wide variety of companies and people from across the globe, each with their own traditions, customs and requirements, creating a need for diverse services.

What insights and strategies have you introduced in order to thrive in the UK market?

Entering the UK market is not easy for a foreigner, especially if you are not constantly based in that market. That's why we decided to focus our penetration efforts not only on customer acquisition but also on partnership building. Cooperation with local partners can help you start your business while learning more about the local market. Playing an active role in events and fairs can be successful as well: last summer we organised an event at the London Technology Week.

We offered free consulting sessions to companies about their marketing strategy. We promoted it through web marketing campaigns and mailing to business association members. We received more meeting requests than those we could handle. In five days we met more than 60 companies and started three cooperation projects.

What challenges has your business faced in the UK?

We found two main challenges: high competition level and not an easy search for local consultants.

How do you differentiate yourself from your competitors?

We are flexible and do not sell standard services. Each project is tailored for each customer and this personal approach gives us an added value.

What are the three most important aspects you focus on to ensure your company's growth?

Marketing and technology development.

What advice can you share with Italian organisations looking to succeed in the UK market?

– Attend industry events and never stop to learn, the UK is ahead in many verticals and this gives you the opportunity to create value in your company.
– Focus on your niche with very specific tailored services.
– Give something for free: the UK market wants to "test" you before accepting your offer. Be willing to give something concrete (even part of your service) in order to encourage your prospect to be trusted and to start a more stable relationship.
– Be part of a business association.
– Take advantage of the benefits coming from local government initiatives – i.e. from the Department for International Trade.

Isabella Fererico,
Co-founder & Director.

CONSTRUCTION

3.8

Construction is a fundamental sector in the modern economies and it is one of the few industries with a really large impact on the social communities.

CONSTRUCTION SECTOR IN THE UK 2017

- Contribution of £90 billion to the GVA (nearly 7% of UK's value added).[59]
- Sector's economic output of £113 billion (6% of the UK total).[60]
- About 2.4 million people employed (7% of UK total). 37% are self-employed. The regions with the most construction companies are London, the South East of England, and the South West.[61]
- 1 million construction businesses, 17% of UK total.
- Construction accounts for less than 2% of all UK exports (just a few of UK prime companies lead on overseas projects).

Construction underpins peoples lives in many ways: building the homes we live in, the schools and hospitals we rely on, the offices, factories, transport and energy infrastructure that keep the wheels of industry turning. Investing in this field means, basically, investing in the future.[62]

The construction sector includes the development and construction of residential and non-residential buildings; construction work on civil engineering projects; and specialist construction activities (such as plumbing and electrical installation).[63]

This sector does not include some activities such as architectural services or project management which often accompany construction projects.[64]

Economic output (Gross Value Added), construction and whole economy.

Constant prices, index Q1 2007=100. ONS series KLA8 and, quarterly data KL9D

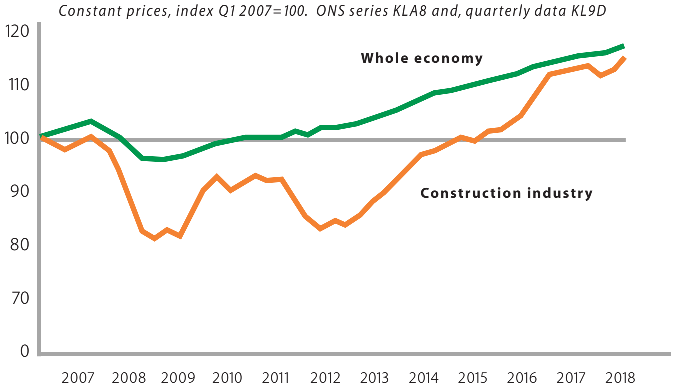

Figure 34: Economic Output (GVA), construction and whole economy.
Source: Construction industry: statistics and policy, House of Commons Library.

The table below shows the value of construction sector orders broken down by type of work in 2017.

VALUE OF CONSTRUCTION OUTPUT 2017

		£ billions	% of total
Housing		41	25%
	Public	6	4%
	Private	35	21%
Infrastructure		20	12%
	Public	7	5%
	Private	12	8%
Other Public		11	7%
Other Private		36	22%
Repairs and maintenance		56	34%
All work		163	

Table 5: Value of construction output.
Source: Construction industry: statistics and policy, House of Commons Library.

59 Industrial Strategy: government and industry in partnership; HM Government.
60 Economic output is measured in terms of Gross Value Added, GVA, which is used to show output of sub-parts of the economy such as industries or regions.
61 Construction sector deal; GOV.UK; 5 July 2018.
62 Construction sector deal; GOV.UK; 5 July 2018.
63 Construction sector deal; GOV.UK; 5 July 2018.
64 Construction industry: statistics and policy, House of Commons Library.

In 2017, private sector construction orders accounted for 76% of all construction orders. As the graph below shows, public sector orders (after a slight increase in 2008-2009 due to government's choices) remained the same (in nominal terms), while private sector orders increased by 34%. However, specifically for infrastructure orders, the increase has been similar for private and public, with public infrastructure orders growing more quickly than the private ones in 2017. They are now at a similar level (about £2.8 billion in Q3 2018).

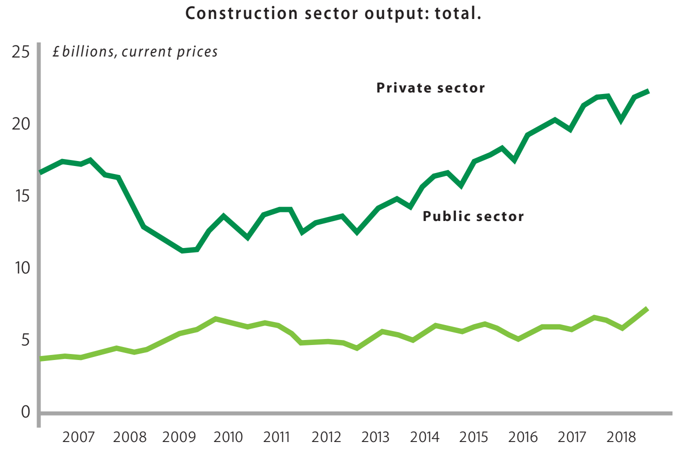

Figure 35: Total construction sector output, £ billions. [65]
Source: Construction industry: statistics and policy, House of Commons Library.

Housing orders, which represent an important part of the construction sector, amounted to £41 billion in 2017 (25% of the sector's output). Moreover, in order to further support the economic development of the private building, the UK Government has the ambition to deliver 1 million homes by the end of 2020 and to deliver half a million more by the end of 2022. [66]

Regarding the future construction sector policy, the UK Government published *Construction Sector Deal*, a report which describes the innovative and ambitious strategies for the construction sector. Among the main goals to be achieved, the Government has included smart and sustainable construction. In other words, the UK aims to equip itself with an industry that is efficient and technologically advanced and able to operate in a vision of low-carbon and green construction. The fact that the global population is forecasted by the UN to increase to about 9 billion people over the next 40 years and the majority of that population growth will be in urban environments (with population in Africa doubling and India likely becoming the most populous country with over 1.5 billion people) constitute major demographic shifts that present substantial infrastructure challenges and, at the same time, "bring numerous advantages and export opportunities."

Thus, the interest of the UK construction sector to invest in people and technology if it wants to take advantage of these opportunities in emerging markets. [67]

The UK Government, in order to encourage the development of modern materials, modern methods of design and modern building methods, has also allocated £170 million to the UK's Transforming Construction Programme. One key initiative funded through this programme will be the Core Innovation Hub, valued at £72 million and based partly at the University of Cambridge, which will "...enable construction businesses to develop and validate new products and manufacturing and assembly processes." [68]

Furthermore, it is interesting to consider that, in order to support this building revolution, the Engineering and Physical Sciences Research Council (EPSRC) allocated to the UK's research community £188 million to develop construction-related science and engineering projects.

Brexit remains the biggest unknown for UK construction, and could potentially bring significant disruption to the sector. First, Brexit could produce an issue of skills shortage; about 8% of construction employees are in fact EU nationals. Second, supply chains will be affected by changes to regulations and standards after the UK has left the EU.

Considering that due to Brexit the UK's construction industry will undergo some significant changes over the coming years, there is a strong push on the contractors to set contingency plans in place. [69]

65 Total orders include Infrastructure orders and Housing orders.
66 Construction industry: statistics and policy, House of Commons Library.
67 Department for Business, Energy & Industrial Strategy: Construction Sector Deal.
68 Infrastructure Intelligence: Government launches Core Innovation Hub for construction.
69 The State of the UK Construction Industry: 2018.

EMD Group is a multidisciplinary Design and Build company located in Dartford with a wide portfolio ranging from residential, commercial to NHS and industrial, originally based around London and M25 area, currently expanding nationwide and internationally (Middle East and Europe) with and operation between acquisition and development in excess of £100 million per year. EMD started ten years ago with exponential growth reaching a record of 400% in the recent years.

They currently employ 120 people plus several external contractors and consultants.

EMD: ANOTHER BRICK ON THE WALL

"We believe our best feature is the team behind every project we work on."

Why did you decide to invest in the United Kingdom?

The main reason that brought me to invest in the UK is the low level and speed of the bureaucratic system and the easy approach of the institutions. Not to forget to mention the meritocratic system.

What challenges has your business faced in the UK?

In this particular historic moment, the challenges that my group has faced are mainly due to the uncertainty caused especially by Brexit. As a business owner and investor, it is not knowing in which direction the country is going that affect us more than which direction we are taking. I have always believed that businesses are like chameleons, we adapt and find opportunities in every situation.

What is your company strategy in the face of Brexit?

In light of Brexit, our sector has suffered a surge in prices (15%) and difficulties in acquisition. This had an immediate impact to our profitability.

Is with this in mind that we have developed a way to keep our margins up by optimising and increasing our productivity by systemising our most common and repetitive tasks with regular scheduled in-house training for our operatives. By doing this we found an increase of productivity by 10-18%.

What are the three most important aspects you focus on to ensure your company's growth?

The three most important aspects that we focus on in order to keep a steady growth in our group are:

– Invest in staff training and skilled Personel in to offer a high level of service.

– Do not reduce the level of investment.

– Constant diversification of the group investments.

How do you balance your company's growth with the need to act sustainably and work towards the UN's Sustainable Development Goals?

This is a point that goes hand in hand with the constant staff training that we offer to our personel. Being up to date with new technology and work systems makes us a step ahead to offer the right solution for our investments and clients, maintaining an ethical and green approach in the construction sector.

Domenico Meliti,
CEO.

BANKING, INSURANCE & FINANCIAL SERVICES 3.9

The UK is the world's second-largest financial centre and, according to New Financial, this sector is nearly three times as large as those of either France or Germany. [71] *Furthermore, the UK is the largest centre for asset management in Europe and the second largest in the world.*

B & F SECTOR IN THE UK 2017

- 50% of the sector's output was generated in London.
- Contribution to the economy of £119 billion (6.5% of total economic output).
- 1.1 million financial services jobs (3.2% of all jobs).
- Contribution to the tax system of £27.3 billion.
- Financial services trade surplus of £60 billion (over £77 billion gross exports).
- Exports of financial services to the EU of £27 billion (44% of the total, +4% on 2016).
- Imports of financial services from the EU of £6 billion (39% of the total, +3% on 2016).

The investment sector is integral to UK's financial services ecosystem, it provides liquidity to financial markets and generates highly skilled jobs across the UK. [72]

The UK banking sector is the fourth largest in the world and the largest in Europe, and London is one of the most important centres for private and investment banking. This country is also the world's largest centre for cross-border banking, with 18% of the outstanding value of international bank lending in the first quarter of 2018. The size of the industry, the cross-border banking and the private and investment banking are thus valuable indicators of the UK's strong international position. [73]

Regarding the economic output, the UK financial services sector was the eighth largest in the OECD in 2016 by its proportion of national economic output and there was a surplus in financial services trade of £51 billion. [74]

There has been a strong growth during the early 2000s, followed by a steady fall since the recession in 2008 and 2009. In 2017, the sector contributed 6.5% of the UK economic output, down from 9.0% in 2009. [75]

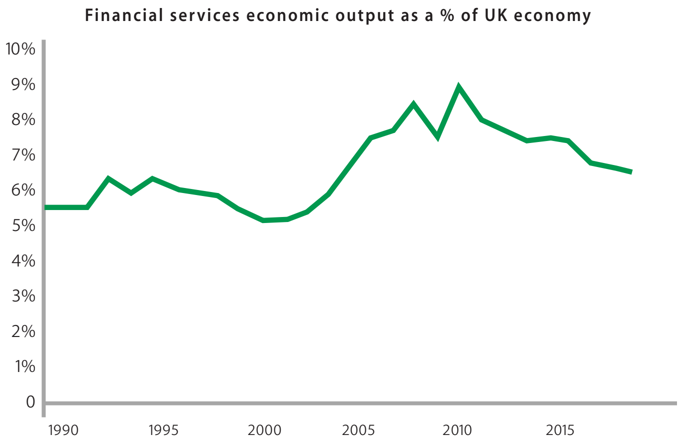

Figure 36: Financial services economic output as a % of UK economy.
Source: Financial services: contribution to the UK economy, House of Commons; April 2018.

[71] https://www.ft.com/content/88cdec40-b03c-11e8-8d14-6f049d06439c

[72] The Financial Services Trade and Investment Board, Annual Report 2018.

[73] Key facts: about the UK as an international financial centre 2018; the City UK; October 2018.

[74] Financial services: contribution to the UK economy; BRIEFING PAPER, Number 6193, 25 April 2018.

[75] Financial services: contribution to the UK economy; BRIEFING PAPER, Number 6193, 25 April 2018.

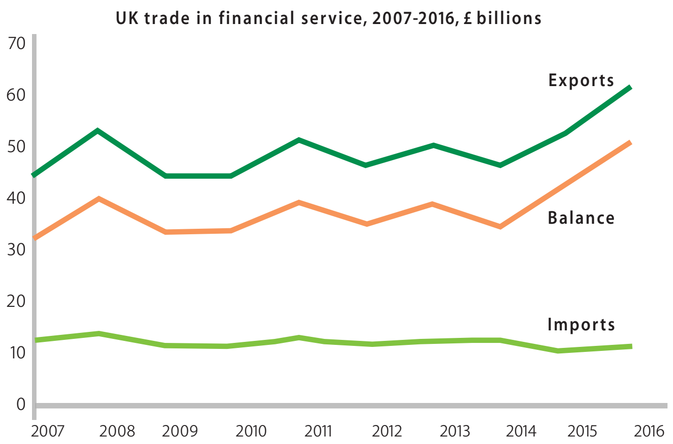

Figure 37: UK trade in financial services, 2007-2016, £ billions.
Source: ONS Pink Book, various editions.

Since 2007, the proportion of exports of financial services to the EU has grown from 39% to 44%.

Imports from the EU were 39% of UK imports of financial services. Between 2016 and 2017, finance and insurance services exports increased by 4%, driven by financial services. Finance and insurance services imports increased by 3%, driven by a small increase in both finance and insurance imports.

The banking trends of 2019 will be dominated by innovation. On 18 January 2018, the House of Lords debated a motion moved by Lord Teverson "that this House takes note of the case for the UK to remain a global leader for green finance, and for the UK's financial sector to be resilient to climate change."

The UK Government has defined green finance as including private sector investments in technologies, infrastructure and start-ups. These assist in the creation of jobs, the expansion of businesses and the development of economic growth, whilst also reducing greenhouse gas emissions.

Moreover, the Bank of England has stated that central banks and financial regulators have a core responsibility to understand risks to financial stability and risks to the institutions they supervise. The Bank has argued that the financial risks stemming from climate change are therefore relevant to the mandates of central banks. [76]
"Green finance matches sources of funding to new capital and operating expenditures that generate measurable progress towards the achievement of a well-recognised environmental goal." [77]

Given the importance of this sector for the UK's economy, it is taken into consideration among the central themes of the Brexit debate, examining its pros and cons from different perspectives. Considering impact on the economic sector, Brexit could restrict the free movement of banking professionals between Europe and the UK.

Over time, due to the limitations in passporting rights, Brexit might inhibit growth in the sector, impacting on long term investment decisions, job creation and the length of time required for new businesses to establish themselves across Europe. At the same time market forces will continue to prevail. Strong and innovative UK firms should have every reason to believe that discerning European customers will still do business with them. [78]

Among the most important Italian subsidiaries operating in the UK's Banking, Insurance & Financial services sector, one should mention:

Intesa Sanpaolo is among the top banking groups in the euro zone. It is the leader in Italy in all business areas and it has a strategic international presence, with approximately 1,100 branches and 7.5 million customers. They promote a style of growth that is attentive to financial strength and capital solidity, sustainable results and the creation of a process based on the trust deriving from customer and shareholder satisfaction. [79]

"In 2018 the Group allocated 1,922 million euro to the green economy, corresponding to 3.2% of all Group loans. The commitment of the Intesa Sanpaolo Group to finance projects linked to the green economy will continue in 2019 as well." [80]

Intesa Sanpaolo Bank has opened its first private banking office in London with the aim of impacting on the third largest economy in the euro area and have currently 10 private bankers.

76 Green Finance and the Resilience of the Financial Sector to Climate Change; Debate on 18 January 2018; House of Lords.
77 Green Finance and the Resilience of the Financial Sector to Climate Change; Debate on 18 January 2018; House of Lords.
78 The impact of "Brexit" on the financial services sector; Grant Thornton Financial Services Group; April 2016.
79 https://www.group.intesasanpaolo.com/scriptIsir0/si09/chi_siamo/eng_wp_chi_siamo.jsp#/chi_siamo/eng_wp_chi_siamo.jsp
80 https://www.group.intesasanpaolo.com/scriptIsir0/si09/sostenibilita/eng_prodotti_verdi.jsp#/sostenibilita/eng_prodotti_verdi.jsp

"Carlo Messina, the bank's chief executive, said the target market was wealthy Italians and their families residing in London as well as a means for non-Italians to buy property in Italy at a time when the market was showing signs of growth." [81]

Assicurazioni Generali is one of the world's leading insurance companies, a strategic sector of great importance for the growth, development and welfare of modern societies. In almost 200 years of history they have built a multinational group present in nearly 50 countries, with about 70,000 employees.

The UK branch was founded in 1963 and is based in London. It operates as a subsidiary of Assicurazioni Generali S.p.A. They want to play an active role in supporting the transition to a more sustainable economy and society. Moreover, with appropriate measures they try to induce in their own spheres of influence, particularly those of the customers and the companies in which they invest, the adoption of eco-sustainable behaviour, in order to reduce the indirect impacts of their activities. In this regard, on 21 February 2018, the Assicurazioni Generali Board of Directors approved the climate change strategy, which envisages specific actions on investments and underwriting, and identifies the dialogue and involvement of their stakeholders as a tool to facilitate the transition with a low environmental impact. [82]

Mediobanca was founded in 1946 with the aim of offering its customers highly specialised and innovative services in financial consulting, consumer credit and asset management.

Since the foundation they have combined tradition and innovation in all three operational areas of the Group, each of which equally contributes to performance as business: investment banking, private banking and wealth management.

Mediobanca had decided to adopt a sustainable and responsible investment approach, that is a medium and long-term investment strategy and that, in the evaluation of companies and institutions, integrates the financial analysis taking into account environmental, social and governance criteria, in order to to create value for the investor and for the company as a whole. [83]

Over the last 10 years, they have developed a strong international presence, especially in Europe. Indeed, the London branch office, set up in 2008, consists of specialist teams providing solutions to clients.

As well as its role as equity and derivatives platform, the London office is strategic in strengthening relations with hedge funds and private equity funds.

Since 2014 the London office has also been home to the FIG EMEA team.

UniCredit is an Italian global banking and financial services company. Its network spans 50 markets in 17 countries, with more than 8,500 branches and over 147,000 employees.

UniCredit Bank AG London Branch was formerly known as Bayerische Hypo – Und Vereinsbank AG, London Branch and changed its name to UniCredit Bank AG London Branch in December 2009. [84]

UniCredit UK Assets: €20 billion

Source: UniCredit UK.

81 https://www.ft.com/content/585a516a-968c-11e5-95c7-d47aa298f769
82 https://www.generali.com/our-responsibilities/our-commitment-to-the-environment-and-climate
83 https://www.mediobanca.com/en/sustainability/esg-products.html
84 https://www.unicredit.it/it/privati.html

ONE SHARED VISION: ONE BANK ONE UNICREDIT

"Growth can be achieved only through the strengths of our business: customer proximity, through dedicated services, specialisation of global functions and a strong risk culture."

What has motivated you to invest in the United Kingdom?

The UniCredit Group, historically represented by two separate banks (Credito Italiano and HypoVereinsbank), and has been active in the UK since the 1970s, in support of the Italian and German customers entering the UK market and helping UK investments in Italy and Germany.

After the merger between the two banks in 2006, the Group, a successful pan-European commercial bank, has a significant presence in the United Kingdom, as the UK hub of the Corporate and Investment banking division, which includes Markets, Financing & Advisory and Global Transaction Banking.

What insights and strategies have you introduced in order to thrive in the UK market?

The Group in the UK operates as a distribution centre for our European products and provides access to Europe and CEE for UK clients as well access to UK for European and CEE corporate clients, leveraging on the importance of the UK as a leading global financial centre.

Further, it is also active in the Strategic Funding, as the UK desk of Group Treasury, raising short term liabilities in the UK and the continental markets for the benefit of the Group.

What is your company strategy in the face of Brexit?

We expect London to remain the largest financial centre in Europe. For this reason, our presence in London is critical to ensure product and distribution capabilities for our client base.

As a leading pan-European commercial bank with a multi-hub operating model and wholesale banking centres in Milan, Munich and London, we are quickly and easily able to adjust our operations and model as required.

We currently expect only very limited, if any, disruption to how we currently service our clients' needs. Brexit is without doubt a challenge but also a good opportunity for the Group in a highly competitive market, where service quality towards the customers and innovation will be the key of the future global banking.

What are the three most important aspects you focus on to ensure your company's growth?

Growth can be achieved only through the strengths of our business: customer proximity, through dedicated services, specialisation of global functions and a strong risk culture.

The above points represent the typical UniCredit approach to business and our commitment to it.

What advice can you share with Italian organisations looking to succeed in the UK market?

Leverage on the experience of other Italian companies, that have been successful in the UK market, and on networking and partnerships.

Liaise with the trade organisations such as the CBI, Chambers of Commerce and industrial associations as well as City and UK trade organisations.

Choose an experienced bank to help you.

Roberto Pollara,
Branch Manager UK.

Christian Steffens,
UK Country Head.

MANUFACTURING

3.10

Manufacturing focuses on the production process in which raw materials are transformed into physical products through processes involving people and other resources. [85]

MANUFACTURING SECTOR IN THE UK 2017

- Ninth largest manufacturing nation in the world.
- Employs 2.6 million people (earning an average of £32,500).
- Contributes 11% of GVA.
- Accounts for 45% of total exports (totalling £275 billion).
- Represents 70% of business research and development (R&D).
- Provides 13% of business investment.
- Manufacturing productivity is 13% higher than average UK productivity.

The UK Manufacturing industry is a factor that has a major impact on UK GDP and is a world leader in product innovation and production technology.

It is a key enabler for both consumers and product manufacturers in providing product or component preservation. The Industry is effective but also sustainable and recyclable. [86]

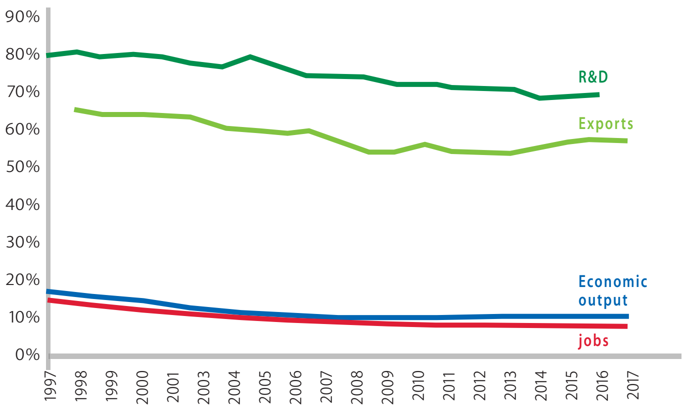

Figure 38: Manufacturing as a % of UK total: Output, jobs, R&D and exports.
Source: Manufacturing: statistics and policy, 12 November 2018; House of Commons.

Productivity in the manufacturing sector has historically been higher than in most other sectors of the economy due to the sector's reliance on machinery and equipment. What this means is that for every hour worked in the manufacturing sector, more is produced compared with other sectors.

"Over the past 30 years, the value of manufacturing output has remained largely the same, but the number of people employed in the industry has fallen significantly.

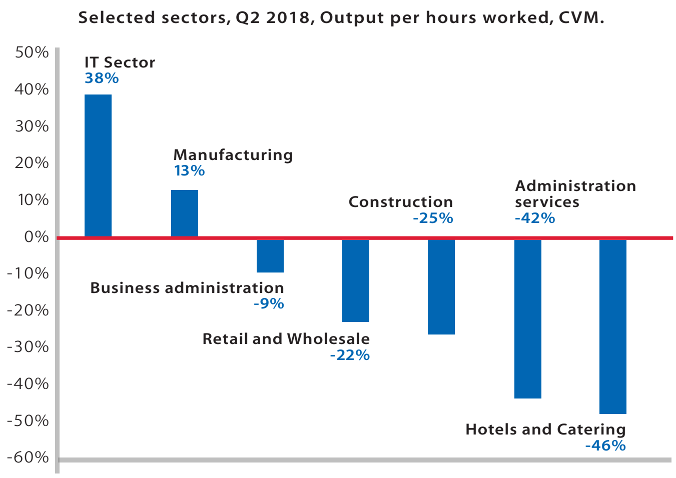

Figure 39: Productivity: % difference from UK average.
Source: Manufacturing: statistics and policy; 12 November 2018; House of Commons.

85 The Future of Manufacturing: A new era of opportunity and challenge for the UK; Government office for Science.
86 The UK Packaging Industry – A Strategic Opportunity: A Landscape Review and Technology Roadmap Report June 2018.

These trends will partly explain why productivity in manufacturing has grown far more quickly than productivity in the whole economy." [87]

The UK Manufacturing Industry is heavily dependent on research and development, engineering and manufacturing innovations and it has a record of innovation and new product development that can be taken to a higher level with additional resources and investment. Packaging is an important component of the overall manufacturing industry, which receives excellent support from the Packaging Federation and the Packaging Society, both London-based. A diverse range of emerging technologies will impact on the UK Packaging Sector and the sector must be informed of opportunities for innovation and exploitation. [88]

Nevertheless, the UK is in a period of uncertainty due to Brexit and other globalisation factors are likely to result in intensifying cost pressures. Taking into consideration this topic, there are different points of view about Brexit. It could benefit from a legal and regulatory perspective and boost UK manufacturing growth, but at the same time the uncertainty that it creates is making strategic planning difficult and damaging some business prospects.[89] Trade with the EU will probably become more complex and more costly and the ability to employ EU nationals may become challenging as free movement of labour is curtailed. The drop in the value of sterling will make exports more competitive but may also drive up the costs of imported intermediate inputs, which will impact output prices. [90]

Some examples of Italian manufacturing companies present in the UK.

Guala Closures Group is the world leader in the production of non-refillable closures (bottle tops) and in anti-counterfeiting technologies, with over 14 billion closures sold each year. For 60 years, the Guala Closures Group has been working on cutting-edge research applications to design and produce safety closures that reduce the risk of counterfeiting to a minimum, by preventing the "refilling" or replacement of the product. The Guala Closures Group forges valid partnerships with the marketing offices and PR consultants of its customers, it is a forerunner in research as regards next generation technologies, the most innovative materials and new frontiers of design. Its objective is to identify new brand image trends, guaranteeing the highest level of product protection. [91]

Turnover: £45,293,000
UK Turnover: £42,402,000
EU Turnover: £2,264,000

Source: Companies House – GOV.UK.

Prysmian (born as Pirelli Cavi e Sistemi) is a multinational with 90+ plants in 50 Countries and has been in the UK market for 100 years. It is world leader in the energy and telecom cables. Prysmian UK carries on projects with the National Grid, BT, Scottish and English energy grid connections etc. It manufactures energy cables from low voltage to extremely high voltage for land applications. With 17 research centres all over the world and advanced proprietary technologies, the company is equipped with best-in-class R&D capabilities. Prysmian UK turnover in 2017 was £527 million. [92]

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[87] Manufacturing: statistics and policy; 12 November 2018, House of Commons.

[88] The UK packaging industry – A strategic opportunity: A landscape review and technology roadmap report; Innovate UK; June 2018.

[89] Annual manufacturing report 2019; The Manufacturer.

[90] Impact of Brexit on the manifacturing industry; Managing through uncertainty; August 2017; Deloitte.

[91] https://www.gualaclosures.com/

[92] https://uk.prysmiangroup.com/innovation

Seda Packaging Group is one of the world's largest packaging manufacturers for branded products with 12 manufacturing locations and facilities in over 10 countries. By combining innovative manufacturing processes with state-of-the-art printing and converting technologies, they create packaging solutions to drive the market and2promote and enhance the world's best-known brands. [93]

Tratos Ltd is a UK based electrical cable manufacturer with its head office and main sales office in London and its manufacturing and technical facilities at two sites in Knowsley, Merseyside. At the company's production site its manufacturing and technical facilities include four extrusion lines and multiple laying machines for up to 100 pairs of instrumentation type cables. Tratos has its own testing facilities which include the standard test for voltage, spark test and resistance as well as more in-depth tests for elongation, heat shock, shrink back and vertical flame tests. Tratos Limited is accredited with ISO 9001:2008 for Quality Assurance and enhanced quality management systems for product-related functions. Tratos has two factories in Italy; in Pieve Santo Stefano (Arezzo) and in Catania, Sicily." [94]

Turnover: £19,175,439

Source: Companies House – GOV.UK.

[93] http://sedapackaging.com/seda-history.html
[94] https://tratosgroup.com/tratos-in-the-world/tratos-united-kingdom/

TRATOS: HOW DO YOU GET THE BEST OUT OF PEOPLE?

"Our over-arching strategy is to stay informed, stay ready and stay nimble. Deal or no deal, our strategy won't change."

Why did you decide to invest in the United Kingdom?

There is a long-standing relationship between Italy and Britain. During WWII our village was destroyed by German forces. It was the British who came to our aid, who saved our people.

That is the first and very important reason – cordial relations, an understanding of the culture and a desire to help create jobs and contribute to the UK economy.

Tratos' founder left Italy to set up a business in Argentina. He was later forced to leave the country as the result of a coup and lost everything.

It taught us a valuable lesson. It is that it is better to build business in developed countries where there is stability.

One of the most important elements for successful investment overseas is the knowledge that the country is stable, the rule of law is consistent and, consequently, outcomes can be more accurately predicted.

Our base in the UK is our first factory outside of Italy. There are multiple benefits around our choice. We have stability, a good skills base and we are in one of the world capitals for business.

What insights and strategies have you introduced in order to thrive in the UK market.

We have paid attention to the economy, to politics and to the challenges and desired advances of the UK's domestic industries where we seek to forge strong relationships.

We have also looked at competitors' strategies and approaches and at the performance and technology barriers facing Britain's infrastructure projects and services beyond what's happening now – so looking medium to long term.

In addition, we have invested time in analysing the best routes for advancement across a range of industries where a fresh look would help enhance Britain's performance as an economic force. One example would be moves to speed up the country's broadband.

We have been vocal about the obstacles and the choices around how best to clear them. We have positioned ourselves as true contributors to the UK economy, and the position is a genuine one.

We have been at pains to connect with people at every level and to move the debate forward – our strategy has been to push for a better Britain, whether that's through tougher safety standards or higher performance levels.

Along the way we have taken control of our own raw materials supplies – centrally – so of course our UK manufacturing base benefits from that. It means we control cost and there is no middle man. Alongside this work, and through it, we have ensured that people know who we are, what we stand for and that we know and understand their markets.

We are always at pains to present ourselves as 'more than' our roots as industrialists, although we have benefited from the global experience we bring to the UK's domestic markets.

What is your company strategy in the face of Brexit?

We invested in Britain in 2007. Nearly 12 years on, the UK faces its biggest changes in terms of trade. Businesses like predictability and Brexit has brought with it extreme caution. We are fortunate. We have one foot in the UK, one foot in Europe and a presence across the globe so that we can work shoulder-to-shoulder with customers. We have a firm foundation for trade; for import and export.

I make no secret of the fact that I was a Remainer. However, I am also a pragmatist. We are where we are and some of the best and most innovative business concepts and technological advances come out of constrained circumstances. As yet we're still not sure what Brexit will look like, and how it will evolve.

There will be an economy shock, but it won't be a re-run of the financial crisis of 2008. How far and with what impact the shock waves will progress is hard to predict because we're in uncharted territory.

We are focusing our commercial and development efforts on the things that are a constant, the things that have to progress; and we're thinking about how we can offer the best way forward to our customers.

Our over-arching strategy is to stay informed, stay ready and stay nimble. Deal or no deal, our strategy won't change.

How do you differentiate yourself from your competitors?

Tratos has a number of innate differentiators. We are independent, we are family owned, we are Italian owned and achieving success in the UK – and our growth is driven from a culture of innovation. So already we're doing things differently. We have become the 'go-to' supplier for solutions to the unsolvable; we simply work with our clients to find a way. That ownership of bespoke is a powerful differentiator. We are also market disruptors.

When we innovate to a place that far outstrips current technologies' performance, we are creating space between ourselves and our competitors but, don't forget, we're also creating a leap forward for the infrastructures we all rely on. We innovate within a market – overhead conductors for example – and we become game-changers. Suddenly power losses during transmission reduce dramatically, production costs look more favourable and so the up-front investment in advanced performance solutions realises its potential as smart expenditure.

Whether it's with fibre optic, super flexible or super-fast reeling cable Tratos is a future-proofer, a pioneer and a boundaries breaker. It's a position we work hard to uphold every day.

What insight would you offer Italian organisations in order to become internationally successful?

There is so much more to being a very successful international company than the territories within a business's order book. To export well you have to understand cultures, countries, communication.

We start by getting close to the local communities we work within. There is no substitute for boots on the ground in every territory we sell to – and provide national customer care and technical support for.

So, we have a real presence in each location, we have local talent and we use a common language – English – because it's widely understood. We have respect and understanding for the nations we are working with. So, while we observe our own culture's religious and cultural holidays for example, we are at pains to ensure we respect and observe those of our host nation.

Diversification is a wonderful thing and incredibly enriching. Taking the trouble to explore and understand what is important to our global customers and Tratos colleagues worldwide is the first step and a constant partner in the journey toward being a successful international business.

Maurizio Bragagni,
CEO.

ICT

3.1.1

The UK is a global leader in digital tech investments (one of the top three countries for total capital invested in digital tech). London has the fourth most international tech start-up workforce in the world.

ICT SECTOR IN THE UK 2017

- In London, 33% of tech company customers are based outside the UK.
- Accounts for 4.5% of all UK jobs.
- It is expanding 2.6 times faster than the rest of the UK economy.
- 6.7% of digital sector employees (98,000) were EU nationals.

London is the ideal city for startup and development. It represents the third largest technology hub in the world, as well as the main startup center in Europe. It is also known for its lively community, a high concentration of capital and a massive concentration of international talent. The presence of accelerators and technological events has made London one of the fastest growing startup ecosystems in the world.

As an epicentre for start-ups, it offers a wide selection of accelerators and incubators, providing support, space and resources to help you catapult your startup.

There are over 200 incubators and 160 accelerators currently active in the UK, which support over 3,500 new businesses per year.

London is also home to the largest fintech incubator in Europe and the first prop-tech accelerator in Europe.

Some of them are for example: Level 39, Pi Labs, Wayra UK, BBC Worldwide Labs, FinTech Innovation Lab. [94]

2017 was a record year for ICT-related investments in the UK thanks to the contributions from Amazon, Apple and Google. British technology companies (including ICT) have attracted more venture capital funds than any other European country in 2017, despite the perpetual uncertainty caused by the Brexit decision. It is precisely this uncertainty that is one of the reasons why UK companies have shown less willingness to engage in long-term IT projects, with budget reviews, deferred plans and late non-essential updates.

This had a negative effect on the already low margins of many ICT companies, particularly in the ICT retailer segment. [95]

The importance of this sector in the city of London is also demonstrated by the presence of many events dedicated to the Tech sector.

Orange Fiber, localized in Catania and Rovereto, was born on February 2014 thanks to the intuition of two young ladies: Adriana Santocinto, specialises in innovative textile design and Enrica Arena, marketing and communication. The Sicilian company has patented and manufactures sustainable fabrics for fashion from citrus juice by-product, the so-called "pastazzo," which would otherwise be wasted and disposed with important costs for the processing industry and the environment. From April 21st to January 27th 2019, the award-winning Orange Fiber together with Salvatore Ferragamo, conquests the V&A Museum of London for the Fashioned from Nature exhibition, the first UK exhibition to explore the complex relationship between fashion and nature from 1600 to the present day.

94 Market monitor; focus on ICT performance and outlook. file:///C:/Users/itaintern3/Downloads/MM_ICT_2018_ENG.pdf

95 hhttps://londontechweek.com/

BeMyEye is a leading crowdsourced perfect store data as a service (DAAS) provider. Operating in 21 countries, the company tracks Perfect Store execution metrics, such as share of shelf, promotional compliance, peak trading out of stock and brand recommendation, by deploying more than 1.5 million on-demand data gatherers using the BeMyEye App, and leveraging cutting-edge neural-network IR technologies to analyse the data.

The company works with more than 300 leading FMCG, Consumer Durables and Pharmaceutical companies, such as Nestle, PepsiCo, Ferrero, Samsung, Heineken and Bayer. [96]

Turnover: £1,219,283

Source: Companies House – GOV.UK.

U-Earth is a European-based company dedicated to the development, production and marketing of exclusive biotechnology for decontamination and treatment of air, water and land in medical, industrial and commercial applications. U-Earth works very closely on the product which is designed to meet the needs of the customer in order to make a system that operates through complex biophysical phenomena, is remote controlled and provides extremely high performance in a handy, user-friendly device that is completely safe and attractive in accordance with the principles of sustainable design.

The units are certified and continuously tested for a variety of applications through the collaboration of universities and research institutes around the world.

Turnover: £600,000

Source: Companies House – GOV.UK.

[96] hhttps://unbound.live/london

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