

+16%



1,825,000 motor vehicles registered in 2016

The Italian car market is the EU's fourth after Germany, the United Kingdom and France, thus confirming its great attraction for all motor manufacturers.

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- *With 125 thousand new cars registered, December recorded an upward sales trend of 13%, which brings the cumulative sales figure to 1,825,210¹ units, in line with ANFIA forecasts, and an increase of 15.8% or 249,000 passenger cars on 2015.*
- *Many factors influenced the good market trend in 2016: the positive climate of consumer and business confidence (albeit declining from 2015), the drop in fuel prices, attractive promotional campaigns from the manufacturers, the introduction of the "super depreciation" measure for the renewal of company fleets, the increasing interest in hybrid cars and the new forms of mobility such as car sharing (about 700 thousand registrations, of which 98% resident in four cities: Rome, Florence, Milan and Turin) and rentals, differentiated services which target a broader and broader band of users.*
- *For 2017 and 2018 the trend is expected to be positive with volumes of around 1.91 and 1.94 million cars respectively.*
- *In 2016 FCA did better than the market as a whole with an increase of 18.5%, or 83 thousand registrations more than in 2015. The good performance of the FCA group in Italy and abroad, underlay an increase in the production volumes of domestic cars, which in 2016 will exceed 700 thousand units.*
- *Internationally the reduction in world trade and the increase in oil prices will affect the global economy in the months to come; elections scheduled for 2017 in the Netherlands, France and Germany could modify the balance even more in a Europe that is already in difficulty after the outcome of the UK referendum (Brexit) and that in Italy (constitutional reform): a fairly complicated proving ground for the European project. In this framework, Italy is also demonstrating all its economic and political fragility, marked by a more acute and deeper crisis than in many other European countries.*

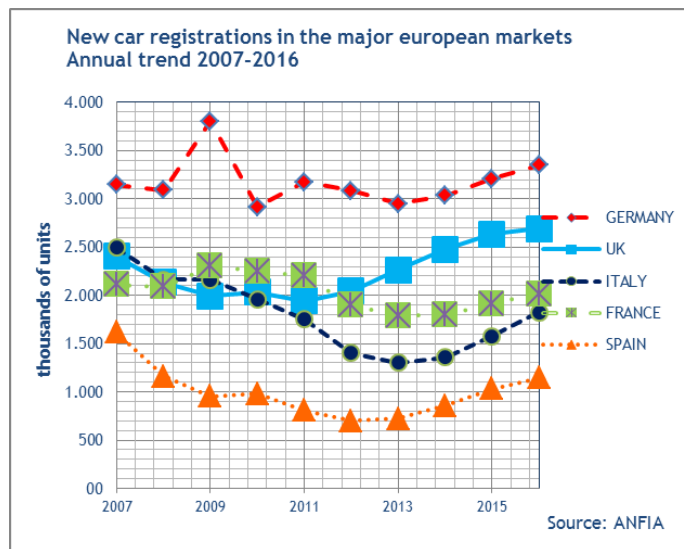
¹ ANFIA processing of data from the Ministry of Infrastructure and Transport (Min.Auth. D07161/H4) carried out on 4/1/2017.

The car market, after years of severe contraction resulting from continuously postponing car replacement that almost halved sales volumes (volumes in 2016 were 27% lower than in 2007), has been growing steadily since 2014, rising from 1.36 million new registrations to 1.82 million in 2016.






The low cost of money, easy access to credit, the fall in fuel prices, and highly attractive offers from the motor manufacturers have so far boosted new car purchases in a climate of fairly high general consumer confidence, even though this was down in 2016. The super depreciation of corporate assets including motor vehicles (140% of their value), introduced by the 2016 Stability Law, a measure confirmed in the 2017 Budget Law, contributed to the buoyant market trend.

The Italian car market with more than 1.82 million new vehicles produced, is the EU's fourth market after Germany, the United Kingdom and France, thus confirming its attraction for all car manufacturers.

Italy was the country recording biggest growth in 2016, followed by Spain. Both these countries suffered most from the economic and financial crisis and their production volumes remained lower than in 2007 (-27% for Italy and -29% for Spain). The German market recorded its lowest sales volume in 2010 while in the other years it racked up volumes higher than or close to 3 million units sold. The United Kingdom, however, brilliantly overcame the crisis and actually achieved a new sales record as early as 2015 before doing even better in 2016. Finally, the French market recorded a volume in 2016 still lower than those achieved in the years 2009-2011. Altogether for the five largest EU markets, the most difficult years were 2012-2014.



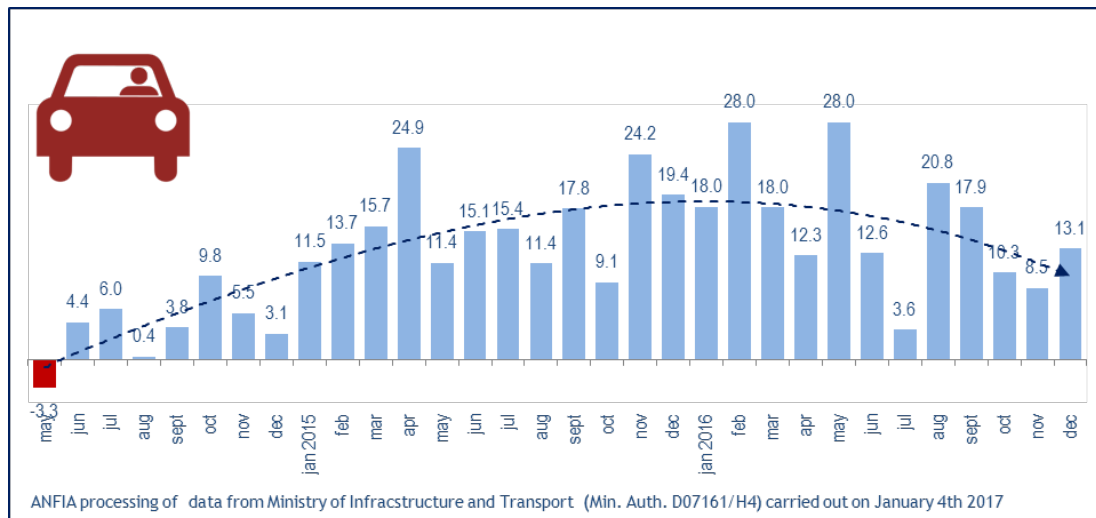
CAR REGISTRATIONS IN THE MAJOR EUROPEAN MARKETS - ANNUAL TREND 2007-2016

	volums	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	% Chg 16/15	% Chg 16/07
	GERMANY	3,148.2	3,090.0	3,807.2	2,916.3	3,173.6	3,082.5	2,952.4	3,036.8	3,206.0	3,351.6	4.5%	6.5%
	UK	2,404.0	2,131.8	1,995.0	2,030.8	1,941.3	2,044.6	2,264.7	2,476.4	2,633.5	2,692.8	2.3%	12.0%
	FRANCE	2,109.7	2,091.4	2,302.4	2,251.7	2,204.2	1,898.8	1,790.5	1,795.9	1,917.2	2,015.2	5.1%	-4.5%
	ITALY	2,494.1	2,161.4	2,159.9	1,962.0	1,749.5	1,403.3	1,304.8	1,360.8	1,575.9	1,825.2	15.8%	-26.8%
	SPAIN	1,614.8	1,161.2	952.8	982.0	808.1	699.6	722.7	855.3	1,034.2	1,147.0	10.9%	-29.0%
	TOTAL 5 MARKETS	11,770.8	10,635.7	11,217.3	10,142.8	9,876.6	9,128.7	9,035.2	9,525.2	10,366.9	11,031.8	6.4%	-6.3%

Source: ANFIA

CAR REGISTRATIONS - MONTHLY TREND MAY 2014 - DECEMBER 2016

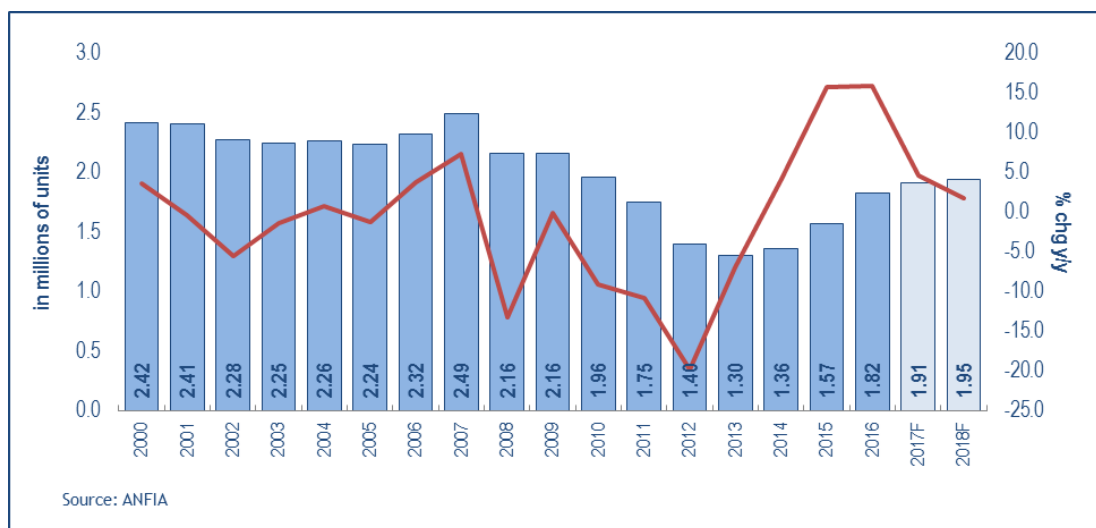
Month on month % changes compared to previous year



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CAR REGISTRATIONS - ANNUAL TREND 2000/FORECASTS 2017-2018

Volumes in millions of units and % changes y/y



Consumer and business confidence (ISTAT² data)

Consumer confidence improved in December 2016 (from 108.1 to 111.1) returning to the level of July 2016; the composite index of business confidence fell from 101.4 to 100.3, but sectoral dynamics were diversified.

As regards consumers, the improvement was felt in all components of the climate of confidence index: the economic climate rose from 127.6 to 133.8, which is slightly above the average level of the period May-June 2016; the personal and current climates rose for the second consecutive month, from 101.3 to 102.7 and from 103.7 to 106.2 respectively. The future component turned up again and showed an increase in December (from 113.8 to 116.2), attaining its highest level since June 2016. Consumer opinions about the country's economic situation improved significantly as did expectations, the balance of which rose following seven consecutive months of decline. Analysing opinions on the trend in consumer prices, expressed over a 12-month period (opinions on the past 12 months and expectations for the next 12), prevailing judgments and expectations foresaw prices falling. Finally, expected unemployment recorded a drop for the second consecutive month.

With reference to business, a worsening of confidence in services and construction was recorded in the month of December; by contrast in the manufacture and retail trade the index rose from 102.2 to 103.5 and from 106.5 to 107.4 respectively. As regards the components of the confidence index, the manufacturing sector showed an improvement in both order and production expectations; the balance of opinion on inventories was stable.

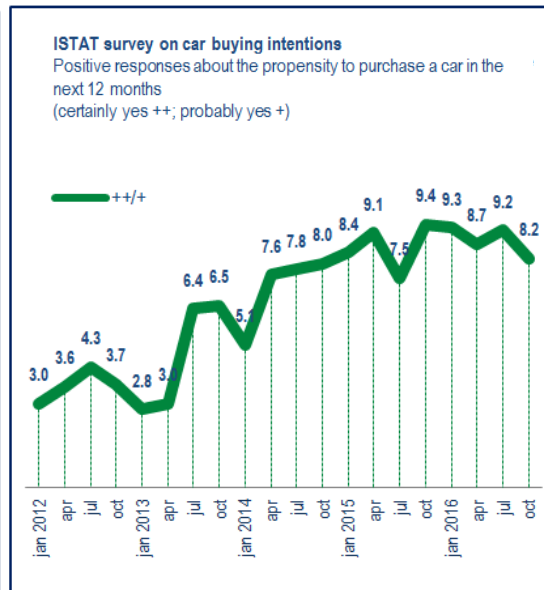
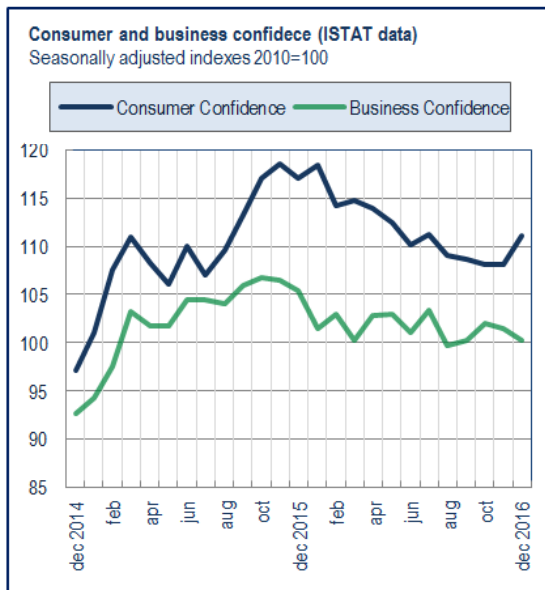
In services, judgments on the level of orders and the overall trend of the economy deteriorated; the balance of order expectations remained stable. In the retail trade, both current sales and expectations with regard to future sales showed an improvement; the balance of opinion on warehouse stocks declined.

ISTAT survey on car buying intentions

The ISTAT survey on car buying intentions in the next 12 months confirms the ongoing trend in the car market. In July 2016 the survey notes an uptrend in the propensity to purchase a car in the months to come, which from 8.7% of "certainly yes" and "probably yes" responses in April 2016, rises to 9.2%. In October the propensity to purchase declines to 8.2%. This slowdown in purchasing intentions is reflected in a slowdown in growth rate of sales to private individuals:

- +30% in the 1st quarter
- +14% in the 2nd quarter
- + 3% in the 3rd quarter
- + 1.7% in the 4th quarter.

² Press release ISTAT 28 December 2016

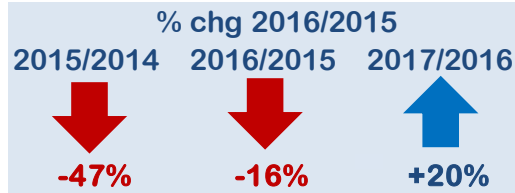
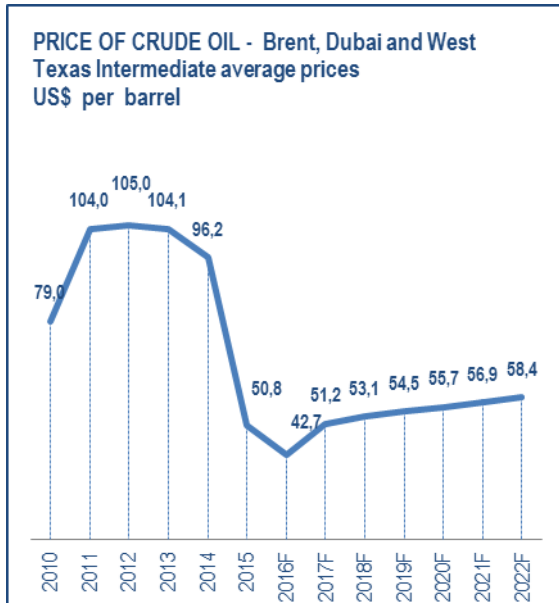


ISTAT survey on car buying intentions
 Positive responses about the propensity to purchase a car in the next 12 months (certainly yes ++; probably yes +)

Price of crude oil

According to IMF data, in 2015 the price of oil (average prices of WTI, Brent and Dubai; US \$50.9 per barrel) was 47% down on the average price of 2014 (US \$96.2). The excess of supply took the price down to its bottom in the early months of 2016, before bouncing back to touch close on 50 USD a barrel in May, the effect of the reduction in production in non-OPEC countries and other factors leading to an interruption in the supply, such as fires over a vast area of Canada and the rebel attacks in Nigeria.

At the end of November the OPEC countries, gathered in Vienna, agreed to cut oil production. The understanding between Saudi Arabia, Iran and other producer countries from the cartel has led to a cut of 1.2 million barrels per day starting January 2017. The production ceiling will therefore drop to 32.5 million barrels per day as from 1 January. The agreement allows for the possibility of including production cuts from non-OPEC countries, such as Russia, which has committed, starting from next March, to reduce extraction by 300 thousand barrels per day, half the additional cut required of countries close to the cartel but outside of it. Despite the fact that an understanding of this kind was lacking in 2001, scepticism remains for any appreciable price increase in 2017.



Source: IMF, updated on 1/12/2016

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According to IMF projections, the average decline in the annual oil price in 2016 was 16%. In 2017, a 20% increase is expected. According to December 2016 projections, the price could still remain under 60USD per barrel over the next 5 years.

Fuel prices in Italy

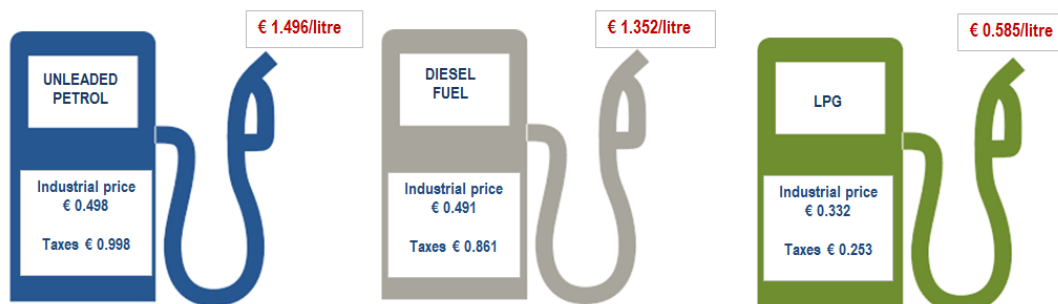
In December 2016, the weighted average price of fuel at the pump increased as a result of the increase in the industrial price.

The price of unleaded petrol rose to € 1.496/litre from € 1.475 in November 2016, diesel fuel to € 1.352 from € 1.327 the month before, LPG to € 0.585 from €0.580/litre in November. The incidence of taxes (VAT + duty) on the price at the pump was:

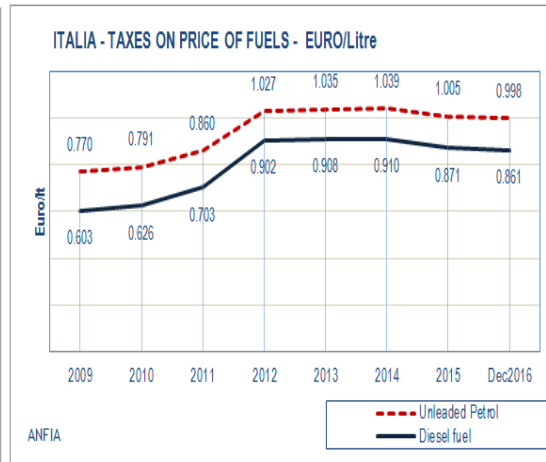
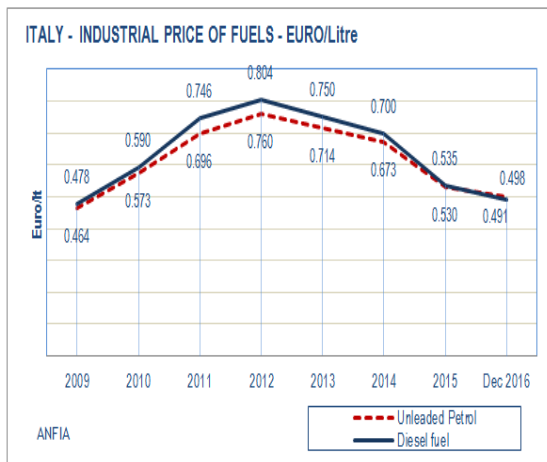
- .67% on the price of petrol
- .64% on the price of diesel fuel
- .43% on the price of LPG

At 0.971/0.973 €/kg, the average national price of natural gas for motor vehicles was slightly down in December on November. The lowest average prices were to be found in the Marche, Abruzzo, Molise, Veneto, Emilia and Romagna, Lombardy and Campania, where prices ranged from 0.925 to 0.962 euro/kg, while Trentino Alto Adige, Lazio, Calabria and Sicily recorded the highest prices, above one euro, in a range from 1.030 to 1.040 euro/kg (source: Assogasmetano).

Average fuel prices in December 2016



ANFIA on MISE data



Fuel consumption

According to the latest available data from the Ministry of Economic Development, in **2016** average consumption of petrol was down 2.9%, those of diesel was down 0.1% and the consumptions of LPG was up 2.4%.

Fuel consumption has gradually fallen since 2006, due to the fall in purchasing power in the severest years of the crisis, the increase in the price of fuels (prior to the decline of the price of oil from 2015), the reduction in average mileage and the use of alternative means to the car for medium and long journeys, thanks to low cost plane, train and bus offers and also the better performance of the new car models in terms of mileage and consumption.

Analysis of the ITALIAN vehicle market in detail

Car market: December 2016

124,509 cars were registered in December, +13.1% according to ANFIA's processing of data in the files of the Ministry of infrastructure and Transport, carried out on 1/4/2017.

In the last month of the year registrations of diesel cars increased by 15.4% for a 57.7% share of the total market; petrol cars grew by 11.2% for a 31% share and alternative fuel cars increased by 7.5% for a share of 11.3%.

In the *ecofriendly* car segment, LPG-powered cars recorded their first plus sign of the year, +11.2% (7,535 units) accounting for more than 53% of all alternative fuel cars sold in December (14,070 units), followed by hybrid cars with an increase of 48% over December 2015 (3,502 units); CNG cars continued their decline, -26% (2,846 units) while pure electric cars with 187 units registered an upturn of 85% compared to the 101 units registered in December 2015. In December hybrid/electric cars recorded a market share of 3%.

Sales to private individuals in the month increased by 6.3% with a share of 62.2%. Registrations of company cars (rental sector) included jumped by 26.4%.

The rental sector registered an increase of 12.7% and a market share of 13.5%.

In December the **Fiat Chrysler Automobiles** Group (including Ferrari, Maserati) performed better than the market: + 14.6% with over 37,000 registrations, and 29.8% of the market; the biggest increase was recorded by the Alfa Romeo brand +41%, followed by Jeep +22%, Fiat +12.9% and Lancia +2.8%. Sales of Maserati soared, with volumes quadrupling (+295%), while Ferrari sales doubled.

7 FCA models placed in the December Top Ten with Panda and Ypsilon in 1st and 2nd slots respectively.

Market: January/December 2016

In 2016, 1,825,210 cars were registered, +15.8%, according to Anfia processing of data in the files of the Ministry of Infrastructure and Transport, carried out on 4/01/2017.

In 2016, the FCA group registered 530,613 passenger cars, + 18.5%, for a share of 29.1%.

Following in the wake of FCA in group rankings for the whole year: VW Group with a market share of 13.3% (+ 16.3% increase in volumes), Renault Group with a share of 9.1% (+19.8%), PSA Group with a share of 8.7% (+10.7%), Ford with 6.8% (+13.7%), and GM with 5.2% (+6.8%). Japanese makers accounted for a total of 10% of the market (+10%), while Korean manufacturers took 6% (+18%).

6 FCA models placed in the Top Ten in January-December, in the first 4 positions: Panda, Ypsilon, 500L and 500, with the 500X and Punto following in 7th and 8th positions.

NEW CAR REGISTRATIONS – MAIN GROUPS OR BRANDS

	2016	%	2015	%	% chg 2016/2015
FIAT - CHRYSLER Group	530,613	29.1	447,745	28.4	18.5
VW Group	243,290	13.3	209,230	13.3	16.3
RENAULT Group	166,241	9.1	138,815	8.8	19.8
PSA Group	158,278	8.7	143,014	9.1	10.7
FORD	124,257	6.8	109,303	6.9	13.7
GM Group	95,022	5.2	88,985	5.6	6.8
DAIMLER Group	92,651	5.1	77,801	4.9	19.1
BMW Group	84,260	4.6	71,767	4.6	17.4
TOYOTA Group	75,969	4.2	68,938	4.4	10.2
HYUNDAI	56,337	3.1	47,363	3.0	18.9
NISSAN	55,198	3.0	57,500	3.6	-4.0
KIA	45,138	2.5	39,066	2.5	15.5

ANFIA processing of data from Ministry Infrastructure and Transport (Min. Auth. D07161/H4) carried out on January 4th 2017

TOP TEN

	Make	Model	DECEMBER 2016 ¹		Make	Model	JAN/DEC 2016 ²
1	FIAT	PANDA	9,929	1	FIAT	PANDA	145,736
2	LANCIA	YPSILON	4,325	2	LANCIA	YPSILON	65,664
3	RENAULT	CLIO	3,411	3	FIAT	500L	51,813
4	FIAT	500 ³	3,364	4	FIAT	500 ⁴	49,329
5	FIAT	500X	3,327	5	RENAULT	CLIO	47,423
6	FIAT	500L	3,028	6	VOLKSWAGEN	GOLF	46,659
7	VOLKSWAGEN	POLO	2,836	7	FIAT	500X	46,227
8	FIAT	TIPO	2,781	8	FIAT	PUNTO	44,293
9	VOLKSWAGEN	GOLF	2,695	9	VOLKSWAGEN	POLO	43,105
10	JEEP	RENEGADE	2,545	10	FORD	FIESTA	42,601

¹ Ministry of Infrastructure and Transport

² ANFIA processing of data from Ministry of Infrastructure and Transport (Min.Auth.D07161/H4)

Market subdivided by fuel supply system

In 2016 sales of diesel powered cars rose by 19% (57% market share) and petrol vehicles by 22% (33% share) while alternatively powered cars fell by 12.1% (10.2% share).

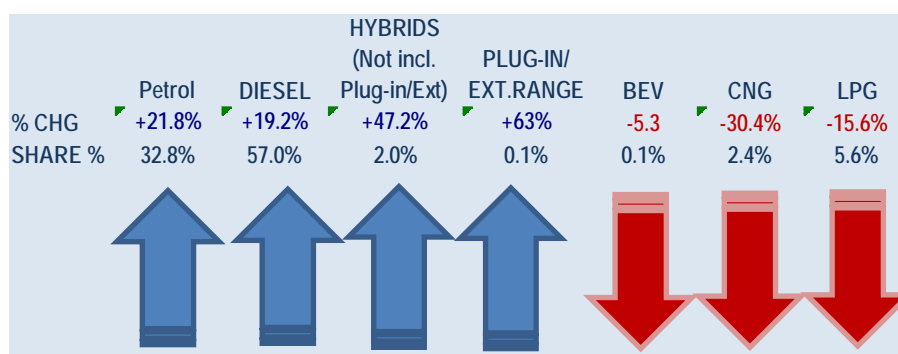
After the trend decline of 6.5% in 2015, gas driven cars in the year just ended lost a further 21% of the market and 3.6 points in market share. Gas cars accounted for 78% of all alternatively powered passenger cars registered in Italy in 2016. In detail, LPG cars sold 101,682 units, -15.6% and a share of 5.6%, with two points less than their share in 2015. CNG-powered cars lost 30% in sales volumes, 1.6 points in share, with 43,779 new registrations in 2016.

Hybrid cars on the other hand recorded an increase of approximately 48%, with 38,580 units sold and a market share of 2.1%; of these 1,452 were from the plug-ins/extended range whose sales increased by 63% on 2015.

Sales of pure electric cars fell in 2016 by 5.3% with volumes remaining very low at just 1,375 units: for every 10,000 cars sold, only 7.5 have an electric motor.

A number of aspects of the technology still need to improve before consumers opt for electromobility more extensively; it is necessary above all to increase the operating range and reduce charging times, while obviously offering a price that is competitive with that of internal combustion cars.

2016 – Car market by type of fuel, 2016/2015 % change and share of total market 2016



NEW CAR REGISTRATIONS BY FUEL - ANNUAL TREND

	2014	%	2015	%	2016	%	%chg 2015/14	%chg 2016/15
DIESEL	747,194	54.9	872,853	55.4	1,040,299	57.0	16.8	19.2
PETROL	394,801	29.0	492,050	31.2	599,495	32.8	24.6	21.8
PETROL+LPG	123,851	9.1	120,542	7.6	101,682	5.6	-2.7	-15.6
PETROL+GNC	72,367	5.3	62,935	4.0	43,779	2.4	-13.0	-30.4
ELECTRIC	1,107	0.1	1,452	0.1	1,375	0.1	31.2	-5.3
HYBRID	21,473	1.6	26,122	1.7	38,580	2.1	21.7	47.7
Hybrid Petrol-Electric	20,497	1.5	24,638	1.6	36,732	2.0	20.2	49.1
Hybrid Diesel-Electric	570	0.0	593	0.0	396	0.0	4.0	-33.2
PLUG-IN	270	0.0	739	0.0	1,317	0.1	173.7	78.2
EXTENDED RANGE	136	0.0	152	0.0	135	0.0	11.8	-11.2
TOTAL	1,360,793	100.0	1,575,954	100.0	1,825,210	100.0	15.8	15.8

TOTAL AFVs	218,798	16.1	211,051	13.4	185,416	10.2	-3.5	-12.1
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ANFIA on data of Ministry of Infrastructure and Transport (Aut.Min. D07161/H4)

Only 1 vehicle in 10 runs on alternative fuel



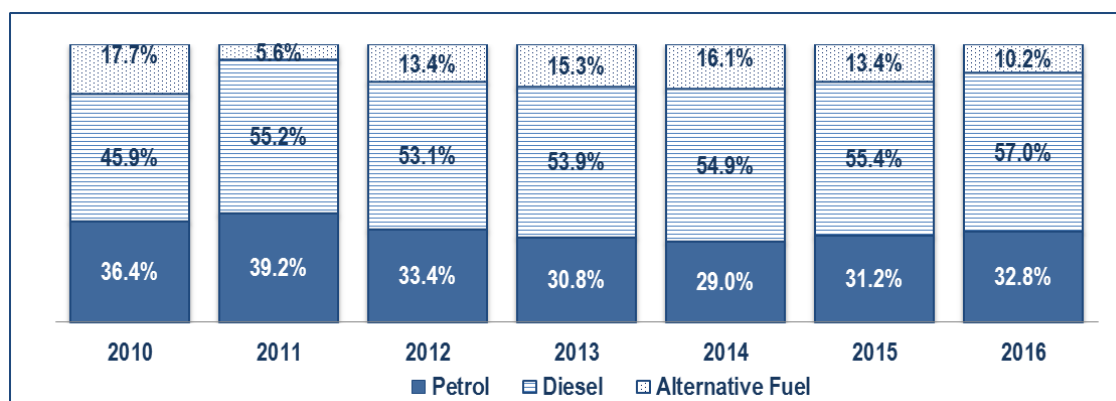
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In 2016, ecofriendly cars as a whole recorded a decline in sales of 12.1%, after that of the 3.5% already seen in 2015. The market share of ecofriendly cars fell to 10.2% of the total car market, 3.2 points down on 2015 and 5.9 points down on 2014.

NEW CAR REGISTRATIONS BY FUEL AND MONTH - Units and share %

Units	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16
DIESEL	62,225	87,278	96,540	107,486	91,237	107,529	95,158	80,700	42,312	88,084	85,966	86,210	71,799
PETROL	34,760	51,817	58,841	65,322	59,919	63,119	54,601	43,054	22,240	50,723	46,346	44,873	38,640
PETROL/LPG	6,776	8,675	9,366	10,269	9,457	10,037	9,327	7,864	4,315	8,224	8,280	8,333	7,535
PETROL/CNG	3,847	4,714	4,783	4,820	4,427	4,248	3,967	2,829	1,554	3,183	3,146	3,262	2,846
EV/HYBRIDS	2,464	3,418	3,666	3,527	3,108	3,725	3,206	2,767	1,591	4,113	3,595	3,550	3,689
TOTAL	110,072	155,902	173,196	191,424	168,148	188,658	166,259	137,214	72,012	154,327	147,333	146,228	124,509
Share %	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16
DIESEL	56.5	56.0	55.7	56.2	54.3	57.0	57.2	58.8	58.8	57.1	58.3	59.0	57.7
BENZINA	31.6	33.2	34.0	34.1	35.6	33.5	32.8	31.4	30.9	32.9	31.5	30.7	31.0
BZ/GPL	6.2	5.6	5.4	5.4	5.6	5.3	5.6	5.7	6.0	5.3	5.6	5.7	6.1
BZ/METANO	3.5	3.0	2.8	2.5	2.6	2.3	2.4	2.1	2.2	2.1	2.1	2.2	2.3
PEV/IBRIDE	2.2	2.2	2.1	1.8	1.8	2.0	1.9	2.0	2.2	2.7	2.4	2.4	3.0
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

CAR REGISTRATIONS BY FUEL SUPPLY SYSTEM IN %



ANFIA processing of data from the Ministry of Infrastructure and Transport (Min.Auth. D07161/H4)

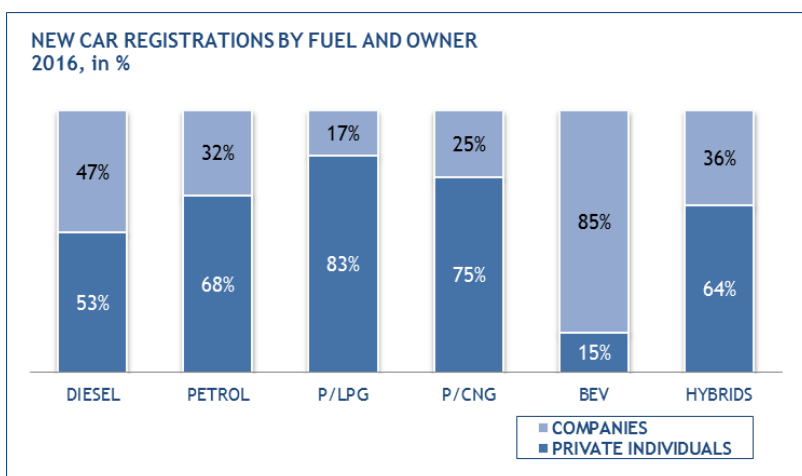
ACEA, at European, and ANFIA at national levels support the principle of technological neutrality in order to reach the next targets for reducing emissions. There is no doubt after all that hybrid and plug-in hybrid systems will experience significant global growth over the coming years, while as far as electric cars go, further technological advancement is required in terms of batteries. Therefore to promote greater market penetration of alternative powertrains and ensure further reductions in CO2 emissions, industry and Government institutions must work together to promote consumer demand, which has not changed even after the dieselpgate scandal, indeed in Italy the demand for electric cars has dropped by 5%.

Governments across Europe will have to support demand, both in terms of providing the distribution and recharging infrastructures needed, and influencing consumer choices, for example by harmonising demand-support measures throughout the EU. The automotive industry needs the programmatic commitment of Governments to increase investment in alternatively powered vehicles, so that the *decarbonisation* targets defined by the European Council in October 2014, which established a domestic reduction of greenhouse gas emissions by 40% by 2030 compared to 1990 levels, are to be achieved (in 2013, the EU had already reduced its greenhouse gas emissions by 19% compared to 1990 levels and the next target is a 20% reduction of emissions by 2020).

Community Directive 2014/94/EU or "DAFI", as it is known, sets out, for the first time, a common framework of measures aimed at putting in place alternative fuel infrastructures, including the minimum requirements for the construction, charging points for electric vehicles and natural gas (LNG and GNC), LPG, biomethane and hydrogen supply points - to be implemented using national strategic frameworks - with the purpose of mitigating the environmental impact in the transport sector in the Member States of the European Union.

As regards Italy, the Council of Ministers on 14 December approved the Legislative decree implementing Directive 2014/94/EU ("DAFI") of 22 October 2014, regarding the implementation of an infrastructure for alternative fuels. The decree, currently awaiting publication in the Official Gazette, contains multiple positive elements: the *"technology neutral"* approach used as an overall, strategic vision to enhance the contribution that each fuel can provide for the achievement of environmental targets in the context of a technological road map; measures for the development of the alternative fuel distribution market; framework simplifications for issuing authorisations to open supply plants, currently rather complex and heterogeneous at regional level.

In summary, the decree will provide a basis of certainty for the framework that on the one hand will allow entrepreneurs and operators in the sector to plan their investments adequately and, on the other, will enable users-end consumers to enjoy and benefit from a supply network capable of reaching even those geographical areas where structures are for various reasons still lacking (eg. Sardinia, Calabria and Sicily). They will thus finally be able to meet the standards already present in the main European countries, especially in urban areas, including LPT bus and waste collection and garbage compactor deposits.



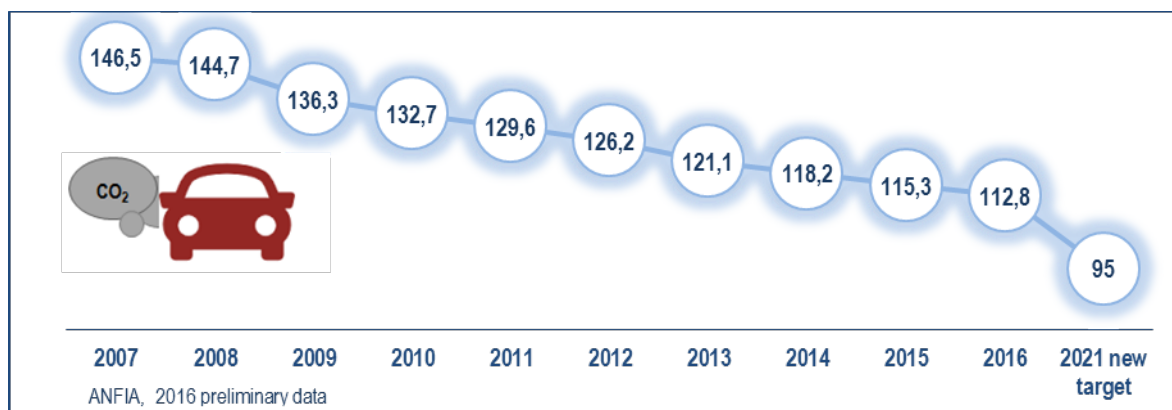
The chart shows that gas cars are sold mostly to private individuals, while of the new electric cars sold in 2016 85% were registered with companies and only 15% with private individuals.

The time is not yet ripe for the mass distribution of electric cars. The tipping point will come when the price of electric cars is on a par with that of the internal combustion engine cars. Although the demand for electric and hybrid cars over the next decade will grow, the impact on the market will remain very small.

CO₂ emissions

Taken as a whole, the eco-friendly car market has allowed Italy to become one of the best performing countries in the Union as regards pollutant emissions; as early as 2011 it had already achieved (with 129 g/km CO₂) the target set by the European Commission for 2015 in terms of average emissions of CO₂ from new registered passenger cars (130 g/km).

AVERAGE CO₂ EMISSIONS OF NEW CARS SOLD PER ANNUM (g/km)



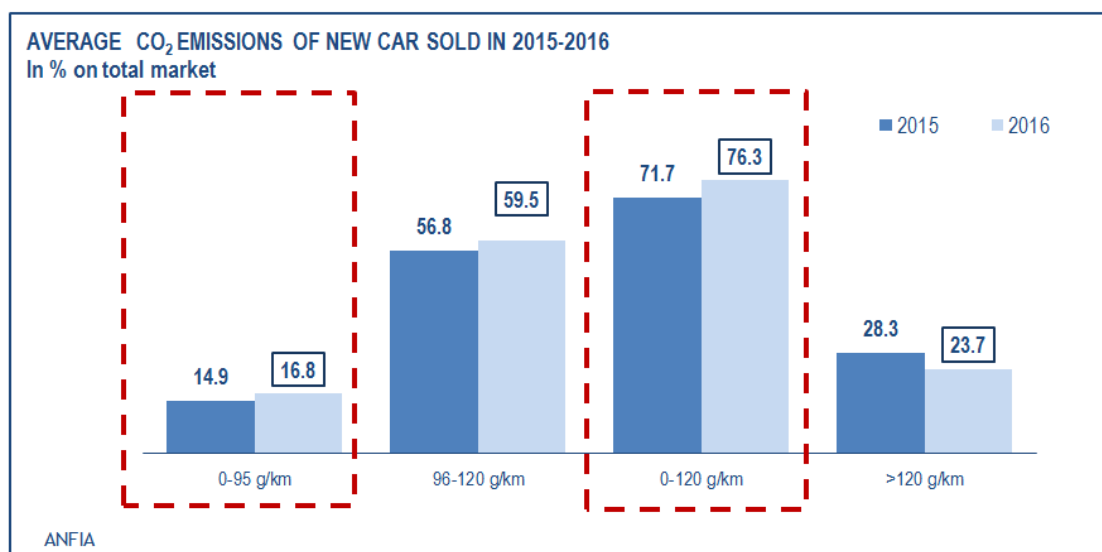
According to ANFIA's preliminary findings, in 2016 the average CO₂ emissions of all new cars sold in Italy was 113 g/km. Depending on the type of fuel, average emissions of passenger cars sold were:

- Petrol 118.1 g/km
- Diesel 111.7 g/km
- LPG 114.3 g/km
- CNG 96.0 g/km
- Hybrid 88.0 g/km.

The cars producing the lowest quantities of CO₂ emissions are the CNGs and hybrids, and obviously the zero-emission electrics. To achieve the target of 95 g/km set for new cars registered in 2021, it is evident that it will be important to focus on an efficient, grassroots distribution network, because CNG and electricity have a greater incidence on the reduction in the average CO₂ emissions of the car market. In Italy and Europe, diesel cars, which have CO₂ emission levels lower than petrol models, make up more than half the new registrations; a realistic attitude must therefore be taken in adopting measures that push demand towards "green" engines.

For manufacturers, the diesel engine equipped with the most advanced technologies (clean diesel), is an essential factor if the CO₂ target of 95 g/km at 2021 is to be achieved.

In 2016, cars registered with emissions of up to 95 g/km accounted for 16.7% of the market, those from 96 to 120 g/km 59.3%, total new cars with emissions from 0 to 120 g/km, represented 76%. Those with more than 120 g/km lost 3 percentage points, dropping to 24% of the market.



The measurement of pollutant emissions is quite complex and many decisive factors come into play when quantifying emission values, hence the gap between results in the laboratory and on the road. The laboratory test used today, the "New European Driving Cycle (NEDC)", meets the European norms that establish the standards that all manufacturers and other players concerned must comply with. Designed in 1980 (and employed since the 1990s) the test is now dated.

Aware of the limitations of this test, the subject of heated discussion throughout 2016, the automotive industry has contributed actively to the development of the new test, the *Worldwide Harmonised Light Vehicle Test Procedure (WLTP)*. The new test will consider a series of factors affecting final emission values which will be more consistent with the quantities of carbon dioxide emissions and

pollutants encountered in the everyday use of vehicles. The WLTP is scheduled to take over from the current test for new type-approvals in September 2017 and for all vehicles in September 2018.

In addition to the new lab test, a complementary procedure called "*Real Driving Emissions (RDE)*" will be introduced to determine pollutant emissions on the road, namely in conditions as close as possible to reality (on urban and suburban roads and motorways; in the mountains at different altitudes; driving at low, medium and high speeds; in increased load conditions). With this legislation, Europe will be the first region in the world to adopt an approach based on actual driving conditions rather than on the homologation cycle alone for calculating vehicle emissions. The European Commission should complete the legislation on the RDE test (last package of the four envisaged) in the coming months, and it will come into force at the same time as the WLTP (except for the NOx which comes into force a year later).

According to European Environment Agency surveys, the road transport sector is responsible for a fifth of overall emissions of greenhouse gases and pollutants in the European Union. The Agency's report "*Air Quality in Europe – 2016 report*" highlights that air quality has improved over the years. During the period 2000-2014, in the monitored locations (over 400 cities), the average annual level of PM10 fell in 75% of them. Similarly, on average, concentrations of PM 2.5 declined between 2006 and 2014 in correspondence with all types of stations (urban areas, traffic zones, urban background sites, etc.). In addition, exposure to levels of PM higher than WHO recommendations has decreased over the years. The reduction in emissions in Europe has improved air quality, but not enough to prevent unacceptable damage to human health and the environment.

Market by acquisition method

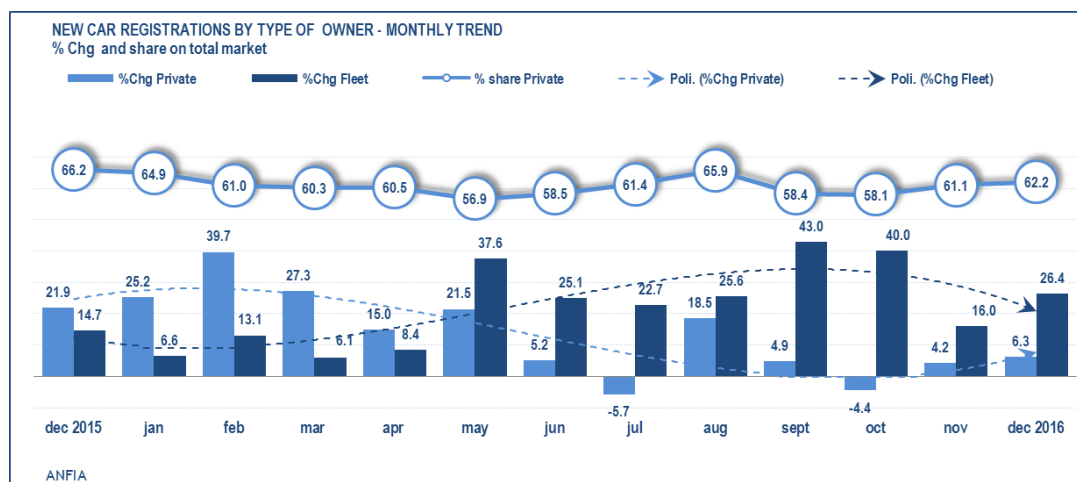
Sales to private individuals, which grew from July 2014 and racked up double digit increments from March 2015 until May 2016, slowed down from June (+ 5.2%) and in July recorded their first minus sign for two years: -5.7%. In August, they rose by 18.5% and in September by 4.9%, while the minus sign made its return in October (-4.4%), followed by +4.2%, in November, and a plus sign in December too, +6.3%.

In January-December 2016, cars registered with private individuals grew by 13% and those with companies by 21%. The share of cars registered with private individuals exceeded 60% of the market, with companies accounting for nearly 40%.

NEW CAR REGISTRATIONS BY OWNER

	2014	%	2015	%	2016	%	%chg 2015/14	%chg 2016/15
Private individuals	827,785	60.8	979,848	62.2	1,102,906	60.4	18.4	12.6
Companies	533,008	39.2	596,106	37.8	722,304	39.6	11.8	21.2
Leasing	43,482	1.5	49,243	1.5	59,251	1.6	13.2	20.3
Company fleets	220,640	16.2	229,868	14.6	292,992	16.1	4.2	27.5
Rentals	264,201	19.4	312,369	19.8	364,498	20.0	18.2	16.7
Taxi	4,471	0.3	4,454	0.3	5,252	0.3	-0.4	17.9
Others	214	0.0	172	0.0	311	0.0	-19.6	80.8
TOTAL	1,360,793	100.0	1,575,954	100.0	1,825,210	100.0	15.8	15.8

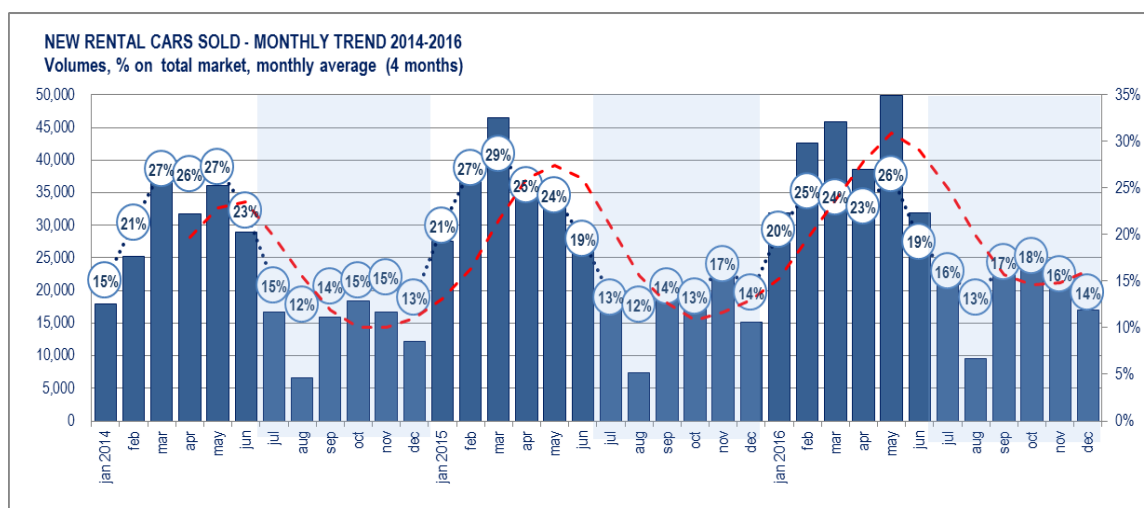
ANFIA on data of Ministry of Infrastructure and Transport (Aut.Min. D07161/H4)



Company fleets (excluding rentals and leasing) recorded an annual increase of 27.5% and a share of 16.1%. Sales of cars registered with leasing companies for their part increased by 20.3%, with a share of 3.3%. With 364,498 new cars rentals captured 20% of the market (+ 16.7% on 2015).

Long-term rentals increased by more than 18% and short-term rentals also did well: 14.2% (Aniasa data). For rentals this is the third consecutive year of noteworthy growth, passing from 264 thousand to more than 364 thousand units, an increase of 100,000 registrations on 2014, the year the national market recovered.

1 car out of 5 is registered with a rentals company



Data analysis shows the seasonality of the market for cars registered with rental companies: sales are more significant in the spring months and fall off from the month of June. In 2016 distribution remained the same, with an increase of 3 percentage points of share in the month of July compared to the same month in 2015 and of one point in August 2016 and again of 3 points in September 2016, compared to September 2015. In October market share rose to 18% as opposed to 13% in 2015 and 15% in 2014. In November, rentals lost 1 point of share compared to November 2015. In the last month of the year, rentals share was in line with that of 2015.

Examining the curve of the 4-month moving average, it should be noted that in 2016 the jump in sales occurred in the 2nd and 3rd quarters, with rises of 27% and 24% respectively compared to the same periods of 2015, while in the 1st quarter the increase was 7%.

Different factors contributed to the improvement and consolidation of the sector.

The short-term rental market was greatly influenced by the sharp decline in tourism in the countries of North Africa and the south of France. National and foreign tour operators directed this flow towards Italy, Spain and the Balkan peninsula, leading to the growth in rentals, a contribution to which also came from the presence on the market of private brokers alongside the traditional companies. Brokers also find it easier to approach professionals and small businesses, they rely on rental companies and contribute to the greater market competitiveness. The Italians also chose Italy for their summer holidays (about 66%, National Tourism Observatory data).

Previous editions of Focus have already stressed that the share of new cars registered with private individuals is higher in Italy than in the major European markets (Germany, UK, Spain). In Italy, private individuals need to buy their car directly to satisfy a demand for mobility that does not find appropriate alternatives in local public transport. In addition, unlike Germany or the United Kingdom, the car is not a particularly widespread fringe benefit, a factor that might otherwise be able to stimulate renewal of cars on the road through a faster replacement of company fleets.

Since 2001, through the Carsharing Initiative Programme (ICS), a voluntary association of Italian municipalities has contributed to providing the first Carsharing services based on a common technical standard. However, some services related to shared mobility, by car, bike and scooter, are gaining ground.

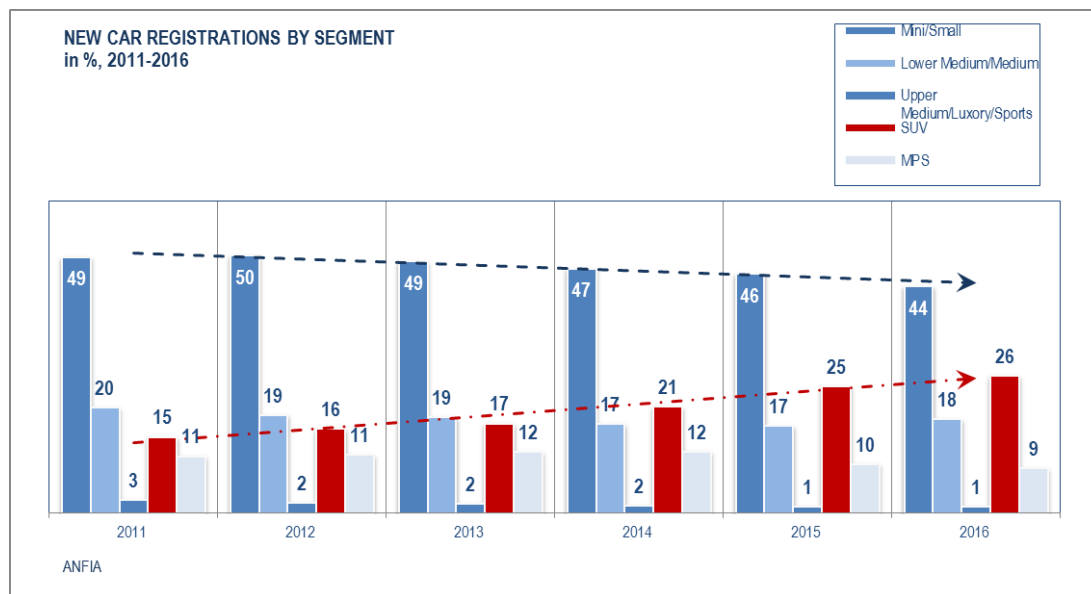
Over time the offering has been extended and developed: now in addition to the "Station Based" service (with delivery of the car at fixed stations, a service available in 26 cities), the "Free Floating" service has become available (with the possibility of depositing the car within a very wide area, present in seven Italian cities). The entry of private individuals into the provision of services, has made it possible to increase the offering of services and vehicles. Carsharing services in Italy are active in the medium-large (from 60 to 250 thousand inhabitants) and large (over 250 thousand inhabitants) municipalities. In July 2016, according to a census carried out by the National Observatory on Mobility, 5,764 vehicles were involved, 56% of them in the north, 39% in the centre and only 5% in the south. The carsharing fleet is concentrated primarily in 4 cities: Milan, Rome, Turin and Florence. Despite being second in absolute terms, Rome is the city with the smallest vehicle density of the top four, both in terms of surface area and number of inhabitants. The survey shows that the top operator in Italy (2015 data) is Enjoy, followed by Car2go, both of which run fleets of petrol powered cars. The percentage of electric cars in the total fleet is only 12%, although this is still significantly higher than the national share. In 2015, about 6.5 million and a half rentals were carried out for a total of 50 million km. In December 2015 a total of about 700 thousand users were registered with carsharing services, 98% of them resident in four cities: Rome, Florence, Milan and Turin.



Market by segment

The range topping segment (Superior, Luxury, Sports, big SUVs and big MPVs) has recorded a rising trend of about 23% in cumulative year-to-date figures, with a share of 2.8% of the total market in 2016. SUV sales of all sizes (including big ones) total over 482 thousand units, the segment growing by 25% and capturing 26% of the market. Sales of A/B segments (Superutilities and subcompacts) increased by 10.2% and represent about 44% of the market (46% a year ago). Cumulative C (medium-low) and D (medium) segment sales grew by approximately 27% and 22% respectively.

Of every 100 cars registered 44 belong to the A/B segments to which can be added 12 small SUVs, 56 vehicles overall.



NEW CAR REGISTRATIONS BY SEGMENT - ANNUAL TREND

	2014	%	2015	%	2016	%	%chg 2015/14	%chg 2016/15
Mini	252,196	18.5	288,497	18.3	323,830	17.7	14.4	12.2
Small	386,783	28.4	435,585	27.6	474,290	26.0	12.6	8.9
Lower Medium	178,695	13.1	203,445	12.9	257,789	14.1	13.9	26.7
Medium	56,369	4.1	58,897	3.7	71,889	3.9	4.5	22.1
Upper Medium	15,243	1.1	14,947	0.9	16,055	0.9	-1.9	7.4
Luxury	1,882	0.1	2,007	0.1	2,208	0.1	6.6	10.0
Sports	2,712	0.2	3,160	0.2	4,877	0.3	16.5	54.3
SUV Small	97,845	7.2	179,308	11.4	224,279	12.3	83.3	25.1
SUV Compact	128,688	9.5	141,366	9.0	185,000	10.1	9.9	30.9
SUV Medium	39,826	2.9	48,293	3.1	53,430	2.9	21.3	10.6
SUV Large	13,547	1.0	16,614	1.1	19,564	1.1	22.6	17.8
MPS Small	93,917	6.9	87,232	5.5	87,657	4.8	-7.1	0.5
MPS Medium	63,578	4.7	62,510	4.0	62,791	3.4	-1.7	0.4
MPS Large	5,378	0.4	4,826	0.3	8,438	0.5	-10.3	74.8
Minivan	16,509	1.2	20,580	1.3	22,731	1.2	24.7	10.5
Combi	7,625	0.6	8,687	0.6	10,382	0.6	13.9	19.5
TOTAL	1,360,791	100.0	1,575,954	100.0	1,825,210	100.0	15.8	15.8

ANFIA on data of Ministry of Infrastructure and Transport (Aut.Min. D07161/H4)

Market by geographic area

In 2016, over 63% of the total market was registered in northern Italy, while central and southern Italy accounted for 21% and 16% respectively.

Sales in the Valle d'Aosta and Trentino Alto Adige, where rentals are a significant feature, account for 16.9% of the total market, namely 1.1 points more than the 15.8% share recorded by South-Island regions. In 2016 in the Valle d'Aosta and Trentino Alto Adige, registrations recorded an increase of 21% and 15.6% respectively. Of all sales in the two regions, the rental sector in the Aosta Valley accounted for 89.8% and in Trentino Alto Adige for 91.3% (see table on page 20).

The amendment to the discipline governing the provincial transcription tax (IPT), which has made it possible to carry out IPT formalities anywhere in the country, the tax revenue being destined to the province where the taxable person, understood as the beneficiary (owner-buyer) or owner of the vehicle (the tenant in the case of a financial lease, the holder of the right to use in the case of usufruct, the transferee in the case of retention of ownership) has his or her registered office or residence, did not in practice have any effect on car rental firms which have continued to open offices in the two provinces with reduced IPT and to pay it there as actual owners of the vehicles.

NEW CAR REGISTRATIONS BY REGION/AREA - ANNUAL TREND

	2014	%	2015	%	2016	%	%chg 2015/14	%chg 2016/15
VALLE D'AOSTA	36,290	2.7	41,177	2.6	49,807	2.7	13.5	21.0
PIEMONTE	137,510	10.1	150,190	9.5	178,297	9.8	9.2	18.7
LOMBARDIA	236,418	17.4	266,084	16.9	310,384	17.0	12.5	16.6
LIGURIA	28,174	2.1	32,048	2.0	35,079	1.9	13.8	9.5
ITALY NORTH-WEST	438,392	32.2	489,499	31.1	573,567	31.4	11.7	17.2
FRIULI	25,965	1.9	30,488	1.9	33,919	1.9	17.4	11.3
TRENTINO ALTO ADIGE	179,653	13.2	223,712	14.2	258,513	14.2	24.5	15.6
VENETO	104,621	7.7	120,849	7.7	141,359	7.7	15.5	17.0
EMILIA ROMAGNA	116,004	8.5	131,356	8.3	147,194	8.1	13.2	12.1
ITALY NORTH-EAST	426,243	31.3	506,405	32.1	580,985	31.8	18.8	14.7
TOSCANA	129,894	9.5	149,104	9.5	170,811	9.4	14.8	14.6
UMBRIA	17,548	1.3	21,189	1.3	24,959	1.4	20.7	17.8
MARCHE	32,269	2.4	36,069	2.3	41,108	2.3	11.8	14.0
LAZIO	106,698	7.8	123,882	7.9	144,539	7.9	16.1	16.7
ITALY CENTER	286,409	21.0	330,244	21.0	381,417	20.9	15.3	15.5
ABRUZZI	21,443	1.6	25,238	1.6	28,801	1.6	17.7	14.1
BASILICATA	5,950	0.4	8,256	0.5	8,903	0.5	38.8	7.8
CAMPANIA	50,630	3.7	58,202	3.7	66,668	3.7	15.0	14.5
MOLISE	2,893	0.2	3,406	0.2	4,017	0.2	17.7	17.9
PUGLIA	40,433	3.0	47,708	3.0	55,802	3.1	18.0	17.0
CALABRIA	20,157	1.5	24,328	1.5	29,227	1.6	20.7	20.1
SICILIA	46,878	3.4	57,373	3.6	66,740	3.7	22.4	16.3
SARDEGNA	21,365	1.6	25,295	1.6	29,083	1.6	18.4	15.0
ITALY SOUTH-ISLANDS	209,749	15.4	249,806	15.9	289,241	15.8	19.1	15.8
TOTAL	1,360,793	100.0	1,575,954	100.0	1,825,210	100.0	15.8	15.8

ANFIA on data of Ministry of Infrastructure and Transport (Aut.Min. D07161/H4)

The market has the following characteristics depending on geographic area:

- in the North West, private individuals account for 61% of the market, rentals for 10% and companies for 28.7%, which is a higher incidence than any other geographic area;
- in the North-East, rentals and private individuals are almost equivalent (over 40%), but the demand for cars by companies accounts for 14.6% of the market;

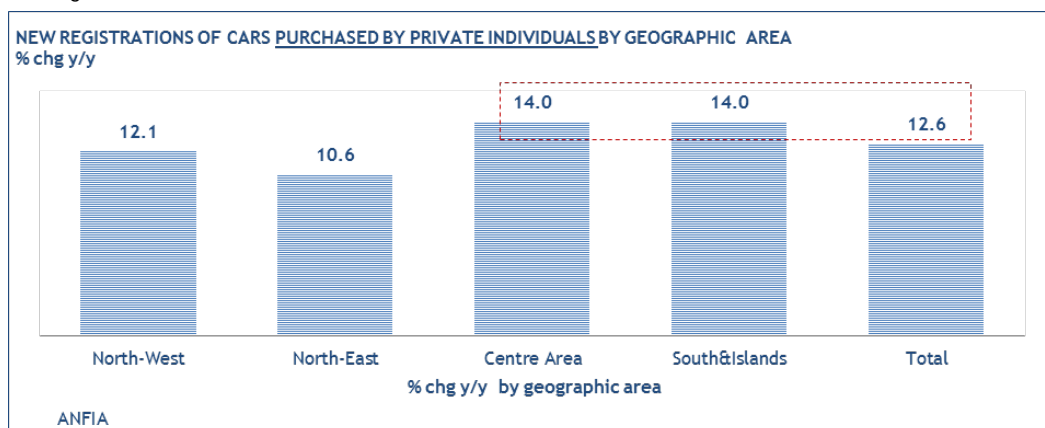
- In the Centre area, private individuals account for more than the national average (68% vs. 60% for the whole of Italy), while rentals and companies are equally distributed (16%);
- In the South and Islands 82 cars out of 100 are sold to individuals, while 16 are registered with companies and fewer than 2 with rental companies.

NEW CAR REGISTRATIONS BY REGION - 2016 IN %

	PRIVATE INDIVIDUALS	RENTAL	COMPANIES*	TOTAL 2016
VALLE D'AOSTA	5.5	89.8	4.7	100
PIEMONTE	52.0	1.1	46.9	100
LOMBARDIA	73.2	3.3	23.4	100
LIGURIA	81.8	0.6	17.6	100
NORTH WEST AREA	61.3	10.0	28.7	100
FRIULI	71.3	2.8	25.9	100
TRENTINO ALTO ADIGE	5.9	91.3	2.8	100
VENETO	73.9	1.9	24.2	100
EMILIA ROMAGNA	75.5	0.9	23.6	100
NORTH EAST AREA	43.9	41.5	14.6	100
TOSCANA	60.2	26.5	13.3	100
UMBRIA	82.8	0.4	16.8	100
MARCHE	80.4	1.5	18.1	100
LAZIO	70.8	10.6	18.6	100
CENTRE AREA	67.9	16.1	16.1	100
ABRUZZI	84.6	0.3	15.2	100
BASILICATA	82.2	0.4	17.4	100
CAMPANIA	80.1	1.0	18.9	100
MOLISE	80.3	9.5	10.2	100
PUGLIA	80.2	1.9	17.9	100
CALABRIA	81.2	1.1	17.7	100
SICILIA	85.2	0.8	13.9	100
SARDEGNA	81.9	6.9	11.2	100
SOUTH & ISLANDS	82.1	1.8	16.1	100
TOTAL ITALY	60.4	20.0	19.6	100

* Included Company fleets and Leasing Companies

Of total private individual demand (over 1.1 million cars), 55% are sold in the regions of Northern Italy. The increase in sales to private individuals was higher in the Centre and South than the national average.



Transfer of ownership (provisional data ACI)

In 2016 5,035,273 full changes of ownership were registered (including “minivolture”, namely temporary transfers to the name of a dealer pending resale to the end customer), an increase of 6.9%. Temporary transfers numbered 2,215,597, an increase of 10.6%, while net transfers came to 2,819,677, up 4.1%. Temporary transfers represented 44% of all transfers of ownership (42.5% in 2015). For every 100 new cars 154 used ones were sold in the course of the year.

At 1,371,365, cancellations were just 1.5% more than in 2015. The unit replacement rate amounted to 0.75 throughout 2016 (of every 100 registered cars 74 were written-off compared to 85 in 2015).

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