

## Company update

### REDUCE (unchanged)

Target: € 3.6 (prev. € 2.3)

Risk: High

#### STOCK DATA

	Ord
Price €	6.60
Bloomberg Code	PR5 IM
Market Cap. (€ mn)	281
Free Float	41%
Shares Out. (mn)	43
52-week range	1.86 - 18.19
Daily Volumes (mn)	689.1

#### PERFORMANCE

	1M	3M	12M
Absolute	50.2%	187.4%	-61.9%
Rel. to Mibtel Index	41.3%	159.6%	-25.2%

#### MAIN METRICS

	2009E	2010E	2011E
Revenues (€ mn)	271	271	339
EBIT + SPV (€ mn)	-45	8	80
Net Income (€ mn)	-39	-10	56
Adj. EPS (€ cent)	-120.6	-23.8	151.9
DPS (€ cent)	0.0	0.0	15.0

#### MULTIPLES

	2009E	2010E	2011E
NAV PS	9.8	10.2	12.0
PE Adj.	n.m.	n.m.	4.3 x

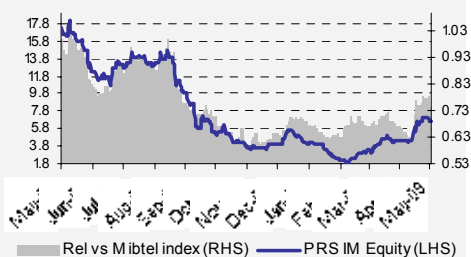
#### REMUNERATION

	2009E	2010E	2011E
Dividend Yield	0.0%	0.0%	2.3%
Fcf Yield	-10.1%	-15.1%	-3.8%

#### INDEBTNESS

	2009E	2010E	2011E
NFP incl. SHL	-479	-510	-515
Debt/EBITDA incl. SHL	n.m.	32.2 x	18.2 x
Interest Coverage	n.m.	1.6 x	3.1 x

#### PRICE ORD. LAST 365 DAYS



#### ANALYSTS

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## FY09E GUIDANCE LOWERED & SOME BUSINESS PLAN CHANGES

After recent rally (well above other Italian property stocks under our coverage favoured by short ban), we confirm our Reduce recommendation because of the very low discount to post rights issue NAV (20% vs 42% of comparables), the lack of visibility improvement for the property market (and thus for PRE turnaround), the recently announced FY09E guidance downwards revision and the still high SPV's LTV (0.7x). Furthermore, we do not perceive any further M&A deal as a short term potential catalyst.

Following last April appointment of the new MD Mr. Malfatto (former CEO of the group asset management division substituting the founder Mr. Puri Negri), Pirelli RE (PRE) FY09 guidance has been trimmed:

- **both EBIT+SPV (pre-restructuring costs):** from profit of € +20/30 mn to loss of € -25/35 mn due to:
  - **no capital gain** (estimated by management around € 40 mn) **on the planned disposal of a minority stake in the SGR** (100% controlled asset management company), **since it has become strategic again;**
  - **further LLPs** on some real estate transactions (pending details) of € 15 mn.

Including **additional restructuring costs (€ 8 mn)** in order to achieve € 10 mn of additional savings starting from next year), our **FY09E estimate of EBIT+SPV loss rises to € -45/50 mn** (vs previous € -27 mn).

- **and net debt from € 350 mn to € 420 mn**, justified by absence of asset management division disposal (estimated by management in € 70 mn).

**This is in line with our idea:** the FY09E EBIT+SPV break-even guidance could have been achieved only in case of significant capital gains from the sale of non-core divisions minorities stakes (i.e. NPL) and property assets.

**FY11 guidance confirmed** (EBIT+SPV at € 100 mn, o/w € 50 mn from SPV and net debt including SHL at € -270 mn), **but so far visibility has not changed.**

**As expected, M&A deal has gone through to reduce exposure to NPL, but with negligible impact:** Calyon has acquired 20% of credit servicing via rights issue (€ 6.6 mn), generating a capital gain of € 3 mn for PRE.

According to press sources, **the € 400 mn capital increase to be completed by June will be done issuing new shares at nominal value** (€ 0.5 PS) and without consortium (being parent company Pirelli & C. available to underwrite unsubscribed rights). **We believe there is high probability of full subscription also because short ban will last until the end of the rights issue.**

**Updated NAV before rights issue is € 10.7 PS** (+6%, mainly because of 1% lower property portfolio write-down). **The recent improvement in market sentiment justifies a lower discount to NAV;** as a consequence we apply 35% after rights issue discount (vs previous 40%), setting a **before-rights issue target of € 3.6 PS (+56%). Reduce recommendation confirmed** since it is trading at **just 20% discount to after rights issue NAV**, vs closest Italian comparables (Beni Stabili and IGD, but with much more solid financial structure) trading on avg. at 42%.

<b>MAIN FIGURES € mn</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>
<b>Revenues</b>	<b>702</b>	<b>853</b>	<b>776</b>	<b>271</b>	<b>271</b>	<b>339</b>
Growth	0%	22%	-9%	-65%	0%	25%
<b>Ebitda</b>	<b>113</b>	<b>62</b>	<b>-50</b>	<b>-7</b>	<b>16</b>	<b>28</b>
Growth	22%	-45%	-181%	-86%	-326%	78%
<b>Ebit</b>	<b>104</b>	<b>50</b>	<b>-60</b>	<b>-15</b>	<b>8</b>	<b>20</b>
Growth	24%	-51%	n.m.	n.m.	n.m.	161%
<b>Ebit + SPV</b>	<b>214</b>	<b>237</b>	<b>-240</b>	<b>-45</b>	<b>8</b>	<b>80</b>
Growth	15%	10%	n.m.	n.m.	n.m.	951%
<b>Profit before tax</b>	<b>211</b>	<b>195</b>	<b>-266</b>	<b>-31</b>	<b>-2</b>	<b>71</b>
Growth	13%	-8%	n.m.	n.m.	n.m.	n.m.
<b>Net income</b>	<b>160</b>	<b>151</b>	<b>-195</b>	<b>-39</b>	<b>-10</b>	<b>56</b>
Growth	10%	-5%	n.m.	n.m.	n.m.	n.m.
<b>Adj. net income</b>	<b>171</b>	<b>182</b>	<b>-288</b>	<b>-51</b>	<b>-10</b>	<b>65</b>
Growth	11%	7%	n.m.	n.m.	n.m.	n.m.
<b>MARGIN</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>
Ebitda margin	16.1%	7.2%	-6.5%	-2.6%	5.9%	8.3%
Ebit Margin	14.8%	5.9%	-7.7%	-5.6%	2.8%	5.8%
Ebit + SPV Margin	30.5%	27.7%	-30.9%	-16.7%	2.8%	23.5%
Profit before tax Margin	30.1%	22.9%	-34.3%	-11.5%	-0.9%	20.9%
Net income Margin	22.7%	17.7%	-25.1%	-14.6%	-3.8%	16.6%
Adj. net income Margin	24.3%	21.3%	-37.1%	-19.0%	-3.8%	19.1%
<b>SHARE DATA</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>
NAV - €	50.2	41.6	10.7	9.8	10.2	12.0
Eps - € cents	376.7	355.0	-457.8	-92.5	-23.8	132.5
Growth	7.9%	-6%	-229%	-80%	-74%	-656%
Adj. Eps - € cents	402.9	427.2	-675.2	-120.6	-23.8	151.9
Growth	9.2%	6%	-258%	-82%	-80%	-738%
Dps ord - € cents	206.0	206.0	0.0	0.0	0.0	15.0
Bvps - €	0.2	0.2	0.1	0.2	0.2	0.2
<b>VARIOUS - € mn</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>
Capital Employed	1,139	1,536	1,228	1,206	1,227	1,288
Fcf	199	-119	-45	-28	-43	-11
Capex	10	10	11	11	12	12
Working Capital	262	183	75	117	114	153
<b>INDEBTNESS - €mn</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>
Nfp incl. SHL	-431	-816	-862	-479	-510	-515
D/E incl. SHL	0.14 x	0.40 x	0.79 x	n.m.	n.m.	n.m.
Debt/Ebitda incl. SHL	0.9 x	4.7 x	n.m.	n.m.	n.m.	n.m.
Interests cov.	36.5 x	1.5 x	n.m.	n.m.	1.6 x	3.1 x
<b>MARKET RATIOS</b>	<b>2006</b>	<b>2007</b>	<b>2008E</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>
PNAV	1.0 x	0.6 x	0.6 x	0.7 x	0.6 x	0.5 x
P/E rep	13.8 x	7.5 x	n.m.	n.m.	n.m.	5.0 x
P/E adj	12.9 x	6.2 x	n.m.	n.m.	n.m.	4.3 x
P/Bv	3.1 x	1.6 x	0.8 x	0.4 x	0.4 x	0.4 x
<b>EV FIGURES</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>
EV/Sales	3.28 x	1.66 x	0.73 x	0.69 x	0.81 x	0.66 x
EV/Ebitda	20.4 x	22.9 x	n.m.	n.m.	13.8 x	7.9 x
EV/Ebit	22.2 x	28.1 x	n.m.	n.m.	28.7 x	11.2 x
EV/Ce	2.0 x	0.9 x	0.5 x	0.2 x	0.2 x	0.2 x
<b>REMUNERATION</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>
Div. yield	4.0%	7.8%	0.0%	0.0%	0.0%	2.3%
Fcf yield	9.0%	-10.6%	-16.0%	-10.1%	-15.1%	-3.8%
Roe	25.3%	21.2%	-35.9%	-7.2%	-1.4%	7.6%
Roce	16.4%	15.8%	-5.4%	-0.6%	0.3%	5.6%

\* All NAV figures are before rights issue (see sensitivity analysis for figures after rights issue)

SHL = Shareholder loans

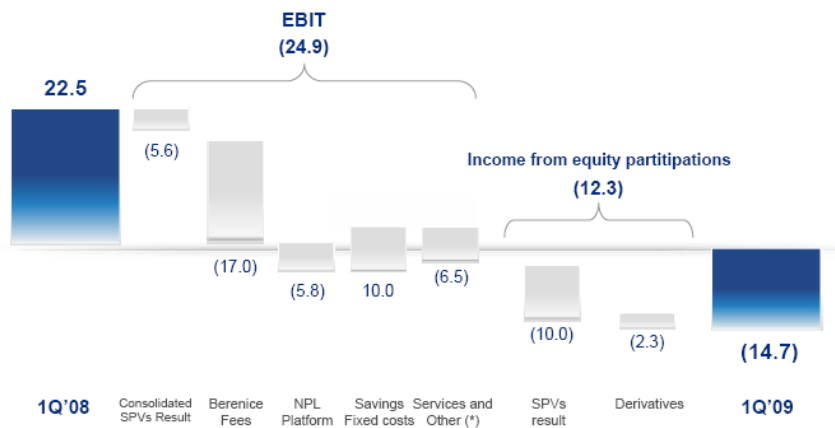
Source: EQUITA SIM estimates and company data

### WEAK 1Q - TURNAROUND STILL AT EARLY STAGE

#### Weak performance in 1Q

- **EBIT including SPV, negative at € 14.7 mn** (from profit of € 25mn in 1Q08 but influenced by positive non recurrent events), basically in line with our € 12-mn expected loss. **Quality is not high since this result benefited from € 8 mn** pro-quota capital gain from real estate assets divestitures (totalling € 175 mn) with an average capital gain of 18% vs book value;

#### BREAKDOWN OF EBIT + SPV (BEFORE RESTRUCTURING COSTS)



(\*) Includes 3.5 €/mn extraordinary income made in 2008

Source: Company presentation

- **net loss of € 15.8mn** (from profit of € 11.6 in 1Q08) in line with our estimate of € 16.5mn
- **net debt at € 309mn** (from € 289 mn in December), or € 898 mn including shareholder loans of 898mn (from 862mn in December) vs our estimate of respectively € 300 and € 890mn. Gross D/E further increases to 2.9x and will go down to 0.7x after the rights issue.

### PROPERTY PORTFOLIO APPRAISAL UPDATE (-0.5% IN 1Q)

On May 11<sup>th</sup> the company released the **updated property portfolio independent appraisal: at the end of March the portfolio lost 0,5%**, or € 6.6 mn attributable to Pirelli RE (after € 136-mn FY08 write-downs, equivalent to -3% on property portfolio). If annualised this would imply roughly 2% which is better than our FY09E assumptions of -5% (to be compared to -3% for Beni Stabili and -4% for IGD); for this reason in improve our expected write-down to -4% YoY.

**If we were to assume a drop in FY09E portfolio valuation of just -2%, the post rights issue discount to NAV would increase to 26%** (in any case much lower than other Italian property companies under our coverage).

### ARCANDOR ISSUE (NOT A PROBLEM BUT A SIGN OF MARKET RISK)

According to last week-end's Financial Times **there would be delay in obtaining state aids from German authorities in order to avoid Arcandor bankruptcy** (aiming to refinance € 650 mn by June 12<sup>th</sup>); an eventual merger with German Metro is also among the options on the table.

**PRE currently owns 12.1% stake of Highstreet**, the company owning Arcandor properties (Kastadt retailer):

- **in the worst case** (Arcandor bankruptcy) PRE would lose the € 60 mn initially invested (equal to about 13% of before rights issue NAV);
- **in the best case** (i.e. state aid), no impact at asset level, but an eventual risk of change in rental terms cannot be ruled out. We consider this is **the most likely scenario** since bankruptcy would involve more than 50k employees, today's FT reporting "two leading German ministers said Government would seriously consider a request of guarantee in loans" and CEO today announced there are financial investors ready to participate to a rights issue.

## NPL BUSINESS M&A DEAL

**As expected, M&A deal aiming to reduce PRE exposure to NPL business were achieved but we no significant impact on our valuation:**

- **DGAD (Calyon) acquired 20% of PRE credit servicing division** (the administrative unit managing NPL business) via rights issue (€ 6.6 mn); **Negligible impact for PRE** generating a capital gain of just € 3 mn and fixing an equity value for 100% of this division of about € 33 mn.
- **Simultaneously a loan of € 250 mn granted by DGAD International** to the European NPL investment platform (the SPV owning part of managed NPL portfolio jointly controlled by DGAD with 67% and PRE with 33%)  
As a consequence PRE will be able to recover part of its shareholder loans (SHL) made in the past, with a **positive impact on net debt including SHL to be reduced by € 82.5 mn** (already included in FY09E management guidance); it is worth mentioning this is **"like a revolving door effect"** since the amount of the higher SPV attributable debt is basically equivalent to the lower consolidated debt (with no material impact on our SOTP).

## CHANGE IN FY09E ESTIMATES

FY09E CHANGE IN ESTIMATES (€ mn)				
	2009E	%	2009E	%
<b>Revenues</b>	<b>270.6</b>	100.0	<b>270.6</b>	100.0
Incr. %	-65%		-65%	
<b>EBITDA</b>	<b>5.0</b>	1.7	<b>(7.0)</b>	-2.6
Incr. %	-86%		n.m.	
<b>EBIT</b>	<b>(7.0)</b>	-2.6	<b>(15.1)</b>	-5.6
Incr. %	n.m.		n.m.	
SPVs @ equity	(20.0)	7.4	-30.0	11.1
<b>EBIT + SPVs</b>	<b>(27.0)</b>	-10.0	<b>(45.1)</b>	-16.7
Incr. %	n.m.		n.m.	
<b>Pre-tax profit</b>	<b>(29.0)</b>	-10.3	<b>(31.1)</b>	-11.5
Incr. %	n.m.		n.m.	
<b>Net Income</b>	<b>(37.0)</b>	-13.7	<b>(39.4)</b>	-14.6
Incr. %	n.m.		n.m.	
<b>NF Position</b>	<b>-532</b>		<b>-479</b>	

Source: EQUITA SIM estimates

**Following recent disclosure concerning:**

- **no capital gain** (estimated by management around € 40 mn) **on the planned disposal of a minority stake in the SGR** (100% controlled asset management company), **since it has become strategic again;**
- **further LLPs** on some real estate transactions (pending details) of € 15 mn
- **additional restructuring costs (€ 8 mn** in order to achieve € 10 mn of additional savings starting from next year),

**we cut our FY09E EBIT+SPV loss from € -27 mn to € -45/50 mn**

**On the contrary we improve our FY09E net debt including SHL estimate from € -532 mn to € -479 mn mainly because of the abovementioned "revolving door effect" due to the DGAD M&A deal** (see related paragraph).

**So far we basically confirm our FY10-11E EBIT+SPV estimates.**

## VALUATION AND SENSITIVITY

**Minor changes to our NAV** (before rights issue growing by 6% to € 10.7 PS)

- **property assets: 4% write-down in FY09E** (vs previous -5%, following recent appraisal update showing a certain degree of resilience with -0.5% in 1Q09);
- **mandatory pro-quota SPVs rights issue: € 40 mn** (vs previous € 50 mn, based on existing covenants, as explained in our short note n. 57 dated February 24<sup>th</sup> - SPVs paragraph).

Property market risk remains high since **the portfolio vis-à-vis leverage is very high even after the € 0.4-bn rights issue (around 4x vs current 8.0)**.

## PIRELLI &amp; C. REAL ESTATE: SOTP BEFORE RIGHTS ISSUE

Asset	Stake %	# shares	€ PS	€ mn	%	Valuation method
Treasury shares	3.1%	1,300	6.6	9	2%	Market price
<b>TOTAL LISTED ASSETS (1)</b>				<b>9</b>	<b>2%</b>	
Property assets valuation (pro-quota)				3,670	805%	As of Dec-08 (*) -4% estimated for FY09E
Attributable net debt (pro-quota including shareholders' loans)				-2,997	-657%	As of Dec-08
Mandatory capital increase				-40	-9%	2009E cash injection due to existing covenant
Taxes on property capital gains				-16	-4%	Assuming tax-rate = 15%
<b>TOTAL PROPERTY ASSETS (2)</b>				<b>617</b>	<b>135%</b>	<b>Property NAV</b>
Attributable equity to NPL business	33%			60	13%	Estimated as of Dec-08
Attributable capital gains on current net BV of € 1.9 bn				95	21%	Recovery ratio = 21% on GBV, or 38% upside on NBV
Taxes on NPL capital gains				-14	-3%	Assuming tax-rate = 15%
<b>TOTAL NPL ASSETS (3)</b>				<b>141</b>	<b>31%</b>	<b>NPL NAV</b>
EV Services & Asset Management	(a)			130	28%	2008/09E EV/EBITDA 6/5.9x
Attributable Net Cash/(Debt)				-70	-15%	Estimated as of Dec-08
<b>ATTRIBUTABLE EQUITY SERVICES &amp; AM ACTIVITIES (4)</b>				<b>60</b>	<b>13%</b>	<b>Equity services</b>
<b>HOLDING COSTS + HOLDING ATTRIBUTABLE NET DEBT (5)</b>				<b>-390</b>	<b>-86%</b>	<b>Hld debt + NPV cash costs net of tax shield (perp. @ 10%)</b>
<b>OTHER ASSETS (LA RINASCENTE-UPIM) (6)</b>	20%			<b>20</b>	<b>4%</b>	<b>Estimated market value</b>
<b>STOCK OPTION PLAN DILUTION (7)</b>	5.3%	2,269	0.0	<b>0</b>	<b>0%</b>	<b>Existing plans with strike price at € 26,75 / 46,5 PS</b>
<b>TOTAL (1+2+3+4+5+6+7)</b>				<b>456</b>	<b>100%</b>	
Nr. Shares (mn)				42.6		
<b>NAV per share €</b>				<b>10.7</b>		
Current discount / (premium)				38%		

(\*) based on independent valuation as of Dec-08 (mainly Richard Ellis)

(a) all 100% controlled apart from credit servicing at 80%

Source: EQUITA SIM estimates

According to daily La Repubblica (May 26<sup>th</sup> edition), **the € 400 mn capital increase to be completed within June should be done:**

- **issuing new shares at nominal value (€ 0.5 PS)**; as a consequence the residual free float ex-right would be of only roughly € 20 mn and therefore exposed to a strong volatility during the period of the capital increase;
- **without consortium** being the parent company Pirelli & C. available to underwrite the unsubscribed rights.

**If so, we believe there is high probability of minorities fully subscribing the rights issue** because of the low issue price and of the short ban lasting until the end of the rights issue.

**In any case it is worth underlying the issue price has no impact on the post rights issue discount.**

The following table shows the **sensitivity of the post-rights issue discount to NAV** (column P) to different starting market prices and new shares issue prices (assuming that it is always 30% below pre-rights issue market price). **Currently PRE is implicitly trading at a post rights issue discount to NAV of about 20%.**

## PIRELLI RE AFTER RIGHTS ISSUE NAV SENSITIVITY AT DIFFERENT ISSUE PRICE

	PRICE (€ PS)				NR. SHARES (mn)				SOTP (€ mn)					Ex disc. to SOTP P=D/N-1
	Before	Issue	Right	Ex	Old	New	Total	New vs old	Current	€ PS	New	€ PS	change	
	A	B=A*(1-30%)	C	D=A-C	E	F	G=E+F	H=F/E	I	L=I/E	M=I+400	N=M/G	O=N/L-1	
	8.0	5.60	1.50	6.50	42.6	71	114	1.68 x	456	10.7	856	7.51	-30%	13%
	7.8	5.46	1.48	6.32	42.6	73	116	1.72 x	456	10.7	856	7.39	-31%	14%
	7.6	5.32	1.46	6.14	42.6	75	118	1.76 x	456	10.7	856	7.27	-32%	15%
	7.4	5.18	1.43	5.97	42.6	77	120	1.81 x	456	10.7	856	7.14	-33%	16%
	7.2	5.04	1.41	5.79	42.6	79	122	1.86 x	456	10.7	856	7.02	-34%	17%
	7.0	4.90	1.38	5.62	42.6	82	124	1.92 x	456	10.7	856	6.89	-36%	18%
	6.8	4.76	1.35	5.45	42.6	84	127	1.97 x	456	10.7	856	6.76	-37%	19%
<b>Current</b>	<b>6.6</b>	<b>4.62</b>	<b>1.33</b>	<b>5.27</b>	<b>42.6</b>	<b>87</b>	<b>129</b>	<b>2.03 x</b>	<b>456</b>	<b>10.7</b>	<b>856</b>	<b>6.63</b>	<b>-38%</b>	<b>20%</b>
	6.4	4.48	1.30	5.10	42.6	89	132	2.10 x	456	10.7	856	6.49	-39%	21%
	6.2	4.34	1.27	4.93	42.6	92	135	2.16 x	456	10.7	856	6.35	-41%	22%
	6.0	4.20	1.24	4.76	42.6	95	138	2.24 x	456	10.7	856	6.21	-42%	23%
	5.8	4.06	1.21	4.59	42.6	99	141	2.31 x	456	10.7	856	6.06	-43%	24%
	5.6	3.92	1.19	4.41	42.6	102	145	2.40 x	456	10.7	856	5.92	-45%	25%
	5.4	3.78	1.16	4.24	42.6	106	148	2.48 x	456	10.7	856	5.77	-46%	26%
	5.2	3.64	1.12	4.08	42.6	110	152	2.58 x	456	10.7	856	5.61	-48%	27%
	5.0	3.50	1.09	3.91	42.6	114	157	2.68 x	456	10.7	856	5.46	-49%	28%
	4.8	3.36	1.06	3.74	42.6	119	162	2.79 x	456	10.7	856	5.29	-51%	29%
	4.6	3.22	1.03	3.57	42.6	124	167	2.92 x	456	10.7	856	5.13	-52%	30%
	4.4	3.08	0.99	3.41	42.6	130	172	3.05 x	456	10.7	856	4.96	-54%	31%
	4.2	2.94	0.96	3.24	42.6	136	179	3.19 x	456	10.7	856	4.79	-55%	32%
	4.0	2.80	0.92	3.08	42.6	143	185	3.35 x	456	10.7	856	4.61	-57%	33%
	3.8	2.66	0.89	2.91	42.6	150	193	3.53 x	456	10.7	856	4.44	-59%	34%
<b>Target</b>	<b>3.6</b>	<b>2.52</b>	<b>0.85</b>	<b>2.75</b>	<b>42.6</b>	<b>159</b>	<b>201</b>	<b>3.73 x</b>	<b>456</b>	<b>10.7</b>	<b>856</b>	<b>4.25</b>	<b>-60%</b>	<b>35%</b>
	3.4	2.38	0.81	2.59	42.6	168	211	3.95 x	456	10.7	856	4.06	-62%	36%
	3.2	2.24	0.78	2.42	42.6	179	221	4.19 x	456	10.7	856	3.87	-64%	37%
	3.0	2.10	0.74	2.26	42.6	190	233	4.47 x	456	10.7	856	3.67	-66%	38%

Source: EQUITA SIM estimates

## STATEMENT OF RISKS

The primary elements that **could positively impact the stock include:**

- Significant improvement in the reference macroeconomic scenario
- Significant decrease in short-term interest rates
- Property market recovery and increase in number of transactions
- Restore of property deal normal banking financing
- Positive changes in Italian and/or German property market legislation
- M&A deal reducing exposure to non core assets
- Upwards revision of management guidance

PIRELLI RE: MAIN FIGURES (€ mn) **						
P&L	2006	2007	2008	2009E	2010E	2011E
<b>Revenues</b>	<b>702</b>	<b>853</b>	<b>776</b>	<b>271</b>	<b>271</b>	<b>339</b>
Growth	0%	22%	-9%	-65%	0%	25%
<b>Total opex</b>	<b>-589</b>	<b>-791</b>	<b>-826</b>	<b>-278</b>	<b>-255</b>	<b>-311</b>
Growth	-3%	34%	4%	-66%	-8%	22%
<b>Margin</b>	<b>-83.9%</b>	<b>-92.8%</b>	<b>-106.5%</b>	<b>-102.6%</b>	<b>-94.1%</b>	<b>-91.7%</b>
<b>EBITDA</b>	<b>113</b>	<b>62</b>	<b>-50</b>	<b>-7</b>	<b>16</b>	<b>28</b>
Growth	22%	-45%	-181%	-86%	-326%	78%
<b>Margin</b>	<b>16.1%</b>	<b>7.2%</b>	<b>-6.5%</b>	<b>-2.6%</b>	<b>5.9%</b>	<b>8.3%</b>
<b>Depreciation&amp;provision</b>	<b>-9</b>	<b>-11</b>	<b>-10</b>	<b>-8</b>	<b>-8</b>	<b>-8</b>
<b>EBIT</b>	<b>104</b>	<b>50</b>	<b>-60</b>	<b>-15</b>	<b>8</b>	<b>20</b>
Growth	24%	-51%	n.m.	n.m.	n.m.	161%
<b>Margin</b>	<b>14.8%</b>	<b>5.9%</b>	<b>-7.7%</b>	<b>-5.6%</b>	<b>2.8%</b>	<b>5.8%</b>
<b>Shareholdings at equity (SPVs)</b>	<b>111</b>	<b>186</b>	<b>-180</b>	<b>-30</b>	<b>0</b>	<b>60</b>
<b>EBIT + SPV</b>	<b>214</b>	<b>237</b>	<b>-240</b>	<b>-45</b>	<b>8</b>	<b>80</b>
Growth	15%	10%	n.m.	n.m.	n.m.	951%
<b>Margin</b>	<b>30.5%</b>	<b>27.7%</b>	<b>-30.9%</b>	<b>-16.7%</b>	<b>2.8%</b>	<b>23.5%</b>
<b>Total financial expenses</b>	<b>-3</b>	<b>-42</b>	<b>-26</b>	<b>-16</b>	<b>-10</b>	<b>-9</b>
<b>Non recurring pre tax</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Profit before tax</b>	<b>211</b>	<b>195</b>	<b>-266</b>	<b>-31</b>	<b>-2</b>	<b>71</b>
Growth	13%	-8%	n.m.	n.m.	n.m.	n.m.
<b>Margin</b>	<b>30.1%</b>	<b>22.9%</b>	<b>-34.3%</b>	<b>-11.5%</b>	<b>-0.9%</b>	<b>20.9%</b>
<b>Taxes</b>	<b>-49</b>	<b>-34</b>	<b>-2</b>	<b>-10</b>	<b>-8</b>	<b>-12</b>
Tax rate	23%	17%	n.m.	n.m.	n.m.	18%
<b>Minority interests</b>	<b>-3</b>	<b>-10</b>	<b>-2</b>	<b>2</b>	<b>0</b>	<b>-2</b>
<b>Non recurring post tax</b>	<b>0</b>	<b>0</b>	<b>75</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net income</b>	<b>160</b>	<b>151</b>	<b>-195</b>	<b>-39</b>	<b>-10</b>	<b>56</b>
Growth	10%	-5%	n.m.	n.m.	n.m.	n.m.
<b>Margin</b>	<b>22.7%</b>	<b>17.7%</b>	<b>-25.1%</b>	<b>-14.6%</b>	<b>-3.8%</b>	<b>16.6%</b>
<b>Adj. net income</b>	<b>171</b>	<b>182</b>	<b>-288</b>	<b>-51</b>	<b>-10</b>	<b>65</b>
Growth	11%	7%	n.m.	n.m.	n.m.	n.m.
<b>Margin</b>	<b>24.3%</b>	<b>21.3%</b>	<b>-37.1%</b>	<b>-19.0%</b>	<b>-3.8%</b>	<b>19.1%</b>
<b>CF Statement</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>
Cash Flow from Operations	171	172	-184	-33	-2	67
(Increase) decrease in OWC	-9	79	108	-42	3	-39
(Purchase of fixed assets)	-10	-10	-11	-11	-12	-12
(Other net investments)	-214	-657	10	89	0	0
(Distribution of dividends)	-77	-88	-84	0	0	0
Rights issue	26	0	0	400	0	0
Other	47	311	-10	-20	-20	-20
<b>(Increase) Decrease in Net Debt</b>	<b>-66</b>	<b>-193</b>	<b>-171</b>	<b>383</b>	<b>-31</b>	<b>-5</b>

\* 2008 preliminary figures already disclosed are: revenues, EBIT + SPV and net debt

\*\* including € 0.4 bn rights issue but not including any divestitures

Source: EQUITA SIM estimates and company data

**INFORMATION PURSUANT TO ARTICLE 69 ET SEQ. OF CONSOB (Italian securities & exchange commission) REGULATION no. 11971/1999**

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Date	Rec.	Target Price (€)	Risk	Comment
9 May 2008	BUY (BUY)	29 (37.4)	Medium	change in estimates/valuation
15 October 2008	BUY (BUY)	15.3 (27)	Medium	change in estimates/valuation
6 November 2008	BUY (BUY)	12 (15.3)	Medium	change in estimates/valuation
11 November 2008	HOLD (BUY)	5.8 (12.0)	High	change in estimates/valuation
16 February 2009	REDUCE (HOLD)	3.0 (5.3)	High	change in estimates/valuation and capital increase effects
24 February 2009	REDUCE (REDUCE)	2.3 (3.0)	High	change in estimates/valuation

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	COMPANIES COVERED	COMPANIES COVERED WITH BANKING RELATIONSHIP
BUY	46.9%	68.2%
HOLD	37.0%	27.3%
REDUCE	16.0%	4.5%
NOT RATED	0.0%	0.0%