



## Milan indices & volumes

		1D chg%	1W chg%	1M chg%
Mibtel	15,836	0.82	-0.83	8.32
MIB 30	20,817	0.76	-1.03	8.84
Midex	19,646	1.10	0.65	6.01
S&P/MIB	38,243	0.41	-0.81	8.98
Daily volumes (€ m)	3,495			

## World Stock Markets - Performance

NIKKEI 225 STOCK AVERAGE	2.78
DAX 30 PERFORMANCE	2.22
IBEX 35	1.99
SWISS MARKET	1.17
FRANCE CAC 40	0.91
MILAN MIBTEL	0.82
FTSE 100	0.81
NASDAQ COMPOSITE	0.13
S&P 500 COMPOSITE	-0.17

## Italian S&P MIB best & worst stocks

Company	% change
AUTOGRILL	8.3
PRYSMIAN	5.7
UNICREDIT	4.5
UNIPOL	-1.2
TELECOM ITALIA	-2.0
A2A	-2.0

## Italian Market best & worst stocks

Company	% change
GEMINA	17.0
CDC	15.4
ERGYCAPITAL	13.5
TELECOM ITALIA MEDIA RNC	-4.3
LA DORIA	-4.3
KME GROUP RNC	-5.3

## Mibtel sectors best & worst performers (%)

Auto	5.45
Financials Miscellaneous	5.42
Chemicals	1.23
Food	0.74

## Stoxx best & worst performers (%)

Construction	3.69
Banks	3.31
Energy	-0.39
Telecom	-1.21

## Headlines

**Bank Sector** – Four Italian Banks asked for €6bn of Government backed Bonds (Tre-Bonds)

**Finmeccanica** – No news is good news - **Outperform**

**Lottomatica** – New Initiatives to support the LOTTO game - **Outperform**

**Maire Tecnimont** – Sector re-rating and more confidence on intake – Report out today – **Outperform (from Neutral)**

**Parmalat** – Acquisition closed in Australia - **Outperform**

**RCS MediaGroup** – Wind of change - **Outperform (from Neutral)**

**Snam Rete Gas** – End of Rights Offering: 99.75% of the shares offered were subscribed - **Outperform**

## Today's events

**MB Sec. Analyst Marketing:** Massimo Vecchio (New York City/West Coast/Denver/Boston)

**Mediaset:** Reverse Roadshow, Cologno Monzese

## ITALIAN BANK SECTOR

*(Banking Team ext. 604-798)***Four Italian Banks asked for €6bn of Government backed Bonds (Tre-Bonds)**

**Event** Italian press (Il Sole 24Ore and MF, 20 May 2009) reports that yesterday UCG submitted the formal request for €2bn of Government backed Bonds (Tre-Bonds). So far, only four Italian Banks have asked for the Tre-Bonds, totalling €6bn (half of the €12bn which the Government is making available in the scheme): Banco Popolare (€1,450m), BPM (€500m), MPS (€1,900m) and UCG (€2,000m). According to the press, Treasury Minister Mr. G. Tremonti criticized Italian banks for seeking the Tre-Bond in a "relaxed" way. Press reports also that ISP should ask for €4bn of Tre-Bonds by the end of the year (the amount approved by the BoD). In addition, The Treasury Minister asked Italian banks to lower the cost of debt for corporate and retail customers.

**Comments/Financials** We treat the Government backed Bonds (Tre-Bonds) as in-the-money convertible bonds. First, Tre-bond absorbs losses only if the Total Capital Ratio drops below 8%. Second, we believe the organic capital generation of ISP, UCG, MPS and BP will not be sufficient to compensate for a pre-payment of the bond. Hence, to consider it as core equity and compute it in CT1, we assume the conversion (at the average price of the past 6 months) and increase the number of shares accordingly. We believe ISP will soon join the Government support scheme, although we believe that a partial successful sale of the planned disposals 8€9.5bn assets, with €5bn goodwill allocated) could accelerate the re-payment. With regards to rates, we believe the cost of banking debt for Italian corporate and retail customers is aligned to EU standards: the average corporate rate in Italy is 4.83% versus 4.73% in the EU (the difference is explained by the above-average weight of short-term in Italy, while medium-long term rates are lower or aligned), residential mortgages rate is 4.92% versus 4.91% in the EU (which, in our view, does not price properly the longer period to re-posses the underlying collateral).

**View/Action** Our preferred picks are ISP (Outperform, TP€2.70) due to no need of additional measures to replenish regulatory capital on top of a DPS cut and partial assets sale, to 2009E EPS driven by cost cutting, UCG (Outperform, TP€2.20) due to a valuation at 0.9X tangible book 2009E and potential consensus upward movements, UBI (Outperform, TP€11.00), Credem (Outperform, TP€5.00) due to the good Core Tier I ratio (7.0% in 2009E).



FINMECCANICA	Mkt. Cap. €5,891	€ 10.19	OUTPERFORM	<i>(Massimo Vecchio ext. 541)</i>	
	Turnover	Net Profit	PE	PBV	Yield
2008	15,037	571	10.6	1.5	2.6
2009E	18,024	797	7.2	0.9	4.3
2010E	18,924	930	6.2	0.8	4.7

### No news is good news

**Event** Finmeccanica held an investor day, in our view, mainly to explain to US investors its business more in detail and beyond DRS.

**Comment/Financials** The company confirmed its 2009-10 guidance and admitted that Q109 was above internal expectations.

All the companies presenting had to have two mandatory parts in their presentations:

1. current presence in USA and collaboration opportunities with DRS
2. how the economic crisis is impacting the business and how they are reacting.

This gives a clear view on the management commitment on achieving synergies (almost entirely commercial) with DRS.

Most important points that emerged were:

- EFA 3rd tranche should be worth €8bn of which 36% would go to finmeccanica;
- Finmeccanica has a significant involvement in JSF (F-35), a program that has been assigned increased investment in the 2010 US defence budget: from 2010 to 2015 it will be the second source of production supplying several European countries; it will be the final assembler for the wings; it is negotiating with Lockheed on defence electronics and product support content;
- Finmeccanica could be a supplier to Boeing in case the latter would be awarded the \$35bn contract on tankers (air refuelling);
- General Camporini (chief of Italian defence general staff) confirmed that the Italian defence budget should be maintained at €4.7/5bn for the next three years;
- Ansaldo Breda expects €3bn orders in 2009-11 meaning €1bn per year vs. the €250m posted in 2008. €1.8bn coming from Italy (€600m from the high speed tender to come) while the remaining €1.2bn coming from RoW of which €500m from USA.

**View/Action** Outperform confirmed, TP €14.

LOTTOMATICA	Mkt.Cap. €2,436m	€16.01	OUTPERFORM	<i>(F.Pavan ext. 633)</i>	
	Turnover	Net Profit	PE	PBV	Yield
2008	2,059	94	14.8	1.9	4.1
2009E	2,163	130	12.5	1.5	4.2
2010E	2,362	184	10.0	1.5	5.0

### New Initiatives to support the LOTTO game

**Event** Lottomatica introduced 10eLOTTO, the new optional game for playing Lotto which - starting June 10th - will be offering to all lottery players more chances of winning with its 90 numbers: 10 lucky numbers will allow them to win up to 500.000 times the amount invested.

**Comment/Financials** The player will only need to enter one of the 35k points of sales located in Italy, buy and fill a Lotto ticket as usual and – at the same time - fill the new ticket's area specifically dedicated to 10eLOTTO. After having picked 10 numbers between 1 and 90, these 10 numbers will be matched with the 20 numbers drawn by the Lotto terminal, allowing to win if you have picked 5, 6, 7, 8, 9 or 10 right numbers. The sum to play can vary from a minimum of 50€ cents to a max of €10.

An average of 1 game on 6 is winning. Players of 10eLOTTO may win from 5 to 500,000 times the amount invested. 10eLOTTO allows to win the double of the amount played also in the case did not select any winning number. There are two ways to check the win: i) wait for the "Gioco del Lotto" draws on Tuesday, Thursday and Saturday, ii) instant draw and match their 10 numbers with the 20 numbers instantly drawn on-site by the system's terminal. It is also possible to choose both options together. But the winning opportunities are not over: 10eLOTTO offers to all his clients the chance of winning an 'instant prize' even if they did not pick a winning number. If the terminal will play a special tune in the process of validating a ticket, the lucky client will be able to instantly win the amount he has played.

Management underlined that 10eLOTTO offers to the 13 millions of Lotto wagers a new way of playing the game, more respondent to their expectations in terms of win frequency. 10eLOTTO has the objective of bringing new energy and modernity to Lotto, without distorting its soul and successful fundamentals. The new option's are representing a strong motivational leverage for occasional players also.

**View/Action** We like this news, since Lotto game in the last years showed some signs of weakness, probably due to its 'ancient' way of playing. Moreover, these initiatives seems to recall partly the Superenalotto game and on the other hand the instant tickets: these are by far the most successful Italian lotteries in the last five years. Waiting for some update from the California referendum that could increase lottery's payout (voting was set for yesterday), we reiterate our Outperform on the stock and €20.1 target price.

MAIRE TECNIMONT	Mkt.Cap. €600	€1.86	OUTPERFORM (from NEUTRAL)	<i>(Andrea Scauri ext. 496)</i>	
	Turnover	Net Profit	PE	PBV	Yield
2008	2.463	117	8,4	3,0	3,6
2009E	2.471	95	6,3	1,6	6,2
2010E	2.728	94	6,4	1,4	6,8

#### Sector re-rating and more confidence on intake – Report out today

**Event** The increased visibility on intake, largely linked to the oil price's recovery, is driving up the multiples of the EPC players in the oil industry. The panel of companies that we selected as main proxies for Maire Tecnimont (Saipem, Technip, Tecnicas Reunidas, Foster Wheeler and Fluor) are currently trading at 5x EV/EBITDA and 10.5x earnings on 2009E average vs. 3.5x and 7x respectively, two months ago. Despite the recent stock rebound, Maire Tecnimont is currently trading at a large discount vs. its peers (35% and 21% on EV/EBITDA and P/E respectively).

**Comment/Financials** Is such a discount justified? Not at the moment, given the intake in core business. We believe such a significant discount is not justified by the current outlook for the reference market. While we were sceptical of the group's ability to offset the missing EBITDA deriving from its core business (Chemical & Petrochemical – 80% of 2008 EBITDA) with the other divisions (i.e. Power), the potential intake in the C&P business leads us to assume that the discount should be lower. Despite the absence of intake in Q1, the management seems to be confident that it will reach the target of €2.5bn intake by year-end (in line with 2008). New orders will soon be announced (€700m): part of the €900 OBCE contracts should be converted into orders (€400m) and the company is on the short list for contracts worth some €3.0bn. In addition, the €600m order from Taneco, which was recently cancelled, might be renegotiated with a secondary role.

**View/Action** We are increasing our TP to €2.54 from €1.73 in line with the average of a peer multiple comparison (€2.82 p/s) and a comparison of the intake/market cap ratio of a selection of Italian small/mid cap plant makers (€2.27 p/s). Note that we have applied a 30% discount in both valuation approaches to take into account the lower visibility on the potential intake and the shorter track-record.

PARMALAT	Mkt. Cap. €2,852m	€ 1.69	OUTPERFORM	<i>(Chiara Rotelli ext. 931)</i>		
	Turnover	Net Profit	PE	PBV	Yield	
2008	3,910	673	52.3	1.1	5.3	
2009E	3,956	256	27.3	1.0	3.2	
2010E	4,055	103	21.4	1.0	0.7	

#### Acquisition closed in Australia

**Event** Today Parmalat announced that it has entered into a binding agreement for the purchase of some of National Foods' fresh milk manufacturing operations in New South Wales and South Australia, subject to the approval of the Australian Competition authority.

**Comment/Financials** According to the term of the agreement the Australian subsidiary of Parmalat, will acquire a portfolio of fresh milk assets across these regions, including the Lidcombe and Clarence Gardens manufacturing facilities, licences to market brands and distribution networks in NSW, SA and Australian Capital Territory.

This sale was required under divestment undertakings given by National Foods to the ACCC as part of its acquisition of Dairy Farmers last year and Parmalat had always confirmed its interest in buying some of these assets.

The manufacturing operations had combined annual revenue of approx AUD200m (or €110m) and tangible assets of more than AUD60m (or around €34m). We estimate that this business generates an EBITDA margin in the region of 4%

In 2008 Parmalat already generated in Australia €445m revenues (contributing 11% of consolidated annual turnover) and an EBITDA of €27.6m with a margin on sales at 6.2%.

The consideration for the acquisition (subject to adjustment) comprises approx a AUD70m cash payment (or €39m), as well as the assumption of certain liabilities. By our estimates this would imply a multiple on EBITDA paid in the 7x-8x range, which was indicated by the company in the past as its target.

From a strategic viewpoint, this acquisition not only enables Parmalat to increase its market share in Australia, where it currently ranks second after National Food, but, more notably, to enter certain areas (i.e. Sidney) where it did not yet operate.

**View/Action** We welcome this news since, despite the little amount of cash used (note that Net cash amounted to €1,244m at end-March 2009, with an increase of €135m vs. YE08), it represents the first M&A operation in a strategic areas for the Group . We have an OUTPERFORM rating on the stock with a TGT price at 1.86.

RCS MediaGroup	Mkt.Cap. 608	€ 0.81	OUTPERFORM (from NEUTRAL)	(Fabio Pavan ext. 633)		
	Turnover	Net Profit	PE	PBV	Yield	
2008	2,674	26	22.8	1.2	0.0	
2009E	2,375	-112	nm	0.6	0.0	
2010E	2,396	46	8.9	0.6	0.0	

### Wind of change

**Event** Today we are going to publish a new report on RCS, after BoD approved the €200m recovery plan last week.

**Comments / Financials** In the light of the significant drop in Group advertising revenues and given the extremely low visibility ahead, the BoD approved a series of measures with the aim of obtaining a €200m cut in costs – equal to 8% on total 2008 Group costs – within 24 months. More in detail: i) 40/45% savings related to cost of goods sold; 25/30% linked to G&A; 10/15% production costs; 10/15% revenues (in our view the increase in cover price for both Corriere della Sera & El Mundo in 2010. The full recovery is expected to be reached within 24 months: RCS expects to save additional €130m in and €70m at steady state.

After the release of poor first quarter results, we are changing our estimates for FY 2009, assuming an advertising drop of 18% YoY for Italian newspapers, 20% for Italian magazines and 25% for Spanish newspapers. We have tried to figure out the impact of the recovery plan division by division, in order to better understand what could be the impact of these savings in the medium/long term. In 2009 RCS could be able to save €130m costs in 2009 (€39m savings in H2 '08 and the €30m savings achieved in Q1 '09); we are more cautious than the company: in our view the full impact of plan could be reached by 2011. The company will have to sustain a huge amount (€120m) of one-off items on 2009.

As we already underlined in our previous report on the stock, RCS net debt to EBITDA is likely to reach extremely high level within the end of the year. We estimate that RCS could reach a net debt position of €1.03bn in FY 09 vs. the €1.15bn of December 08. We believe there is no risk on debt repayment, considering that: i) RCS doesn't have any covenant on its debt; ii) the first significant deadline will be in 2013 and the company already has above €2.1bn credit lines; iii) as detailed in the company's annual report more than the 75% of total debt is made at a variable interest rate with a very limited spread (lower than 50 bps): for this reason we expect RCS to benefit from the current market conditions; iv) the last AGM didn't renew the authorization to Board of Directors related to the option of capital increase.

**View / Action** We continue to believe that a target price based on an average of DCF analysis, peers' and SOP analysis still represent the best way to provide an update valuation (multiples should eye on 2011). Moreover: i) figures are quite conservative at top-line level; ii) the high level of debt doesn't represent an issue; iii) the approved recovery plan represents a radical change in the shareholders' approach to the company. Our target price, based on an average of these methods, stands at €1.65 per share (from €0.93). Given the strong upside potential we move from Neutral to Outperform.

Snam Rete Gas	Mkt.Cap. 10,927	€ 3.06	OUTPERFORM	<i>(M.Beatrice Gerosa ext. 461)</i>	
	Turnover	Net Profit	PE	PBV	Yield
2008	1,910	530	15.5	2.3	5.5
2009E	2,537	649	13.1	1.8	6.0
2010E	3,234	875	12.5	1.7	6.2

#### End of Rights Offering: 99.75% of the shares offered were subscribed

**Event** Snam Rete Gas announced the conclusion of the rights offering in relation to its €3,471m capital increase aimed at providing SRG with the financial resources necessary to acquire from Eni the entire share capital of Stogit S.p.A., the leading operator in the Italian natural gas storage business, and the entire share capital of Italgas S.p.A., the leading operator in the distribution of natural gas in Italy, in accordance with the sale and purchase agreements it entered into on 12 February 2009.

**Comment/Financials** During the subscription period, which started on 27 April 2009 and closed on 15 May 2009, 1,756,673,448 rights were exercised corresponding to an aggregate of 1,610,283,994 Snam Rete Gas new ordinary shares subscribed, equal to 99.75% of the 1,614,292,394 ordinary shares offered, for a total amount of euro 3,462,110,587. At the end of the subscription period, 4,372,800 rights remained unexercised. The unexercised rights are valid for the subscription for an aggregate of 4,008,400 newly-issued ordinary shares of SRG, corresponding to a total amount of euro 8,618,060.00. The unexercised rights will be offered on the Italian Stock Exchange by SRG during the trading sessions of 21 to 27 May 2009. The rights can be used to subscribe for new SRG ordinary shares, each with a nominal value of €1 and dividend entitlement as of 1 January 2009, at a subscription price of €2.15 per share (11 new shares for each 12 rights). The new ordinary shares must be subscribed for by and no later than 28 May 2009, after which date the rights will expire. In accordance with the commitment undertaken on 12 February 2009, Eni has exercised all the rights to which it was entitled in relation to the SRG shares it owns (corresponding to 50.03% of the share capital of SRG and to 55.58% of the share capital excluding the treasury shares owned by SRG). Consequently, Eni subscribed in full its quota of new ordinary shares corresponding to 897,272,805 newly-issued shares, for a total amount of euro 1,929,136,531. As illustrated in the following tables, following the subscription of the capital increase, Eni will hold 52.54% of the total share capital of SRG (corresponding to 55.58% of the share capital excluding the treasury shares owned by SRG).

SRG shareholding structure as is	NOSH	on total share capital	on total voting share capital	MKT VAL
ENI	979	50.03%	55.58%	2,995
Treasury shares	195	9.99%	0.00%	598
Free Float	782	39.98%	44.42%	2,394
<b>Total</b>	<b>1,956</b>	<b>100%</b>	<b>100%</b>	<b>5,987</b>
<b>Total excluding Treasury shares</b>	<b>1,761</b>			<b>5,389</b>
SRG shareholding structure post AUK	NOSH	on total share capital	on total voting share capital	MKT VAL
ENI	1,876	52.54%	55.58%	5,741
Treasury shares	195	5.47%	0.00%	598
Free float	1,499	41.99%	44.42%	4,588
<b>Total</b>	<b>3,571</b>	<b>100%</b>	<b>100%</b>	<b>10,927</b>
<b>Total excluding Treasury shares</b>	<b>3,375</b>			<b>10,329</b>

**View/Action** Upon announcement of the details of the ongoing capital increase, we updated our SRG RAB based SOTP valuation setting a new post deal target price @ EUR3.7. At current prices the stock is trading broadly in line with its 2009E closing headline RAB, offering a free option on: the value of outperformance vs regulatory parameters, the value of premium return on development capex as well as the value of synergies from recently acquired assets. Moreover, taking an extremely conservative approach assuming the stock will never trade at a premium to the company's rolling RAB, we still calculate a total return potential at around 10% for the SRG share as a result of annual RAB growth (5% CAGR into 2013E) plus dividends. As far as we understand, management should be ready to communicate its combined BP by the end of July providing increased visibility over a more realistic synergies target (2% of combined EBITDA appears to us as quite conservative), as well as over its still undisclosed dividend policy. As far as transport regulation is concerned, a 2nd consultation document should become available by the end of June, allowing for the conclusion of the tariff setting process by the end of next September. We see both events as potential positive catalysts for the share. Lastly, a final 'ruling' over the future of Romana Gas (a decision must be taken by end August), will also provide increased visibility restoring the usual, much liked, transparency of SRG equity story.

*Mediobanca entered into A pre-BACK STOP agreement with Snam Rete Gas S.P.A. according to which it has undertaken to BUY the ordinary shares corresponding to the pre-emptive rights remained unexercised as at the end of the offer on the Italian Stock Exchange pursuant to article 2441, third paragraph, of the Italian Civil Code, net of the ENI S.P.A. entire portion. No shares will be offered in the United States of America.*



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MEDIOBANCA - BANCA DI CREDITO FINANZIARIO SPA HAS A REPRESENTATIVE ON ONE OF THE GOVERNING BODIES OF RCS MEDIAGROUP SPA. MEDIOBANCA - BANCA DI CREDITO FINANZIARIO SPA OWNS A SIGNIFICANT STAKE IN RCS MEDIAGROUP SPA, AS DEFINED BY CURRENT CONSOB REGULATIONS. PLEASE CONSULT THE CONSOB WEBSITE ([WWW.CONSOB.IT](http://WWW.CONSOB.IT)) FOR DETAILS. RCS MEDIAGROUP SPA OR THE COMPANIES WHICH GO TO MAKE UP ITS GROUP HAVE A REPRESENTATIVE ON THE GOVERNING BODIES IN COMMON WITH THOSE OF MEDIOBANCA - BANCA DI CREDITO FINANZIARIO SPA. RCS MEDIAGROUP INITIAL COVERAGE AS OF 25/06/2003. IN THE LAST TWELVE MONTHS RATING ON RCS MEDIAGROUP SPA HAS BEEN CHANGED. THE PREVIOUS ISSUED RATING WAS UNDER REVIEW ON 15/05/2009.

SNAM RETE GAS SPA OR THE COMPANIES WHICH GO TO MAKE UP ITS GROUP HAVE A REPRESENTATIVE ON THE GOVERNING BODIES IN COMMON WITH THOSE OF MEDIOBANCA - BANCA DI CREDITO FINANZIARIO SPA. MEDIOBANCA - BANCA DI CREDITO FINANZIARIO SPA EXPECTS OR WILL SEEK TO RECEIVE IN THE NEXT SIX MONTHS FEES DUE FOR DELIVERY OF CORPORATE FINANCE SERVICES TO SNAM RETE GAS SPA, OR TO THE GROUP TO WHICH SNAM RETE GAS SPA BELONGS OR THE GROUP WHICH SNAM RETE GAS SPA HEADS UP, OR HAS ENTERED INTO AGREEMENTS TO PROVIDE CORPORATE FINANCE SERVICES TO SNAM RETE GAS SPA, OR TO THE GROUP TO WHICH SNAM RETE GAS SPA BELONGS OR THE GROUP WHICH SNAM RETE GAS SPA HEADS UP. MEDIOBANCA - BANCA DI CREDITO FINANZIARIO SPA EXPECTS OR WILL SEEK TO RECEIVE IN THE NEXT SIX MONTHS FEES DUE FOR DELIVERY OF CORPORATE FINANCE SERVICES TO THIRD PARTIES RELATING TO SNAM RETE GAS SPA OR THE GROUP TO WHICH SNAM RETE GAS SPA BELONGS OR THE GROUP WHICH SNAM RETE GAS SPA HEADS UP, OR HAS ENTERED INTO AGREEMENTS TO PROVIDE CORPORATE FINANCE SERVICES TO THIRD PARTIES RELATING TO SNAM RETE GAS SPA OR THE GROUP TO WHICH SNAM RETE GAS SPA BELONGS OR THE GROUP WHICH SNAM RETE GAS SPA HEADS UP. MEDIOBANCA - BANCA DI CREDITO FINANZIARIO SPA IS CURRENTLY FULFILLING AGREEMENTS TO PARTICIPATE IN UNDERWRITING SYNDICATES FOR PLACEMENTS IN RESPECT OF FINANCIAL INSTRUMENTS RELATING TO SNAM RETE GAS SPA OR TO THE GROUP TO WHICH SNAM RETE GAS SPA BELONGS OR THE GROUP WHICH SNAM RETE GAS SPA HEADS UP. SNAM RETE GAS INITIAL COVERAGE AS OF 21/02/2003.

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