MEDIOBANCA SECURITIES

Morning Meeting Notes

24 March 2006

Milan indices & volumes		1D chg%	1W chg%	1M chg%
Mibtel	29,510	-0.60	-0.30	2.10
MIB 30	38,256	-0.74	-0.82	1.17
Midex	38,240	-1.00	0.00	5.00
S&P/MIB	38,242	-0.72	-0.76	0.71
S&P/MIB (futures)	37,599	-283		
Daily volumes (€ m)	4,857			

World Stock Markets - Performance	
DAX 30 PERFORMANCE	0.25
FRANCE CAC 40	0.00
NASDAQ COMPOSITE	-0.14
FTSE 100	-0.29
IBEX 35	-0.38
DOW JONES INDUSTRIALS	-0.42
SWISS MARKET	-0.50
MILAN MIBTEL	-0.60
S&P MIB INDEX	-0.72
MILAN MIB 30	-0.74

Italian MIB30 best & worst stocks	
Company	**% change**
STMICROELECTRONICS (MIL)	3.3
FIAT	1.8
BANCA ANTONVENETA	0.0
EDISON	-1.6
SNAM RETE GAS	-1.7
BCA.PPO.DI VERONA NOVARA	-2.0

Italian Market best & worst stocks	
Company	**% change**
TISCALI	4.3
IMMOBILIARE LOMBARDA	4.2
STMICROELECTRONICS (MIL)	3.3
BANCA POPOLARE MILANO	-2.4
SEAT PAGINE GIALLE RNC	-2.7
BULGARI	-3.2

Headlines

San Paolo Better than expected results **Outperform**

Enel – Below we summarize Enel's 2006-10 strategic plan and financial targets **Outperform**

Valentino– Release of FY05 results **Outperform**

Parmalat– Preview of FY2005 results **Neutral**

Immsi 2005FY Earnings preview **Neutral**

Fiat– Fiat converted its CNH preference shares **Outperform**

Rcs– BPI enforces its guarantee on 14.7% stake of RCS **Outperform**

Trevi– Two new orders from Chevron and Repsol in the drilling service division **Outperform**

Mibtel sectors best & worst performers (%)	
Financials Miscellaneous	1.59
Food	1.55
Financial services	-2.23
Banks	-0.92

Stoxx best & worst performers (%)	
Banks	0.62
Financial services	0.56
Telecom	-0.57
Healthcare	-0.49

Today's events

BoD: Acsm Como, Acqua Marcia, Aedes, Aisoftware, Apulia P., Antonveneta,Bim, BNL, Brembo, Cdc, Data Service, Fiera Mi, Immsi, Impregilo, Juventus Fc, Marzotto, Monti ascensori, Parmalat, Saes G.

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SAN PAOLO	Mkt. Cap. €28.3	€ 15.4	OUTPERFORM		(*Banking Team 647*)
	Net profit	P/E	P/BV	Yield	ROE
2004	1,393	13.0	1.65	4.8%	13.2%
2005E	1,822	15.6	2.42	3.6%	16.1%
2006E	1,956	14.5	2.26	3.9%	16.1%

Better than expected results

Event SPI reported €1983m net profit, 8% above our estimate of €1822m. The company approved also a €0.57 dividend, slightly above our forecast of 0.555. An analyst meeting is scheduled today at 10.30 in Milan (Borsa Italiana, dial international number +39 02 802 09 11).

Comment / Financials Results are good and stronger than expected at revenue level. In particular the company reported very high earnings from insurance activities (€431m) and strong net commission in Q4. Positive trend of revenues more than offset cost trend in Q4 that was worse than expected. However, SPI was able to contain costs to only 0.7% increase yoy. This is one of the best results among Italian banks. 2005 results were boosted at the bottom line level also by lower loan loss provision and by the absence of write downs on financial asset that depressed earnings in previous years. Asset quality remained at excellence level: NPLs were down 5% from 2004, watch list loans decreased by 13.8%, despite customer loan growth of over 10% in 2005. Coverage ratio was 75% for NPLs and 31% on watch list.

Tier 1 was 7.2%, while total capital ratio almost 9.7%.

(€m)	2004	2005	Chge %	2005E	Diff %
Total Income	7640	8326	9.0%	8,150	2.2%
Total costs	-4816	-4,790	-0.5%	-4,705	1.8%
Net op income	2,824	3,536	25.2%	3,445	2.6%
Provisions	-857	-679	-20.8%	-750	-9.4%
Net income	1256	1,983	57.9%	1,822	8.8%

View / Action We like these set of results and reiterate our Outperform recommendation. Our SOP valuation is updated from €14.5 to €16.2, by attributing a PE=12.5x on banking business and assuming almost €9bn value of Eurizon.

ENEL	Mkt.Cap. 43,009	€ 7.02	OUTPERFORM	(*Maria Beatrice Gerosa ext. 461*)

	Turnover	Net Profit	EV/EBITDA	PBV	Yield
2004	35,771	2,786	7.7	1.9	11.0
2005E	35,750	3,895	7.1	2.2	11.8
2006E	32,774	3,143	7.0	2.3	7.3

Rome wasn't built in a day…

Event Enel unveiled its 2005 final figures and updated 2006-2010 business plan. No key take aways from yesterday's management presentation; disclosure was very limited especially on acquisitions, no comment on the Suez deal.

Comment/Financials Preliminary figureswere already released at the beginning of February January and pointed to EBITDA above €7.7bn and net debt in the €12.3bn region. Also total power output was indicated at 112TWh above market consensus expectations. Enel 2005 final figures are summarized in the table below which also provides restated 2004 numbers. The BoD proposed €0.44/share dividend to be paid next June; this is bang in line with our expectations and implies 6.2% yield.

	FY05A	FY04A	FY05E
EBITDA	**7,745**	**8,071**	**7,736**
D&A	-2,207	-2,201	-2,200
EBIT	**5,538**	**5,870**	**5,536**
Financials	-714	-827	-777
Discontinued Operations/Extraordinaries	1,242	-180	1,186
Pre tax	**6,066**	**4,863**	**5,945**
Tax	-1,934	-2,116	-1,864
tax rate	-32%	-44%	-31%
Minorities	237	116	240
Net profit	**3,895**	**2,631**	**3,841**

Below we summarize Enel's 2006-10 strategic plan and financial targets:

EBITDA will post 3% 2005-07 CAGR supported by change in the scope of consolidation (consolidation of Slovenska Electrane), opex reduction and regulatory quality premia. In other words EBITDA should turn out broadly flat on a like for like basis.

International operations will represent more than 10% EBITDA by 2007; our forecasts assume 11%

ROCE target of 17% in 2007 we are in line with management projections.

Dividend policy confirmed with €0.42 DPS as a floor for future dividend distribution regardless of any acquisition

Cost cutting: managemtn plans on cutting opex by €200m/year over the 2005-2007 period. In generation the goal to reduce O&M costs to €10.2/MW by 2007; repowering of 5GW has been confirmed. In distribution; management aims at OPEX reduction of €150m over the same period; we appear to be in line on both fronts.

International strategy management confirmed its intention to become a leading panEuropean player reiterating its acquisition criteria: EPS accreative from year 1, single A credit rating to be kept unchanged, strategic fit. In other words management substantially refused to make any comments on potential international acquisitions; this created some disappointment in the audience.

View/Action 2005 numbers came out in line with expectations; the presentation did not reveal anything particularly new: focus on cost cutting and international expansion has been confirmed and CAPEX plan is unchanged. We will marginally adjust our forecasts (which now include the consolidation of SE as 2Q06) and we plan on maintaining our €7.71 DCF based SOTP share price target unchanged. We would expect the share to show basically no reaction until management will cast some clarity on the French situation. The sooner the better as we believe that, in the absence of a clear statement on the group M&A activity, the share price will be capped by near term uncertainty. We maintain our OUTPERFORM rating on the ENEL share.

VALENTINO	MKT. CAP. €1,785	€ 22.86	OUTPERFORM		(CHIARA ROTELLI EXT. 931)
	TURNOVER	NET PROFIT	PE	PBV	YIELD
2004	1,551	49	nm	nm	nm
2005E	1,725	68	22.0	4.5	1.7
2006E	1,903	87	20.5	4.6	2.2

Release of FY05 results

Event: Valentino FG announced its FY2005 yesterday

Comment/Financials: FY05 results came in broadly in line with our estimates but net profit figure, which was well above our expectations. In particular, group sales came in at €1,728m (+11.4% YoY), thanks to the strong performance of both Hugo Boss (+12%) and Valentino, which reported €209m revenues compared to our estimate of €203.4m. Consolidated EBIT was 195m, with an EBIT margin of 11.3% as expected. At EBIT level too Valentino came in with a positive surprise, reporting an EBIT of €27m with an EBIT margin approaching 13% compared to 12.1% in our projections. The better than expected net profit figure is essentially attributable to a very low tax rate (21% vs. our forecast of 33%), benefiting from losses carried forward and in particular from the revaluation of some assets. Adjusted of this effect net profit would have been €16m less or €74meur

Net debt figure came in at €333m well below both our expectations and company target of €400m.

	2004A	2005A	chge%	2005E	diff%
HUGO BOSS	1,168.4	1,309.4	12.1%	1309.4	0.0%
VALENTINO	170.2	209.1	22.9%	203.6	2.7%
MC & OTHERS	260.3	266.3	2.3%	261.9	1.7%
GROUP SALES	**1,550.6**	**1,728.0**	11.4%	1,725.9	0.1%
HUGO BOSS - EBIT	135.2	162.9	20.5%	162.9	0.0%
Margin%	11.6%	12.4%		12.4%	
VALENTINO -EBIT	17.8	27.0	51.6%	24.6	9.6%
Margin%	10.5%	12.9%		12.1%	
MC & OTHERS	18.0	15.0	-16.7%	16.0	-6.1%
Margin%	6.9%	5.6%		6.1%	
GROUP EBIT	**170**	**195**	14.8%	**195**	-0.1%
Margin%	**11.0%**	**11.3%**		**11.3%**	
NET PROFIT	**58.0**	**90.5**	56.0%	**68.3**	32.4%
EPS	**0.78**	**1.22**	55.8%	**0.92**	32.4%

The BoD to proposal to distribute a dividend d of €0.50 per share corresponding to an increase of 38% is consistent with the jump reported in net profit.

Company guidance for FY2006 confirms the positive current trend: over the first two months of the year sales were up 11% and a similar growth rate is expected also for the full year, with a more than proportional rise in both EBIT and net profit.

View/Action: We reiterate our OUTPERFORM rating on the company and will update our valuation in a separate note.

PARMALAT	MKT. CAP. €4,156M	€ 2.60	NEUTRAL		(CHIARA ROTELLI EXT. 931)
	TURNOVER	NET PROFIT	PE	PBV	YIELD
2004	3,811	-185	nm	nm	nm
2005E	3,782	51	64.5	2.4	0.0
2006E	3,836	128	32.4	2.3	0.4

Preview of FY2005 results

Event: Parmalat is due to announce its FY2005 results. An analysts' presentation will be held in Milan on 27th March at. 10.30 am.

Comment/Financials: the group already announced preliminary 2005 figures on 13th February. Group sales came in at €3.9bn (+3.6%), slightly exceeding our estimates at €3,782m thanks to a better than expected performance in Canada, Australia and Africa. Consolidated EBITDA was €308m with an EBITDA margin of 8.0%. Note that the company already anticipated that the announced EBITDA figure did not include some write down, restructuring costs and legal charges, totalling approx €45-48m. The actual EBITDA figure should therefore stand at €260-270m.

Our estimates does not include either these extraordinary events and cash-in from the settlement with Morgan Stanley (€155m). We therefore forecast group EBIT at €190m, with an EBIT margin of 5%. Assuming €85m financial charges and some €30m taxes, net profit should stand at €50m. Adjusting this figure to take account of the above event (i.e. write downs and settlement agreement) net income might stand at €155-160m.

As regards dividends, we do not expect the BoD to propose any dividend, since we expect Parmalat SpA to be still in loss.

	2004	2005E	Chge%
Turnover	3,811.4	3,782.3	-0.8%
EBITDA	265.7	302.0	13.7%
EBITDA margin (%)	7.0%	8.0%	
EBIT	105.7	189.8	79.6%
EBIT margin (%)	2.8%	5.0%	
Net Financial Income	-128.1	-85.0	
Non-Operating Items & Associates	-0.4	0.0	
Extraordinary Items	-151.7	-20.5	
Pre-tax Profit	-174.5	84.3	N.M.
Tax	-11.0	-30.8	
Tax rate (%)	-6.3%	36.5%	
Minorities	0.5	-2.1	
Net Profit	-185.0	51.4	N..M

View/Action: we expect the share price performance to be driven by newsflow on pending litigations and on decision by the Constitutional Court on claw-back actions. We reiterate our NEUTRAL rating on the stock. An update will follow the release of FY05 results

IMMSI	MKT. CAP. €774M	€ 2.71	NEUTRAL		(GABRIELE ROSSI EXT. 541)
	TURNOVER	NET PROFIT	PE	PBV	YIELD
2003	1,185	13	28.1	2.0	1.7
2004E	1,599	31	25.4	3.7	1.1
2005E	1,802	35	21.4	3.3	1.1

2005FY Earnings preview

Event. IMMSI will unveil its 2005FY figures today.

Comment/Financials Worthy of notice is that Piaggio (which represents some 95% of IMMSI group revenues) has already released its 2005FY figures, which were almost in line with our expectations and well above 2004, so that the sole newsflow should come from Rodriquez and the Real estate business, from which however we don't expect major surprises:

- *Piaggio*. 2005 FY Revenues were at €1,451m (vs our €1,470m estimate) with a stunning growth of 38.3% YoY. EBITDA was at €184.8m (vs our €181.3m estimate) with margin at 12.7%, up from €128.2m as of 2004FY (+44.1% YoY). Net Profit was positive for €38m (better than our €32m estimate) from a positive €4m as of 2004FY. These positive figures confirm our view that the company is well on track to finalize a successful turnaround on both Piaggio and Aprilia.
- *Rodriquez and Real estate*. Rodriquez is expected to record some €90m revenues as of 2005FY with an EBITDA in the red for some €5m. Real estate business is expected to have generated some €5m of revenues and due to both start up costs of the Is Molas project and holding cost, EBITDA is expected to be slightly in the red.

Overall Revenues are expected to €1,538m, EBITDA is forecasted to €170m and Net Debt (IAS compliant) is expected to some €510m down from €523m as of H1 05.

View/Action. IMMSI stock rallied a lot recently and today is trading at €2.71ps, which is higher than our NAV of €2.3ps. Overall, we do not see any fundamental reasons for a further rally, also considering that after the IPO, IMMSI stocks would be a proxy of Piaggio's ones, so that an holding discount should be probably applied by the market. For this reason, we reiterate our Neutral rating.

FIAT	Mkt. Cap. €12,094m	€ 9.72	OUTPERFORM		*(Gabriele Rossi ext. 541)*
	Turnover	Net profit (loss)	PE	PBV	Yield
2004	45,637	-1,619	nm	1.5	0.0
2005E	46,544	1,331	nm	1.5	0.0
2006E	50,331	680	14.2	1.4	0.0

Fiat converted its CNH preference shares

Event. Fiat converted its 8m CNH preference shares into 100m new CNH ordinary shares. Fiat stake to 90%.

Comment/Financials. The conversion, widely expected by the market generated the following effects:

- FIAT. From a fundamental point of view, the operation does not impact our valuation since we were already including the effect of the conversion on our Fiat SOTP. Stock price remained almost flat (+0.2% versus the day before).
- CNH. On theory the operation could have had a dilutive effect on the stock price, i.e. from current $26.3ps to $23.6ps. However the potential pressure on the stock has been mitigated by two factors: 1) the potential conversion was not a surprise, and 2) free float is lower than 10% and a minorities squeeze out is now expected by the current CNH shareholders. For the mentioned reasons CNH stock price was down only 2% versus the day before, as largely expected.

What could happen now?

Market is rumouring that Fiat is close to launch a PTO on CNH minorities. We cannot rule out such a deal since it is:

1. *Sustainable from a financial point of view*. Fiat currently shows a D/E ratio of 0.34x, so that a cash out of some €0.6bn to squeeze-out CNH minorities is absolutely affordable;
2. *Rationale from an industrial point of view*. After the minorities squeeze-out Fiat could be free of reorganize the structure to better exploit its value.
3. *Value accreative for Fiat*. Mr Marchionne unveiled its target of 10% Trading margin as of 2007 for CNH (it was 6.8% as of 2005) in order to show a profitability in line with its peers, i.e. Deere and Caterpillar. As of today we are maintaining a more conservative approach (8.5% Trading margin as of 2007), however if the mentioned target is reached we estimate a potential positive impact on Fiat valuation of €2.1ps.

View/Action. Our Fiat SOTP delivers a fair value of €10.0ps, but potential valuation upside should arise (i.e. some €4.0ps) if 1) 2007 targets on CNH are reached (or the visibility on them improves), 2) Fiat Auto continues to improve its market positioning and thus profitability and 3) Fidis shareholding change generates capital gains for Fiat.

RCS MEDIAGROUP	Mkt. Cap. €3,482m	€4.61	OUTPERFORM	(*Giuseppe Marsella ext. 633*)
	Turnover	**Net Profit**	**PE**	**PBV**	**Yield**
2004	2,191	219	36.9	3.3	1.7
2005e	2,350	156	26.1	3.0	2.8
2006e	2,436	198	20.6	2.8	3.5

BPI enforces its guarantee on 14.7% stake of RCS.

Event: BPI's BoD has decided to enforce its guarantee on 14.7% stake of RCS.

Comment / Financials. We believe that once the shares are transferred to BPI, various solutions will be open to it: (i) the shares could be placed on the market; (ii) BPI could issue a convertible bond; (iii) the stake could be sold to private investors. There have been rumours in the last few days that the Benetton family is interested in acquiring a stake of around 6%. Some members of the pact (Della Valle, Pirelli and Intesa) could raise their stake by a total of 0.8%. RCS itself could acquire part of the stake; (iv) Mixed solutions cannot be ruled out.

Although we are aware that investors are worried about the potential negative short-term effects of a placement on the market, we would stress that, from a technical point of view, an increase in the free float (which is currently relatively low) would be positive for the stock as it would increase its weight in the market indexes.

View / Action. We reiterate our OUTPERFORM rating with target price of €5.4.

TREVI	Mkt. Cap. €363m	€5.68	OUTPERFORM	*(Andrea Scauri ext. 496)*
	Turnover	**Net Profit**	**PE**	**PBV**	**Yield**
2004	366	2	29.7	1.0	1.4
2005e	491	11	15.5	3.7	1.1
2006e	607	22	16.4	3.9	2.1

Two new orders from Chevron and Repsol in the drilling service division

Event The Group announced to have signed two important orders in the drilling service division (through the subsidiary Petreven) with Chevron and Repsol for a total amount of USD 46.4m (USD 16.1m and USD 30.3m respectively). Both the two contracts could be extended up to 24 months thus reaching a final total amount of some USD 77m.

Comment / Financials We highlight the importance of the two contracts won in terms of:

- 2007e order backlog of the drilling service division now standing at around € 90/100m, also considering the past contracts signed with Petreven. It compares with our previous forecast of € 50m;
- Profitability standing at 33% in terms of EBITDA margin and in line with the Group drilling division's one;
- Increased visibility on the superior technology of Petreven rigs in terms of higher performance (around 30% - 40% above the main players), thus helping the Group's division involved in the production of rigs (Drillmec). We remind investors that Trevi is now considered as the innovator in a drilling service business extremely traditional and dominated by few and well established US players.

In the light of this new contract and of the confirmed growing trend, our 2006e and 2007e EBITDA of € 81.6m and €97.6m might be conservative.

View / Action Overall speaking, we point out that despite the increase in capex in '06e (€ 40 vs. €22m in '05e), a strong improvement in net working capital should lead to a material free operating cash flow generation (€30m in '06e, 9% yield on equity).
We confirm our € 7.4 target price based on a sum-of-the-parts. Our target price would imply 5.9x and 16.4x '06 EV/EBITDA and P/E respectively, not demanding multiples given the 20% CAGR 06e-08e EPS and the 0.5 PEG ratio. Outperform confirmed.