



11 June 2007

Buy

Initiating Coverage

Share price*: EUR 10.90

Target price: EUR 12.70

Reuters/Bloomberg AP.MI/AP IM

Accounting Standard/Since IFRS/2006

Market capitalisation (EURm) 496.0

No. of shares (m) 45.5

Free float 43.9%

Daily avg. no. trad. sh. 12 mth 61,000

Daily avg. trad. vol. 12 mth (m) 0.58

Price high 12 mth (EUR) 11.32

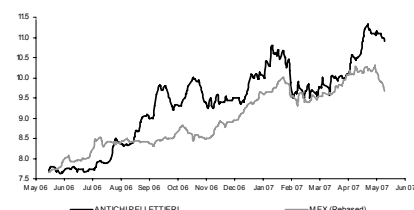
Price low 12 mth (EUR) 7.63

Abs. perf. 1 mth 4.1%

Abs. perf. 3 mth 10.1%

Abs. perf. 12 mth 37.3%

(EUR)	2007e	2008e	2009e
Sales (m)	319	383	457
EBITDA (m)	51	64	80
EBITDA margin	16.1%	16.6%	17.6%
EBIT (m)	43	54	70
EBIT margin	13.4%	14.2%	15.4%
Net Profit (adj.)(m)	18	25	34
ROCE	9.5%	11.2%	13.5%
Net debt/(cash) (m)	52	31	(1)
Debt Equity	30.6%	16.1%	-0.5%
Debt/EBITDA	1.0	0.5	0.0
Int. cover(EBITDA/Fin. int)	7.2	10.4	15.5
EV/Sales	2.3	1.8	1.4
EV/EBITDA	14.4	11.1	8.2
EV/EBIT	17.3	12.9	9.4
P/E (adj.)	26.9	19.8	14.6
P/BV	4.1	3.5	2.9
OCF yield	0.1%	1.7%	3.7%
Dividend yield	0.9%	1.0%	1.3%
EPS (adj.)	0.41	0.55	0.74
BVPS	2.63	3.08	3.71
DPS	0.10	0.11	0.14



Shareholders: Mariella Burani Fashion Group 53%;
Ittochu 3%;

*closing price as of 08/06/2007

A bagful of good news

- Antichi Pellettieri was listed on 7th June 2006 at a price of EUR 7.7 per share on the Expandi following a partial sale by its controlling shareholder Mariella Burani Fashion Group. Share price performance since the IPO has been particularly strong with a 43% increase, thanks to the reported growth, the expectations for expansion into Asia, new product categories, new licenses and acquisitions.
- We believe the growth story is still interesting: the **high growth rates** expected over the 2006-09e period, which entail a sales CAGR of 21.1%, an EBITDA CAGR of 32%, the margin improving by 400bp to 17.6% and a net income CAGR of 51.5%, are supported by: 1) **expansion on international markets** and **emerging markets** with the opening of 10-15 new stores (5 DOS and 10 franchising) per year; 2) **price increases**; 3) **licenses** from third parties; 4) **royalties from brand extension**, some AP brands (e.g. Baldinini, Braccialini) have signed license agreements for perfumes, eyewear; 5) **entrance into new market segments** (e.g. travel retail) and **higher segmentation of product offerings** (e.g. evening bags, luggage and business leather items).
- On the back of our aggressive sales estimates, we point out that the company reported quite a strong level of **organic sales growth** from 2002 to date, increasing by an **average 23%**, while a strong improvement in profitability should already be visible in 2007 (EBITDA margin at 16.1% with an increase of 250bp).
- In addition, the company may continue to grow externally and finalise a new **acquisition** over the next months: we understand it is actively looking at new targets both in Italy and abroad. Past acquisitions have been made at reasonable multiples and proved successful thanks to the management's ability to achieve synergies among the group brands.
- **Our target price has been calculated through a DCF with a WACC of 9% and perpetuity of 2.0%, in line with sector growth. Our DCF gives a target price of EUR 12.7 which, in offering an upside of 16.5%, justifies our BUY rating.**

Company description: Antichi Pellettieri creates and accessible luxury footwear, handbags and accessory collections worldwide under its own brands and under license for international designers. Production is primarily outsourced; distribution takes place through a wide retail network in Italy and abroad consisting of stores directly managed by the company and third parties. The company's mission is to become a world leader in the "accessible segment" of the luxury goods market.

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Contents

Contents	2
Valuation	3
DCF valuation	3
Multiple comparison	4
Investment Case	6
Company Overview	7
European leader in “accessible luxury”	7
Shareholders structure	11
A flexible business model	12
Market size and positioning	14
Strategic outlook and key drivers	15
Operating highlights FY 2006	17
2007e-2009e estimates	18
Antichi Pellettieri: Summary tables	20

Valuation

We believe that Antichi Pellettieri is quite correctly valued on a DCF model, in order to take into account its cash-flow generation potential. However, we are also presenting a comparison with peer groups ranging from luxury goods makers to leather goods companies, as they have similar growth rates and profitability compared to Antichi Pellettieri.

Our DCF model suggests that the fair value is nearer to EUR 12.7 per share, therefore we initiate coverage of Antichi Pellettieri with a BUY rating.

DCF valuation

We have run our DCF analysis based on the following assumption:

- **Sales and profitability forecast:** a) sales are expected to grow at a 21.1% CAGR over the 2006-2009e period; after that, sales CAGR will be 11.2%, a level the company should be able to reach thanks to the relative immaturity of most of its brands; b) EBITDA is expected to increase at a 32% CAGR over the 2006-2009e with profitability improving by 400bp to 17.6%; c) in terms of long-term forecasts, we assume an EBITDA margin stable at 18.6%, a level which seems achievable considering the strong improvement which should already be posted in 2007 (EBITDA margin at 16.1% with an increase of 250bp).
- A **WACC** of 9% calculated by assuming: a) a risk-free rate of 4.5% and a market risk premium of 4.0%; b) a beta at 1.2, reflecting a certain degree of penalisation applied to mid/small caps in light of their modest liquidity.
- A **terminal growth rate** of 2.0% looks appropriate to reflect the potential of the market (accessible luxury goods) in which the company operates.

Our assumptions are summarised in the following tables:

Antichi Pellettieri: Free Cash Flow model 2007e-2012e, (EUR m)

	2007e	2008e	2009e	2010e	2011e	2012e
EBITA	42.6	54.4	70.3	86.3	96.6	104.5
Taxes	(15.1)	(19.3)	(24.9)	(30.6)	(34.3)	(37.1)
<i>Tax rate</i>	35.5%	35.5%	35.5%	35.5%	35.5%	35.5%
NOPLAT	27.5	35.1	45.3	55.6	62.3	67.4
Depreciation & other provisions	8.6	9.2	10.1	11.0	11.7	12.2
Operating Cash Flow	36.1	44.3	55.4	66.6	74.0	79.7
Capex	(15.0)	(16.5)	(19.0)	(18.0)	(16.0)	(12.2)
Change in Net Working Capital	(16.2)	(15.2)	(14.5)	(12.8)	(10.3)	(7.5)
Free Operating Cash Flow (FOCF)	4.9	12.5	21.9	35.9	47.7	60.0

Source: BANCA AKROS estimates

We have also carried out a sensitivity analysis of the above valuation to variations in our terminal growth and WACC assumptions: the results are shown in the table below.

Antichi Pellettieri: DCF sensitivity table (EUR)

WACC	Perpetual growth rate (g)				
	1.00%	1.50%	2.00%	2.50%	3.00%
8.0%	12.6	13.5	14.7	16.0	17.6
8.5%	11.8	12.6	13.6	14.7	16.1
9.0%	11.1	11.8	12.7	13.7	14.8
9.5%	10.5	11.1	11.9	12.7	13.7
10.0%	9.9	10.5	11.2	11.9	12.8

Source: BANCA AKROS estimates

It should be considered that, despite the recent buybacks, Antichi Pellettieri still has a relevant level of minorities. The companies on which Antichi Pellettieri has a call option to exercise and buy the remaining stake are: **Braccialini** (20%), **Francesco Biasia** (14%) and **Coccinelle** (49%). The periods the company can exercise the option range from 2008 to 2015. Prices to exercise the options depend on formulas that are generally pegged to sales, EBITDA or other financial parameters at the date of the exercise period.

The company does not have a call option on the outstanding Baldinini (40%) and GFM (20%), which produces luxury apparel through its Ter-et-Bantine label and manages the Anglomania license.

Altogether, the company has estimated that minorities, on which it has a call option worth around EUR 30-35m and around EUR 15m in the companies it does not have a call option on. In our DCF, we have accounted for EUR 54.5m of minorities.

Multiple comparison

We have identified a series of companies which operate in the same market segment ("accessible luxury goods") that Antichi Pellettieri operates in, as well as luxury goods companies. Among these we highlight:

Burberry: Since its founding in England in 1856, the company has been synonymous of quality, innovation and style. Burberry is a luxury brand with a distinctive British taste, strong international recognition and differentiating brand values that resonate across a multi-generational and dual-gender audience. Burberry designs and sources apparel and accessories and distributes them through a diversified network of retail (48%), wholesale (42%) and licensing (10%) channels worldwide.

Coach: With sales of USD 2.1bn, Coach is the undisputed leader in accessible luxury. The company was founded in 1941 as a family-run workshop in Manhattan. During the last decade, Coach has emerged as one of America's most famous pre-eminent designers, producers, and marketers of fine accessories and gifts for women and men, including handbags, business cases, luggage and travel accessories, wallets, outerwear, eyewear, gloves, scarves and fine jewellery. Its main markets are: USA (74% of sales) and Japan (20%).

Furla (not listed): With around EUR 128m (+16%) sales in 2006 and 64 flagship stores in Italy and 255 worldwide, Furla is one of the main players in accessible luxury in Europe. In 2007, it expects to reach EUR 150m revenues.

Geox: leader in the Italian footwear market. The company designs and manufactures footwear (93.8% of 2006 sales) and apparel (5.5%) for women, men and children. The production is made by using innovative material and techniques. The group sells its products in 68 countries worldwide throughout a network of multi-brand shops and mono-brand Geox shops. It operates in Italy and has subsidiaries in France, Germany, Canada, Switzerland, Hong Kong, Spain, the United Kingdom, Japan, the Netherlands, Sweden, the Slovak Republic, Hungary, Romania and the USA.

Hermès: Founded in 1837 as a saddler, Hermès is best known for creating leather goods (44% of 2006 sales), hand-printed silks (11%), apparel (19%), perfumes (7%) and watches (7%), all luxury goods that are considered among the most elite status symbols in the world. The main markets are: Japan (27% of sales), France (19%), Europe (19%), Asia-Pacific (17%) and Americas (15%). With over 200 retail locations worldwide, Hermès is a rare family-run brand, as the descendants of the founder Thierry Hermès still possess 72% of the company.

LVMH: the company has seen strong growth since its creation in 1987 and has become a world leader in luxury. LVMH is active in five different sectors: wines and spirits (20% of consolidated revenues), fashion and leather goods (34%), perfumes and cosmetics (16%);

watches and jewellery (5%) and selective retailing (25%). The main markets are: USA (26% of total revenues), Europe (excl. France 22%), Asia (17%), France (15%) and Japan (13%).

Longchamp (not listed): French brand producing handbags, travel bags, luggage, wallets, briefcases, small leather goods and fashion accessories. Well known in the field of ladies' bags (50% of its business activity), this fine leather goods manufacturer is also active in small leather items and in luggage. Established in 1948 in the Paris region, the company chose to locate in Segré as early as 1958, where "leather know-how" was at the top of its potential.

Tod's: Leading luxury goods player with focus on top-end footwear (62% of 2006 sales), leather goods and accessories (23%) and apparel (14%). Company brands are: Tod's (57% of 2006 sales), Hogan (27%) and Fay (14%) in addition to production and distribution for Roger Vivier brand (1%). Distribution is carried out through DOS (49% of 2006 sales), franchising and independents retailers.

Antichi Pellettieri: Peer Group Valuation

	EV/sales 07	EV/sales 08	EV/EBITDA 07	EV/EBITDA 08	P/E 07	P/E 08
Burberry ⁽¹⁾	2.9	2.6	11.8	10.1	20.0	16.9
Coach	6.6	5.5	15.9	12.9	28.6	23.5
Geox	4.3	3.6	16.2	12.8	27.8	22.6
Hermes	5.8	5.3	18.9	17.1	34.8	31.6
LVMH	2.8	2.6	11.7	10.4	19.3	17.2
Tod's	2.9	2.6	11.6	10.1	23.6	20.7
Average	4.2	3.7	14.3	12.2	25.7	22.1
Antichi Pellettieri	2.3	1.8	14.4	11.1	26.9	19.8
Premium/(discount)	-45.2%	-50.0%	0.7%	-9.0%	4.7%	-10.4%

Source :ESN estimates and Bloomberg consensus for Burberry, Coach, Geox.

(1) FY end 31/03

Antichi Pellettieri: Peer Group Valuation

	Sales growth 07	Sales growth 08	EBITDA margin 07	EBITDA margin 08	EBITDA growth 07	EBITDA growth 08
Burberry ⁽¹⁾	12.2%	11.7%	24.7%	25.8%	24.2%	16.6%
Coach	23.8%	19.3%	41.5%	42.8%	30.6%	23.2%
Geox	26.3%	21.7%	26.7%	27.7%	34.6%	26.1%
Hermes	5.3%	8.3%	30.5%	30.8%	5.0%	9.2%
LVMH	9.4%	7.0%	24.4%	24.9%	13.4%	9.6%
Tod's	12.5%	8.9%	25.2%	25.9%	20.0%	11.9%
Average	14.9%	12.8%	28.8%	29.6%	21.3%	16.1%
Antichi Pellettieri	23.9%	20.2%	16.1%	16.6%	46.6%	24.1%

Source :ESN estimates and Bloomberg consensus for Burberry, Coach, Geox.

(1) FY end 31/03

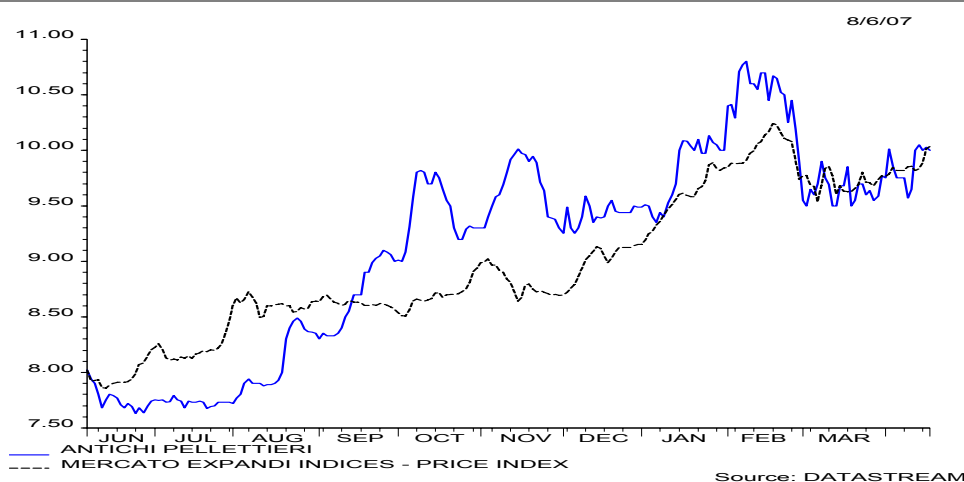
In considering the multiples, the company trades almost in line with peers on average EV/EBITDA 2007 and at a 9% discount on average EV/EBITDA 2008. On P/E it trades at a premium of 4.7% on 2007 and a discount of 10.4% on 2008. It could be misleading to limit our analysis to multiples as it would not account for the higher growth and profitability improvements the company could post over the coming years.

Investment Case

Antichi Pellettieri was listed on 7th June 2006 at a price of EUR 7.7 on the Expandi segment of the Italian Stock Market, following part of the sale of its controlling shareholder Mariella Burani Fashion Group. MBFG still owns 53.5% of the company.

Share price performance since the IPO has been particularly strong with a 43% increase, thanks to the strong growth, the expectations for expansion into Asia, new product categories, new licenses and acquisitions. The stock has outperformed the Mercato Expandi indices since the beginning of this year posting a +15.7% YTD (vs. 9.3% for the Expandi and 10% of the DJ Stoxx Personal Goods).

Antichi Pellettieri: Share performance since IPO



We believe that the company still offers quite aggressive growth rates and development potential resulting from unexploited potential in some markets/segments.

The **high growth rates** expected over the 2006-09e period, which entail a sales CAGR of 21.1%, an EBITDA CAGR of 32% with profitability improving by 400bp to 17.6% and a net income CAGR of 51.5% are supported by: 1) an **expansion on international markets and emerging markets** with the opening of 10-15 new stores (5 DOS and 10 franchising) per year; 2) **price increases** (especially for Francesco Biasia); 3) **licenses from third parties** which generally require lower investments and are mainly outsourced; 4) **royalties** from brand extension: some AP brands (e.g. Baldinini, Braccialini) have signed license agreements for perfumes, eyewear; 5) **entrance into new market segments** (e.g. travel retail) and higher segmentation of product offerings (e.g. evening bags, luggage and business travel items).

The **improvement in profitability** should be achieved thanks to: operating leverage; price increases; further improvement in sales mix (higher weight of the direct clients and international markets); common sourcing of raw materials and suppliers on a worldwide basis, coupled with higher efficiencies in logistics and distribution and higher cross-selling among group brands.

In addition, we expect the company to increase the number of **licenses**. Currently, around 14% of sales come from licensing agreements (Vivienne Westwood, Missoni, Miss Sixty, Warner Bros, Luigi Borrelli); however, we understand that new agreements could be finalised in the short term. New company **acquisitions**, which may entail the entrance/strengthening the presence on markets in which the company is not present or companies which have a higher profitability

The company trades at a multiple of 11.1x on EV/EBITDA 08 and a P/E 19.8x, entailing a discount vs. peer group of 9.0% and 10.4% respectively. Our target price of EUR 12.7 suggests an upside of 16.5% at current prices, confirming our BUY rating.

Company Overview

European leader in “accessible luxury”

The company designs, produces and distributes leather goods (handbags, small leather goods, footwear and apparel); its mission is to become a world leader in the “accessible luxury goods market”.

Antichi Pellettieri was founded in 2000, when Mariella Burani Fashion Group set up the first Italian conglomerate for accessible leather goods, acquiring small and mid sized companies operating in the production and distribution of leather goods. In particular, between November 2000 and May 2001 the following companies were acquired:

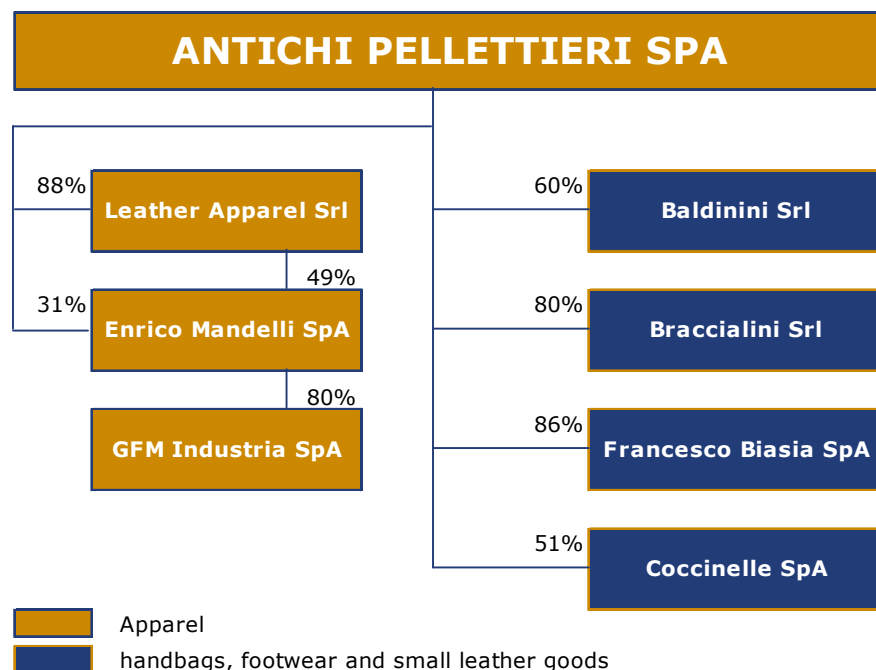
- Braccialini
- Baldinini
- Enrico Mandelli
- Calzaturificio Mario Cerutti

These companies developed significant know-how in the “made in Italy” leather goods segment and were later integrated into a holding company called Antichi Pellettieri. During the following years (2001-03), MBFG made investments in order to expand the size of its brands and, in 2003, the private equity fund L Capital acquired a 30% strategic equity stake.

In 2004, a 60% stake in Francesco Biasia was acquired, a leading manufacturer and distributor of women’s leather handbags and accessories, while the following year Antichi Pellettieri began to reacquire part of its outstanding minorities. Finally, in 2006 it acquired a 51% stake in Coccinelle (of which 2% in a trust-like agreement).

The following chart outlines the company structure. It is interesting to point out that founders/managers of respective companies retain minority equity interests and key management roles (e.g. Mr Baldinini in Baldinini, Braccialini family in Braccialini, Mr Mazzieri in Coccinelle and Mr Claudio Biasia in Francesco Biasia).

Antichi Pellettieri: Group structure



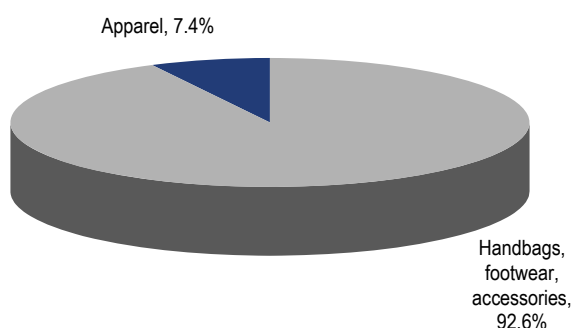
Source: Company data

Furthermore, Antichi Pellettieri has outstanding call options on the minority interest of Francesco Biasia (14%), Braccialini (20%) and Coccinelle (49%), while the company does not have a call option on the outstanding stock of Baldinini (40%) nor GFM (20%), which produce luxury apparel through its Ter-et-Bantine label and manages the Anglomania license.

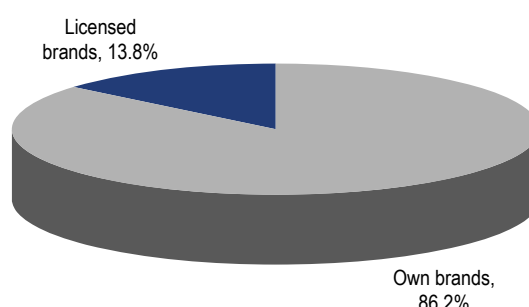
Antichi Pellettieri operates in two main areas: **leather goods and accessories**, which account for most of its sales (92.6%), and **apparel** (7.4%). The main brands for bags and accessories are Francesco Biasia, Braccialini and Coccinelle while Sebastian and Baldinini are for shoes. In apparel, which entails the production of leather garments, the main brands are Ter-et-Bantine and Enrico Mandelli.

Antichi Pellettieri: Sales (2006)

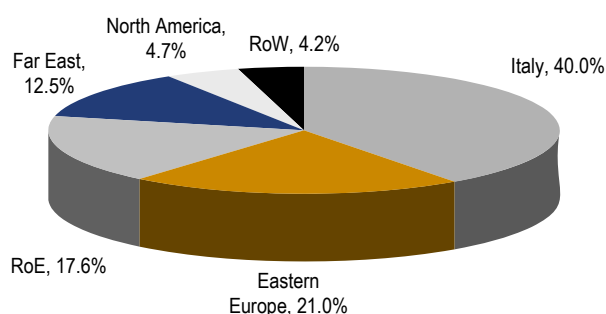
by division



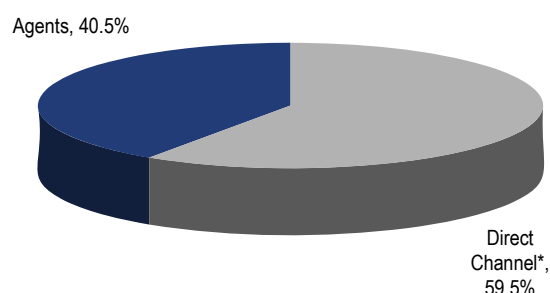
by brand



by area



by distribution channel



Source: Company data and BANCA AKROS estimates

(*) includes DOS, franchisees and multi-brand stores which acquire directly through the company showroom

The company also produces for well-renewed international brands such as Anglomania (by Vivienne Westwood), Miss Sixty, Warner Bros, Missoni and Luigi Borrelli under licensing agreements. Own brands represent 86.2% of consolidated revenues; however, we understand that going forward this percentage may fall in favour of new licenses which could be finalised in the short term.

Italy (40% of sales) represents the main market, followed by Eastern Europe and Russia (21%). North America is not particularly important (5.7%), while we expect a higher incidence from the Far East (12.5%) going forward.

Antichi Pellettieri: Brands in leather Goods and footwear

HANDBAGS AND ACCESSORIES			FOOTWEAR	
PRINCIPAL OWN BRANDS BOUTIQUES				
	FRANCESCO BIASIA	braccialini	COCCINELLE	Baldinini
	20	19	45	64
				9

LICENSED
Vivienne Westwood, Warner Bros, Miss Sixty, Missoni, Luigi Borrelli

Source: Company data

Antichi Pellettieri: main company brands

COCCINELLE <ul style="list-style-type: none"> Lines: women Age: 30-45 Main markets: Italy, Europe (Germany, UK and France) Distribution: Retail (11 DOS and 34 franchisees) and wholesale. Main locations: Milan, Rome, Paris, London, Tokyo, Dubai, St. Petersburg, Berlin Licenses: Miss Sixty Competitive strengths: Elegance and femininity of Italian design; refined brand identity consistent over the years; successful franchise model; price/quality trade-off highly appreciated by customers 	FRANCESCO BIASIA <ul style="list-style-type: none"> Lines: women and men Age: 20-40 Main markets: Europe, Far East and USA Distribution: Retail (5 DOS and 15 franchisees) and wholesale. Main locations: Milan, Rome, Florence, Paris, London, Dubai, Beirut, Jakarta and Hong Kong Competitive strengths: Attention to details; Price/quality trade-off highly appreciated by customers; successful franchise model
BRACCIALINI <ul style="list-style-type: none"> Lines: women Age: 25-50 Main markets: Italy, Far East and Middle East Distribution: Retail (7 DOS and 12 franchisees) and wholesale. Mail locations: Milan, Rome, London, Moscow, Hong Kong, Shanghai, Jeddah, Dubai Licenses: Vivienne Westwood, Warner Bros, Mariella Burani Competitive strengths: unique, imaginative design; design and production in Florence (Italy's most renowned district for luxury handbags); successful franchise model 	BALDININI <ul style="list-style-type: none"> Lines: women and men Age: 25-50 Main markets: Europe, in particular Eastern Europe Distribution: Retail (14 DOS and 50 franchisees) and wholesale. Main locations: Milan, Rome, London, Moscow, St. Petersburg, Dubai, Prague and Shanghai Licenses: Mariella Burani, Don Gil menswear and René Lezard menswear Competitive strengths: Russian market leader; design and production in San Mauro Pascoli, Italy's most important industrial district for footwear
SEBASTIAN <ul style="list-style-type: none"> Lines: women Age: 30-50 Main markets: Italy Distribution: Retail (6 DOS and 3 franchisees) and wholesale. Main locations: Milan, Brescia, Reggio Emilia, Parma e Forte dei Marmi Licenses: Missoni, Biosaia, Mariella Burani, Don Gil & René Lezard Competitive strengths: Excellent Italian design; recognised brand quality 	

It is worth mentioning that the company has been able to integrate and develop all the various brands since their acquisition, in so doing also achieving quite impressive levels of CAGR, as reported in the table below.

Antichi Pellettieri: Growth of main brands since acquisition

Company	Year of Acquisition	Sales at acquisition	2006a	CAGR since acquisition
Braccialini	2000	16.1 ⁽¹⁾	42.0	21.1%
Baldinini	2001	20.7	50.0	19.3%
Francesco Biasia	2003	33.0	59.0	21.4%
Coccinelle	2006	49.0 ⁽²⁾	58.0	18.4%

Source: Company data and BANCA AKROS estimates.

(1) 2001 revenues

(2) 2005 revenues

Braccialini is probably the most unique and imaginative of the brands in the Antichi Pellettieri portfolio; it produces leather goods under its own label, including Tua by Braccialini and under license for Vivienne Westwood (Anglomania) and Warner Bros. Since the acquisition in 2000, the company has notably improved its sales mix (in favour of own brands) and developed a network of 19 stores (7 DOS and 12 franchisees). Growth has been achieved also thanks to cross selling opportunities (especially in Russia) and brand extension agreements such as in eyewear, jewellery, etc.

The **Baldinini** brand has paved the way for Antichi Pellettieri's expansion into eastern Europe and Russia. This region represents the brand's main market with 27 stores out of a total of 64 worldwide (14 DOS and 50 franchisees). The main product category is footwear; however, product diversification includes eyewear, perfumes, apparel and children's wear.

Francesco Biasia: the company, based in Vicenza, Italy, has a long manufacturing tradition. As soon as it was acquired, the Antichi Pellettieri management started to work on the products (bags), strengthening content; this was followed by a repositioning in the distribution network with several customers being removed and a price increase of around 20% (in 2006). We understand that the management is still working on product enrichment as well as increasing the store network. The brand is distributed through a network of 20 stores (5 DOS and 15 franchisees) and 2,000 multi-brands. Going forward, there should be between 5-6 new store openings per year (DOS and franchising) to reach a total of 40-45 stores.

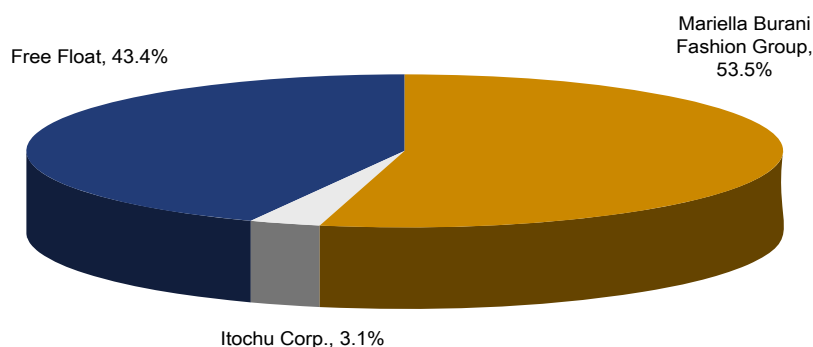
Coccinelle was acquired just before the 2006 IPO and has two main own brands, Coccinelle and Paesaggio Urbano, along with the Miss Sixty license. With a total of 45 stores, its retail chain is quite well developed compared to the other brands; the management's attention is focused on international market expansion, product upgrade and renewal. The aim here is to increase the fashion content, improve the quality and perception to the final customer. When this process is complete it will probably be easier to work on prices. Total sales are not expected to post a strong increase in 2007; we expect around a mid-single digit increase.

Finally, **Sebastian** is a niche luxury brand. Its potential has not been fully developed, mainly due to the limited retail network (only 9 stores); we understand that the company is working to enlarge distribution and improve products (a new designer has been appointed) which should bear results in the mid term.

Shareholders structure

The main shareholder is Mariella Burani Fashion Group with a 53.5% stake and Itochu, with a 3.1% stake. Itochu is a Japanese trading company with numerous interests in the luxury goods sector (e.g. 40% stake in Paul Smith).

Antichi Pellettieri: Shareholders structure



Source: Consob

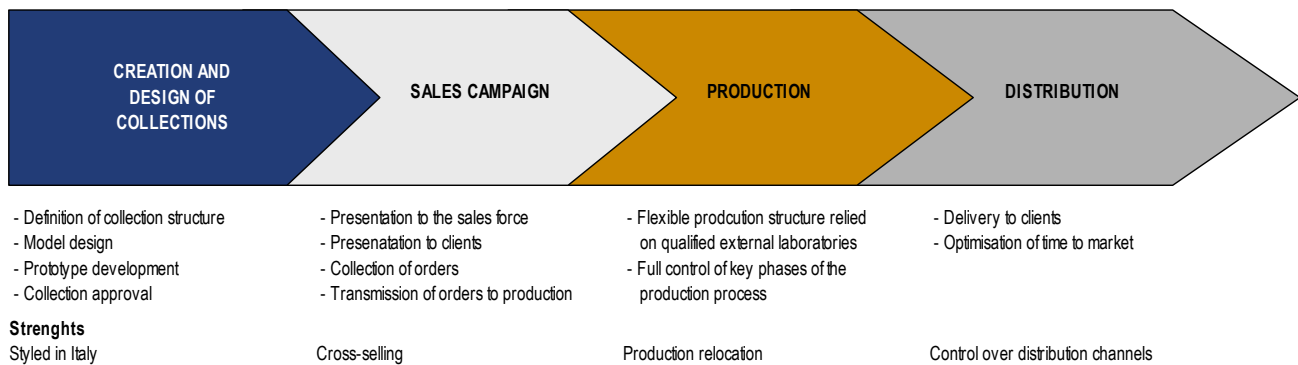
SWOT Analysis

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> Strong organic growth reported in the last years (23% on average) High exposure to the fast-growing Russian and eastern European markets (21%) Leading position in the “accessible luxury” market Track record of acquisitions at reasonable prices Flexible production structure 	<ul style="list-style-type: none"> Lower margins compared to luxury goods peers Undeveloped presence in key markets for luxury goods (Japan, USA) Limited awareness of owned brands High level of minorities despite recent buybacks Limited control over distribution
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> Expansion on international and emerging markets New licensed brands Entrance in new market segments (e.g. luggage, leather travel items) and brand extension (eyewear, perfumes, beachwear, etc.) Acquisitions of other brands in the same “accessible luxury” category Exploitation of synergies among group brands (production, logistics, sourcing, etc.) Price increases 	<ul style="list-style-type: none"> Increasing competition in the affordable luxury goods market (e.g. Coach, Furla) Weakening of consumer spending Risk of non-licenses renewal (representing 14% of sales) Stock liquidity

A flexible business model

Antichi Pellettieri has a flexible business model which enables the company to safeguard the various stages of production and distribution while replicating, on an industrial basis, the craftsmanship entailed in the product. The production cycle lasts around 12 months starting with the collection design and ending with the final delivery to the customers.

Antichi Pellettieri: Value chain



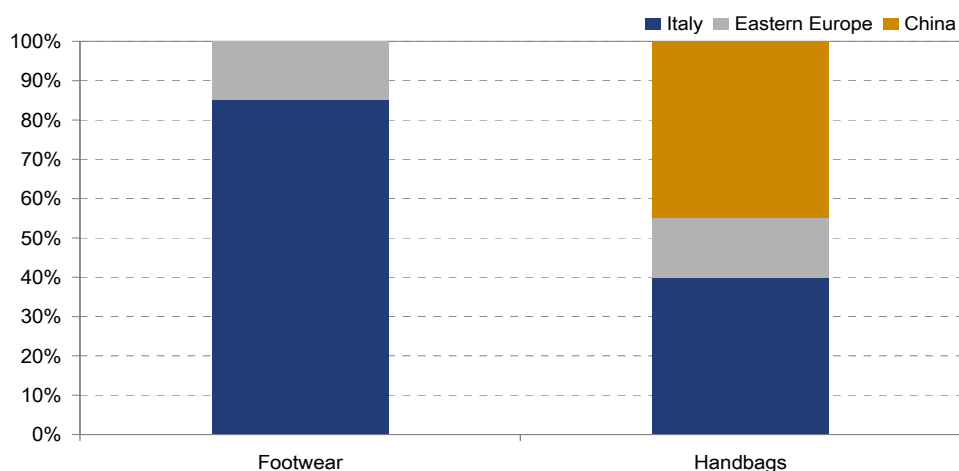
Source: Company data

During the production cycle, the company deals mainly with:

- the **design and creation of collections**: this entails the definition of the collection structure, the design of the various models and their transformation into prototypes which will be used for the collection book;
- **purchasing/procurement of raw materials and production planning**: the purchasing for the various materials is done by each company within the group on the bases of an agreed list of suppliers. Most leather goods are purchased in Italy. Production planning, which is based on the orders already collected, is aimed at reducing inventory times and ensuring quick product delivery;
- **Quality checks** are carried out during the production process with spot checks.

Production is outsourced to qualified external workshops located in Italy for footwear and high-end niche products; Bulgaria, Romania, Tunisia, China for handbags and small leather goods and finally the Czech Republic for leather apparel. Currently 60% of the production of bags is outsourced outside Italy. Product assembly is managed directly by the company, thus ensuring high control and quality.

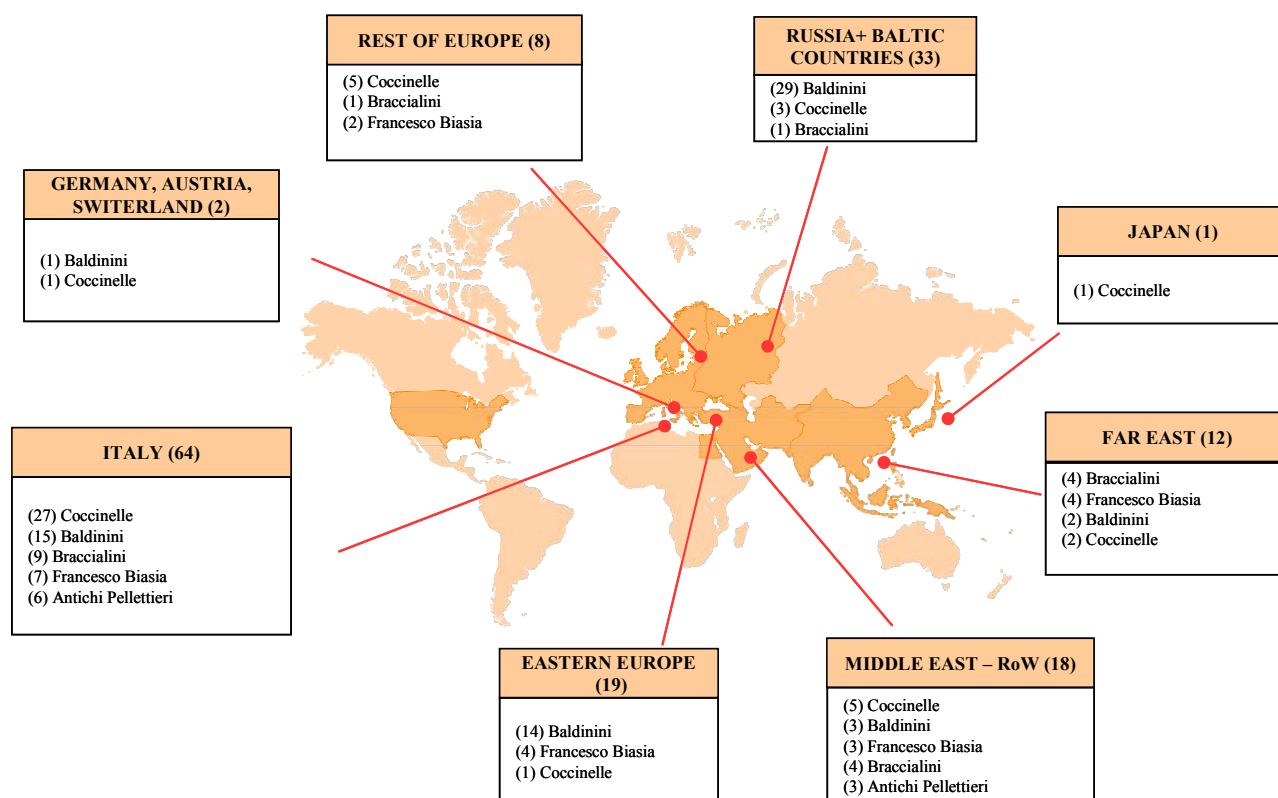
Antichi Pellettieri: Geographic breakdown of outsourced production



Source: Company data

Finally, distribution is carried out through two channels: direct distribution includes 43 DOS and 114 franchised stores in addition to multi-brand/department stores served directly by the showroom; indirect distribution is represented by multi-brand/department stores which buy from importers and agents. In 2006, the direct channel accounted for 59.5% of total revenues thanks to the opening of 26 stores (5 DOS and 21 franchisees) totalling 150 and, by the end of 2008 the company aims at achieving 200 stores worldwide.

Antichi Pellettieri: retail network

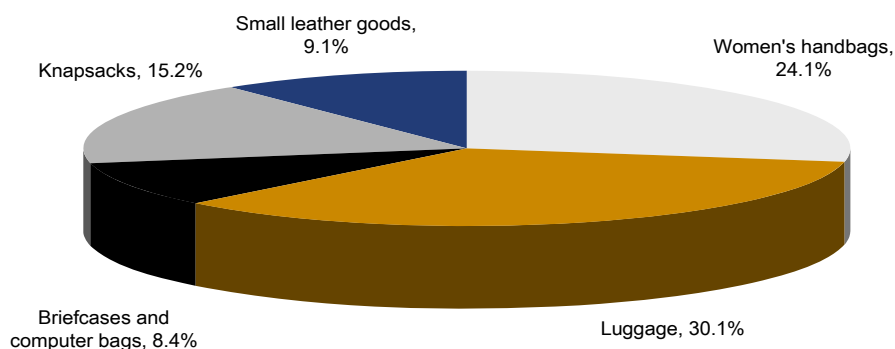


Source: Company data and BANCA AKROS estimates

Market size and positioning

According to *Bain*, the total market for bags and accessories is worth around at EUR 86bn with most of the market being represented by women's bags (24.1%) and luggage and leather travel items (30.1%).

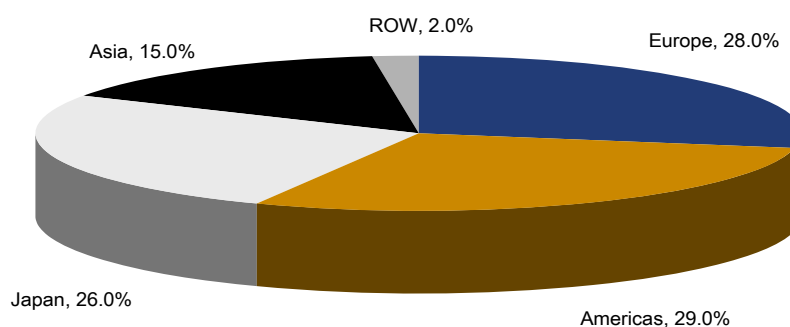
Total handbag and accessories market (2006)



Source: Bain

While, according to a research by *Altagamma*, the market for luxury leather goods (handbags and accessories) was estimated at EUR 17.5bn in 2006, having reported an 18% growth over the previous year. The main regions are Europe (28%), America (29%) and Japan (26%); however, it has been estimated that over the next 5 years the Chinese market should grow by 50%, becoming #1 worldwide, and the Russian market by 20%.

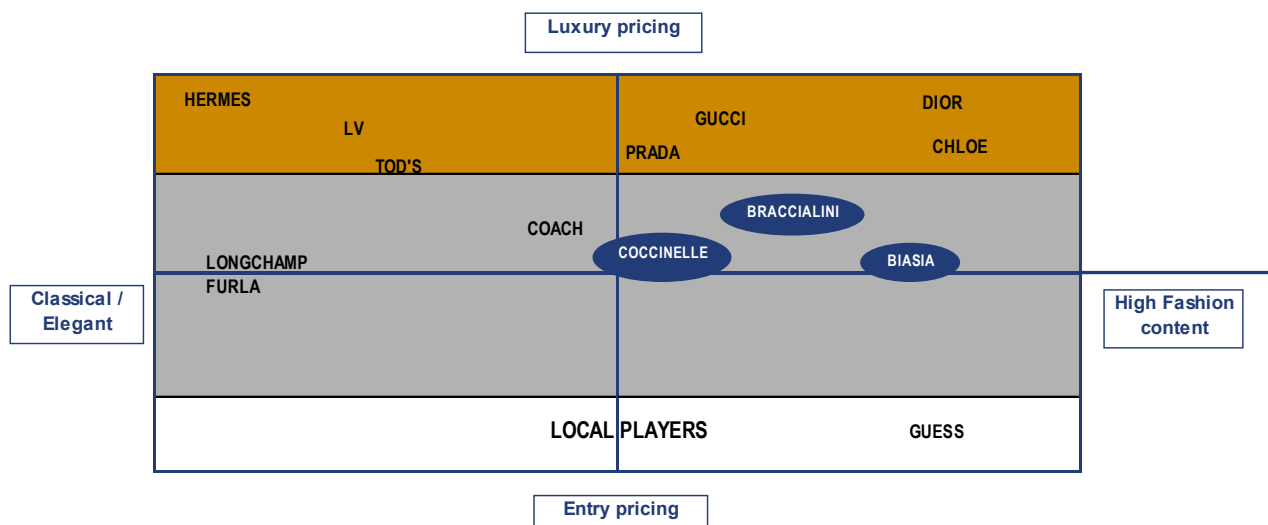
Leather goods market (luxury handbag and accessories) breakdown by country (2006)



Source: Altagamma

Mariella Burani brands are positioned differently within the same market, the table below presents some leather goods brands and their positioning compared to Mariella Burani's brands.

Antichi Pellettieri: market positioning



Source: Company data

Strategic outlook and key drivers

The main sales and profitability drivers are as follows:

Expansion on international markets and emerging markets for “accessible” luxury goods (e.g. eastern Europe, Middle East, Asia). Currently, Italy accounts for 40% of sales and the rest of Europe 39% (with eastern Europe accounting for 21%); we believe that the weight of the Middle East (around 4.2%) and Far East (12.5%) could increase further. In order to fuel expansion, Antichi Pellettieri will increase its distribution network by around 10-15 new stores per year, of which 5 DOS and 10 franchised stores.

Optimisation of the license business. Currently, around 14.0% of sales comes from licensing agreements (Vivienne Westwood, Missoni, Miss Sixty, Warner Bros, Luigi Borrelli), however, we understand that the company could sign new licensing agreements in the short term. In the past months, the company has rumoured negotiating with Aquascutum, the British fashion house famous for its trench coats, for a licensing agreement entailing the production and distribution of leather bags and shoes starting from S/S 08. The bags should be produced by Francesco Biasia and the shoes by Sebastian. We believe that this area offers good opportunities for Antichi Pellettieri given that the company covers the entire supply chain of leather products from small goods to apparel and footwear. Therefore, it can offer its expertise for a variety of product solutions. In additions, licenses can also be as profitable as owned brands given that they are generally outsourced to Far East and require a lower level of investments.

Royalties from brand extension & diversification: some company brands (e.g. Baldinini, Braccialini) have already started this diversification process as they have signed license agreements for perfumes, eyewear, apparel. All the above are aimed at increasing brand awareness, avoiding dilution risk.

New company acquisitions, which may entail entrance/strengthening the presence on markets in which Antichi Pellettieri is not present yet. These new companies should have higher profitability or brands that could be re-launched. We understand the company is looking at new targets (both in Italy and abroad) and something could be finalised over the

next months. We point out that past company acquisitions (some are listed in the table below) have always been made at reasonable multiples and proved successful thanks to the management's ability to achieve synergies among the group brands (common sourcing and production platform, higher supplier power, logistics, opportunities for cross selling).

Antichi Pellettieri: Main acquisitions in Leather Goods

Company	Product	Date	% Acq.	Price	Year	Sales	EBITDA	EV/EBITDA
Braccialini & Deimutti	Leather handbags	8/11/00	60%	3.6	2001	16.1	1.7	4.3
		23/12/05	20%	3.9				
Baldinini	Footwear	19/03/01	50%	6.2	2001	20.7	2.9	5.0
		28/06/02	10%	1.2				
Enrico Mandelli	Leather apparel	10/05/01	51%	4.1	2001	18.7	4.0	2.0
Mario Cerutti	Footwear	21/05/01	72%	3.3	2001	9.0	0.8	4.4
Mafra	Footwear	10/09/01	50%	6.5	2001	12.9	1.9	6.2
		10/09/05	50%	6.0				
Francesco Biasia	Handbags and accessories	19/06/03	60%	10.2	2003	33.0	3.8	5.6
Coccinelle	Handbags and accessories	01/04/06	51%	30.2	2005	57.0	9.5	6.7

Source: Company data and BANCA AKROS estimates

Entrance into new markets and improvement of sales mix: the company intends to focus on bags and small leather goods, while improving its merchandising policy and collection structure. This should imply a widening and higher segmentation of the product offerings and the entrance into new business segments not covered before (e.g. business, luggage, evening bags).

Strengthening the identity of each brand through higher use of A&P and PR. A&P will increase the brand's weight on sales from around 5% to 6% (thanks also to a 2% contribution from franchisees). For example, Coccinelle will invest EUR 1.2m in 2007 only to advertise on magazines and most of the expenditure will be made in Italy (36%), followed by Germany (27%, #2 market for the brand after Italy) and UK (17%).

Management strengthening: over the last few years, the company has strengthened its management thanks to the arrival of new managers; among other we highlight Montoya Lopez, head of the Coccinelle brand and with past experiences in Mandarin Duck, Procter & Gamble and Coca Cola.

Operating highlights FY 2006

Being listed on the Expandi segment of the Italian Stock Exchange market, Antichi Pellettieri reports results twice a year: H1 and FY. FY 2006 results were released on 27th of February, while H1 07 will be released on 21st September.

In FY 2006, **revenues** rose by 68% to EUR 258m thanks to the consolidation of Coccinelle (for around EUR 58m) and a 30% organic growth driven by:

- Strong performance in emerging luxury goods markets (+34%) including Russia, eastern Europe, Middle and Far East.
- Increased revenues from direct distribution channels (+40%) including boutiques (DOS and franchisees) reached 24% organic growth over the period.
- The strong performance of the Baldinini, Francesco Biasia and Braccialini brands.

EBITDA increased more than proportionally to EUR 34.9m with a 13.6% margin, thanks to increased operating leverage, further reduction in raw material costs and third party production costs and an improved sales mix (higher weight of accessories and distribution).

It should be noted that 2006 EBITDA was impacted by some EUR 4.9m extraordinary charges related to: stock grant for personnel (EUR 2.5m); IPO costs (EUR 2m) and layoff incentives (EUR 0.4m). Excluding such amounts, EBITDA would almost double, compared to 2005, to EUR 39.9m with a 15.5% margin.

Net income came in at EUR 9.6m (+95.9%) with a 35.2% tax rate. **Net financial position** was of EUR 62.7m, reflecting a D/E of 0.41x despite the investments in the store network (5 DOS mainly in Italy) and the 51% acquisition of Coccinelle.

Antichi Pellettieri: FY 2006 performance

	2005a	2006a	%Chg
Leather Goods	137.1	238.4	73.9%
Apparel	16.6	19.1	15.0%
Total Sales	153.7	257.7	67.6%
Production costs	(133.3)	(222.5)	
EBITDA	20.3	34.9	71.9%
% margin	13.2%	13.6%	
D&A	(5.0)	(8.8)	
EBIT	15.4	26.1	69.5%
% margin	10.0%	10.1%	
Financial charges	(5.8)	(7.2)	
Pre-tax net income	9.5	18.9	
Net income	4.9	9.6	95.9%
% margin	3.2%	3.7%	

Source: Company data and BANCA AKROS estimates

During the year, the company also closed some licensing agreements, including the production and distribution of Braccialini eyewear; the production and distribution of Coccinelle leather apparel collections; production and distribution of Baldinini perfumes.

2007e-2009e estimates

For 2007, management targets double digit sales growth as a result of the strong S/S 07 and A/W 08 sales campaign which have averaged a 20-22% growth.

Our sales targets are mainly driven by the performance of the leather goods division, while apparel should continue to grow at lower rates.

Total sales are expected to grow at a CAGR of 21.1% over the 2006-09e period, from EUR 275m in 2006 to EUR 457m in 2009. Growth will be supported by : 1) an **expansion into international markets** and **emerging markets** with the opening of 10-15 new stores (5 DOS and 10 franchising) per year; 2) **brand extension & diversification**: some AP brands (e.g. Baldinini, Braccialini) have signed license agreements for perfumes, eyewear, cell phones (Samsung) and cars (new FIAT 500 model); 3) **entrance into new market segments** (e.g. travel retail) and **higher segmentation of product offerings** (e.g. evening bags, luggage and business leather items).

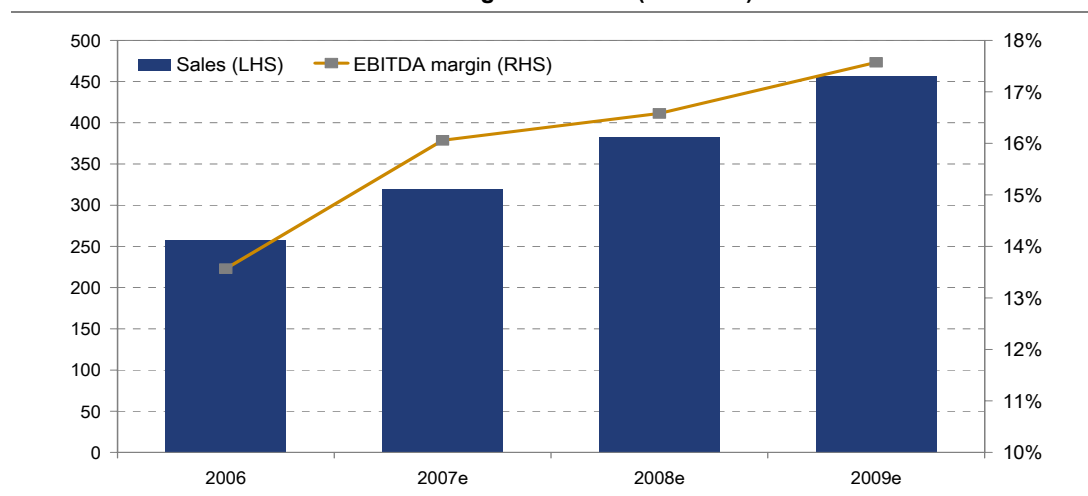
EBITDA CAGR is seen at 32%, passing from EUR 34.9m in 2006 to EUR 80.3m in 2009e. EBITDA margin is expected to improve by 400bp to 17.6%. A strong rise in profitability is expected for 2007 with the EBITDA margin reaching 16.1%. The **improvement in profitability** should be triggered by synergies among group brands, increasing focus on the higher margin products and channels.

Tax rate: we are assuming a 35.5% which seems sustainable for the company and in line with 2006.

Antichi Pellettieri: 2006- 09e estimates (EUR m)

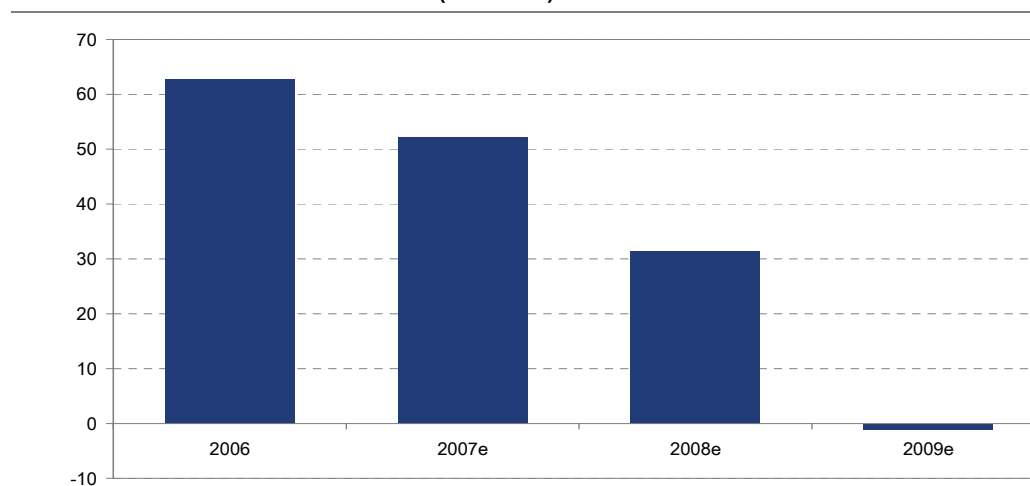
	2006a	2007e	%Chg	2008e	%Chg	2009e	%Chg	CAGR 2006e-09e
Total Sales	257.5	319.0	23.9%	383.4	20.2%	457.1	19.2%	21.1%
Leather Goods	238.4	298.0	25.0%	360.6	21.0%	432.7	20.0%	
Apparel	19.1	21.0	10.0%	22.8	8.5%	24.4	7.0%	
EBITDA	34.9	51.2	46.7%	63.6	24.2%	80.3	26.3%	32.0%
% margin	13.6%	16.1%		16.6%		17.6%		
D&A	(8.8)	(8.6)		(9.2)		(10.1)		
EBIT	26.1	42.6	63.2%	54.4	27.7%	70.3	29.2%	39.1%
% margin	10.1%	13.4%		14.2%		15.4%		
Financial charges	(7.2)	(7.1)		(6.1)		(5.2)		
Pre-tax net income	18.9	35.0	88.2%	47.6	36.0%	64.3	34.9%	51.1%
Taxes	(6.6)	(12.6)		(17.1)		(23.1)		
Tax rate	35.2%	35.5%		35.5%		35.5%		
Net income	9.6	18.3	89.6%	24.9	36.0%	33.5	34.9%	51.5%
% margin	3.7%	5.7%		6.5%		7.3%		

Source: Company data and BANCA AKROS estimates

Antichi Pellettieri: Sales and EBITDA margin evolution (2006-09e)


Source: BANCA AKROS estimates

In 2006, **working capital** was around 15% of revenues. Going forward, we assume around EUR 14-16m cash absorption per year, with NWC representing around 16-19% of revenues.

Antichi Pellettieri: Net debt evolution (2006-09e)


Source: BANCA AKROS estimates

We forecast **capex** around EUR 16m, or around 4.4% of revenues. We point out that although the company has set itself a high target to reach in terms of store openings (200 by 2008 from current 157), most of the openings are franchisees, entailing limited capital outlays.

As a result of the above mentioned and a dividend payout of 20-25%, we expect a decline in **net debt** for 2007, which should then gradually improve to a cash position in 2009.

Antichi Pellettieri: Summary tables

PROFIT & LOSS (EURm)	2006	2007e	2008e	2009e	CAGR 09/06
Sales	257.5	319.0	383.4	457.1	21.1%
Cost of Sales & Operating Costs (excl. Pers. Expenses)	-195.4	-246.1	-297.7	-354.2	
Personnel Expenses	-27.2	-21.7	-22.1	-22.6	
Non Recurrent Expenses/Income	0.0	0.0	0.0	0.0	
EBITDA	34.9	51.2	63.6	80.3	32.0%
Depreciation, Amortisation & Write Downs	-8.8	-8.6	-9.2	-10.1	
EBIT (reported)	26.1	42.6	54.4	70.3	
Net Financial Interest	-7.2	-7.1	-6.1	-5.2	
Other Financials	0.0	0.0	0.0	0.0	
Associates	0.0	0.0	0.0	0.0	
Other Non Recurrent Items	0.0	0.0	0.0	0.0	
Earnings Before Tax (EBT)	18.9	35.5	48.3	65.1	51.1%
Tax	-6.6	-12.6	-17.1	-23.1	
Tax rate	35.2%	35.5%	35.5%	35.5%	
Discontinued Operations	0.0	0.0	0.0	0.0	
Minorities	-2.6	-4.6	-6.3	-8.5	
Net Profit (reported)	9.6	18.3	24.9	33.5	51.5%
Net Profit (adj.)	9.7	18.5	25.1	33.9	
CASH FLOW (EURm)					
Net profit (reported) + Minorities	12.2	22.9	31.1	42.0	
Non cash items	8.8	8.6	9.2	10.1	
Cash Flow	21.0	31.5	40.3	52.1	R+
Change in Net Working Capital	-12.6	-16.2	-15.2	-14.5	
Capex	-48.4	-15.0	-16.5	-19.0	
Operating Free Cash Flow (OpFCF)	-39.9	0.3	8.6	18.5	R+
Net Financial Investments	0.0	0.0	0.0	0.0	
Dividends	0.0	-4.5	-4.6	-5.0	
Other (incl. Capital Increase & share buy backs)	21.1	14.6	16.7	19.0	
Free Cash Flow	-18.0	10.5	20.8	32.5	
NOPLAT	16.9	27.5	35.1	45.3	
BALANCE SHEET & OTHER ITEMS (EURm)					
Net Tangible Assets	24.0	30.4	37.7	46.6	
Net Intangible Assets (incl. Goodwill)	206.6	206.6	206.6	206.6	
Net Financial Assets & Other	27.5	27.5	27.5	27.5	
Total Fixed Assets	258.0	264.4	271.7	280.6	R+
Net Working Capital	36.3	52.5	67.8	82.3	
Total capital invested/employed	266.9	289.4	312.0	335.4	
Shareholders Equity	105.9	119.8	140.1	168.6	R+
Minorities Equity	47.2	50.7	55.7	62.5	
Net Debt	62.7	52.2	31.4	-1.1	R-
Provisions	7.0	5.6	5.7	5.8	
Other Liabilities	71.5	88.6	106.5	127.0	
Total Market Cap	391.7	496.0	496.0	496.0	
Enterprise Value (EV adj.)	608.4	736.1	702.8	657.2	
MARGINS AND RATIOS					
Sales growth	67.6%	23.9%	20.2%	19.2%	
EBITDA growth	-77.3%	46.6%	24.1%	26.4%	
EBIT growth	-83.0%	63.3%	27.6%	29.3%	
EBITDA margin	13.6%	16.1%	16.6%	17.6%	
EBIT margin	10.1%	13.4%	14.2%	15.4%	
Debt/Equity (gearing)	41.0%	30.6%	16.1%	-0.5%	
Debt/EBITDA	18	10	0.5	0.0	
Interest cover (EBITDA/Fin.interest)	4.8	7.2	10.4	15.5	
ROCE	6.3%	9.5%	11.2%	13.5%	
WACC	8.2%	9.1%	9.2%	9.3%	
ROCE/WACC	0.8	1.0	1.2	1.5	
EV/ICE	2.28	2.54	2.25	1.96	
OpFCF/CE	-15.0%	0.1%	2.8%	5.5%	
EV/Sales	2.36	2.31	1.83	1.44	
EV/EBITDA	17.4	14.4	11.1	8.2	
EV/EBIT	23.3	17.3	12.9	9.4	
P/E (adj.)	40.4	26.9	19.8	14.6	
P/CF	18.6	15.7	12.3	9.5	
P/BV	3.7	4.1	3.5	2.9	
OpFCF yield	-10.2%	0.1%	1.7%	3.7%	
Payout ratio	46.7%	24.9%	20.1%	19.0%	
Dividend yield (gross)	0.9%	0.9%	1.0%	1.3%	
PER SHARE DATA (EUR)					
EPS (reported)	0.21	0.40	0.55	0.74	
EPS (adj.)	0.22	0.41	0.55	0.74	
CFPS	0.47	0.69	0.89	1.14	
BVPS	2.35	2.63	3.08	3.71	
DPS	0.10	0.10	0.11	0.14	

Source: Company, Banca Akros estimates
2006 restated as IFRS proforma

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Recommendation system

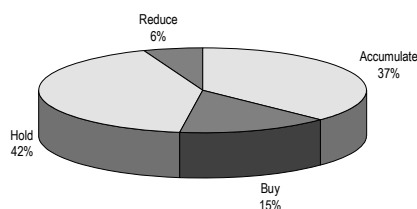
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The ESN spectrum of recommendations (or ratings) for each stock comprises 5 categories: **Buy, Accumulate (or Add), Hold, Reduce, Sell, (in short: B, A, H, R, S)**. In specific cases and for a limited period of time, the analysts do have to rate the stocks as **Rating Suspended (RS)** or **Not Rated (NR)**, as explained below.

Meaning of each rating or recommendation:

- **Buy:** the stock is expected to generate a total return of **over 15%** during the next 6 months time horizon.
- **Accumulate:** the stock is expected to generate a total return of **5% to 15%** during the next 6 months time horizon.
- **Hold:** the stock is expected to generate a total return of **0% to 5%** during the next 6 months time horizon
- **Reduce:** the stock is expected to generate a total return of **0 to -15%** during the next 6 months time horizon
- **Sell:** the stock is expected to generate a total return **below -15%** during the next 6 months time horizon
- **Rating Suspended:** the rating is suspended due to a capital operation (take-over bid, SPO, ...) where the issuer or a related party of the issuer is or could be involved or to a change of analyst covering the stock
- **Not Rated:** there is no rating for a company being floated (IPO) by the issuer or a related party of the issuer

Banca Akros Ratings Breakdown



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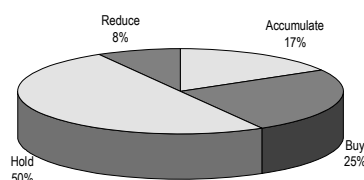
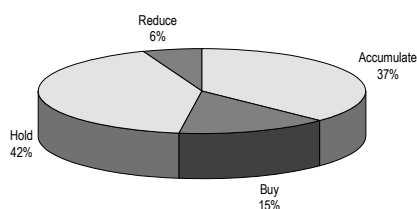
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Percentuale delle Raccomandazioni al 31 marzo 2007

Tutte le raccomandazioni

Raccomandazioni su titoli in conflitto di interessi (*)



(*) Si informa che la percentuale degli emittenti a cui Banca Akros ha fornito servizi di investimento negli ultimi dodici mesi è pari al 14% del totale degli emittenti oggetto di copertura

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