Italy

Poltrona Frau

2/Outperform

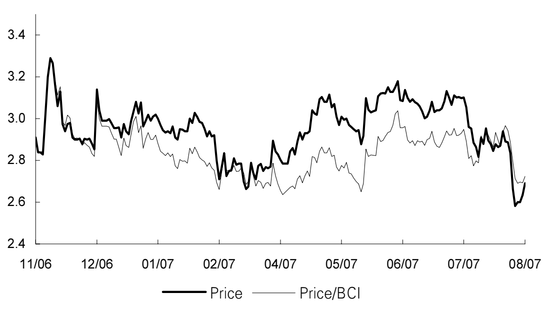
Luxury Goods

24 August 2007 – Initiating coverage

Closing Price (23/08/07)				**EUR2.69**
Target price				**+34.2% EUR3.61**
Market capitalisation				**EUR377m**
BCI				**1 937.51**

To 31/12 (EUR)	2006	2007E	2008E	2009E
Sales (m)	274.2	307.1	359.3	402.4
Net att. profit, rest. (m)	6.1	13.2	22.5	28.4
Free Cash Flow (m)	(10.0)	8.1	14.9	20.7
EBITDA margin (%)	10.5	13.1	15.2	15.3
Clean EPS	0.04	0.09	0.16	0.20
Reported EPS	0.04	0.09	0.16	0.20
P/E (x)	67.9	28.6	16.8	13.3
Attrib. FCF yield (%)	1.7	4.2	5.9	8.1
EV/EBITDA (x)	20.4	13.1	9.4	8.1
EV/EBIT (x)	25.7	15.1	10.3	8.7
ROCE (%)	11.9	17.7	23.9	26.2
ROE (%)	8.5	16.6	24.5	26.2
P/BV (x)	5.7	4.7	4.0	3.4
Net debt/EBITDA (x)	2.8	1.8	1.1	0.8
Net dividend	0.02	0.04	0.06	0.08
Yield (%)	0.7	1.5	2.2	3.0

Next event: Q3-07 results due in November



52-week range	EUR2.51-EUR3.21
Free Float	EUR129m
No. of shares, adjusted	140 m
Daily volume	EUR0.68m
Reuters/Bloomberg	PFG.MI/PFG IM

	1 month	3 months	12 months
Absolute perf.	-8.8%	-13.1%	-
Relative perf.	-3.5%	-4.6%	-

Shareholders: Charme Management 54.1%, Mr. Moschini 7.4%, Az Fund Management 2.1%, Caam Sgr 2.0%, Free Float 34.4%

Strong growth and rising margins

- **We initiate coverage of Poltrona Frau, with a 2/Outperform rating and a target price of EUR3.61, implying 34% upside.** With 5% world market share, the company is a leading player in the luxury furniture market, distributing its products in 65 countries. We estimate that sales could reach EUR307m in 2007 (+12% y-o-y).
- Poltrona Frau is pursuing an aggressive international expansion strategy in **fast-growing markets like Asia, Russia, the Middle East and the US,** coupled with further penetration of Europe, leveraging on the strong position of its brands. In our view, the **Poltrona Frau brand** and the **contract market** are its two biggest growth opportunities. We forecast **14% sales CAGR in 2006A-09E**.
- The integration of the different companies, which started last year, should pave the way for significant cost reduction. We expect **29% EBITDA CAGR** and >**67% EPS CAGR in 2006A-09E,** also driven by lower debt and taxes.
- We used a DCF model to set our EUR3.61 target price, based on a rolling 6.8-6.9% WACC and a 2.5% growth rate in perpetuity, due to the strong growth ahead.

Francesca FERRAGINA
Research Analyst
fferragina@cheuvreux.com
(39) 02 80 62 83 43

smaller companies

www.cheuvreux.com

CHEUVREUX

CONTENTS

CHEUVREUX'S LUXURY TEAM

Francoise Lauvin	(coord.)	France	(33)-01-41 89 73 09 (Direct)	flauvin@cheuvreux.com
Michel Keusch		Switzerland	(41)-44-218 17 09 (Direct)	mkeusch@cheuvreux.com
Jürgen Kolb		Germany	(49)-69-47 89 74 26 (Direct)	jkolb@cheuvreux.com
Pierre Lamelin		France	(33)-01-41 89 73 27 (Direct)	plamelin@cheuvreux.com
Carole Rozen		France	(33)-01-41 89 73 18 (Direct)	crozen@cheuvreux.com

Poltrona Frau

Company profile

Poltrona Frau is one of the top high-end furniture manufacturers in Italy, with 14% sales CAGR expected for the 2006A-09E period and an estimated ~5% market share worldwide. The group's current consolidation perimeter is the result of a series of M&A deals. Now, its 4 main brands are: (1) the historic **Poltrona Frau** brand (accounting for 41% of sales); (2) **Cassina**, acquired in H1-05 (38% of sales); (3) **Alias** (9% of sales) and (4) **Cappellini** (7.5% of sales). The group has 2 main divisions: the **contract division**, which specializes in custom-designed furniture for public spaces (i.e. hotels, luxury stores and theatres), which accounted for 22% of sales in 2006 and the **residential division,** which manufactures and sells luxury furnishings for homes and offices (78% of sales).

The brands are well-positioned at the medium to high end of the furniture market and are highly complementary, offering a combination of traditional, contemporary and innovative styles. The company has a strong international presence: Italy accounts for 40% of the market, EMEA 40%, USA 11.5% and Asia 8.3%.

Poltrona Frau is 54%-owned by a private equity fund, Charme Investments (controlled by several leading Italian entrepreneurs) and by the former owner, Mr. Moschini with a 7.4% stake. Free float stands at 34.4%.

Valuation

We initiate coverage of Poltrona Frau, with a 2/Outperform rating and a target price of EUR3.61, implying 34% upside to the current market price.

DCF

We used a **rolling WACC of 6.8%-6.9%** based on: 7.3% cost of equity, 3.5% cost of debt, 3.5% market risk premium, a terminal growth rate of 2.5% and 0.7 unlevered beta. Poltrona Frau's equity value stands at EUR505.7m, based on an EV of EUR706.7m, minus the EUR79.7m of debt, EUR32m of pension provisions and EUR89m of minorities.

Multiples comparison

Based on P/E multiples, the stock is trading right in the middle between the fashion stocks and the furniture peers (16.8x vs. the average of 17x for the two groups). In 2009, Polltrona Frau expected superior growth translates into a 13x P/E, more closer to the 11-12x of the furniture segment.

Based on EV/EBITDA, we derive quite similar conclusions. Poltrona Frau trades broadly in line with peers in 2008, at 9.4x vs. 9.9x on average, while in 2009, it is cheaper at 8.1x vs. 10.8x for fashion peers, but still more expensive than furniture peers at 7.1x.

Investment case

We take a positive stance on Poltrona Frau, as we believe the following drivers should pave the way for **2006A-09E sales CAGR of 14%** in:

- **Expansion in huge, fast-growing markets like Asia, the US and Russia, further penetration of the European market** and strategic presence in the **United Arab Emirates** thanks to its new joint venture with the Mubadala Group.
- **Higher efficiency should improve Poltrona Frau's operating performance** driven by the: 1) reduction of plants from 9 to 5 (including China) by the end of 2008; 2) synergies in procurement, logistics and marketing, leading to EUR9m of total cost savings; 3) reduction of the group's legal entities.
- **Both Cassina** and **Cappellini** (which has nearly completed restructuring) **and the contract division show great potential for growth** in emerging markets: we foresee ~22% 2006-09E sales CAGR for this division.
- **Sharp profitability improvement, with a ~16% EBITDA margin expected in 2009.**

We initiate coverage with a **2/Outperform rating.**

SWOT analysis

Strengths

1 - Well-diversified luxury furniture brands
2 - Strong international presence
3 - Products are made in Italy

Weakness

1 - Limited track record
2 - Mounting competition from fashion players
3 - Risk of imitation by competitors

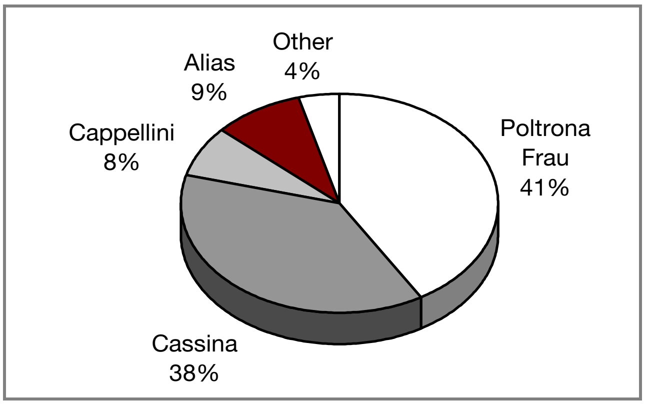
Opportunities

1 - Efficiency improvement
2 - Penetration of new market
3 - Further exploitation of the contract market

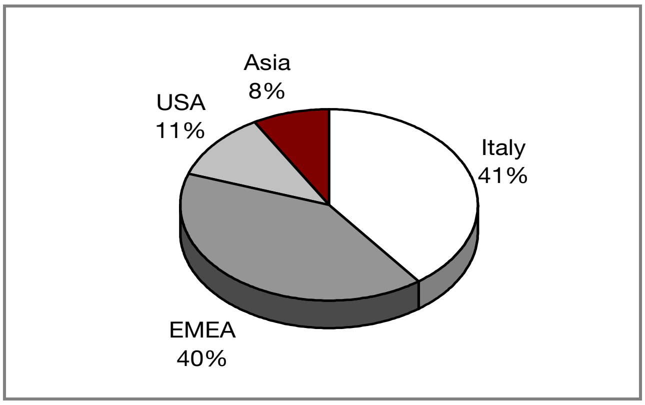
Threats

1 - Further placement by the private equity funds
2 - Potential slowdown of luxury goods segment
3 - Higher raw material prices (39% of sales)

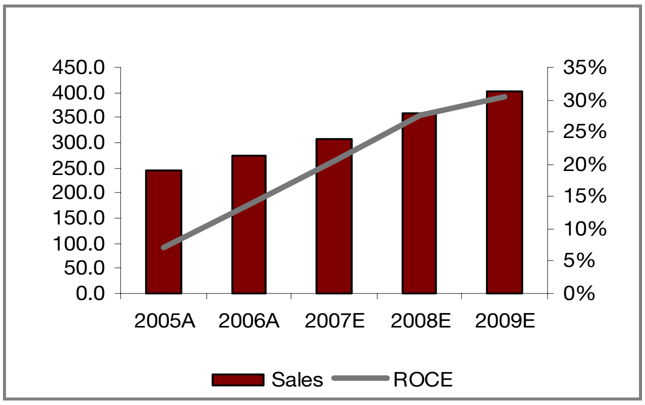
Revenues by brand (H1-07)



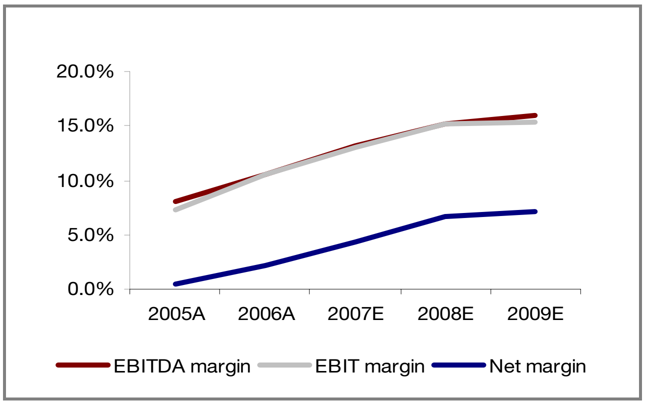
Revenues by area (H1-07)



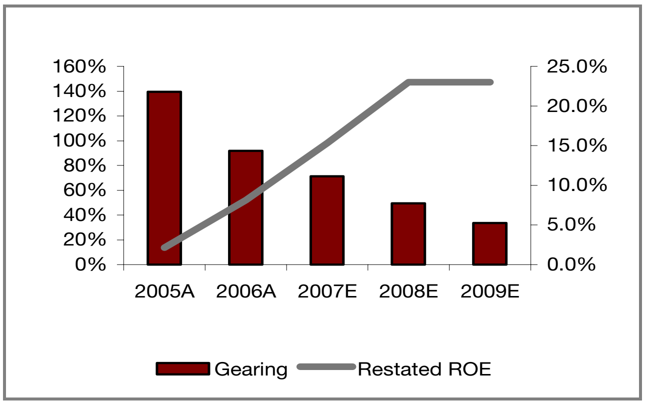
Sales & ROCE



Margin trend (%)



Gearing and Rest. ROE



SRI Issues

- 3 of its 11 board members are independent.
- Poltrona Frau has both an audit committee (3 members) and a remuneration committee (3 members).
- The company has an ethic code from 2006.

Poltrona Frau: Peer comparison

(x)	P/E			EV/EBITDA		
	07	08	09	07	08	09
Average furniture companies	14.5	12.9	11.1	8.3	7.7	7.1
Average fashion companies	23.7	21.2	18.5	13.6	12.2	10.8
Average	19.1	17.0	14.8	11.0	9.9	8.9
POLTRONA FRAU	28.6	16.8	13.3	13.10	9.40	8.10

Source: Cheuvreux

INVESTMENT RECOMMENDATION

We initiate coverage of Poltrona Frau with a 2/Outperform rating and a target price of EUR3.61. We consider the stock to be a good investment opportunity, based on its strong growth potential, rising efficiency and profitability, and innovative products, which should fuel 14% sales CAGR in 2006-09E.

Our positive stance is backed by the following drivers:

- **Superior top line growth** (2006-09E sales CAGR of 14%), **driven by expansion in Europe and the penetration of fast-growing markets like Asia, the US and Russia**. The key lines of development are: 1) the international expansion of the **Poltrona Frau brand** (2006-09E sales CAGR of 17%); 2) the rising contribution of the **contract segment** (that reported 13% sales growth in H1-07 and we foresee 2006-09E CAGR of ~22%). Poltrona Frau has also signed a new JV with the Mubadala Group in the United Arab Emirates, giving it a strategic presence in the Middle East: in this market, we expect it to fully exploit the potential of the contract division, which offers the highest margins and visibility. It can also leverage on the new logistics platform in China to expand in **Asia, which we expect to be the fastest-growing global market, with 2006A-09E sales CAGR of 21%**. We also expect new joint venture agreements to be signed in emerging markets and management is also eying the promising Indian market with interest.

- **Rising efficiency and profitability.** After growing through acquisitions in 2004-05, Poltrona Frau aims to improve efficiency and profitability by consolidating its operations and exploiting synergies, while maintaining its unique brand identities. The restructuring program, which is currently underway, should be completed by the end of 2008, delivering EUR9m of cost savings, thanks to: **1) production rationalization**, with a reduction of the number of Italian plants from 9 to 4 (specialized by product family); **2) leaner logistics organization**; **3) consolidation of procurement** for all the group brands; and 4) streamlining of its legal entities (from 30 to 15). We expect the **EBITDA margin** to rise from **10.6% in 2006 to 16%** by 2009.

- **Innovation.** Poltrona Frau launches at least 30 new products every year, which allows it to raise the visibility of its brands and avoid potential saturation. One of the group's short term goals is to reduce the time to market by 50%: from ~4 to 2 months by end-2008, leveraging on its highly skilled workforce.

Poltrona Frau: Estimates summary

(EUR m, %)	2006A	% Growth y-o-y	2007E	% Growth y-o-y	2008E	% Growth y-o-y	2009E	CAGR 2006-09E
Sales	274.2	*12%*	307.1	*17%*	359.3	*12%*	402.4	*14%*
EBITDA	29.0	*39%*	40.4	*36%*	54.8	*13%*	61.8	*29%*
EBIT	22.8	*53%*	34.8	*43%*	49.7	*15%*	57.2	*36%*
Net profit	**6.1**	***117%***	**13.2**	***70.6%***	**22.5**	***26.2%***	**28.4**	***67%***
Net debt	(79.7)		(70.7)		(61.1)		(48.4)	

Source: Cheuvreux

2006A-09E EPS CAGR of 67%. We expect sales to rise from EUR274m in 2006 to EUR402m by 2009, implying a **14% sales CAGR** (+17% from Poltrona Frau and +12% from Cappellini). **EBITDA should rise by 29% per year** on average for the next three years. We expect net profit to soar from EUR6.1m in 2006 to EUR28.4m in 2009, implying a 67% CAGR. Given the strong bottom line growth, we consider a **40% pay-out ratio to be feasible** (35% in 2006), with a 1.3% dividend yield in 2007, which should rise to 2.8% in 2009.

Our DCF valuation points to a fair value of EUR3.61. Our model is based on: 4.7% free risk rate, 3.5% market risk premium, 0.76 levered beta (0.7 unlevered), 6.8-6.9% rolling WACC and 2.5% perpetual growth rate, due to the strong growth ahead. We estimate that Poltrona Frau's EV should break down as: 13% debt and 87% equity. We estimate a 84% gearing for 2007, which gradually declines to ~43% in 2009.

Based on our multiples valuation, Poltrona Frau is in line with our peer sample (consisting of both fashion and furniture companies) in 2008 and slightly at a discount in 2009. On P/E, it trades at 17x in 2008 and 13x in 2009 vs. the peer average of 17x in 2008 and 15x in 2009. On EV/EBITDA, it trades at 9.4x in 2008 and 8.1x in 2009 vs. the peer average of 10x and 9x respectively

I— VALUATION APPROACH

We initiate coverage of Poltrona Frau, with a 2/Outperform rating and a target price at EUR3.61.

DCF valuation

DCF-based target price: EUR3.61

Our DCF-based target price is EUR3.61, presenting 34% upside to the current market price: EV accounts for EUR5 per share, debt for EUR0.6, provisions for EUR0.2 and minorities for EUR0.6 (valued at 15% of EV). The terminal value accounts for ~84% of the total valuation.

Poltrona Frau: DCF details

(EUR m, EUR)	Nominal FCF	Discounted FCF	Per share
2007-2009	57	49	0.4
2010-2012	102	73	0.5
Terminal value	872.9	584.6	4.2
EV		**706.7**	**5**
Debt		(79.7)	(0.6)
Provisions		(32.0)	(0.2)
Minorities		(89.2)	(0.6)
Equity value		**505.7**	**3.61**

Source: Cheuvreux

DCF assumptions

In more details, we expect: 1) FCF to amount to ~EUR12.9m in 2007, ~EUR16.8 in 2008 and ~EUR19.7 in 2009, driven by strong efficiency improvement and synergies; 2) debt, at EUR79.7m, would gradually fall to EUR70.7m in FY-07 and ~EUR59m in 2008. Our DCF valuation runs until 2012 and is based on the followed assumptions:

- **a rolling WACC of 6.8%-6.9%**, stemming from a 7.3% average cost of equity which we calculated using a leveraged beta of 0.76 (0.7 unlevered). **The cost of debt** amounts to **3.5%** and we assigned a **market risk premium** of 3.5%. We estimate that Poltrona Frau's EV should break down as: 13% debt and 87% equity.
- **2.5% terminal growth rate beyond 2011,** due to higher efficiency and profitability and driven by expansion in the Far East and European countries.

Poltrona Frau: Cost of capital

(EUR m, %)	2006A	2007E	2008E	2009E	2010E	2011E	2012E	Average
Beta levered	0.76	0.76	0.74	0.74	0.75	0.75	0.75	0.75
Cost of equity	*7.3%*	*7.3%*	*7.3%*	*7.3%*	*7.3%*	*7.3%*	*7.3%*	*7.3%*
Cost of debt	*3.5%*	*3.5%*	*3.5%*	*3.5%*	*3.5%*	*3.5%*	*3.5%*	*3.5%*
WACC	***6.8%***	***6.9%***	***6.9%***	***6.9%***	***6.9%***	***6.9%***	***6.9%***	***6.9%***
D/(D+E)	*42%*	*33%*	*25%*	*24%*	*25%*	*26%*	*26%*	*28.6%*

Source: Cheuvreux

Multiples comparison

Peer sample includes both furniture/design and fashion players

It is hard to perform a multiples comparison for Poltrona Frau, as it has no direct listed peers. Its closest Italian peer is B&B Italia, but it is privately held. Therefore, we used a sample of top-end furniture/design and fashion companies, as Poltrona Frau's exclusive brand image commands a premium price, making it similar to luxury goods players. In our analysis, we looked at:

– **Furniture manufacturers,** such as Herman Miller, Knoll and Ethan Allen, which all manufacture and distribute high quality furniture internationally. We also included Bang & Olufsen, which is a leading designer in the luxury household segment, with a similar distribution strategy to that of Poltrona Frau, although it manufactures and sells audio and video products.

– **Fashion players,** such as Hermes, Tod's, Bulgari and LVMH Group, which all share a similar exclusive brand image and reputation, although they are involved in the fashion industry.

Poltrona Frau: Peer comparison

(EUR m, EUR, %)			Mkt.	P/E			EV/EBITDA		
	Curr.	Price	Cap.	2007E	2008E	2009E	2007E	2008E	2009E
BANG&OLUFSEN	DKK	578.0	7.2	18.1	16.6	14.0	8.1	7.4	6.9
KNOLL	USD	19.5	1.0	13.8	11.6	9.9	8.8	7.7	7.0
HERMANN MILLER	USD	28.9	1.8	13.3	11.8	10.4	8.0	7.5	6.8
ETHAN ALLEN	USD	33.9	1.1	12.7	11.7	10.2	8.5	8.0	7.6
Average furniture				**14.5**	**12.9**	**11.1**	**8.3**	**7.7**	**7.1**
HERMES	EUR	78.0	8.3	30.2	27.4	23.7	17.2	15.8	14.1
TOD'S	EUR	63.8	1.9	25.0	21.3	18.5	11.4	9.8	8.6
BULGARI	EUR	10.2	3.0	20.4	18.1	15.9	14.5	12.7	11.2
LVMH	EUR	80.4	39.4	19.3	17.8	15.8	11.3	10.3	9.1
Average fashion				**23.7**	**21.2**	**18.5**	**13.6**	**12.2**	**10.8**
Average				**19.1**	**17.0**	**14.8**	**11.0**	**9.9**	**8.9**
POLTRONA FRAU	**EUR**	**2.69**	**0.4**	**28.6**	**16.8**	**13.3**	**13.1**	**9.4**	**8.1**

Source: Cheuvreux, Bloomberg

We did not run a multiples comparison for Poltrona Frau in 2007, as restructuring, should only be completed in 2008. In 2007, the premium (*see table above)* is justified by the strong growth trend expected for the coming years, driven by: 1) **expansion in strategic markets** (the US and the Middle and Far East); 2) **synergy potential** (i.e. efficiency, profitability and economies of scale); 3) growth of the **residential and custom design businesses**.

Multiples in line in 2008, might become cheap in 2009

– Based on P/E multiples, the stock is trading right in the middle between the fashion stocks and the furniture peers (16.8x vs. the average of 17x for the two groups). In 2009, Polltrona Frau expected superior growth translates into a 13x P/E, more closer to the 11-12x of the furniture segment.

Broadly in line with peers at 9.4x EV/EBITDA in 2008, cheaper in 2009

– Based on EV/EBITDA, we derive quite similar conclusions. Poltrona Frau trades broadly in line with peers in 2008, at 9.4x vs. 9.9x on average, while in 2009, it is cheaper at 8.1x vs. 10.8x for fashion peers, but still more expensive than furniture peers at 7.1x.

II– COMPANY PROFILE AND STRATEGY

Group structure and history

Leading international manufacturer of luxury home furnishings, with a well-diversified brand portfolio

In 2003, Poltrona Frau embarked on an **aggressive external growth strategy** driven by acquisitions, which accelerated when the Italian private equity fund Charme Management took control of the group. Now, it is a world leader in the luxury home furnishings segment with such renowned brands as: Poltrona Frau, which is its most established and well-known brand, Cassina (acquired in 2005, along with Alias), Cappellini (acquired in 2004), Gebruder Thonet Vienna (in 2001), Gufram (in 2004) and Nemo (in 2005), which round out its brand portfolio.

Poltrona Frau: Company structure

Brand	Year acquired/ founded	% Stake	Price paid
POLTRONA FRAU	1990	*100%*	-
CASSINA	2005	*80%*	EUR100m
CAPPELLINI	2004	*100%*	EUR5.3m
ALIAS	2005	*80%*	*
NEMO	2005	*80%*	EUR7m
GUFRAM	2004	*85%*	NM

**Acquired with Cassina* *Source: Cheuvreux, Poltrona Frau*

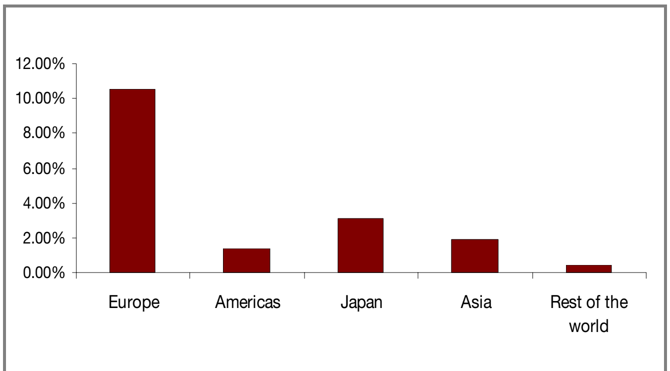
Listed in November 2006 to help finance organic growth

In November 2006, the company was listed on the STAR segment of the Milan Stock Exchange, at a price of EUR2.1. The IPO comprised a rights issue for 8.9m new shares (corresponding to a EUR18.69m cash inflow for the company) and the sale of 49.1m existing shares (equivalent to a EUR103.1m inflow for shareholders). IPO proceeds were used to reduce indebtedness and finance growth. **The private equity fund Charme Management** (controlled by several leading Italian entrepreneurs) **currently holds a 54% majority stake**, the former owner, Mr. Moschini owns 7.4% and free float stands at 34.4%.

Outlook for the global furniture market

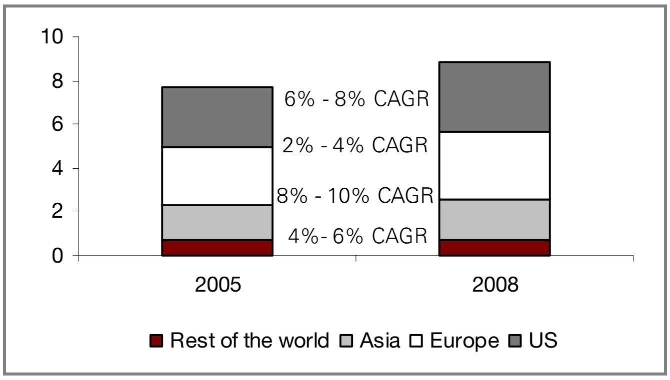
Poltrona Frau recently commissioned a study on the worldwide furniture market from market consultants, Bain and Co., who estimated that the market will grow at a **4.2% CAGR in 2005-08,** for a total value of **EUR170bn** in 2008. In the same period, they estimate that the high-end furniture segment (Poltrona Frau's target market) **should grow at a 6-8% CAGR**, reaching EUR9.4bn in 2008 (vs. EUR7.7bn in 2005).

Poltrona Frau: Market share



Source: Bain&Co., 2006

High-end furniture market: Estimated CAGR



Source: Bain&Co., 2006

Based on Poltrona Frau's turnover of EUR274m in FY-06, Bain and Co. estimate that the group **holds ~5% market share of the luxury home furnishing market,** with ~20% market share in Italy, >10% in Europe, 3.1% in Japan, 1.4% in the US and 1.9% in Japan.

According to Bain and Co., this strong worldwide market growth should be fuelled by: **1) larger and more affluent social groups in emerging countries**, where demand for upmarket products is soaring, driven by strong economic growth; **2) cultural changes in consumer behaviour,** which should make **prestigious, high quality** ("status symbol") products even more appealing; **3) internationalization,** which should further increase visibility.

Asia and the US are the fastest-growing markets

Asia and the US are expected to be the fastest-growing markets (at 8-10% and 6-8% CAGR respectively), while more stable growth is forecasted for Europe (2-4% CAGR). Although the US is the world's largest market, it lacks a strong design sensibility, therefore Poltrona Frau simply aims to improve its performance there.

Highly complementary brand portfolio

Multi-brand model

Poltrona Frau employs a **multi-brand business model:** it aims to preserve the distinctive characteristics and identities of each brand, while extracting synergies from the integrated management of production, logistics and procurement.

Poltrona Frau is the group's "classic" brand

Poltrona Frau brand reported EUR112m of sales, with a 10% EBITDA margin in FY-06; we forecast a 2006A-09E revenue CAGR of 17%, for a total of EUR181m in 2009, with a 16% margin. Poltrona Frau is the group's traditional, classic brand. Its business is divided into the: **1) residential division** (67% of revenues in H1-07, with a 6% y-o-y growth); and the **2) contract division** (33% of revenues in H1-07, with 9% y-o-y growth), which provides custom-designed furnishings and high-end solutions for hotels, restaurants, aircraft, theatres and luxury cars (Ferrari, Maserati, BMW, etc.), airplanes and yachts. We consider the brand to be the **star performer of the group** based on our BCG matrix (*see p. 10*), thanks to its potential in emerging markets and high growth rate.

Poltrona Frau brand: Estimates (2006A-09E)

(EUR m, %)	2006A	2007E	2008E	2009E
Sales	112.1	128.9	157.3	180.9
% Change	*14.4%*	*15.0%*	*22.0%*	*15.0%*
EBITDA	11.6	15.5	23.6	28.9
EBITDA margin	*10%*	*12%*	*15%*	*16%*

Source: Cheuvreux

Cassina is the best-selling brand in the group

Cassina reported EUR108m of sales and a 16.3% EBITDA margin in FY-06. We forecast a 2006A-09E revenue CAGR of 7%, for a total of EUR133m in 2009, with an 18% EBITDA margin. The company's **"I Maestri"** and **"Contemporanei"** collections are its most famous residential lines, while the contract unit specializes in custom designed furnishings for ships, hotels, public spaces, museums and luxury shops. We believe that Cassina is the "**cash cow**" of the group, based on our BCG matrix (*see p. 10*), as it generates a stable revenue stream, driven by its best-selling product lines.

Cassina: Estimates (2006A-09E)

(EUR m, %)	2006A	2007E	2008E	2009E
Sales	108.0	114.5	123.1	132.9
% Change	*18.6%*	*6.0%*	*7.5%*	*8.0%*
EBITDA	17.1	19.5	22.8	23.9
EBITDA margin	*16%*	*17%*	*19%*	*18%*

Source: Cheuvreux

Cappellini: turnaround is complete and the best is yet to come

Cappellini reported EUR18.9m of sales in FY-06, and for the first time, EBITDA turned positive in Q2-07. "Collezione" and "Sistemi" are the residential collections, while the contract unit provides custom designed solutions for the hospitality sector, mainly restaurants, beauty spas and hotels. In our view, Cappellini has significant growth potential: it has recently undergone restructuring, as the Cassina plant has been hampered by low production capacity. We expect 10% growth for 2007 and a sharp increase in the EBITDA margin from 4% forecasted in 2007 to 13% in 2009.

Cappellini: Estimates (2006A-09E)

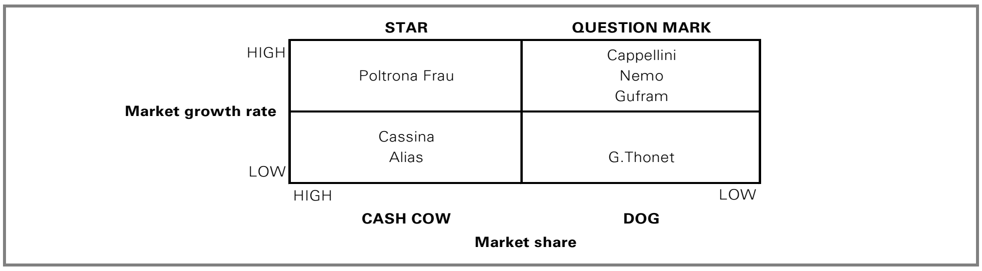
(EUR m, %)	2006A	2007E	2008E	2009E
Sales	18.9	20.7	23.4	26.3
% Change	*6.5%*	*10.0%*	*13.0%*	*12.0%*
EBITDA	(1.7)	0.8	2.3	3.4
EBITDA margin	*NM*	*4%*	*10%*	*13%*

Source: Cheuvreux

Nemo, Alias, Gebruder Thonet Vienna and Gufram round out the brand portfolio

At this stage, the other brands, Nemo, Alias, Gebrunder Thonet Vienna and Gufram play a minor role, but they are highly complementary with the core brands in the portfolio. **Nemo**, with more than EUR15m sales in 2006, produces high-end lighting solutions and management plan to focus on new high design products. **Alias** produces indoor and outdoor seating for homes, offices and public spaces. For 2007, we expect turnover to grow by 13% and thanks to its 15% margin, we consider the brand to be the other "**cash cow"** of the portfolio. **Gebruder Thonet Vienna** operates directly-owned stores (DOS) mainly in Austria, which also sell Poltrona Frau brand, Cappellini and third party products, however it has a marginal role in the group's portfolio. **Gufram** specializes in the production of mid-priced chairs and covers for the contract market. It aims to improve its performance in China, where these products will be widely distributed, paving the way for the group to further penetrate this promising market under the Gufram brand name.

BCG Matrix



Source: Cheuvreux

Production, distribution and marketing

Products are 100% made in Italy

Poltrona Frau operates 9 Italian production facilities. ~40% of its production is outsourced to small, highly skilled companies, based near Meda and Tolentino, which are staffed by expert teams of craftsmen (in many cases, they are owned by ex-Poltrona Frau employees). Consequently, capex is low: we estimate EUR9m in 2007 (or 3% of 2007 sales) and by ~EUR8m for the following years.

~EUR4m of cost savings from production rationalization

Management plan to reduce the total number of **plants from 9 to 4 in Italy by the end of 2008**, which should reduce costs by a total of EUR4m per year from 2008. Poltrona Frau also plans to invest ~EUR9m in 2007 to raise production capacity to 25-30% by end-2008, thereby cutting the time to market from ~4 to 2 months.

Each production facility should specialize in one product family:

- **Poltrona Frau** branded products are made at the Tolentino plant. This facility will also specialize in producing leather components for the Cassina and Cappellini lines.
- **Cassina** products are currently made at the Meda plant, which will specialize in manufacturing of padded components.
- **Cappellini** products are currently manufactured at 2 plants located near Como, but by the beginning of September, production will be based at just one facility. In the past, Cappellini outsourced some of its wood production processes, eroding its gross margin by ~10%. Now, it plans to recoup this loss by in-sourcing these functions.
- **Alias** products were manufactured at 3 plants, which specialized in metal and aluminium manufacturing. They will soon be consolidated into just one factory located near Bergamo.
- **Nemo** production will be relocated to the Cappellini factory (4.5k sqm dedicated to Nemo products).
- **Gufram** currently has a small production site in operation near Turin. The new Chinese facility will manufacture Gufram-branded contract products for the Asian market.

New logistics base in China to exploit opportunities in the Asian market

Poltrona Frau is currently setting up a **new 12k sqm logistics base** in Shengzen, **China**. This new facility has major strategic importance for Poltrona Frau, as it will be the logistics base for all group products in the Asian market (under the Gufram brand name), which should improve its market share. It will also manufacture "non-aesthetic" components (with low design content) for group brands and **seats for Gufram's** custom design business. Production will be fully underway from H2-07 and we expect the new logistic base in China should generate **EUR1m of cost savings per year from 2008**.

13 DOS directly managed in the most critical markets

Retail distribution of luxury home furnishings is extremely complex, as: 1) **large commercial spaces** are required in high rent locations; 2) **warehouse rotation is slower** compared to other luxury goods; 3) **it takes time to close sales** as purchases of these expensive and durable furnishings are rarely impulse decisions. Poltrona Frau directly manages 13 DOS (6 in Italy and 7 abroad) in its most important markets, which generate ~10% of turnover. The remaining 90% is generated by stores that are not managed directly by the group, which are located in > 65 countries, with 50 mono-brand DOS (primarily branded as Poltrona Frau) run by selected partners and distribution arrangements, with more than 1,000 third-party international distributors *(see p.12)*.

Different brand policy for emerging markets

In mature markets such as Italy and Europe, the company is leveraging on the distinct characteristics of its brands: in order to better promote each unique brand identity, it needs to open more flagship stores. In less segmented markets, such as Asia and the USA, the company is focusing on multi-brand stores, where it can present all of its brands together.

Poltrona Frau Group: Distribution network

	Poltrona Frau	Cassina	Alias	Cappellini	Nemo, G. Thanet and Gufram
DOS	4 in Italy (Rome, Milan, Naple and Bari) 2 in the rest of the EU (Paris and London) 1 in the US	1 in Italy (Milan) 1 in the rest of Europe (Paris) 1 in the US (New York)	None	1 in Italy (Milan) 1 in the rest of Europe (Paris) 1 in the US (New York)	Mainly sold though multi-brand stores in Europe.
Mono-brand stores	36 in Italy 2 in the US 3 in Asia	1 in Shanghai	None	1 in Italy (Rome) 1 in the rest of Europe 1 in the US 1 in Asia (Singapore)	
Multi-brand stores			240 in Italy 450 in Europe 40 in the US 45 in Asia		
Others	Numerous points of sale (POS) in 3rd-party stores	Numerous flagship stores in Asia Logistics platform for the US market based in Long Island, NY	1 showroom in Manhattan	Numerous POS in 3rd-party stores	

Source: Cheuvreux, Poltrona Frau

Stable marketing and advertising expenses

To promote its products, Poltrona Frau purchases advertising space in newspapers and magazines and participates in trade fairs and exhibitions such as the "Salone del Mobile" in Milan, the ICFF in New York and the Furniture Exhibition in Cologne. **Marketing and advertising expenses accounted for ~5.4% of revenues in 2006** and management have budgeted roughly the same percentage for 2007-09.

Growth drivers: global expansion and efficiency

Poltrona Frau's growth strategy is based on:

- **international expansion** in the European, US and Asian markets to introduce the Poltrona Frau brand range and exploit potential in the contract segment;
- improving **efficiency** by reducing plants and G&A costs;
- **product innovation**, by launching ~30 new products each year, thanks to its strong relationship with more than 200 designers and its experienced R&D team.

Contract segment should pave the way for residential penetration

Strategic alliance in the Emirates

Initially, Poltrona Frau's **international expansion strategy** will focus on the **contract segment** (with custom design products), which should allow the group to increase its market penetration and familiarize the public with its brands. The next step will be to launch its residential collections in the new markets. The first significant results of this strategy are expected in the Middle East and Asia from Q1-08, thanks to the joint venture agreement it signed recently with **Mubadala** (an investment vehicle controlled by the Government of Abu Dhabi), for the United Arab Emirates. With its local partner, **Poltrona Frau Group will open its first flagship store in Abu Dabhi,** which will showcase all of the group's brands. Moreover, in the contract segment, it will sign deals to furnish several world class real estate developments in the Emirates. As part of the joint venture agreement, Poltrona Frau will also participate in the development of a luxury 7-star design hotel in the Emirates, which should help raise the visibility of its brands.

Once the new plant in China is up and running, we expect new joint venture agreements to be signed in emerging markets (i.e. Indian luxury hotel developments and deals with big cinemas could be appealing opportunities). Management is also eying the promising Indian market with interest.

Russia should be a key market in the coming years

Another key market is Russia, where Poltrona Frau has signed a preliminary agreement in the contract segment for a hotel, which should be completed by end-2007.

Poltrona Frau: Estimated sales breakdown by geography (2006A-09E)

(EUR m, %)	2006A	2007E	2008E	2009E	CAGR
Italy	103	113	127	144	*12%*
% Change y-o-y	*13%*	*9%*	*13%*	*13%*	
EMEA	110	127	151	169	*15%*
% Change y-o-y	*9%*	*15%*	*19%*	*12%*	
USA	33	34	36	38	*5%*
% Change y-o-y	*1%*	*3%*	*7%*	*6%*	
Asia	**28**	**34**	**43**	**49**	***21%***
% Change y-o-y	***33%***	***22%***	***27%***	***15%***	
Total sales	**274**	**307**	**359**	**402**	***14%***
% Change y-o-y	***12%***	***12%***	***17%***	***12%***	

Source: Cheuvreux

We expect to see the highest growth rates in Asia at +22% in 2007 and +28% in 2008, while for Europe we forecast an average 2006A-09E sales CAGR of 15% (+15% in 2007 and +19% in 2008).

Integration of companies should bring EUR9m cost savings

After a period of expansion driven by a series of mergers, Poltrona Frau Group is focusing on extracting synergies and integrating the companies in its portfolio from an organizational standpoint **to achieve greater efficiency and profitability**. The legal structure, production, logistics, procurement and IT systems must all be reviewed in order to benefit from group synergies (*see table below for further details*).

Polltrona Frau: Cost savings

Type of saving	Cost savings (EUR m)	Timing
New legal structure	1	Mid-2008
Production rationalization	4	2007-2008
Logistic outsourcing	1.5	2007
Procurement consolidation	2.5	2007-2008
Total	**9**	

Source: Cheuvreux

From 30 to 15 legal entities

Legal structure: In June 2007, Poltrona Frau began to streamline the group. It aims to reduce the number of legal entities in the consolidation perimeter by merging 6 companies that are 100% owned (Frau Store S.r.l., Sittings S.r.l., Chiavari Sittings S.r.l., Dieciundici S.r.l., Kutek S.r.l. and Nemo S.p.a) by Q4-07. In H2-07, it will also start to consolidate the overseas companies. The goal is to reduce the **legal entities from the current 30 companies to 15** by the end of 2008, thereby reducing costs by **EUR1m.**

Leaner production organization, should reduce costs by EUR4m

Production: As we noted earlier (*see page 11*), we estimate that the rationalization of the production plants **from 9 to 5 facilities** (including the new plant in China) should yield **EUR4m of savings by the end of 2008**. The group will also invest a total of ~EUR9m in 2007 to raise production capacity to 25-30% by end-2008, thus reducing the time to market from ~4 to 2 months and simplifying both the logistics and production processes.

3 logistics hubs should yield EUR1.5m of savings

Logistics: Initially, Poltrona Frau managed its own logistics, however this function has gradually been outsourced. Shipping and handling activities will be completely unified into three logistics hubs in: Shanghai, Tolentino and Trucazzano. Moreover, it has set up a "quick delivery" logistics platform in Long Island, to supply the US market faster. As a result, **we expect costs to decrease by EUR1.5m** in 2008, thanks to the reduction of personnel, rental and transportation costs.

Unified procurement should lower costs by EUR2.5m

Procurement: Poltrona Frau pays particular attention to the quality of the materials it uses for its products. Raw material costs account for 35% of all sales (based on 2006 figures). Leather is the most expensive material (~30% sales), followed by aluminium, wood, fabric, glass and plastic. Leather is purchased from third party suppliers, often through exclusive production contracts. We estimate that the **consolidation of procurement for all of the brands** could reduce costs by **EUR2.5m.**

IT: All of the brands will migrate to a common IT platform in 2008, which should improve both efficiency and communications between units.

Innovation is crucial for Poltrona Frau, as new products: 1) attract media attention to its brands; 2) increase visibility and brand recognition; 3) help the company to avoid saturation stemming from overexposure of its products in the marketplace; 4) offset the high overhead costs of the retail network, thus increasing the overall profitability of each store.

30 new products launched every year and 50% reduction of the time to market

Therefore, Poltrona Frau invests heavily in design innovation to develop new products. Each year, it launches **~30 new products,** leveraging on its strong relationships with more than 200 designers and its experienced and dedicated team of 55 staff. This improves the time to market and allows for better coordination of production, sales and distribution. One of the group's short term goals is to reduce the **time to market by 50%** by end-2008 though: 1) better utilization of high tech solutions; 2) collaboration with design institutes; 3) highly skilled, expert workforce.

Poltrona Frau offers an extensive product range. Certain models have reached the status of **"modern design classics"** and continue to generate sales long after their initial launch. Some of the more famous models are the *Vanity Fair* armchair produced by Poltrona Frau, the *LC4 (Chaise Lounge* of Le Corbusier*),* which is designed and manufactured by Cassina and the *S Chair,* designed by Tom Dixton and manufactured by Cappellini. Poltrona Frau has indefinite licence agreements for these successful products, for which it pays royalties of ~3-5%.

III– ESTIMATES SUMMARY

14% sales CAGR driven by international growth

We expect revenues to grow by 12% in 2007, 17% in 2008 and then stabilize from 2009. For the 2006-09 period, we forecast 14% sales CAGR, driven by: 1) the rising contribution of Asia and Europe; 2) stronger brand recognition, thanks to its "timeless" products and its efforts to extend the product range by launching innovative new models.

Poltrona Frau: Revenue estimates (2006A-09E)

(EUR m, %)	2006A	07/06 %	2007E	% 08/07	2008E	% 09/08	2009E	CAGR 06-09
Poltrona Frau	112.1	*15%*	128.9	*22%*	157.3	*15%*	180.9	*17%*
Cassina	108.0	*6%*	114.5	*8%*	123.1	*8%*	132.9	*7%*
Cappellini	18.9	*10%*	20.7	*13%*	23.4	*12%*	26.3	*12%*
Alias	21.9	*12%*	24.5	*21%*	29.7	*7%*	31.8	*13%*
Other	13.3	*38%*	18.4	*40%*	25.8	*19%*	30.6	*32%*
Total Sales	**274.2**	***12%***	**307.1**	***17%***	**359.3**	***12%***	**402.4**	***14%***

Source: Cheuvreux

Sharp increase in the EBITDA margin from 10.6% in FY-06 to 16% in 2009

We expect the group's EBITDA margin to reach 13% in 2007 and top ~16% in 2009. Profitability should also improve, thanks to the estimated EUR9m of cost savings in the years ahead. We expect all of the brands to report a higher EBITDA margin: Poltrona Frau brand (from 10.3% now to 16% in 2009); Cassina (from 16% to 18%); Cappellini (up to 13% in 2009) and Alias (~19% in 2009).

To sum up, we expect the group to grow at a brisk 29% EBITDA CAGR in the 2006A-09E period, supported by Poltrona Frau brand, which should report a 36% CAGR according to our estimates. The average margin should rise from the current 10.6% to 16% in 2009.

Poltrona Frau: EBITDA estimates (2006A-09E)

(EUR m, %)	2006A	2007E	2008E	2009E	CAGR 06/09E
Poltrona Frau	11.6	15.5	23.6	28.9	***36%***
Margin (%)	*10%*	*12%*	*15%*	*16%*	
Cassina	17.1	19.5	22.8	23.9	***12%***
Margin (%)	*16%*	*17%*	*18.5%*	*18%*	
Cappellini	-1.7	0.8	2.3	3.4	***NM***
Margin (%)	*-9%*	*4%*	*10%*	*13%*	
Alias	3.3	4.7	6.1	5.6	***19%***
Margin (%)	*15%*	*19%*	*20%*	*19%*	
EBITDA	**29.0**	**40.4**	**54.8**	**61.8**	***29%***
Margin (%)	**10.6%**	**13.2%**	**15.2%**	**15.9%**	***15%***
% Change y-o-y	**39.4%**	**35.5%**	**12.9%**	**-**	

Source: Cheuvreux

EBIT should also rise, reaching EUR57m in 2009, with a 14.2% margin. We leave our estimate of minorities to equity stable at 15% and expect the tax rate to gradually decline from 52% in FY-06 to 48% in 2007 and then to 40% in 2009, thanks to the reduction of the legal entities.

Poltrona Frau: EBIT and net profit estimates (2006A-09E)

(EUR m, %)	2006A	2007E	2008E	2009E	CAGR 06/09E
EBIT	**22.8**	**34.8**	**49.7**	**57.2**	***36%***
Margin (%)	*8.3%*	*11.3%*	*13.8%*	*14.2%*	
Financial charge	(7.5)	(5.0)	(4.5)	(4.1)	
Minorities	(1.3)	(2.3)	(2.8)	(3.5)	
Tax	(8.0)	(14.3)	(19.9)	(21.3)	
Tax rate	*52.0%*	*48.0%*	*44.0%*	*40.0%*	
Net profit	**6.1**	**13.2**	**22.5**	**28.4**	**67%**
Net margin (%)	*2.2%*	*4.3%*	*6.3%*	*7.1%*	
y-o-y growth (%)		*117%*	*71%*	*26%*	

Source: Cheuvreux

We forecast a 40% pay-out ratio

We expect the bottom line to rise sharply over the next few years: +117% in 2007, +71% in 2008 and +26% in 2009. The company opted for a 35% pay-out in 2006, but considering the strong growth, we feel a 40% pay-out ratio is a more feasible level for the coming years. Based on this assumption, we expect a 1.3% dividend yield in 2007, which rises to 2.8% in 2009.

Poltrona Frau: EPS and DPS (2006A-09E)

(EUR, %)	2006A	2007E	2008E	2009E
EPS	0.043	0.094	0.161	0.203
% Change		*117%*	*71%*	*26%*
DPS	0.015	0.038	0.064	0.081
% Change		*151%*	*71%*	*26%*
Pay-out	*35%*	*40%*	*40%*	*40%*
Dividend yield	*0.5%*	*1.3%*	*2.2%*	*2.8%*

Source: Cheuvreux

Poltrona Frau

FY to 31/12 (Euro m)	2005	2006	2007E	2008E	2009E
Profit & Loss Account					
Sales	**245.8**	**274.2**	**307.1**	**359.3**	**402.4**
% Change		*11.5%*	*12.0%*	*17.0%*	*12.0%*
Staff costs	(41.7)	(43.1)	(46.6)	(49.4)	(52.4)
Other costs	(186.4)	(202.4)	(220.4)	(255.5)	(288.5)
EBITDA	**17.8**	**28.7**	**40.1**	**54.4**	**61.5**
% Change		*61.8%*	*39.7%*	*35.7%*	*13.0%*
Depreciation	(6.2)	(5.9)	(5.3)	(4.8)	(4.3)
EBITA	**11.5**	**22.8**	**34.8**	**49.7**	**57.2**
% Change		*97.7%*	*52.5%*	*42.7%*	*15.2%*
Goodwill amortisation before OP	0.0	0.0	0.0	0.0	0.0
Goodwill amortisation [impairment test]	0.0	0.0	0.0	0.0	0.0
Non recurring operational items	0.0	0.0	0.0	0.0	0.0
EBIT	**11.5**	**22.8**	**34.8**	**49.7**	**57.2**
Net financial items	(5.0)	(7.5)	(5.0)	(4.5)	(4.1)
Non recurring financial items	0.0	0.0	0.0	0.0	0.0
Other exceptional items	0.0	0.0	0.0	0.0	0.0
Tax	(5.1)	(8.0)	(14.3)	(19.9)	(21.3)
Associates [contribution]	0.0	0.0	0.0	0.0	0.0
Discontinuing activities	0.0	0.0	0.0	0.0	0.0
Goodwill amortisation	0.0	0.0	0.0	0.0	0.0
Net profit [loss] before minorities	**1.5**	**7.3**	**15.5**	**25.3**	**31.9**
Dividend to preferred shares	0.0	0.0	0.0	0.0	0.0
Minorities	(0.3)	(1.3)	(2.3)	(2.8)	(3.5)
Net attributable profit [loss]	**1.2**	**6.1**	**13.2**	**22.5**	**28.4**
Restatement [impairment test]	0.0	0.0	0.0	0.0	0.0
Adj. for exceptional items	0.0	0.0	0.0	0.0	0.0
Net attrib. profit [loss], restated	**1.2**	**6.1**	**13.2**	**22.5**	**28.4**
% Change		*NS*	*116.4%*	*70.6%*	*26.2%*
Cash Flow Statement					
Cash flow	**9.4**	**12.3**	**18.8**	**27.6**	**33.0**
% Change		*30.1%*	*53.1%*	*46.8%*	*19.6%*
Change in WCR	(44.2)	4.0	(1.7)	(5.2)	(4.3)
Capex	(104.6)	(26.2)	(9.0)	(7.5)	(8.1)
o/w Growth capex	0.0	0.0	0.0	0.0	0.0
Net cash flow	**(139.4)**	**(10.0)**	**8.1**	**14.9**	**20.7**
Financial investments	0.0	0.0	0.0	0.0	0.0
Net buyback of treasury shares	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.0	0.0
Dividend paid	0.0	0.0	(2.1)	(5.3)	(9.0)
Capital increase	30.1	18.7	3.0	0.0	1.0
Other cash flow	21.0	7.0	0.0	0.0	0.0
Dec. [inc.] in net debt	(88.3)	15.7	9.0	9.6	12.7
Balance Sheet					
Shareholders' equity [group share]	57.8	74.9	85.9	103.2	122.5
Minority interests	10.6	11.8	13.1	15.2	17.6
Pension provisions	10.2	9.9	10.2	10.5	10.8
Other provisions	41.0	32.1	33.1	34.1	35.1
Net debt [cash]	95.4	79.7	70.7	61.1	48.4
Gearing [%]	139.4	91.9	71.3	51.6	34.5
Capital invested	**215.0**	**208.4**	**213.0**	**224.0**	**234.4**
Goodwill	0.0	0.0	0.0	0.0	0.0
Intangible assets	105.6	107.1	107.1	105.1	103.1
Tangible assets	32.0	26.5	29.4	37.2	45.3
Financial assets	14.7	16.1	16.1	16.1	16.1
Associates	0.0	0.0	0.0	0.0	0.0
Working capital requirement	62.7	58.7	60.4	65.6	69.9
WCR as a % of sales	25.5	21.4	19.7	18.3	17.4
Capital employed	**215.0**	**208.4**	**213.0**	**224.0**	**234.4**

Poltrona Frau

FY to 31/12 (Euro)	2005	2006	2007E	2008E	2009E
Per Share Data (at 23/8/2007)					
EPS before goodwill	0.04	0.04	0.09	0.16	0.20
% Change		*18.9%*	*113.6%*	*71.3%*	*26.1%*
EPS, reported	0.04	0.04	0.09	0.16	0.20
% Change		*18.9%*	*113.6%*	*71.3%*	*26.1%*
Goodwill per share	0.00	0.00	0.00	0.00	0.00
Dividend per share	0.00	0.02	0.04	0.06	0.08
Cash flow per share	0.29	0.09	0.13	0.20	0.24
% Change		*-69.4%*	*52.3%*	*47.0%*	*19.8%*
Book value per share	1.8	0.5	0.6	0.7	0.8
No. of shares, adjusted	32.770	140.000	140.000	140.000	140.000
Av. number of shares, adjusted	32.770	140.000	140.000	140.000	140.000
Treasury stock, adjusted	0.000	0.000	0.000	0.000	0.000
Share Price [Adjusted]					
Latest price	-	2.96	2.69	2.69	2.69
High	-	3.35	3.19	-	-
Low	-	2.68	2.51	-	-
Average price	-	2.98	2.94	-	-
Market capitalisation	-	419.0	376.7	376.7	376.7
Enterprise value	-	587.2	525.1	513.7	499.3
Valuation					
P/E	NS	67.9	28.6	16.8	13.3
P/E before goodwill	NS	67.9	28.6	16.8	13.3
P/CF	NS	33.7	20.1	13.7	11.4
Attrib. FCF yield [%]	-	1.7	4.2	5.9	8.1
P/BV	NS	5.7	4.7	4.0	3.4
Enterprise value / Op CE	NS	3.1	2.7	2.5	2.3
Yield [%]	0.0	0.7	1.5	2.2	3.0
EV/EBITDA, restated	NS	20.4	13.1	9.4	8.1
EV/EBITA, restated	NS	25.7	15.1	10.3	8.7
EV/Sales	NS	2.1	1.7	1.4	1.2
EV/Debt-adjusted cash flow	NS	25.7	19.3	14.0	11.8
Financial Ratios					
Interest cover	2.3	3.0	7.0	11.0	14.1
Net debt/Cash flow	10.1	6.5	3.8	2.2	1.5
EBITDA margin [%]	7.2	10.5	13.1	15.2	15.3
EBITA margin [%]	4.7	8.3	11.3	13.8	14.2
Net margin [%]	0.6	2.7	5.1	7.0	7.9
Capital turn [Sales/ Op. CE]	1.2	1.4	1.6	1.7	1.8
Gearing [%]	139.4	91.9	71.3	51.6	34.5
Payout ratio [%]	0.0	46.0	42.5	37.4	39.5
Return [%]					
Pre-tax RoCE	5.8	11.9	17.7	23.9	26.2
RoCE after tax	5.7	11.8	17.6	23.8	26.1
ROE [%]	2.1	8.5	16.6	24.5	26.2
Return on equity, restated	2.1	8.5	16.6	24.5	26.2

Important Disclosures

Applicable disclosure clauses

Company	Closing Price	Rating	Disclosures
Poltrona Frau	EUR2.691	2/Outperform	None

A - One or more companies in the Crédit Agricole S.A. group owned more than 1% of the total issued share capital of the Company as of the end of the second most recent month preceding the publication date of this report.

B - One or more companies in the Crédit Agricole S.A. group owned more than 5% of the total issued share capital of the Company as of the end of the second most recent month preceding the publication date of this report.

C - The Company owned more than 5% of the total issued share capital of Crédit Agricole SA as of the end of the second most recent month preceding the publication date of this report.

D - One or more companies in the Crédit Agricole S.A. group held, as of the end of the second most recent trading day, a net sales position higher than 1% of the total issued share capital of the Company.

E - The trading portfolio of one or more companies in the Crédit Agricole S.A. group contained shares of the Company as of the end of the second most recent trading day.

F - Crédit Agricole Cheuvreux and/or a company in the Crédit Agricole S.A. group is a market maker or a liquidity provider for the financial instruments of the Company.

G - Calyon and/or a company in the Crédit Agricole S.A. group has been involved within the last three years in a publicly disclosed offer of or on financial instruments of the Company.

H - Calyon and/or a company in the Crédit Agricole S.A. group has concluded or is party to a non confidential agreement relating to the provision of investment banking services (except publicly disclosed offers mentioned under G) to the Company during the past 12 months or that has given rise during the same period to the payment of compensation or to the promise to get a compensation paid.

I - This research has been communicated to the Company and following this communication, its conclusions have been amended before its dissemination.

J - A director or a board member of the Crédit Agricole S.A. group is an officer, director, or board member of the Company.

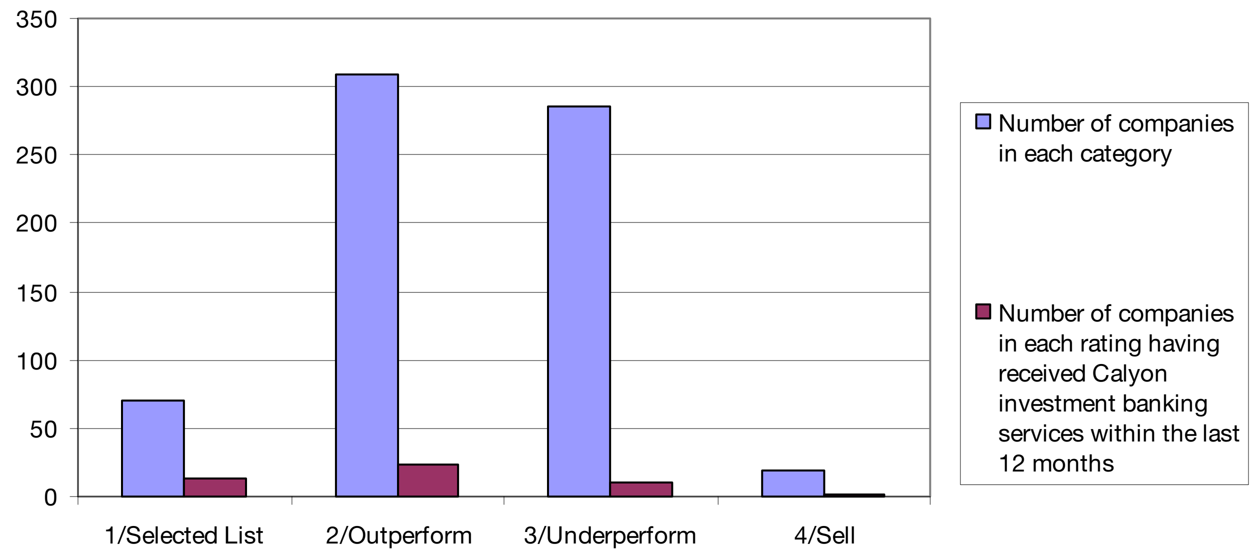
Specific disclosure clauses

None.

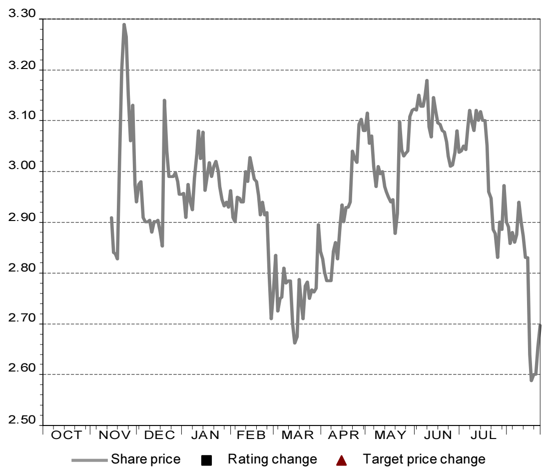
Cheuvreux's rating and target price system

Ratings are built for a 6 to 12 month time horizon.	
1/ Selected List	Expected to outperform the market and is in our country selected list
2/ Outperform	Expected to outperform the market
3/ Underperform	Expected to perform at best in line with the market
4/ Sell	Expected to underperform the market substantially
No Rating or Suspended	The investment rating and target price have been suspended . Such suspension is pursuant to Cheuvreux's policy in circumstances when Cheuvreux's parent company, Calyon, is acting in an advisory capacity in a merger or strategic transaction involving this company or when Calyon or Crédit Agricole has a beneficial interest in this company and in certain other circumstances.
Target price methodology	Cheuvreux's target prices are derived from one or more of the following methodologies : DCF, SOP, peer comparison and EVA.
Quote definitions	Unless specified, all quotes that appear on Institutional research reports are closing prices the last business day.

Breakdown by rating category (as at 31/12/2006)



Share price trend and dates of changes in rating and/or target price



Dates of changes in target price and/or rating

N°	Date	Rating	Target price
1	23/08/2007	2/Outperform	EUR3.61
2			
3			
4			
5			
6			

Local regulatory authorities

Country	Cheuvreux legal entity	Regulatory authority
France	Crédit Agricole Cheuvreux SA	Autorité des Marchés Financiers (AMF)
Germany	Crédit Agricole Cheuvreux Niederlassung – Frankfurt Branch	Bundesanstalt für Finanzdienstleistungsaufsicht (Bafin)
Italy	Crédit Agricole Cheuvreux Italia SIM SpA	Commissione Nazionale per le Societa e la Borsa (Consob)
The Netherlands	Crédit Agricole Cheuvreux - Amsterdam Branch	Autoriteit Financiële Markten (AFM)
Spain	Crédit Agricole Cheuvreux Espana SV SA	Comisión Nacional del Mercado de Valores (CNMV)
Sweden	Crédit Agricole Cheuvreux Nordic AB	Finansinspektionen
Switzerland	Crédit Agricole Cheuvreux - Zurich Branch	Swiss Federal Banking Commission (SFBC)
United Kingdom	Crédit Agricole Cheuvreux International Ltd	Financial Services Authority (FSA)

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Research & Distribution Centres

Benelux
Crédit Agricole Cheuvreux – Amsterdam Branch
Honthorststraat 9
1071 DC Amsterdam
Tel: +31 20 573 06 66
Fax: +31 20 672 40 41

France
Crédit Agricole Cheuvreux S.A.
9, Quai Paul Doumer
92400 Courbevoie
Tel: +33 1 41 89 70 00
Fax: +33 1 41 89 70 05

Germany
Crédit Agricole Cheuvreux – Frankfurter Branch
Taunusanlage 14
D-60325 Frankfurt am Main
Tel: +49 69 47 897 100
Fax: +49 69 47 897 530

Italy
Crédit Agricole Cheuvreux Italia SIM S.p.A.
Via Brera 21
20121 Milan
Tel: +39 02 80 62 83 00
Fax: +39 02 86 46 15 70

Spain
Crédit Agricole Cheuvreux España S.V. S.A.
Paseo De La Castellana 1
28046 Madrid
Tel: +34 91 432 78 21
Fax: +34 91 432 75 13

Sweden
Crédit Agricole Cheuvreux Nordic AB
Regeringsgatan 38
10393 Stockholm
Tel: +468 723 5100
Fax: +468 723 5101

Switzerland
Crédit Agricole Cheuvreux – Zurich Branch
Bahnhofstrasse 18
8001 Zurich
Tel: +41 44 218 17 17
Fax: +41 44 212 25 50

United Kingdom
Crédit Agricole Cheuvreux International Limited
12th Floor
Moorhouse
120 London Wall
London EC2Y 5ET
Tel: +44 207 621 5100
Fax: +44 207 621 5101

Distribution Centres

Japan
Cheuvreux
Calyon Capital Markets Asia B.V., Tokyo Branch
Shiodome Sumitomo Building, 15th Floor
1-9-2 Higashi-Shimbashi
Minato-ku
Tokyo 105-0021
Tel: +81 3 4580 8522
Fax: +81 3 4580 5534

United States
Crédit Agricole Cheuvreux North America, Inc.
New York
1301 Avenue of the americas
15TH floor
New York, NY 10019
Tel: +1 (212) 492 8800
Fax: +1 (212) 492 8801

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