

Downgrade

HOLD (prev. BUY)

Target: € 4.3 (prev. 4.2)

Risk: High

STOCK DATA

Price €	4.0
Bloomberg Code	MIT IM
Market Cap. (€ mn)	285
Free Float	30%
Shares Out. (mn)	71
52-week range	2.42 - 4.2
Daily Volumes (mn)	0.03

PERFORMANCE

	1M	3M	12M
Absolute	11.6%	6.0%	34.9%
Rel. To FtseMib Index	7.2%	9.7%	9.1%

MAIN METRICS

	2008	2009	2010E
EPS	47.9	62.8	8.9
DPS	15.0	20.0	15.0

NAV

	2008	2009	2010E
Nav ps ord - €	4.5	5.0	5.1
Listed assets	27%	29%	29%
Controlling assets	39%	48%	51%

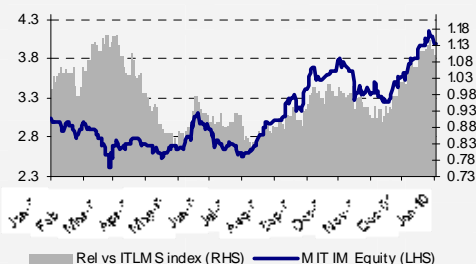
MULTIPLES

	2008	2009	2010E
PE	4.8 x	6.4 x	45.6 x
P/NAV	0.51 x	0.73 x	0.79 x
PBV	0.4 x	0.8 x	0.8 x

INDEBTNESS

	2008	2009	2010E
Holding system NFP	10.9	7.6	0.7
D/E	n.m.	n.m.	n.m.
Debt to assets	n.m.	n.m.	n.m.

PRICE ORD. LAST 365 DAYS



ANALYSTS

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5

DOWNGRADE TO HOLD DUE TO STOCK PERFORMANCE

Sound results in FY09 (ended on 30 September) featuring gains on the sale of Moncler (IRR = 153%) and the increase in Tethys' value thanks to extraction of value from HOPA. Proposed dividend of € 0.20 PS (5% dividend yield) vs. our estimate of € 0.15. Downgrade from Buy to HOLD due to good performance. Target price +2% to € 4.3 PS.

■ Sound FY09 results and consolidation of recurring results.

- **Net interest income:** +29% YoY to € 7.9 mn (in line) thanks to the increased customer lending activity of MGI (the operating sub-holding company active in corporate lending)
- **Net Profit:** +40% to € 44.3 mn vs. € 63 mn estimated. The difference was mainly due to nearly € 17 mn of non-cash effects, i.e. impairment of Mittel Corporate Finance (€ 13.7 mn) plus lower value of the Tethys stake (€ 3 mn). 2009 earnings were positively driven by the capital gain on Moncler (€ 42.2 mn) and the increase in Tethys' value (€ 29 mn), with negative drivers being the write-down of RCS (€ 18.3 mn) and MCF impairment (€ 13.7 mn).
- **Group net cash:** € 126.2 mn (vs. € 125.8 mn in June 2009 and € 96.2 mn at FY08 year-end) – in line.
- **Book value of € 5.33 PS** vs. € 5.38 in June 2009 (P/BV = 0.75x).

■ Growing dividend: yield 5%, +33% YoY

- **Proposed dividend of € 0.20 PS** (vs. our expectation of € 0.15 PS, i.e. **5% dividend yield**, up by 33% vs. FY2008).

■ NAV increased to € 4.3 PS (+2%)

We have updated our valuation. NAV rises to € 5.1 PS by virtue of the increase of listed shareholdings, lower value of Greenholding (put option vis-à-vis Mr. Burani), and increase of MGI sub-holding due to the improvement in Book Value. Applying a 15% discount to our NAV, we set our target price at € 4.3 (+2%).

■ Investment case: downgrade to HOLD

Mittel (MIT) still featuring:

- **Sound holding-system financial structure;**
- **Good management with one more year of outstanding results;**
- **Non-prevalence of listed assets** (which account for only 29% of total assets);
- **Greater portfolio diversification** (only MGI accounts for more than 15% of NAV) than the main Italian holding companies;
- **Attractive dividend yield:** 5% yield.

We are nevertheless downgrading our recommendation to HOLD following the stock's recent performance (+50% since start of coverage at the beginning of February 2009 and +14% relative to Ftse). MIT is trading with P/NAV=0.79x (almost in line with historical avg) vs an avg for the main Italian holding companies of 0.67x.

■ Catalysts for stock: HOPA and net fees

There are two potentially positive catalysts, i.e.

- **Extraction of value from HOPA** (as highlighted later on)
- **Growth of net fees relating to the businesses of ECPI and MCF** after the decline in operations in 2009 caused by the crisis.

It should also be noted that **the Board is requesting authorisation** (to be approved by shareholders at the AGM on 28 January) **of buyback** of up to 7% of share capital, as a tool for operating and strategic flexibility.

MAIN FIGURES € mn	2007	2008	2009	2010E	2011E	2012E
Interest margin	1	6	8	8	8	8
Dividends	23	23	13	5	5	7
Net interest margin	24	29	21	12	13	16
Trading	0	-11	18	1	1	1
TOTAL INCOME	25	21	50	27	30	33
Results from Real Estate	7	4	3	4	4	4
Growth	-2%	-38%	-34%	45%	0%	0%
Results from Fin and RE	32	25	53	31	34	37
Growth	-57%	-21%	111%	-41%	9%	9%
Operating costs	-19	-18	-19	-20	-21	-22
Growth	-56%	-20%	110%	-41%	9%	9%
Gross operating profit	13	7	35	11	13	15
Profit before tax	23	64	129	9	11	13
Growth	-65%	183%	101%	-93%	30%	11%
Taxes	-1	-1	-11	-2	-3	-4
Tax rate	6%	2%	8%	28%	28%	28%
Minority interests	-6	-31	-74	0	0	0
Net income reported	15	32	44	6	8	9
Growth	-74%	106%	40%	-86%	30%	12%
Margin	63%	109%	206%	50%	61%	57%
Net income adjusted**	4	11	8	7	9	11
Growth	-17%	198%	-24%	-16%	28%	23%
Margin	15%	37%	39%	56%	67%	69%
STOCK DATA	2007	2008	2009	2010E	2011E	2012E
EPS - € cents	23.3	47.9	62.8	8.9	11.6	12.9
Growth	-73.8%	106%	31%	-86%	30%	12%
Adj. EPS - € cents	5.6	16.6	11.8	9.9	12.7	15.7
Growth	-17.0%	198%	-29%	-16%	28%	23%
DPS ord - € cents	15.0	15.0	20.0	15.0	15.0	15.0
Nav ps ord - €	5.00	4.52	5.00	5.08	5.08	5.08
VARIOUS - € mn	2007	2008	2009	2010E	2011E	2012E
Capital employed	393	366	296	285	273	262
INDEBTNESS	2007	2008	2009	2010E	2011E	2012E
NFP	29	49	126	133	142	152
D/E	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Interests cov	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
MARKET RATIOS	2007	2008	2009	2010E	2011E	2012E
PNAV ord	1.1 x	0.5 x	0.8 x	0.8 x	0.8 x	0.8 x
PBV	0.8 x	0.4 x	0.8 x	0.8 x	0.8 x	0.8 x
P/E ord	22.6 x	4.8 x	6.4 x	45.6 x	35.0 x	31.4 x
P/E ord Adj	94.2 x	13.8 x	34.2 x	40.8 x	31.8 x	25.8 x
P/CF	22.2 x	4.8 x	6.3 x	40.5 x	31.9 x	28.8 x
REMUNERATION	2007	2008	2009	2010E	2011E	2012E
Div. Yield ord	2.9%	6.5%	5.5%	3.7%	3.7%	3.7%
Roe	3.7%	7.6%	10.6%	1.5%	2.0%	2.2%
ROCE	3.9%	8.6%	15.0%	2.2%	3.0%	3.5%

Source: EQUITA SIM estimates and company data

* Year end September

** Adj Net Income: Net Income adjusted for non-recurring items and normalised tax rate

SOUND FY09 RESULTS. FINE-TUNING OF ESTIMATES FOR 2010-11E

MITTEL: CONSOLIDATED P&L (€ mn)								
Group/€ mn	Sep-08	Sep-09	Sep-10E Prev	Sep-10E Curr	Change	Sep-11E Prev	Sep-11E Curr	Change
Interest margin	6,1	7,9	7,3	7,3	0%	8,2	7,6	-7%
y/y change		29%	-8%	-8%		13%	5%	
Dividends	22,9	13,5	0,4	4,6	1055%	7,2	5,1	-29%
Net Interest Income	29,0	21,4	7,7	11,9	55%	15,4	12,8	-17%
Trading	-10,7	18,3	1,3	1,3	0%	1,3	1,3	0%
Net commissions	2,7	10,8	16,7	13,5	-19%	17,2	15,5	-10%
Other non interest income (costs)	0,1	0,0	0,0	0,0	0%	0,0	0,0	0%
Total Income	21,1	50,5	25,6	26,6	4%	33,9	29,5	-13%
y/y change		139%	-49%	-47%		32%	11%	
Net results from real estate activities	4,1	2,7	4,0	4,0	0%	4,0	4,0	0%
y/y change		-34%	45%	45%		0%	0%	
Operating costs	-18,4	-18,5	-19,0	-20,5	8%	-22,4	-20,8	-7%
y/y change		1%	2,9%	10,7%		17,4%	1,3%	
Operating profits	6,7	33,5	9,8	9,3	-5%	14,8	11,9	-19%
y/y change		402%	-71%	-72%		51%	28%	
LLPs	0,0	-3,6	0,0	-1,2		0,0	-1,2	
Investments write-off	0,0	-32,0	0,0	0,0		0,0	0,0	
Extraordinary items and others	57,1	130,6	0,0	0,0		0,0	0,0	
Pre tax income	63,9	128,5	9,5	8,2	-14%	14,0	10,8	-23%
y/y change		101%	-92%	0%		51%	0%	
Net income	63,9	128,5	8,7	5,9	-32%	12,7	7,8	-39%
y/y change		101%	-92%	-87%		51%	32%	
Adj Net income*	11,0	8,4	7,5	6,6	-12%	14,0	8,6	-39%
y/y change		-24%	755%	-21%		87%	30%	
Client loans	173	294	294	294	0%	294	294	0%
y/y change		69,5%	0,0%	0,0%		0,0%	0,0%	
Ratio Analysis:								
NIM	3,93%	3,39%	2,47%	2,47%		2,80%	2,59%	
LLPs (bps)	0	124	0	40		0	40	
Tax rate	2%	8%	8%	28%		8%	28%	

Source: Company data and EQUITA SIM estimates

* Adj Net Income: Net Income adjusted for non-recurring items and normalised tax rate

- **Net interest income:** +29% YoY to € 7.9 mn (in line) thanks to the increased customer lending activity of MGI (the operating sub-holding company active in corporate lending)
- **Total income:** +139% YoY to € 50.5 mn driven by the:
 - Increase in net fees following full-year line-by-line consolidation of fees generated by the acquired companies Mittel Corporate Finance (advisory services for M&A and restructuring operations) and ECPI (a leading company in Europe in the creation of ratings and indexes based on sustainability indicators)
 - Decrease in dividend income mainly because of no dividends from the listed investee companies Intesa Sanpaolo (ISP), UBI, and RCS
 - Increase of € 22.9 mn YoY in net trading income, mainly thanks to fair-value valuation of the call option on the Tethys sub-holding company (HOPA) (€ 10.6 mn) and sale of the stakes in SAT and Publimethod (€ 5.6 mn) (with a capital gain made on both deals).
- **Net real estate income:** € 2.7 mn (-34%) vs. € 4.1 mn in FY2008
- **Loan-loss provisions (LLPs):** they rose to € 3.6 mn (124 bps) vs. 0 in FY2008 as a result of write-down of receivables (Lehman Brothers) and the generic provisioning required by the Bank of Italy

- **Investment write-down** relating to the stake in RCS (€ 18.3 mn) and impairment of MCF (€ 13.7 mn).
- **Net Profit:** +40% to € 44.3 mn vs. € 63 mn estimated. The difference was mainly due to nearly € 17 mn of non-cash effects, i.e. impairment of Mittel Corporate Finance (€ 13.7 mn) plus lower value of the Tethys stake (€ 3 mn). 2009 earnings were positively driven by the capital gain on Moncler (€ 42.2 mn) and the increase in Tethys' value (€ 29 mn), with negative drivers being the write-down of RCS (€ 18.3 mn) and MCF impairment (€ 13.7 mn).
- **Group net cash:** € 126.2 mn (vs. € 125.8 mn in June 2009 and € 96.2 mn at FY08 year-end).
- **Book value of € 5.33 PS** vs. € 5.38 in June 2009 (P/BV = 0.68x).
- **Proposed dividend of € 0.20 PS** (vs. our expectation of € 0.15 PS9, i.e. **5.6% dividend yield**, up by 33% vs. FY2008 (coupon detachment on 1 or 15 February 2010)).

Because of the Burani family's financial troubles, on the equity investment front Mittel has decided to post downward adjustment of the merchant-bank interest in **Greenholding** (put option vis-à-vis Mr. G. and W. Burani) to € 5.1 mn (the market value of the stake – 1% of NAV). In our NAV we had previously valued the stake at € 20 mn (the put option's strike price) and have adjusted this accordingly. If the Buranis were to fail to pay, Mittel would retain ownership of the Greenholding stake.

We have fine-tuned our estimates. Specifically, we have:

- Changed dividend income estimates, increasing 2010E estimates for dividends from ISP and UBI, and reducing those for 2011E
- Reduced expected net fees in 2010E-11E for ECPI and Mittel Corporate Finance, based on the lower-than-expected trend in 2009
- Conservatively increased LLPs to 40 bps/year vs. previous 0
- Increased the estimated tax rate from the previous 8% to 28%.

Bottom line: For 2010E we expect (a) consolidation of recurring revenues relating to the lending operations of MGI (the operating sub-holding company active in corporate lending); (b) growth of net fees from the operations of ECPI and MCF (+25% YoY) after the crisis-driven decrease in deals in 2009; and (c) costs substantially in line with 2009. We have conservatively not estimated any revenues from extraction of value from private equity investments and distribution of dividends by the Progressio fund. Estimated 2010-11E net profit is now respectively € 5.9 mn (vs. € 8.7 mn previously) and € 7.8 mn (vs. € 12.7 mn previously). The decrease of earnings in 2010E vs. 2009 is due to the effect on 2009 of capital gains on private equity assets and distribution of dividends by the Progressio fund.

PERFORMANCE AND VALUATION

In the listed private equity/holding company sector, it is possible to identify 3 business models, i.e.

- **Investment company:** an investment company based on a private-equity or in any case "dynamic" holding company approach
- **Pure holding company:** where the company merely holds equity participations (majority or in any case significant) without much dynamism
- **Asset manager:** where the core business is based on the management and performance fees stemming from funds' performance

MIT's can be defined as hybrid. It is in fact at one and the same time:

- A pure holding company – via the longstanding shareholdings in ISP, UBI, and RCS
- An investment company – directly (via Mittel Spa), via Mittel Private Equity (MPE) of which it owns 70%, and via investments in PE funds
- An advisor – for extraordinary finance operation, grant finance, real estate, and ESG investments
- A Lender – for medium-sized companies

In 2009 MIT delivered performance of +36%, outperforming the FTSE MIB index by 16%, performing substantially in line with Italian holding companies (+34%) and investment companies (+38%) and also with European private equity players (+37%).

MITTEL COMPARABLES – PERFORMANCE LAST 4 YEARS

		Mkt cap (€ mn)	Perf. ytd		Performance last 4 years			
			Abs	Rel	2009	2008	2007	2006
DEA IM	Dea Capital spa	377	-3%	-4%	-5%	-37%	-26%	13%
MIT IM	Mittel spa	282	1%	-1%	36%	-43%	-10%	18%
TIP IM	Tamburi Investment Partners	145	1%	0%	-12%	-29%	-6%	0%
MEC IM	Management & Capital spa	67	-1%	-3%	89%	-38%	-19%	n.m.
CL IM	Cape Listed Investment Vehic	17	4%	3%	-27%	-51%	n.m.	n.m.
CIR IM	Cir spa	1.490	4%	3%	149%	-71%	1%	7%
	Average		1%	0%	38%	-45%	-12%	10%
	European Private Equity							
III LN	3i Group plc	3.087	0%	-1%	67%	-73%	-1%	9%
CDI LN	Candover Investments Public	128	25%	24%	-50%	-54%	-4%	12%
ELTA LN	Electra Private Equity plc	505	6%	5%	113%	-64%	10%	17%
SVI LN	Svg Capital plc	493	12%	11%	43%	-88%	-9%	8%
RF FP	Eurazeo	2.794	4%	3%	46%	-66%	-15%	31%
GIMB BB	Gimv nv	869	3%	2%	18%	-34%	2%	1%
RATOB SS	Ratos ab-b shs	3.188	6%	5%	37%	-23%	11%	79%
MF FP	Wendel	2.161	0%	-1%	21%	-64%	-12%	27%
	Average		7%	6%	37%	-58%	-2%	23%
	Pure holding							
ITM IM	Italmobiliare spa	1.085	4%	3%	9%	-55%	-22%	36%
COF IM	Cofide spa	510	7%	6%	79%	-66%	-1%	7%
PF IM	Premafin Finanziaria	431	-1%	-2%	-16%	-35%	-21%	9%
CMF IM	Cam Finanziaria spa	207	1%	0%	63%	-79%	-5%	-22%
	Average		3%	1%	34%	-59%	-12%	7%
	Alternative Asset Mgmt							
BX US	Blackstone Group lp/the	10.414	4%	3%	101%	-70%	n.m.	n.m.
FIG US	Fortress Investment grp-cl a	1.610	16%	15%	345%	-94%	n.m.	n.m.
GLG US	Glg Partners inc	541	-2%	-4%	42%	-83%	n.m.	n.m.
EMG LN	Man Group plc	6.009	2%	0%	30%	-58%	10%	50%
PGHN SW	Partners Group Holding ag	2.438	3%	2%	74%	-51%	3%	n.m.
RAB LN	Rab Capital plc	105	10%	8%	62%	-87%	-16%	44%
	Average		5%	4%	109%	-74%	-1%	47%

Source: Bloomberg data

We believe this performance is attributable to:

- **Positive performance of listed assets** - in particular of ISP (+24%) and RCS (+30%), whereas UBI performance was negative, -2%
- **Positive newsflow** in terms of corporate results
- **Attenuation of fears** of possible market placement of the 19% stake in MIT owned by Roman Zaleski via Carlo Tassara SpA (according to the 29/09/2009 report of Il Sole 24 Ore business newspaper, following debt restructuring and disposal of some of the holding company's core assets, there is now less pressure to dispose of equity investments. Moreover, according to the 09/01/2010 the Tassara's NAV is positive).

MITTEL - NAV

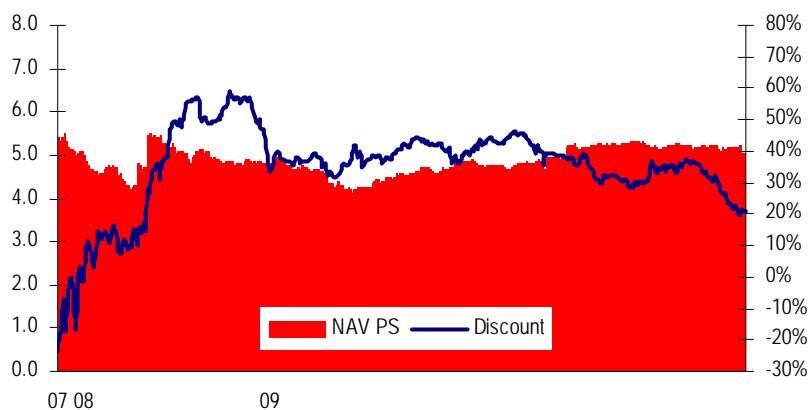
Asset	Sector	Stake %	# share	€ PS	€ mn	%	Valuation method
Intesa Sanpaolo	Banking	0.13%	15.0	3.18	48	13%	Market Value
UBI Banca ScpA	Banking	0.68%	4.3	10.5	46	13%	Market Value
RCS Media Group SpA	Media	1.3%	9.3	1.27	12	3%	Market Value
Sorin (Tower 6 Bis)	Biomedical	3.3%		1.2	9	3%	Net equity (Market Value)
TOTAL LISTED SHAREHOLDINGS (1)					114	31%	
Merchant Banks participations	Merchant bank	n.m.			5	1%	Market Value
E.Capital Partners	Financial Services	100%			39	11%	P/E 10E = 11x
Property Assets	Real Estate	100%			54	15%	Cost + incremental exp as Sep 09
Mittel Generale Investimenti	Financial Services	100%			77	21%	Adj 2009 P/BV 0.7x
Azimut-Benetti	Luxury Motor Yachts	5.5%			29	8%	BV as Sep-09 (EV/EBITDA 07-08E 8.2 - 5.8x)
Tethys (Hopa)	Holding	34.0%			30	8%	BV as Sep-09
Moncler (Brands Partners 2) - Shareholder loan	Retail	3.4%			10	3%	Deal Price Oct-08 (EV/EBITDA 07-08 = 10.2 - 8.5 x)
Fondo Progressio Investimenti	Private Equity Fund	13.5%			12	3%	BV as Sep-09
Ghea (45.5% pref sh in Bios with 19.2% of Sorin)	SubHolding	51.0%			12	3%	Net equity (Market Value)
Istituto Atesino di Sviluppo S.p.A.	Holding	1.8%			3	1%	BV as Sep-09 (P/BV 07 1.2x)
SIA-SSB	IT Services	0.3%			1	0%	BV as Sep-09 (EV/EBITDA 07 6.5 x)
Vimercati	Automotive	7.0%			1	0%	BV as Sep-09 (P/E 07 = 24.5x)
Hopa	Holding	0.7%			1	0%	BV as Sep-09
TOTAL UNLISTED SHAREHOLDINGS (2)					273	77%	
ATTRIBUTABLE NFP (3)					1	0%	Adj. NFP as today
HOLDING COSTS (4)					-30	-8%	Normalised cash costs net of taxes capitalised @ 10%
TAXES ON POTENTIAL CAPITAL GAINS (5)					0	0%	
STOCK OPTIONS DILUTION (6)					0	0%	
TOTAL NET ASSET VALUE (1+2+3+4+5+6)					358	100%	
Nr. of Shares (mn)					71		
NAV per Ord share €					5.1		
Current discount (premium)					21%		
P/NAV					0.79		

Source: EQUITA SIM estimates

In fixing out target price we apply a 15% discount to NAV (as defined in appendix 2). As a consequence, starting from a NAV of €5.1 PS our target price is €4.3 PS.

The table below shows the trend in Mittel's NAV and MIT's discount vs. NAV since January 2007. In the last 3 years MIT has traded at an average discount vs. NAV of about 25%.

MITTEL: DISCOUNT TO NAV SINCE JAN 07



Source: EQUITA SIM estimates

ITALIAN HOLDING COMPANIES: CURRENT AND HISTORICAL NAV AND DISCOUNTS

Company	Val. method listed assets	NAV (€ PS) *								Disc. / (Prem.) to NAV						
		2004	2005	2006	2007	2008	2009	2010	2004	2005	2006	2007	2008	2009	Avg.**	2010
ASTM	market price	n.a.	n.a.	n.a.	20.9	10.7	13.4	13.5	n.a.	n.a.	n.a.	28%	47%	26%	34%	20%
COFIDE	see through	1.32	1.47	1.52	1.64	1.03	1.21	1.23	36%	30%	28%	35%	68%	40%	39%	41%
CIR	market price	2.66	2.91	3.05	3.28	2.15	2.50	2.54	22%	22%	18%	24%	65%	25%	29%	24%
DEA CAPITAL	market price	n.a.	n.a.	2.61	2.40	1.64	2.00	1.87	n.a.	n.a.	-8%	22%	50%	51%	28%	33%
EXOR ord.	(1) market price	4.6	5.2	8.2	9.2	15.9	25.2	26.4	34%	31%	25%	28%	50%	45%	35%	48%
IMMSI	market price	n.a.	n.a.	2.88	2.12	1.23	1.57	1.64	n.a.	n.a.	25%	35%	44%	47%	38%	48%
ITALMOBILIARE	(2) market price	77.1	97.4	122.3	93.1	53.1	56.4	60.3	37%	42%	36%	32%	49%	47%	41%	46%
MEDIOBANCA	(3) market price	12.8	16.4	17.4	16.4	14.3	11.1	12.4	21%	12%	13%	10%	40%	36%	22%	30%
MITTEL	market price	n.a.	n.a.	n.a.	5.0	4.5	5.0	5.1	n.a.	n.a.	n.a.	-5%	49%	30%	25%	21%
CAMFIN	see through	2.39	1.86	1.79	2.37	0.49	0.46	0.47	24%	1%	20%	40%	40%	34%	27%	34%
PIRELLI & C.	(4) market price	0.97	0.86	0.82	0.98	0.44	0.52	0.53	12%	10%	10%	20%	41%	14%	18%	14%
PREMAFIN	market price	1.72	2.26	3.29	2.67	0.68	0.52	0.52	28%	11%	28%	26%	-88%	-102%	-16%	-76%
AVERAGE									27%	20%	19%	25%	38%	24%	25%	23%
AVERAGE excluding PREMAFIN (trading at very high premium)													49%	36%	28%	33%

(1) IFIL ord. until 2007 (assuming total n. shares ord+sav), EXOR ord. (IFIL+IFI) since merger announcement (Sep-08), assuming 30% pref. discount vs ord.

(2) adj. number shares: before Nov-07 based on market discount; after Nov-07 applying avg. between 3-month and market discounts

(3) year-end: June

(4) using total n. of shares (ord. + sav.)

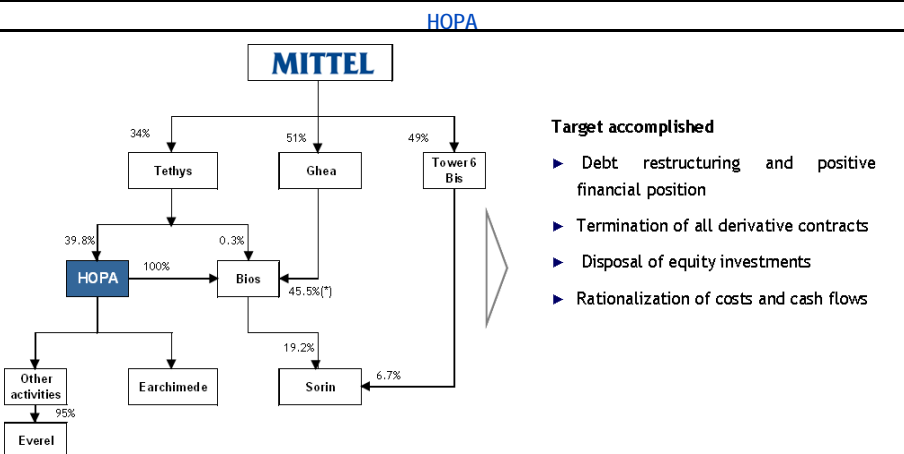
* based on estimated year-end net debt and listed assets valued at December avg. market price

** historical 6-year arithmetical average (2004-09 where available)

Source: EQUITA SIM estimates

THE "NEW" HOPA IS FOCUSING ON SORIN AND EARCHIMEDE

On 24 December 2008 MIT acquired, via its subholding company Tethys, a 34% equity interest in HOPA (a holding company originally founded by a number of Brescia entrepreneurs led by raider Emilio Gnutti, who withdrew from the business world in 2005 after a series of legal vicissitudes). MIT has been responsible for ordinary management of HOPA since last September (when Mr. Gorno Tempini, Mittel's General Manager, was appointed chairman).



Source: Company presentation

We estimate that HOPA's NAV totals € 250 mn or € 0.18 PS. Besides Bios (10% of HOPA's NAV), attractive assets also include Earchimede (33% of HOPA's NAV). Earchimede owns stakes, among others, in the real estate/mass-market retailing sector such as that in Fashion District, the second largest chain of outlets in Italy, as well as a stake in Draco, a property developer active above all in multiplex cinemas.

Mittel, together with the other shareholders Equinox, BMPS and Banco Popolare, has taken threefold action, i.e.: (1) assuring the safety of key equity investments (in particular Bios), (2) disposing of non-strategic investments, and (3) clearing debt vis-à-vis the banking industry. Going into greater detail:

1. The “safety” operation primarily concerned **Bios**, the holding company controlling the listed company **Sorin (BUY, target price €1.75 PS)**, with action to restructure debt (now rescheduled on a 5-year basis). In addition, a compulsory PTO was launched to strengthen the grip of key shareholders (Mittel, Equinox, HOPA, BMPS and Unipol, bound by a shareholder syndicate agreement). We believe the existing shareholders will seek to create greater value in the company before disposing of the stake.

Mittel's exposure to Sorin amounts to about 10% of NAV:

- **Via Tower6 bis = 3% of NAV.** Tower6 bis is the sub-holding company owned 49% by Mittel and 51% by Equinox, and directly owns 6.7% of Sorin. Tower6 bis's NAV is positive for Sorin prices exceeding € 0.65 PS (Tower6 bis has net debt of about € 20 mn). At Sorin's current prices, Tower6 bis's NAV is positive by € 20 mn (3% of Mittel's NAV).
- **Via Ghea = 3% of NAV.** Ghea is the sub-holding company owned 51% by Mittel and 49% by Equinox. It has no direct exposure to Sorin's equity but is a creditor of Bios. Today we estimate that Ghea's NAV is positive by € 12 mn (3% of Mittel's NAV)
- **Via HOPA = 4% of NAV.** HOPA is 39.8% owned by Tethys (of which Mittel controls 34%). HOPA owns 100% of Bios, the holding company that owns 19.2% of Sorin. Via HOPA Mittel therefore controls 2.59% of Sorin, which at current prices is worth about € 15 mn (4% of Mittel's NAV).

TETHYS - HOPA - BIOS - SORIN STAKES

	Straight	Call
Mittel in Tethys	34,0%	16,5%
Tethys in Hopa	39,8%	23,5%
Hopa in Bios	100,0%	0,0%
Bios in Sorin	19,2%	0,0%

Source: Equita SIM elaborations on company data

2. **Sale of over 80% of equity investments.** Non-strategic assets sold included the stakes in Montini (sold to the Regali family for € 50 mn), Locman (sold to management), and SNIA (sold on the market). According to Il Sole 24 Ore's report on 02/01/10, the assets still remaining to be sold are the Stakes in Markfactor, F Leasing and Acqua Sangemini, while the private-equity interests in Clessidra and Investitori Associati IV have ended up on the market.
3. **Clearance of debt vis-à-vis the banking industry.**

Bottom line: We believe there is room to create further value in HOPA via extraction of value from the remaining equity stakes. In terms of sensitivity, if HOPA's NAV were to increase from the present € 250 mn to € 300 mn, the impact on valuation would be +5%. In addition, Mittel also holds call options on Tethys and HOPA, the value of which is already factored into our valuation as they are in the money. However, in the eventuality of further creation of value in HOPA, there would be further impact stemming from the call options.

MITTEL NAV: SENSITIVITY (€ PS)

		-22.5%	-15.0%	-7.5%	TODAY	7.5%	15.0%	22.5%
INTESA	UBI							
SAN PAOLO		8.0	8.8	9.6	10.3	11.1	11.9	12.7
-22.5%	2.4	4.8	4.8	4.9	4.9	5.0	5.0	5.1
-15.0%	2.7	4.8	4.9	4.9	5.0	5.0	5.1	5.1
-7.5%	2.9	4.9	4.9	5.0	5.0	5.1	5.1	5.2
TODAY	3.2	5.0	5.0	5.0	5.1	5.1	5.2	5.2
7.5%	3.4	5.0	5.0	5.1	5.1	5.2	5.2	5.3
15.0%	3.6	5.1	5.1	5.1	5.2	5.2	5.3	5.3
22.5%	3.9	5.1	5.1	5.2	5.2	5.3	5.3	5.4

Source: EQUITA SIM estimates

APPENDIX 1: GROUP OVERVIEW AND SHAREHOLDER STRUCTURE

MIT is an investment/merchant bank that is simultaneously and complementarily active in:

- **Private equity** as an active shareholder in both listed and unlisted companies (31% of NAV)
- **Advisory services for extraordinary finance operations, Operating Finance and Sustainable Investment Advisory** (32% of NAV)
- **Real estate investment** typically in residential property development (15% of NAV)

Moreover, MIT has for a long time owned listed shareholdings **Intesa San Paolo, UBI Banca, and RCS Mediagroup** (28% of NAV).

MITTEL: BUSINESS UNIT AND MAIN SUBSIDIARIES



Source: Company presentation

Among its private-equity shareholdings, Mittel also indirectly owns a stake in Sorin, via the holding companies HOPA, Ghea and Tower6 bis, amounting to 10% of NAV.

MITTEL: PRIVATE EQUITY AND INVESTMENTS

- **Mittel Group** features an excellent track record in private equity investments.
- Superior IRR generated so far: **Moncler Group** (IRR 153.2%), **San Lorenzo** (IRR 65.3%), **Publithem** (IRR 57.5%) and **Vimercati** (IRR 56%).

INVESTMENTS	Companies	Sector	% S.C.	Category	Listed	Notes
	Azimet-Benetti SpA	Nautical	5,5%	PE	no	Direct Investment
	Castello SGR SpA	Real Estate	20%	PE	no	Owned by MCF SpA (100% Mittel SpA)
	Ghea Srl	Financial	51%	PE	no	Owned by Mittel (49%)
	HOPA SpA	Holding	39,8%	PE	no	Owned by Tethys (34% Mittel SpA)
	Moncler Srl	Textile-Apparel	3,4%	PE	no	Owned by MPE ⁽¹⁾ (70% Mittel SpA)
	Progressio SGR SpA	Financial	15%	PE	no	Direct investment
	SIA-SSB SpA	IT Services	0,3%	PE	no	Direct investment
	Tower 6 Bis Srl	Financial	49%	PE	no	Company which owns 6,7% of Sorin SpA
	Vimercati SpA	Automotive	10%	PE	no	Owned by MPE (70% Mittel SpA)
Companies	Sector	% S.C.	Category	Listed	Notes	
Intesa Sanpaolo SpA	Financial	0,1%	"Long-term"	yes	Owned by MPS (100% Mittel SpA)	
Istituto Atesino di Sviluppo	Holding	1,8%	"Long-term"	no	Owned by MPS (100% Mittel SpA)	
RCS Mediagroup SpA	Media	1,3%	"Long-term"	yes	Owned by MPS (100% Mittel SpA)	
UBI Banca SpA	Financial	0,7%	"Long-term"	yes	Owned by MPS (100% Mittel SpA)	

⁽¹⁾ Progressio Sgr is a company dedicated to the management of closed-end funds specialised in private equity deals

Source: Company presentation

In August 2008 MIT acquired 100% of **E. Capital Partners (ECP)**, an independent group founded in 2000 by a team of professors from Milan's Bocconi University and Business School and professionals experienced in the financial field with the aim of developing the still unexpressed potential (both in Italy and in the rest of Europe) of ethicality studies applied to financial markets (such as development and calculation of market indexes and advisory assistance in the creation of tailor-made investment products).

The **ECP Group is active in 3 businesses:**

1. **SIA (Sustainable Investment Advisory):** via its subsidiaries ECPI and ECP International (Luxembourg), the group provides advisory services to banks, institutional investors and assets concerning the creation of indexes and investment decisions via the application of ESG (Environmental, Social and Governance) criteria. The focus is based on assessment of certain qualitative aspects of a company rather than on purely quantitative analysis. This involves the application of ethical screening criteria to evaluate companies as regards their attitude and conduct concerning ESG aspects.

This is a market growing very fast both in Europe and in the USA because of the heightened consciousness of the risks associated with often inadequate corporate governance.

The ECPI database counts around 4000 financial companies and approximately 5.5% of them have been excluded from the eligible universe due to poor ESG performance (F-rated companies, i.e. unsustainable companies). Exclusions include some of the most recently troubled corporations, i.e.

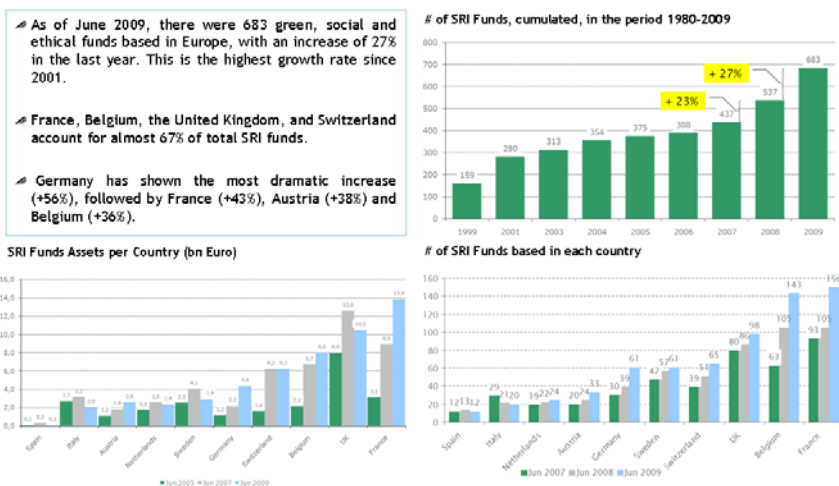
- Citigroup
- AIG
- Bear Stearns
- Fannie Mae

Moreover, ECPI excluded Madoff Feeder-Funds from its eligible universe in 2005.

2. **CFA (Corporate Finance Advisory):** provision of corporate advisory services for extraordinary operations (M&A) and finance (including grant finance and soft financing).

3. **Real estate:** promotion, creation and management of closed-end real estate funds focusing on those reserved for qualified investors through Castello SGR (controlled at 20%).

ECPI: In 2009 SRI Funds Increased in Number and AUM



Source: Company presentation

Notwithstanding the company's lacklustre performance during 2009 due to the crisis (2009 net profit substantially at breakeven, we expect recovery from 2010 onwards driven by an increase in the number of deals, an increase in grant finance activity, and an increase of the assets under using advisory services in the indexes division. In our NAV calculation we have valued the stake in ECapital (ECPI+MCF) at € 39 mn (2010E P/E =11x)

Shareholder Structure

MIT's shareholder base is somewhat fragmented but has been stable for many years:

Shareholder	Description	Shareholding Owned
Carlo Tassara SpA	Holding company of the financier Roman Zaleski	19.0%
Italmobiliare SpA	Holding company of the Pesenti family	12.3%
Fondazione Cassa di Risparmio Trento e Rovereto	Banking foundation	12.5%
Istituto Atesino di Sviluppo SpA	Investment holding company present in banking, finance, insurance, media, green energy, real estate and industrial sectors – in which MIT in turn owns 1.76%	10.2%
EC Investimenti Srl	investment company of the newly acquired E. Capital Partner	6.4%
Opera per l'Educazione Cristiana (through La Scuola SpA)	A Roman Catholic religious foundation active in the Diocese of Brescia	4.7%
Manuli Realtor Srl	A real estate company owned by the Manuli brothers	4.3%
Total longstanding core shareholder group		69.3%
FREE FLOAT		30.7%

Source: Consob

Appendix 2: General Rules For Calculating Discount To Nav In Fixing Target Prices

In order to achieve uniform definition of discounts, below we describe our methodology for defining target price. The discount applied to NAV (calculated according to the rules indicated in Appendix 1) is the result of the **summing of the discounts attributed to each of the following variables**, which we consider relevant. **The rationale is a lower discount**

VARIABLES TO FIX DISCOUNTS

1	The higher	... the weight of the controlling stake is (on total assets, including any net cash, but excluding net debt)
2	The lower	... the weight of listed assets is (on total assets, including any net cash, but excluding net debt)
3	The stronger	... the financial structure is (based on net debt/total assets ratio, credit lines available, and compliance with any covenants, etc.) ... our fundamental view of the main listed asset is.
4	The more positive	If the main asset is not listed (and thus has already been included with a valuation that we consider consistent), the second asset is considered (if its weight is significant). For holding companies of listed holding companies, it is not considered because we use see-through NAV
5	The more active	... the management is (meaning, for example, the ability to create value, portfolio turnover rate, outcome of the most recent deals, openness vis-à-vis the financial community, etc.)
6	The greater	... speculative appeal is (including M&A deals, extraordinary dividend, rationalisation of chain of control, changes in tax system, significant buy-back etc.)

Source: EQUITA SIM estimates

For each of these variables, we have defined a ranking of discounts, **the summing of which defines the discount to be applied to NAV when establishing the target price.**

VARIABLES TO FIX DISCOUNTS

1. Controlling stake as a % of NAV		4. Fundamental view main asset (representing at least 50% of NAV) * vis-à-vis lever	
	Discount		
More than 90%	0.0%	Positive	10.0%
Between 70% and 90%	-5.0%	Neutral	-5.0%
Less than 70%	-10.0%	Negative	-10.0%
		Not listed	0.0%
2. Listed stake as a % of NAV		5. Management style	
	Discount		
More than 80%	-20.0%	Active	+5%/+10%
Between 60% and 80%	-15.0%	Neutral	0%
Between 40% and 60%	-10.0%	Passive	-5%/-10%
Between 20% and 40%	-5.0%		
Less than 20%	0.0%		
3. Financial structure based on debt to assets		6. Speculative appeal	
	Discount		
Sound / efficient	0.0%	Positive	+5%/+10%
Sound but inefficient	-2.5%	None	0.0%
Limited flexibility	-5.0%	Negative	-5%/-10%
Stressed	-10.0%		

Source: EQUITA SIM estimates

Consequently, this is the **list of the discounts applied to MIT's NAV when fixing target prices:**

MITTEL HOLDING DISCOUNT IN FIXING TARGET PRICE							
	Controlling %	Listed %	Fin. structure	Fund. View	Active mgmt	Speculative	TOTAL
	(1)	(2)	(3)	(4)	(5)	(6)	Discount
MITTEL	-10.0%	-5.0%	0.0%	0.0%	0.0%	0.0%	-15%

Source: EQUITA SIM estimates

These values may of course vary over time, **in theory causing changes to target prices/recommendations even in the absence of changes to NAV.**

Appendix 3: Mittel Management

Managing Director – Giovanni Gorno Tempini

In November 2007 he joined as Managing Director of Mittel. Currently he joined as Vice-President of Sorin. From 1987 up to 2001, he worked with JP Morgan where he held the position of European Director for Government Bond Unit, Director for Emerging Market Trading Unit and Director for Fixed Income Trading Unit. In 2001 was appointed CEO of Intesa.

MGI Chief Executive Officer – Eugenio Volonté

CEO of Mittel Generali Investimenti and Mittel Investimenti Immobiliari. Previously he was CEO and Vice Chairman of Ma-Tra Spa and other real estate companies owned by the Group. Before joining Mittel, he was Branch Manager at Banco Ambrosiano Veneto and Sales Manager at Credito Milanese SpA.

Chief Financial Officer – Mario Spongano

In January 2008 he joined as Chief Financial Officer of Mittel. From 1991 up to 2001, he worked with JP Morgan where he held the position of Director of Government Bond Option Trading, Director for Interest Rate Trading Unit and Director for Euro Government Bond, Strips and Bond Option Trading Unit.

Chief Operating Officer – Pietro Santicoli

COO of Mittel S.p.a. Previous experience in Sopaf Group as Administration Manager for foreign activity from 1993 to 2000 and Manager of Administration, Finance and Control from 2000 to 2005. He was also Auditor in Deloitte & Touche.

ECPI Chief Executive Officer – Michele Calcaterra

CEO at ECPI and Head of Sustainable Investment advisory of Mittel Group. Co-founder E-Capital Partners. Previously he was professor at Bocconi University and SDA Bocconi.

Mittel Corporate Finance Chief Executive Officer – Francesco Silva

CEO of Mittel Corporate Finance, Director of MGI and Castello SGR. He has been working for 23 years in investment banking and international merchant banking, first in Kidder Peabody, then in JP Morgan as Managing Director.

STATEMENT OF RISK

The primary elements that **could positively impact MITTEL include:**

- Significant improvement in the main assets reference macroeconomic scenario
- Significant increase in short term interest rates
- Increase in valuation for property development projects
- Upward revision risk for fee-based ECPI business
- Positive share price performance of Intesa Sanpaolo, UBI Banca and RCS
- Significant improvement of luxury motor yachts market conditions affected Azimut Benetti

The primary elements that **could negatively impact MITTEL include:**

- Significant deterioration in the main assets reference macroeconomic scenario
- Significant increase in short term interest rates
- Valuation risk for property development projects
- Downward revision risk for fee-based ECPI business
- Negative share price performance of Intesa Sanpaolo, UBI Banca and RCS
- Potential write-downs on loans following a difficult market environment
- Significant deterioration of luxury motor yachts market conditions affected Azimut Benetti

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

This publication has been prepared by Luigi De Bellis on behalf of EQUITA SIM SpA (licensed to practice by CONSOB resolution no. 11761 of December 22nd 1998 and registered as no. 67 in the Italian central register of investment service companies and financial intermediaries)

In the past EQUITA SIM has published studies on Mittel.

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EXPECTED TOTAL RETURN FOR THE VARIOUS CATEGORIES OF RECOMMENDATION AND RISK PROFILE

RECOMMENDATION/RATING	Low Risk	Medium Risk	High Risk
BUY	ETR >= 7.5%	ETR >= 10%	ETR >= 15%
HOLD	-5% <ETR < 7.5%	-5% <ETR < 10%	0% <ETR < 15%
REDUCE	ETR <= -5%	ETR <= -5%	ETR <= 0%

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MOST RECENT CHANGES IN RECOMMENDATION AND/OR IN TARGET PRICE (OLD ONES IN BRACKETS):

Date	Rec.	Target Price (€)	Risk	Comment
6 February 2009	BUY	4.0	High	Initiating of coverage

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	COMPANIES COVERED	COMPANIES COVERED WITH BANKING RELATIONSHIP
BUY	53.6%	60.0%
HOLD	35.7%	28.0%
REDUCE	9.5%	8.0%
NOT RATED	1.2%	4.0%