Peer & Markets
Week ending18th July 2008

NEW RECORD HIGH FOR THE EURO WHILST AWAITING AN IMPROVEMENT OF THE CRISIS IN THE US

MARKETS

USD-EUR

In the previous weeks the dollar has been penalized due to the reappearance of new fears of a financial crisis in the US. If the tension diminishes, at least partially, then the dollar might be able to edge up and remain above the minimum levels it has attained in these last few days and it could then start a gradual, although modest recovery. On Tuesday, 15th of July the Euro marked a record high at 1.6038 EUR/USD, overtaking the record set in April. If these tensions are diffused then the attention should get back to the fundamentals and if there are no surprises, figures of the Euro region (trust, IFO, PMI) could lead to weaken the EUR/USD exchange rate. In technical terms, as long as the raised front is abandoned, the Euro might move down to the 1.5669-1.5625 area.

JPY

The dynamics of the Yen are still unstable, in between developments of risk aversion and interest-rate differential.

GBP

The recovery of the cable in the last couple of weeks, to the point that it managed to stay above the 2.00 GBP/USD level for a short time– a level it had left behind in April – is mainly attributable to the general weakness of the dollar. But the prospective of a growing British economy, above all in the short term, are quite negative. Once the tensions over the American financial markets are over, this will penalize the pound. The BoE (although worried about inflation levels that are constantly higher than the targeted upper limit of the range) will carry on highlighting the downside of the growth, reducing expectations of a rise in interest rates and negative results for the Pound.

PIRELLI & C.

Pirelli ended the week without any changes (Performance this month was -14.4%) with share volumes within the average. A technical rebound is expected in the short term technical situation, whilst the medium/long run technical phase is negative. The main Pirelli down trend very nearly reached the low figure recorded in 2003, it was registered at 0.3870 Euro (16th June 2008), it then reacted promptly, jumping above the strategic 0.40 Euro level, where it stabilised. Thanks to the achievement of long term, strong support and the apparent positive differences of opinion pointed out by the RSI14 index as well as from the Stochastic slow, a technical condition has come about for an interesting technical rebound. This movement will face its first resistance at 0.4352 (moving average at 25 days) its ambitious target is to reconquer the static resistance at 0.48 Euro.

Sconto Vs NAV @ 18.07.2008: -30.64%

NAV per Share: €0.59

Consensus TP: €0.60

SECTORS

Continental

- Tuesday, the German Group (family enterprise) Schaeffler, specialized in auto parts presented a purchase offer for Conti at €69.37 Euro per share (Total €11.2bn; market price around €73). The offer was not accepted by Continental, as it believes that there is no strategic reason for an incorporation of the two businesses and the opportunistic approach, underlined by the price offered, does not correctly reflect the Company's value. The German company further believes that Schaeffler is trying to get control in an "illegal" manner, by avoiding to pay an appropriate premium to the other shareholders. After entrusting the merchant bank, Goldman Sachs to come up with a defence plan, the group from Hannover has asked the Bafin, the German financial monitoring authority for help. The German Financial Times states, In a letter sent to the Bafin, the company has already calculated that Schaeffler already holds 2.99% and thanks to control options it has

managed to put its hands on 36% of the total. If the Bafin were to agree with this, Schaeffler would be forced to present a compulsory purchase offer on the totality of Continental shares (a requirement in case of participation stakes that are higher than 30%).
- The fusion between Continental and Schaeffler would make them the second car Parts supplier after Bosch. Conti has debts worth €11billion following the acquisition of VDO and it is facing a general fall in demand as well as rising petrol prices.
- Schaeffler has managed to get the support of various banks. According to the Frankfurter Allgemeine Zeitung (Faz), nine banking institutions have bought Continental shares or options for Schaeffler: Dresdner Bank, Commerzbank, LBBW, Deutsche Bank, Credit Suisse, UBS, Royal Bank of Scotland, Merrill Lynch and Unicredit.
- On Sunday Schaeffler confirmed its interest in a stake higher than 30%, whilst Continental is ready to negotiate only up to 20%.
- Pirelli has denied any interests in Continental's tyre segment, analysts were discussing about a possible transfer of the segment. . Schaeffler has declared that they do not have any break up or delisting plan .
- Announced a new 5% price rise, starting the 1st of September for the Truck segment (an equal price rise has already been announced for the Passenger segment starting the 1st of October).
(Dow Jones Newswires)
Michelin
Citigroup foresees the possibility of a profit warning after the presentation of 1H results(30th July). The analyst kept the Rating Hold but cut the TP from €70 to €54. *(Dow Jones Newswires)*
Bridgestone
Operating profit for 2008 down by 26% YoY (Y185bln against Y195 in 2007), due to rise in the price of rubber. The analysts are expecting a value of around Y189 billion. Waiting for 1H : Sales +8%. Operating profit -7%. *(Reuters)*
Khumo
An agreement has been reached with the workers and the strikes that caused losses worth $23 million have stopped (+3% basic salary, +50% bonus). *(Dow Jones Newswires)*
Apollo Tyre
1Q results were published : Net Sales +23.1%, Net Profit +4%. Margin affected by the rise in price of petrol and natural rubber: cost for raw materials INR 7.3 billion (+28%YoY).
Best performance of the week: Continental +33.4%
Worst: Khumo -7.5%
REAL ESTATE
Just like the share indexes the week was positive also for all real-estate indices. Many companies rebounded from absolute minimum figures. PRE closed the week with +9% after having touched a record low at €10.29. PRE was the best share of the Italian section and among the best across Europe. Volumes were clearly higher than average from the last 60 days, mainly due to coverage that started under the €10.5 level for shares where this level represented an important break-off point. The current week (and the following one) will be very important for the sector as the first semester results for 2008 will start coming out.
Beni Stabili
The Beni Stabili Board has approved the acquisitions of another 4% of treasury stocks (worth about 77million) having completed the acquisition of 5% announced a couple of months ago.
Risanamento
Il sole 24 reported (not confirmed by the company) a news according to which the Limitless Fund has withdrawn its offer for the Falck area due to the lack of "planning permission" as well as due to further building restrictions in the area. Since the lack of permission was a well known fact, it could be that this news leak serves the purpose of further reducing the offer price to €500mln against the hypothetical €750million figure. The offer should be presented this week
Martinsa-Fadesa
Due to its inability to obtain a financing worth €150million, the company has asked for temporary receivership, the sum is absolutely necessary to face day to day liquidity needs and to carry on with normal development activities. The company has debts worth €5.2billion and assets worth €9.7billion. The value of assets has fallen by €3.3 billion compared to June, last year. Martinsa

Fadesa is yet another of the 65 real-estate developers and brokers that have filed for bankruptcy this year in Spain. .
Its also the biggest ever corporate collapse in Spain. The Spanish Minister of Finance, Solbes declared that the Spanish real-estate sector and the banking sector can absorb Martinsa-Fadesa's collapse and defended the government's position in not providing any financial assistance to the company.
Best performance of the week: Klepierre +10%
Worst: Gabetti e Fadesa -24.7%

TLC & TLC EQUIPMENT

Nokia Siemens

Has announced that its R&D investments will be utilized in the best way possible on optical access technologies based on fibre or DSL. According to the Finnish operator, by 2015 the increasing demand for bandwidth will lead to unprecedented development of fixed access networks.

Bolloré-Iliad

The French financier could launch a public purchase offer on the broadband telephone operator, Iliad.The offer, according to market rumours reported by the press, could be of around €90 per share. The Bollorè Group has denied these rumours, emphasizing that they are "baseless".

Comstar

The Russian operator wishes to double its broadband clients, in Moscow by 2011, from 750 thousand clients to 1.5 million. The company that controls 1/3 of the broad band market in the capital aims to expand rapidly also in other areas of the country.
Best performance of the week: Kudelski +24.4%
Worst: D-Link -5.5%