

# S O P A F

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## PRESS RELEASE

### **Board of Directors approves financial statements for the six months ending 30 June 2008:**

- **Consolidated net profit/loss: loss of EUR 4.3 million** (profit of EUR 40.2 million for the same period of 2007)
- **Consolidated shareholders' equity: EUR 169.3 million** (EUR 174.9 million as of 31 December 2007)
- **Sopaf S.p.A.'s net profit: EUR 5.3 million** (loss of EUR 16.2 million for the same period of 2007)
- **Sopaf S.p.A.'s shareholders' equity: EUR 130.4 million** (EUR 131.0 million as of 31 December 2007)

*Milan, 28 August 2008* – The board of directors of Sopaf S.p.A. today approved the financial statements for the six months ending 30 June 2008.

#### **Consolidated results for the first half of the year\***

The Group posted at consolidated loss of EUR 4.3 million for the first half of 2008; the result compares with a profit of EUR 40.2 million for the same period of 2007, when the Group realized a capital gain on the divestiture of its holdings in *Omniapartecipazioni/Immsi*.

Namely, the components that negatively impacted earnings at the consolidated level for the first half of 2008 were:

- the EUR 3.4 million writedown of the shareholding in *Management & Capitali S.p.A.* for which Sopaf S.p.A. exercised the right of withdrawal pursuant to Article 2437-ter of the Italian Civil Code;
- the pro-rata loss of EUR 5.1 million accrued for the first half of the year in relation to the investment held in *Banca Network Investimenti S.p.A.*; the loss resulted from adjustments to risk provisions and reorganization costs. The bank's operating results were in line with the business plan for 2008 approved

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\* Compared with the period of reference, the area of consolidation changed due to changes in shareholdings and to the different criterion used for the consolidation of several companies in which investments are held.

by the board of directors in which a significant reduction in overhead is contemplated for the second half of 2008;

- the pro-rata losses accrued for the first half of the year in relation to the investments held in Area Life International Assurance Ltd. (EUR 1 million) and Essere S.p.A. (EUR 0.5 million), which are the result of restructuring described in more detail hereunder.

Plans have been initiated to reorganize Banca Network Investimenti (BNI), a bank in which Sopaf has recently invested. The reorganization has started off with the installation of a new management team capable of tackling the complex task of turning the bank around.

BNI's first-half results reflect additional, but final, writedowns of assets and another risk provision for ongoing disputes that reduced profits by EUR 4 million for the period.

During the second half of the year, the bank is also expected to see some results from the operating synergies with Aviva Previdenza and Area Life provided by the plan.

With the change made in management, the unwinding of the old legacy systems and the renewal of the product platform, it is believed the investment can offer significant prospects for value enhancement.

In the case of Essere, the shareholders have changed, with institutional investors securing a greater weight within the shareholder base; a new management team has been installed and has drawn up a business plan that contemplated the return to profitability by the second half of 2008.

During the first half of the year, the Sopaf Group proceeded with its plan to sell off non-strategic assets, with the aim of reducing bank debt while also freeing up financial resources to be used for new investments in line with the expected returns targeted by the Group.

In this regard, it is noted that the transfer of lease contracts and industrial shareholdings made it possible for the Group to collect EUR 62 million in the June-July 2008 period and to extinguish some EUR 15 million of debt on lease contracts. Accordingly, the directors believe the Group's financial position will get to a better level than that reported as of 30 June 2008.

The main sales during the first half of the year are summarized as follows:

- Sopaf S.p.A.'s sales of lease contracts in relation to the building situated at Foro Buonaparte, 24/Via Mercato, 5, Milan to FASC Immobiliare S.r.l., for EUR 23 million;
- An agreement signed by the Group with an important foreign fund for the sale of several industrial shareholdings for a total value of EUR 39 million; the transaction was perfected at the end of July 2008;
- Sale of units held in the fund, Fondo Immobili Pubblici (FIP) to third-party investors for EUR 20 million.

It is also noted that the Group continued the pursuit of a policy inaugurated in 2007 in order to control expenditures; this effort yielded a roughly EUR 2.6 million year-on-year reduction in operating expenses (net of non-recurring charges for incentives).

At the same time, the Group moved ahead with its efforts to build up the alternative asset management business which is concentrated on the development of Sopaf Capital Management SGR ("SCM"), a wholly owned subsidiary of the holding company. In order to provide another impulse to developing this business, the operating structure was expanded with the addition of new staff (and specifically, a management/risk-management team) and new investments were made in information systems; the following actions were also undertaken:

- The formalities for securing regulatory approval for the merger of the Group's two fund management companies (SCM and Private Wealth Management SGR) were initiated, with the merger aimed at streamlining the securities management activity; once the merger is completed (presumably before the end of 2008), the asset management company will embrace single-manager funds, multi-manager funds (both hedge and private-equity funds) and closed private-equity funds;
- The operational start-up of two new hedge funds (Sopaf Small Cap Europe and Sopaf Global Private Equity Funds), and the repositioning of the Cartesio Global Equity Fund, with the hiring of a new fund manager as of 1 July 2008; the repositioning is part of a project that involves Intermonte SIM and SCM and that is aimed at creating an important working relationship for developing the asset management business;
- The signing of an agreement after the close of the first half for the management under mandate of the Vintage Fund, funded by Paul Capital Partners for a total of EUR 51 million.

It is expected that another impulse to growth will come from business synergies with Banca Network Investimenti. Sopaf has filed a request with the Luxembourg regulatory authorities to set up a SICAV with various sub-funds; the SICAV will be placed by the BNI agent network, starting in the fourth quarter of 2008.

The assets under the Group's management amounted to around EUR 220 million as of 30 June 2008, and EUR 285 million as of the date of this press release.

The Group intends to pursue investment in this sector in the forthcoming quarters, so as to build a reputation as a credible manager of alternative portfolios (including real estate portfolios); the plan is to invest the Group's funds and the funds of third parties, on the basis of a model that is peculiar to the Italian market.

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The results for the first half of the year are now examined in greater detail: revenues and other income for the first half of the year amounted to EUR 21.7 million (EUR 4.0 million in the first half of 2007) . In particular, this account includes EUR 2.7 million of commissions generated by the fully consolidated management companies and EUR 16.9 million in relation to a capital gain arising from the sale of financial lease contracts.

The gross operating margin, which incorporates EUR 10.3 million of expenses, amounted to EUR 11.4 million (versus a loss of EUR 8.3 million for the first half of 2007), while the operating profit, which includes EUR 2.5 million of earnings from the sale of non-current assets and EUR 4.6 million of writedowns for the Group company, Management & Capitali. and the fund, PWM AIGGIG Multimanager, amounted to EUR 8.8 million (EUR 41.0 million in the first half of 2007).

As to companies in which equity investments are held, the Group's share of the losses of investments valued with the net equity method amounted to EUR 5.0 million (earnings of EUR 1.2 million for the same period of 2007), and it includes the pro-rata losses of the first half of the year in relation to the holdings in Banca Network Investimenti S.p.A. (EUR 5.1 million) and Area Life (EUR 1 million).

The earnings before interest and taxes amounted to EUR 3.8 million and compare with a profit of EUR 42.2 million for the first half of 2007.

The net financial charges amounted to EUR 5.7 million (net financial income of EUR 0.8 million in the first half of 2007).

The pre-tax loss amounted to EUR 2.0 million (compared with a pre-tax profit of EUR 43.0 million in the first half of 2007).

The Group's net loss amounted to EUR 4.3 million and is stated after income tax provisions of EUR 2.4 million and the loss of EUR 0.1 million accrued by minority shareholders. The loss for the first half of 2008 compared with a profit of EUR 40.2 million for the first half of 2007, most of which was earned on the sale of Omnipartecipazioni/Immsi.

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Shareholdings and other financial assets amounted to EUR 254.4 million (EUR 273.1 million as of 31 December 2007). The change in the balance mainly reflects the purchase of the interest in Aviva Previdenza, the sale of the entire holding in Fondo Immobili Pubblici, and the reclassification of the shareholding in the affiliate PWM AIGGIG Multimanager Fund as assets held for sale.

Shareholders' equity and minority interests as of 30 June 2008 amounted to EUR 176.0 million (versus EUR 182.0 million as of 31 December 2007); the total is inclusive of EUR 6.7 million of minority interests (EUR 7.2 million as of 31 December 2007) and EUR 169.3 million of shareholders' equity (EUR 174.9 million del 31 December 2007), the latter of which decreased as a result of both the loss incurred during the first half of the year and the increase in the investment in own shares.

The Group's net financial debt amounted to EUR 160.1 million as of 30 June 2008, and includes the receivables from the sale of the leasing contract that are due within 30 days; by comparison, the net financial debt was EUR 176.4 million as of 31 March 2008 and EUR 151.6 million as of 31 December 2007. The changes are mainly due to the acquisitions of Aviva Previdenza and Sun System and recapitalization transactions for companies in which investments are held (e.g. AFT). The improvement seen with respect to the balance at the end of March is due to the sale of the leasing contracts. It is also noted that the sale of the industrial shareholdings will have an effect on the net financial position as of the third quarter, and thus it is not yet possible to appreciate the total impact thereof as of 30 June.

## **Outlook**

After considering the continuing volatility and instability of the financial markets, management remains confident about the possibility for capturing interesting investment opportunities that are consistent with the Group's business model. As a result, the Group is proceeding on the one hand with steadily expanding the asset management business in order to achieve more balanced revenue growth over time; the Group is also selling off assets that no longer offer any prospects for returns consistent with the business targets, as demonstrated by the transactions finalized in the first half and in the months thereafter. Therefore, management believes that the earnings prospects for the second half of the year should be better than the results reported for the first half, even though the business backdrop is very difficult.

## **Holding company's results**

Sopaf S.p.A. closed the first half of the year with a net profit of EUR 5.3 million. Shareholders' equity as of 30 June 2008 amounted to EUR 130.4 million.

## Material events following the close of the first half of the year

- On 31 July, the Sopaf Group perfected the sale of four industrial shareholdings to a newly created foreign fund known as "Vintage Fund". The initial investors in the fund are Paul Capital Partners IX, L.P. (U.S.-based private-equity fund) and Sopaf S.p.A. with an investment equal to 5% of the fund for a total of roughly EUR 2.5 million (including EUR 2 million that had already been paid in at the end of July). On 6 August, the fund gave a management mandate to Sopaf Capital Management SGR; the management commissions for the mandate will total EUR 1.5 million for the year of 2008.
- In July, Sopaf S.p.A. subscribed new units in the Tergeste real estate fund for a total of EUR 7.5 million; the fund is planning to use the new financial resources for the perfection of several real estate transactions (including the purchase of a building in the center of Milan for EUR 27 million).
- On 16 July, Sopaf S.p.A. subscribed the third and last tranche (\$5 million) of the private-equity fund, Infrastructure and Growth Capital Fund, managed by Abraaj Capital, a leader in infrastructure investment in the Middle East, North Africa and Southeast Asia (MENASA) region. It is noted that Sopaf's total investment in the fund now comes to \$10 million, or 0.5% of the units subscribed. On 7 August, the fund paid \$1.5 million out as a partial reimbursement of the subscription inasmuch as the fund received an extraordinary payment arising from the sale of a company in which it held an investment.
- Also in July, Essere S.p.A. completed a capital increase; Sopaf S.p.A. boosted its holding from 35.77% to 81.87% through partial conversion of the payment made into the capital account in May, for EUR 491,200.
- On 1 August, Sopaf Capital Management SGR S.p.A. inaugurated the operation of the Sopaf Small Cap Europe fund, having received the first subscription of such units of EUR 10 million on 31 July; such units were subscribed by Sopaf S.p.A., in the role of fund sponsor.
- On 1 August and with reference to the sale of the industrial shareholdings mentioned above, the liquidator of LM & Partners SCA approved a partial distribution of income, assigned EUR 22 million of liquidity to the sole shareholder, Sopaf S.p.A.
- On 6 August, the board of directors of China Opportunity SA Sicar ratified a capital increase currently in process, with a total of EUR 14.8 million being subscribed and paid in. Cutter S.à.r.l. acted on behalf of the Sopaf Group in subscribing the increase for the Class A shares for EUR 151,300, whereas Sopaf S.p.A. subscribed the Class B shares for EUR 2.7 million inasmuch as the company of the Group that was holding the investment in the Sicar's capital, LM & Partners (owned 100% by Sopaf S.p.A.), is currently in the process of being liquidated. Accordingly, the liquidator deemed it part of its mandate to sell the right to subscribing the capital increase to the sole shareholder. At the same meeting, the board of directors of China Opportunity approved a resolution for the transfer of the Class B shares from LM & Partners to Sopaf S.p.A. via a partial distribution of the proceeds from the liquidation. The distribution was formally effected as of the same date by the liquidator through the assignment of 5,000 Class B shares to Sopaf S.p.A. for an invested countervalue equal to EUR 5 million.

- On 22 August, Sopaf notified Delta S.p.A. the exercise of its right of withdrawal from Delta S.p.A. for 16,967,900 shares, pursuant to Article 2437, Paragraph 1, Letter a) of the Italian Civil Code, as a result of the resolution passed by the extraordinary meeting of the company's shareholders held on 6 August 2008 which approved the adoption of a new by-laws that changes the company's purpose in order to make it possible for it to carry out the activity of a bank holding company. In relation to the changes to the company's purpose within the by-laws and in consideration of the changes in Delta S.p.A.'s economic, financial and management structure and in connection with its real ownership structure Sopaf has considered it essential to protect its interests by exercising the right of withdrawal, and reserving the possibility of taking all necessary actions so that the computation of the liquidation value will be that as governed by the Civil Code. In this final regard, it should be noted that during the extraordinary meeting of the company's shareholders held on 6 August, the directors of Delta S.p.A. negated the recognition of the right of withdrawal for the dissenting shareholders, explaining their decision by their opinion that the change to the company's purpose is not sufficiently significant to trigger the possibility of exercising the right.

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*The executive in charge of the preparation of the corporate accounting documents (Alberto Ciaperoni) declares pursuant to Paragraph 2, Article 154-bis of the Consolidated Financial Act that the accounting information contained in this press release corresponds to the documented results, books and accounting records.*

***For additional information***

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*The exhibits to this press release include: the profit and loss statement, the balance sheet, the statement of changes in consolidated financial position in relation to the six months ending 30 June 2008. The Group's independent auditors are conducting a limited review of the data contained in the financial statements.*

## SOPAF GROUP

### CONSOLIDATED PROFIT AND LOSS STATEMENT

in € 000's

	<b>01.01.2008</b>	<b>01.01.2007</b>
	<b>30.06.2008</b>	<b>30.06.2007</b>
	<i>6 months</i>	<i>6 months</i>
Revenues	3.202	3.020
Other income	18.481	986
Materials purchases and external services	(5.350)	(6.272)
Personnel expense	(3.751)	(2.642)
Other operating expenses	(1.192)	(3.427)
<b>Gross profit</b>	<b>11.390</b>	<b>(8.335)</b>
Risk provisions and writedowns	(4.577)	(10.295)
Depreciation and amortization	(522)	(430)
Gains (losses) from sale of non-current assets	2.495	60.044
<b>Operating profit</b>	<b>8.786</b>	<b>40.984</b>
Earnings accrued on shareholdings valued with net equity method	(5.026)	1.225
<b>Profit before interest and taxes</b>	<b>3.760</b>	<b>42.209</b>
<i>Financial income</i>	2.110	4.330
<i>Financial charges</i>	(7.858)	(3.572)
Financial income (charges). net	<b>(5.748)</b>	<b>758</b>
<b>Profit (loss) before taxes</b>	<b>(1.988)</b>	<b>42.967</b>
<i>Current taxes</i>	(632)	(189)
<i>Deferred taxes</i>	(1.758)	(2.487)
Income taxes	<b>(2.390)</b>	<b>(2.676)</b>
<b>Net profit (loss) from continuing operations</b>	<b>(4.378)</b>	<b>40.291</b>
Net profit from assets held for sale	(70)	-
<b>Net profit (loss)</b>	<b>(4.448)</b>	<b>40.291</b>
<b>Attributable to:</b>		
Minority interests	(102)	120
<b>Group</b>	<b>(4.346)</b>	<b>40.171</b>

#### Earnings per share (in €)

From operations and assets held for sale:		
- Primary	(0,0105)	0,0955
- Diluted	-	0,0921
From operations:		
- Base	(0,0104)	0,0955
- Diluted	-	0,0921

# SOPAF GROUP

## CONSOLIDATED BALANCE SHEET

in € 000's

	<b>30.06.2008</b>	<b>31.12.2007</b>
Goodwill	2.860	2.860
Intangible fixed assets	622	684
Tangible fixed assets	2.699	23.541
Shareholdings in affiliate companies / jointly controlled companies	115.589	116.117
Financial assets	138.817	157.031
Other assets	3	-
Tax credits	18.365	18.208
Deferred tax assets	5.580	5.517
<b>Total non-current assets</b>	<b>284.535</b>	<b>323.958</b>
Inventories	101	94
Customer receivables and other trade receivables	1.440	876
Other receivables and other assets	28.023	14.451
Other financial assets	3.699	7.298
Financial derivatives	735	-
Cash and cash equivalents	15.026	21.727
<b>Total current assets</b>	<b>49.024</b>	<b>44.446</b>
Non-current assets held for sale	76.922	28.208
<b>Total assets</b>	<b>410.481</b>	<b>396.612</b>
Capital	80.095	80.002
Own shares	(2.363)	(174)
Undivided profits	91.572	95.041
<b>Shareholders' equity</b>	<b>169.304</b>	<b>174.869</b>
Minority interests	6.708	7.173
<b>Total shareholders' equity</b>	<b>176.012</b>	<b>182.042</b>
Bonds	43.981	43.390
Due to banks and other lenders	72.935	61.557
Financial leases payable	551	14.840
Other liabilities	10.815	10.612
Pension and employment-severance liabilities	475	350
Deferred tax liabilities	285	303
Provisions	1.205	1.647
<b>Total non-current liabilities</b>	<b>130.247</b>	<b>132.699</b>
Bonds - current portion	1.708	755
Due to banks and other lenders	79.354	59.099
Financial leases payable	151	1.023
Financial derivatives	9	11
Trade accounts payable	2.584	4.896
Other liabilities	20.390	16.087
<b>Total current liabilities</b>	<b>104.196</b>	<b>81.871</b>
Liabilities related to assets held for sale	26	-
<b>Total liabilities and shareholders' equity</b>	<b>410.481</b>	<b>396.612</b>

# SOPAF GROUP

in EUR 000's

	30.06.2008	30.06.2007
<b>STATEMENT OF CHANGES IN CONSOLIDATED FINANCIAL POSITION</b>		
<b>OPERATING ACTIVITY</b>		
<b>Net profit (loss) for the period</b>	<b>(4.346)</b>	<b>40.170</b>
<i>Adjustments for:</i>		
Quota of affiliate companies' profits (losses)	5.026	(1.226)
Dividends received	(1.573)	(3.858)
Financial charges	7.858	3.566
Financial income	(2.110)	-
Income taxes	632	2.659
Deferred income taxes	1.758	-
Depreciation of property, plant and equipment	412	391
Writedowns of financial assets available for sale	4.577	10.295
Amortization of other intangible assets	110	39
Capital gains on sale of financial leases on property and plant	(16.864)	-
<b>Cash flow from operating activity before changes in working capital</b>	<b>(4.520)</b>	<b>52.036</b>
(Increase)/Decrease in receivables and other assets	(14.161)	958
(Increase)/Decrease in inventories	(7)	-
Increase/(Decrease) in trade accounts payable and other current liabilities	1.359	(12.089)
Increase/(Decrease) in other non-current liabilities	203	12.380
<b>Cash generated from operating activity</b>	<b>(17.126)</b>	<b>53.285</b>
Interest paid	(4.882)	(3.566)
Net change in reserves for risks and charges	(442)	(777)
Net change in employment-severance liabilities	125	46
Writedowns of financial assets available for sale and held for sale	(4.577)	(295)
Change in non-current tax credits	(156)	(148)
Change in deferred taxes	(3.146)	2.638
<b>NET CASH ARISING FROM OPERATING ACTIVITY</b>	<b>(30.204)</b>	<b>51.183</b>
<b>INVESTMENT ACTIVITY</b>		
Interest received	2.110	461
Dividends received from affiliate companies	1.239	306
Dividends received from financial investments	1.229	3.858
Quota of affiliate companies' profits (losses)	(5.026)	1.226
Increases in shareholdings in affiliate companies	(15.479)	(20.136)
Decreases for adjustments for pro-rata results and sales of shareholdings in affiliate companies	5.025	99.703
Decreases for sales of assets available for sale	24.723	-
Goodwill on acquisition of shareholdings in subsidiary companies	-	(877)
Capital subscriptions in companies in which investments are held	(2.197)	(3.990)
Increases in financial assets available for sale	(27.503)	(90)
Net increases/decreases in fair value of financial assets available for sale	4.606	(39.487)
Changes in net assets within consolidation area	22	3.928
Reclassification of investments and financial assets available for sale as assets held for sale	29.934	-
Increases in tangible fixed assets, net	(563)	(305)
Increases for properties under financial lease	-	(6.157)
Sales of property and plant under financial lease	20.984	-
Purchases of intangible fixed assets	(53)	(139)
Change in non-current financial receivables	-	(8.639)
Capital gains on sale of property, plant and equipment	16.864	-
Net change for sale of fixed assets:		
- <i>Tangible</i>	9	444
- <i>Intangible</i>	5	-
<b>NET CASH EMPLOYED IN INVESTMENT ACTIVITY</b>	<b>55.929</b>	<b>30.106</b>
<b>FINANCIAL ACTIVITY</b>		
Repayments of bank loans	-	(64.500)
Increases in financial lease payables	(15.161)	-
Increases in financial derivatives	(1.290)	-
Increase (decrease) in current accounts with banks	30.295	29.022
Change in current financial assets	3.599	124
Change in non-current financial assets	(1.263)	-
Change in financial debt	-	(3.592)
Change in minority interests	(465)	(19.982)
Purchase of own shares	(2.189)	-
Other medium-/long-term liabilities	-	121
Changes in shareholders' equity	165	(3.742)
Change in <i>fair value</i> of financial assets available for sale as a result of sales	2.571	(15.052)
<b>NET CASH ARISING FROM (EMPLOYED IN) FINANCIAL ACTIVITY</b>	<b>16.262</b>	<b>(77.601)</b>
<b>NET CASH AND CASH EQUIVALENTS ARISING FROM (EMPLOYED IN) WORKING CAPITAL ACTI</b>		
	<b>41.987</b>	<b>3.688</b>
Change in assets held for sale:		
<i>Reclassification of investments in affiliate companies</i>	(12.167)	-
<i>Reclassification from financial assets available for sale</i>	(17.682)	-
<i>Writedowns on investments held for sale</i>	4.508	-
<i>Capital subscriptions for companies in which investments are held</i>	(22.999)	-
<i>Sales of shareholdings in affiliate companies</i>	164	-
<i>Adjustments to fair value for assets available for sale</i>	(386)	-
<i>Net assets of subsidiary companies held for sale</i>	(152)	-
Change in liabilities related to assets held for sale	26	-
<b>NET CASH AND CASH EQUIVALENTS ARISING FROM (EMPLOYED IN) ASSETS HELD FOR SALE (</b>	<b>(48.688)</b>	<b>-</b>
<b>NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B)</b>	<b>(6.701)</b>	<b>3.688</b>
<b>CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD</b>	<b>21.727</b>	<b>2.420</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>15.026</b>	<b>6.108</b>