

THE VENTURE-BACKED IPO MARKET ¹

During the 12 month period ended February 28, 2011, Ernst & Young Financial-Business Advisors ('Ernst & Young') continued monitoring the share prices of Venture-Backed companies listed on the Italian market through an analysis of the Ernst & Young Venture-Backed Index ('EYVBI').

In 2010, according to preliminary data, world output grew by 3.9%, mainly linked to domestic demand in developing-countries, after a fall of -2.2% in 2009². The global industrial production and trade regained pre-crisis levels of activity towards the middle of 2010, even if growth rates registered a slowdown in September. In many high-income countries, the recovery has been weighed down by restructuring processes, while in developing-countries a robust recovery is under way. In 2011, a slower pace of growth is expected, equal to 3.3%.

In this context, the United States are expected to register a GDP increase of 2.8% in 2010, after a reduction of -2.6% in 2009.

European countries are expected to record a worse performance than the US: in 2010, the GDP in the Euro area is forecast to increase by 1.7% (1.8% in the EU27 countries). In 2009, these areas registered a slump in GDP of -4.1% and -4.2% respectively. Greek GDP, in particular, is expected to decrease by -4.0% in 2010, the worst result among European countries.

In the US, GDP has grown in every quarter of 2010, thanks to the positive contribution from private inventory investment, exports, non-residential fixed investment and federal government spending. According to the International Monetary Fund, in 2011 the US GDP is forecast to increase by 3.0%.

GDP in the Eurozone has grown since the first quarter of 2010 - in which a 0.4% growth (quarter-on-quarter) was registered. In the second quarter, GDP growth achieved a peak of 1.0%, then reducing to +0.5% in the third quarter and +0.2% in the last quarter.

The limited Eurozone GDP growth in the fourth quarter of 2010 was mainly due to the moderate expansion of Germany in the second half of 2010. German growth, in fact, registered a slowdown from +2.2% in the second quarter to +0.7% and +0.4% in the third and fourth quarter, respectively. Nevertheless, the fourth quarter of 2010 represents the

¹ Ernst & Young Financial-Business Advisors.

² Source: The World Bank.

seventh consecutive quarter of growth for the German economy, which is expected to grow by 3.5% over 2010 as a whole.

In 2011, growth in Eurozone will continue to remain moderate; GDP is expected to increase by around 1.5%, also due to restrictive fiscal policies that will continue to constrain many Eurozone countries, as governments are undertaking extended corrective actions to restore budget deficits. The difference in growth performances between northern Eurozone economies and southern economies (plus Ireland) will become more marked during 2011.

According to the ISTAT, Italy's output grew slightly by 0.1% in the last quarter of 2010. As a result, Italian GDP for the full year 2010 is expected to increase by 1.3% (-5.0% in 2009). In 2011, the Italian economy is predicted to grow at a slower pace, with GDP increasing around 1.0%.

France closed 2010 with an expected growth of 0.3% in the fourth quarter, determining an estimated growth of 1.5% in 2010 (-2.6% in 2009). Projections for 2011 forecast a growth of 1.8%.

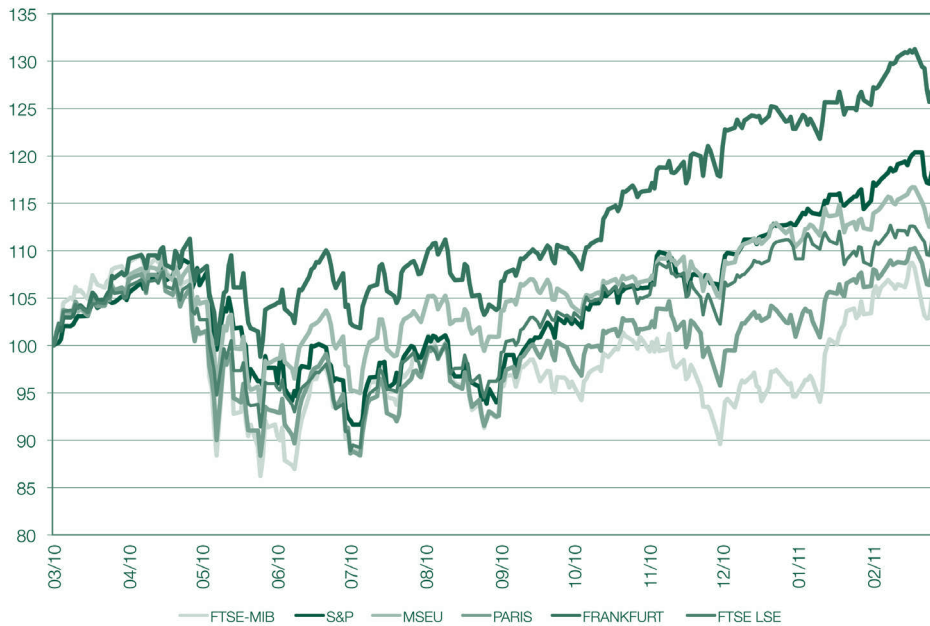
In the UK, GDP decreased by 0.5% in the fourth quarter of 2010 and is expected to register a positive growth of 1.5% on a yearly basis according to the Office for National Statistics (-4.9% in 2009). Projections for 2011 forecast a growth of 2.0%.

GDP growth in developing-countries is expected to rise by 7.1% in 2010, a performance significantly higher than the one recorded in 2009 (+2.6%). Projections estimate a growth at around 6.5% in 2011. Large Asian economies such as India and China continued to grow very rapidly: China is expected to grow by 10.3% in 2010, while Indian GDP is estimated to increase by 9.7% in the same period. Compared with the other emerging economies, Russian GDP growth is expected to be less marked in 2010 (+3.7%).

During the year ended February 28, 2011, the overall stock market performance was positive in Europe. The German (CDAX) stock exchange continued to perform better than other major European indices, showing a 28.5% increase in the period, while the Italian (FTSE-MIB), British (FTSE-LSE) and French (CAC40) stock exchanges registered lower increases of 5.4%, 10.9% and 9.0% respectively. The US (S&P) stock exchange outperformed most of the European markets, showing an increase equal to 19.0%.

The chart below shows the performance of the FTSE-MIB index compared with the other major international stock exchange indices.

Chart 1 – Performance of the major international stock markets



In February 2011, the Italian market capitalisation of domestic listed companies increased to 466 Euro Bln, representing 29.0% of Italian GDP as compared to 27.2% in February 2010. The breakdown of this figure is 448 Euro Bln for companies listed in the MTA (excluding the STAR segment), 17 Euro Bln for the STAR segment, 0.4 Euro Bln for companies listed in the AIM (the new market dedicated to small/medium-sized Italian enterprises with strong growth potential) and 0.3 Bln for companies listed in the MAC.

As of February 2011, the Italian stock market has 334 domestic and foreign listed companies (out of which 273 belong to the MTA, 36 to the MTA International segment, 11 to the AIM, 8 to the MAC segment and 6 to the Investment Companies segment), a number that has slightly increased from February 2010 (332 listed companies).

The above mentioned trend provides evidence of the limited performance of the Italian stock exchange in the period under review.

IPO activity

The year ended February 28, 2011, showed a slight recovery in Initial Public Offerings ('IPOs') activity, with ten new listings: two on the MTA, one on the MIV and seven on the AIM; this performance compares with only five new listings in the previous year.

During the period under review only one out of the new listings was represented by a Venture-Backed company. The distribution of the new listings by industry is the following: real estate (Unione Alberghi Italiani), media (Poligrafici Printing, Pms Group, Vita Società Editoriale), utility (Fintel Energia, Enel Green Power), industrial products (Tesmec), financial services (Italy1 Investment, First Capital, Methorios Capital).

The table below summarises the new listings in the past 12 months.

Table 1 – IPOs on the Italian stock exchange (March 2010 – February 2011)

| Company name | Market segment | Listing Date | IPO price (Euro) | Current Market cap. (Euro Mln) | Venture-Backed |
|--------------------------|----------------|--------------|------------------|--------------------------------|----------------|
| Tesmec | MTA | 01/07/2010 | 0.70 | 75 | No |
| Enel Green Power | MTA | 04/11/2010 | 1.60 | 8,560 | No |
| Italy1 Investment | MIV | 27/01/2011 | 10.00 | 148 | No |
| Pms Group | AIM | 16/03/2010 | 6.40 | 7 | No |
| Poligrafici Printing | AIM | 16/03/2010 | 1.03 | 19 | No |
| Fintel Energia Group | AIM | 23/03/2010 | 2.30 | 42 | No |
| Methorios Capital | AIM | 14/07/2010 | 1.40 | 51 | No |
| Vita Società Editoriale | AIM | 22/10/2010 | 0.94 | 6 | Yes |
| First Capital | AIM | 22/12/2010 | 1.03 | 22 | No |
| Unione Alberghi Italiani | AIM | 19/01/2011 | 1.00 | 5 | No |

Among new listings, positive performance (i.e. price at February 28, 2011 above IPO's price) was only recorded by Enel Green Power (+7.0%).

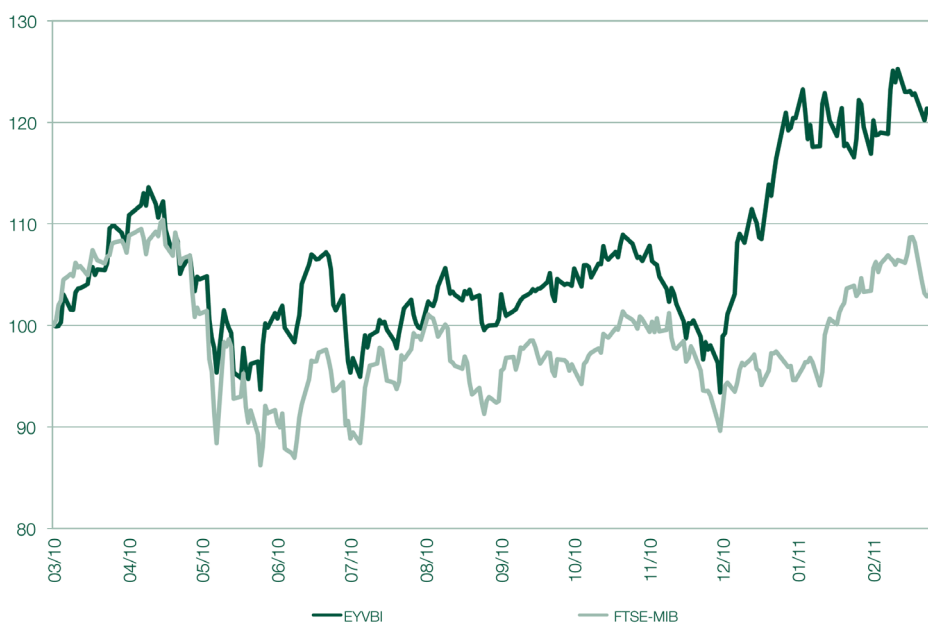
On the other hand, during this period, 9 delistings were recorded (i.e. Banca Italease, Everel Group, Enia following the merger with Iride, Trevisan Cometal, IT Holding, Mediterranea delle Acque, SNIA, House Building, GranitiFiandre) and 6 takeovers (OPAs) were proposed.

Performance of venture-backed shares (EYVBI)

The Ernst & Young Venture-Backed Index, created in November 1999, monitors Venture-Backed companies with shares listed on the MTA. The basket of companies included in the index is revised twice a year on May 1, and November 1, and includes Venture-Backed companies which have been listed for more than three months and less than three years. Companies in the first three months after listing are not included to avoid the effect of 'underpricing' an IPO, whilst those listed for over three years are no longer considered to be influenced by their Venture-Capital investors.

The following chart summarises the performance of the EYVBI from March 1, 2010 through February 28, 2011.

Chart 2 – EYVBI – FTSE-MIB (March 2010 – February 2011)



The chart shows that the EYVBI generally followed the market trend during the first quarter, though performing better than the latter from the second to the last quarter. Over the period, the EYVB index increased by 22.5%, compared to the performance of 5.4% registered by FTSE-MIB. During the period, the company that recorded the best performance was Yoox (+82.7%).

The following table lists the companies included in the EYVBI basket from November 1, 2010 to February 28, 2011 showing the industry sectors in which they operate, IPO dates, market capitalisation and growth over the four-month period.

Table 2 – EYVBI basket (November 2010 – February 2011)

| Company name | IPO date | Current Market cap. (Euro Mln) | Change over 4 months | Industry Sector |
|--------------|------------|--------------------------------|----------------------|---------------------|
| MOLMED | 05/03/2008 | 90 | +1.4% | Biotechnology |
| ENERVIT | 24/07/2008 | 24 | +2.9% | Beverage |
| YOOX | 03/12/2009 | 496 | +19.6% | E-commerce |
| TBS GROUP | 23/12/2009 | 66 | -2.7% | Healthcare services |

Elica, Poltrona Frau, Cobra, IW Bank, Mutui Online, Prysmian, Rdb, Screen Service, Pramac, Diasorin, Sat, Rcf Group and Piquadro were removed from the basket index, while Yoox and Tbs Group were added to the basket. Vita Società Editoriale will be included in the basket in the next revision of May 1, 2011.

As of February 28, 2011, the combined market capitalisation of the companies included in the EYVBI was 676 Euro Mln, representing some 0.2% of the total market capitalisation of the domestic listed companies. The weight of the companies included in the EYVBI decreased by 1.0% from February 28, 2010.

Given the limited number of companies included in the index from November 1, 2010 to February 28, 2011 – with the aim of increasing the significance of the analysis – a wider timeframe was also considered. The following chart shows the performance of the EYVBI from March 1, 2006 to February 28, 2011.

The chart shows that the EYVBI generally followed the market trend, outperforming the FTSE MIB index starting from June 2009, with an overall performance in the last 5 years equal to -16.5% (compared to -0.6% of FTSE MIB).

Chart 3 – EYVBI – FTSE MIB (March 2006 – February 2011)

