

THE VENTURE-BACKED IPO MARKET¹

During the 12 month period ended February 29, 2008 Ernst & Young Financial-Business Advisors ('Ernst & Young') has 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').

World growth in 2007 is expected to decrease from 3.9% in 2006 to 3.6%. This slowdown is mainly related to the trend of the OECD² countries: in 2007 their GDP growth was 2.5%, 0.3% less than 2006. Among the OECD countries, the United States registered the most relevant downturn, dropping from 2.9% in 2006 to 2.2% in 2007. European growth is expected to register a good 2.7%, out-performing the United States for the first time in more than a decade. Japan's growth should register 2.0%.

In the United States, the slump in GDP growth occurred principally in the first (0.7%) and fourth quarter (0.6%), but it has been partially compensated by a rebound in the second and third quarter (respectively 3.8% and 4.9%). This downturn is due to a reduction in residential investments and to the worse lending conditions during the whole year. Growth is projected to weaken further in 2008, falling to 1.9% due to the continuing difficulties in the commercial paper market.

On the contrary, the Euro area maintained a favourable pace of growth in the first quarter but developments in the second quarter were disappointing; the growth in the third and fourth quarters returned to a good 2.9% and 2.6%, respectively. The Italian growth for the full year is estimated to be 1.5% by the ISTAT³, compared with the forecasts of the government institutions of 1.9%. In 2006, GDP grew by 1.8%, so the

¹The analysis has been produced by Ernst & Young Financial-Business Advisors.

²Organization for Economic Co-operation and Development. The 30 member countries of the OECD are: Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Korea, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Spain, Sweden, Switzerland, Turkey, United Kingdom, United States.

³National Statistics Institute

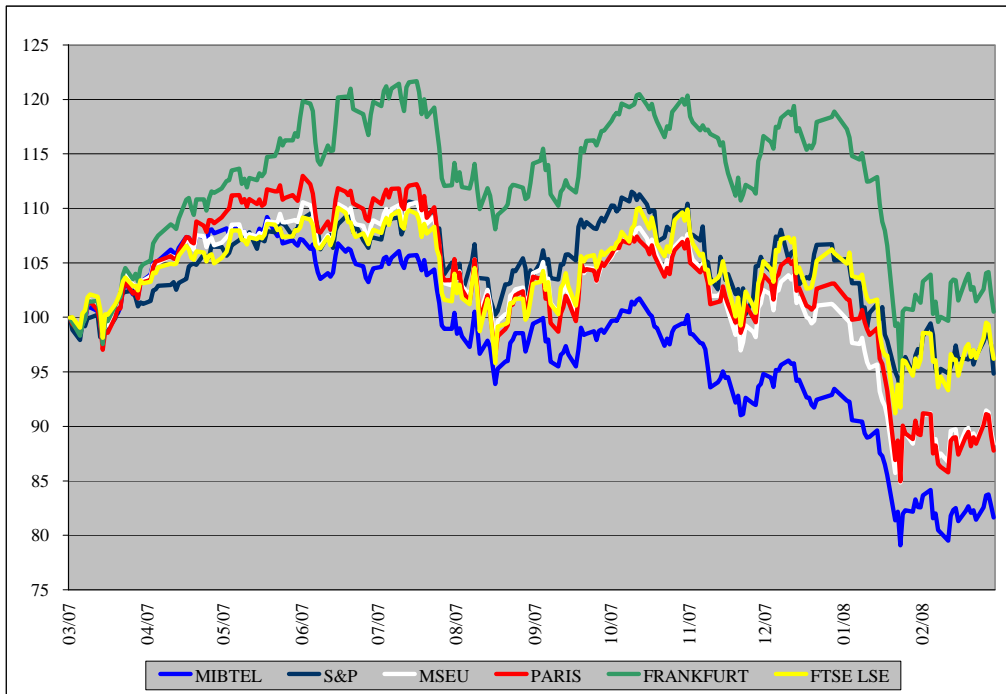
Italian economy is going to decelerate; Germany and France are going to follow the same trend, in fact German GDP grew by 2.6% (2.7% in 2006) while French GDP grew by 1.8% (2.2% in 2006). On the contrary UK's GDP in 2007 grew by 3.1%, compared with the 2.7% of the previous year. In 2008, global growth in the Euro area is expected to moderate further, due to the turbulences in financial markets, the slowdown in the USA and the rising prices of raw materials, most importantly the oil price which went through the roof, to over USD 100 per barrel. Accordingly, the EU commission has reduced the expected GDP growth in 2008 from 2.2% to 1.8%. Italian GDP growth has been halved, from 1.4% to 0.7%. in 2008.

Developing countries are expected to grow significantly, driven by the strong domestic momentum. In 2007, the GDP increase was 7.4%, matching 7.5% in 2006. Large economies such as India, China and Russia lead this growth. In particular, China in 2007 grew by 11.4%, which is the maximum expansion since 1994, while the Indian GDP increased by 8.7%. However, GDP growth in 2008 will decrease to 7.1% with easing in all developing countries except for oil producers (Middle East, North and Sub-Saharan Africa).

In this context, during the year ended February 29, 2008, the overall stock market performance was negative in Europe. Such performance was driven primarily by the financial turbulence and the turmoil started off with the subprime mortgage crisis. The German stock market, which performed better than all the other major European indices, showed a 0.5% increase, while the Italian, French and British stock exchanges registered a decrease of -18.4%, -12.2% and -3.8%, respectively. Outside Europe, the US stock market held stable as regards the Dow Jones and NASDAQ, while the S&P registered a negative performance of -5.2%.

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

Chart 1 – Performance of the major international stock markets



Source: Bloomberg

After four consecutive years of growth, the Italian market capitalisation decreased at December 2007 to EURO 733 billion for the national listed companies (-6% YoY), representing 48.0% of Italian GDP, compared to 52.7% in the previous year. Breaking down the figure, capitalisation totalled Euro 675 billion for Blue-chip companies (Euro 710 billion at year-end 2006), Euro 22 billion for companies in the Star segment (Euro 24 billion), and Euro 25 billion for those in the Standard segment (Euro 32 billion), whilst for companies in the Expandi Market, capitalisation slightly rose to Euro 11 billion (Euro 10 billion).

As of January 2008, the Italian stock market was seventh in Europe in terms of market capitalization, slightly below OMX (which includes the stock exchanges of Copenhagen, Stockholm, Helsinki, Riga, Tallin and Vilnius) and eighth in terms of number of listed companies, totalling 341 companies (of which 86 belong to the MTA/MTAX Blue-chip segment, 82 to the Star segment, 94 to the Standard segment, 4 to Investment Companies

segment, 37 to the MTA International segment, 35 to the Expandi Market and 3 to the MAC segment).

The main index of the Italian market, S&P/MIB, recording a –17.5% drop for the 12 month period ended February 29, 2008, demonstrates the negative performance of the Italian market. The ALL STAR index and MEX - the index of the companies included in the Expandi market – also recorded decreases of -25.0% and -26.2%, respectively.

IPO ACTIVITY

The year ended February 29, 2008, buoyed by the support provided by Private Equity funds, showed the highest number of Initial Public Offerings ('IPOs') in the domestic market since 2000, with 29 new listings, of which 21 on the Mercato Telematico Azionario ("MTA/MTAX") and 8 on the Mercato Expandi, against a total of 20 IPO's during the previous 12 months. The total turnover of the IPOs in 2007 was Euro 4.4 billion against Euro 4.8 billion in 2006.

During the period under review, 12 out of 29 of the new listings were represented by Venture-Backed companies. The distribution of the new listings by industry ranges among various sectors: banking (IW Bank), mortgages (Gruppo Mutuonline, Conafi Prestito), financial services (Investimenti e Sviluppo Mediterraneo, Toscana Finanza), private equity (Mid Industry Capital, Cape L.I.V.E.), fashion and luxury goods (Aeffe fashion group, Piquadro, Damiani), boat building and repairing (Aicon Yachts), glass containers production (Zignago Vetro), components and alternative automotive fuel systems production (Landi Renzo), generators production (Pramac Group), houseware sector (Bialetti Industrie), household and professional audio equipment production (RCF group, B&C Speakers), technology (Prysmian Cables & Systems, Screen Service Broadcasting Technologies), environmental sector (Biancamano), sanitation (Servizi Italia), transportation (D'Amico International Shipping), supporting air traffic activities (SAT), utilities (Enia), media (Il Sole 24 ore), diagnostics (Diasorin), pharmaceutical (Bouty Healthcare), construction materials

sector (RDB), integrated services in chemical and power sectors (Maire Tecnimont).

The table below summarises the new MTA listings during the past 12 months.

Table 1 - IPOs on MTA/MTAX/EXPANDI (March 2007 – February 2008)

Company name	Listing Date	IPO price (Euro)	Current Market cap. (Euro)	Venture-Backed
Biancamano	07/03/2007	2.80	75	No
Toscana Finanza	21/03/2007	3.00	71	No
Aicon Yachts	04/04/2007	4.10	167	No
Servizi Italia	04/04/2007	8.50	88	No
Conafi Prestito	12/04/2007	5.00	101	No
D'Amico International	03/05/2007	3.50	351	No
Prysmian Cables &	03/05/2007	15.00	2,342	Yes
Mid Industry Capital	11/05/2007	26.00	76	No
IW Bank	23/05/2007	4.60	207	Yes
Zignago Vetro	06/06/2007	4.50	336	No
Gruppo MutuiOnline	06/06/2007	5.60	166	Yes
Screen Service	11/06/2007	1.60	136	Yes
RDB	19/06/2007	5.10	96	Yes
Landi Renzo	26/06/2007	4.00	304	No
Pramac Group	03/07/2007	4.20	89	Yes
Enia	10/07/2007	10.10	1,157	No
Diasorin	19/07/2007	12.25	731	Yes
Cape L.I.V.E.	19/07/2007	1.05	36	No
B&C Speakers	20/07/2007	5.00	43	No
Aeffe Fashion Group	24/07/2007	4.10	238	No

Company name	Listing Date	IPO price (Euro)	Current Market cap. (Euro)	Venture-Backed
SAT	26/07/2007	12.35	106	Yes
Bialetti Industrie	27/07/2007	2.50	109	No
RCF Group	27/07/2007	2.80	52	Yes
Bouty Healthcare	09/10/2007	1.30	27	Yes
Piguadro	25/10/2007	2.20	100	Yes
Damiani	08/11/2007	4.00	163	No
Maire Tecnimont	26/11/2007	2.80	1,038	No
Il Sole 24 Ore	06/12/2007	5.75	545	No
Investimenti & Sviluppo Mediterraneo	30/01/2008	1.00	56	Yes

Source: Ernst & Young Financial-Business Advisors, Bloomberg

Among the new MTA/MTAX and Expandi listings, positive performances (i.e. price at February 29, 2008 above IPO's price) were recorded by Maire Tecnimont, Diasorin and Enia, respectively of 15.0%, 8.5% and 6.5%.

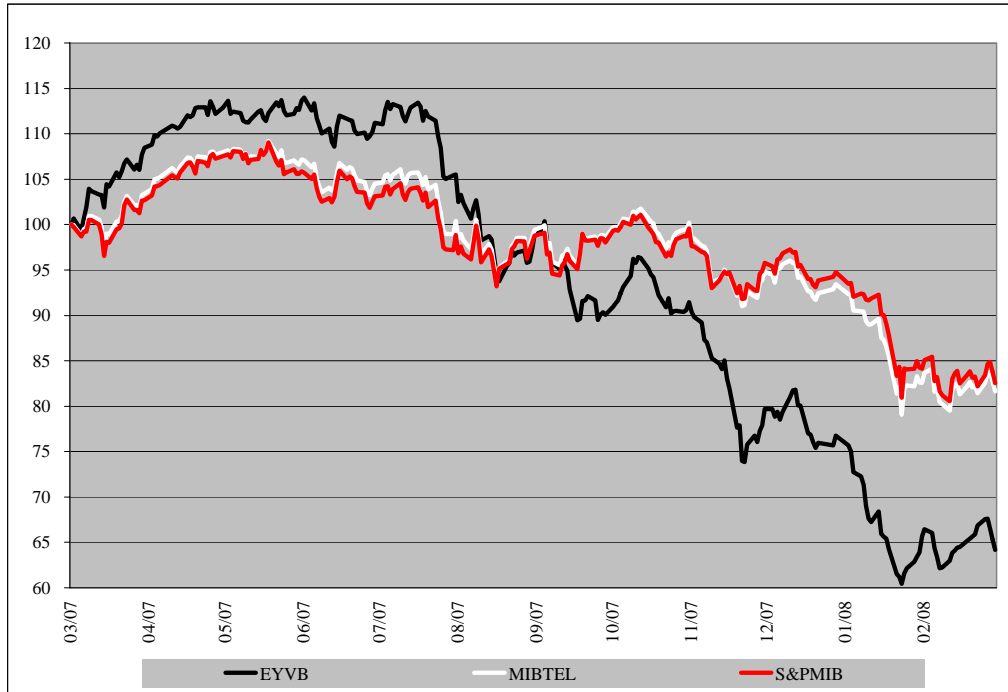
PERFORMANCE OF VENTURE-BACKED SHARES (EYVBI)

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 indices 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.

Taking into consideration the increasing number of small and mid cap companies which have demonstrated interest in entering the Expandi market, starting from November 1, 2006, the Ernst & Young Venture-Backed Index comprises the Venture Backed IPOs of this market as well.

The following chart summarises the performance of the EYVBI from March 1, 2007 through February 29, 2008.

Chart 2 - EYVBI – MIBTEL – S&P MIB (March 2007 – February 2008)



Source: Ernst & Young Financial-Business Advisors, Bloomberg

The chart shows that the EYVBI generally followed the market trend – though with a higher volatility - performing better than the latter in the period March 2007 – August 2007, while remaining below the performance of the whole Italian stock exchange from August 2007 to February 2008. Over the period, the EYVBI value decreased 35.8% as compared with the negative performance of MIBTEL, -18.4%, and S&P/MIB, -17.5%. During the 12 months analysed, the company that registered the best performance was Arkimedica (- 2.6%).

The following table lists the companies included in the EYVBI basket from November 1, 2007 to February 29, 2008 showing the industry sectors in which they operate, IPO dates, market capitalisation and growth over the four-month period.

Table 2 - EYVBI basket (November 2007 – February 2008)

Company name	IPO date	Current Market cap. (Euro Mln)	Change over 4 months	Industry Sector
PANARIA	19/11/2004	171	- 36%	Ceramics
IGD	11/02/2005	696	- 16%	Services
MARR	21/06/2005	445	- 16%	Food Distribution
GUALA CLOSURES	22/11/2005	235	- 29%	Closures
EUROTECH	30/11/2005	154	- 18%	Technology
SAFILO GROUP	09/12/2005	607	- 25%	Eyewear
EUROFLY	21/12/2005	32	- 46%	Airlines
MARAZZI GROUP	15/02/2006	585	- 34%	Ceramics
EEMS ITALIA	27/04/2006	127	- 35%	Semiconductors
ANTICHI	07/06/2006	345	- 20%	Apparel
BOLZONI	08/06/2006	76	- 41%	Industrial
ARKIMEDICA	01/08/2006	127	- 29%	Healthcare
ELICA	10/11/2006	167	- 24%	Appliances
POLTRONA FRAU	15/11/2006	183	- 50%	Design furniture
COBRA	12/12/2006	99	- 40%	Electronic controls
IW BANK	23/05/2007	207	- 19%	Banking
MUTUI ONLINE	06/06/2007	166	- 18%	Mortgages
PRYSMIAN	03/05/2007	2,342	- 35%	Cables & Systems
RDB	19/06/2007	96	- 57%	Construction
SCREEN SERVICE	11/06/2007	136	- 35%	Broadcasting
PRAMAC	03/07/2007	89	- 26%	Generators
DIASORIN	19/07/2007	731	- 1%	Diagnostics
SAT	26/07/2007	106	- 16%	Airports
RCF GROUP	27/07/2007	52	- 32%	Audio equipment

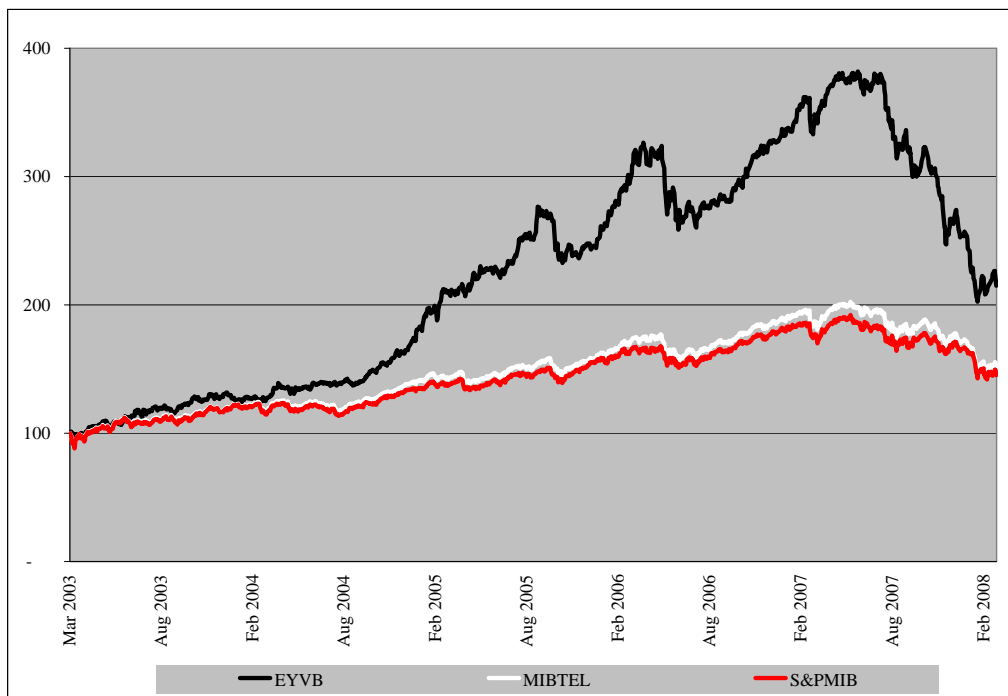
Source: Ernst & Young Financial-Business Advisors, Bloomberg

Effective May 1, 2008 Panaria and IGD will be removed while Piquadro, and Bouty Healthcare will be added to the basket index.

As of February 29, 2008, the combined market capitalisation of the companies included in the EYVBI was Euro 7.974 million, representing some 1.2% of the total market capitalisation of the domestic listed companies. Therefore, the weight of the companies included in the EYVBI increased 0.1% from February, 28, 2007.

In order to mitigate the effects of the unfavourable market slump occurred during the year ended February 29, 2008, a wider timeframe was also considered in the analysis. The following chart shows the performance of the EYVBI from March 3, 2003 through February 29, 2008.

Chart 3 - EYVBI – MIBTEL – S&P MIB (March 2003 – February 2008)



Source: Ernst & Young Financial-Business Advisors, Bloomberg

The chart above confirms that the EYVBI clearly out-performed the market trend in the previous 5 year, showing a 115% growth, compared to 51% for MIBTEL and 45% for S&P/MIB.