

THE VENTURE-BACKED IPO MARKET¹

During the 12 month period ended February 28, 2006 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”).

During the timeframe under review, the world economy has maintained the positive trend of 2004, showing a small decrease in relation to the significant growth of the previous year: the global GDP, driven by the Chinese and US economies, grew 4.5%, as compared to 5.0% in 2004.

China's economy expanded 9.9% in 2005, buoyed by strong domestic demand, confirming the double digit growth of 10.1% achieved in 2004, while the US economy grew 3.5%, compared with 4.2% in 2004 (which was the highest growth since 1999 when it grew 4.5%), reflecting a downturn in inventory investment and a slowdown in consumer and federal government spending.

In Europe, the recovery slowed during 2005 as the GDP grew only 1.3% in the Euro-zone and 1.6% in the 25 EU countries, as compared to 2.1% and 2.4% respectively in 2004. In terms of single European countries, Spain and France confirmed the strongest increase, while Germany and Italy showed sluggish economic growth. Outside the Euro zone, UK's GDP grew 1.8% this year.

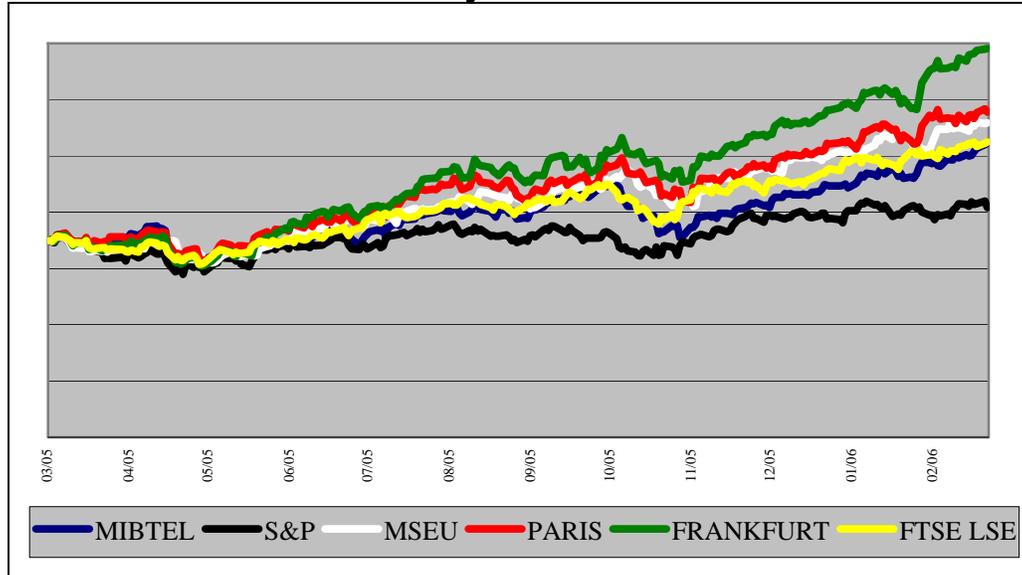
In this context, the positive performance delivered by global equity markets has raised expectations. During the year ended February 28, 2006, in particular, the overall stock market performance was strongly positive in Europe, driven primarily by the German stock market which performed better than all the other major European indices, showing a 34% increase. Significant performances were realised also by the French, Italian and British stock exchanges with growth of 23%, 18% and 16%, respectively. The US stock market performance, on the

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

contrary, was significantly less positive, with the Dow Jones and NASDAQ producing an increase of 2% and 1%, respectively.

The chart below shows the performance of the MIBTEL index in relation to the other major international stock exchange indices.

Chart 1 – Performance of the major international stock markets



Source: Bloomberg

The Italian market capitalisation, supported by the positive trends in share prices and by the initial public offerings, rose to 681 Euro Bln for the national listed companies (+17% YOY), representing 49.4% of Italian GDP, compared to 43.1% in 2004.

As of January 2006, the Italian stock market was again sixth in Europe in terms of market capitalisation², slightly above OMX (which includes the stock exchanges of Copenhagen, Stockholm, Helsinki, Riga, Tallinn and Vilnius) and eighth in terms of the number of listed companies (with a total of 279 companies).

The S&P/MIB Index, which was launched in 2004 covering about 80% of the Italian equity universe, confirms the good performance of the Italian market, showing an 18% growth for the 12 month period ended

² European Securities Exchange Statistics – January 2006.

February 28, 2006.

Good results were also shown by the two new indices of Borsa Italiana, the TechSTAR and the ALL STAR. The former, created to monitor small and medium sized companies (capitalisation of less than 1 Euro Bln) with high requirements operating in high tech sectors showed over the period a 41% growth, while the latter, that includes all the stocks listed in the STAR segments of the Mercato Telematico Azionario, recorded a 33% growth.

IPO ACTIVITY

Thanks to the positive stock market performance and the contribution of Private Equity funds, the year ended February 28, 2006 showed the highest number of Initial Public Offerings (“IPOs”) in the domestic market since 2000, with 10 new listings on the Mercato Telematico Azionario (“MTA/MTAX”) and 6 listings on the Mercato Expandi, against 9 IPO’s in all Italian markets during the previous 12 months.

During the period under review, the majority (6 out of 10) of the new listings on MTA/MTAX was represented by Venture-Backed companies. The favourable moment of IPOs is proven by the wide range of sectors in which the companies listed in the last 12 months operate: ceramic products (Marazzi), airlines (Eurofly), optical supplies (Safilo), computers (Eurotech), containers (Guala Closures), financial services (Anima, Banca Italease), food distribution (Marr), insurance (Toro) and airports (SAVE). These results show the reaffirmation of the stock market as one of the main components of the capital market.

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

Among the new MTA/MTAX listings, the best performances were recorded by Eurotech, Guala Closures, Banca Italease and Toro.

It is likely that the strong market performance, the growing number of Private Equity deals and Private Equity funds now active in Europe and Italy – and their support given to the listing of new companies – will further increase the number of IPOs in 2006.

Table 1 – IPOs on MTA/MTAX (March 2005 – February 2006)

Company name	IPO date	IPO price (Euro)	Market cap. (Euro Mln)	Venture-Backed
MARAZZI GROUP	15/02/2006	10.25	994	Yes
EUROFLY	21/12/2005	6.40	74	Yes
SAFILO GROUP	09/12/2005	4.90	1.344	Yes
EUROTECH	30/11/2005	3.40	142	Yes
GUALA CLOSURES	22/11/2005	4.20	347	Yes
ANIMA SGR	26/10/2005	3.30	352	No
MARR	21/06/2005	6.65	417	Yes
BANCA ITALEASE	14/06/2005	9.30	2.418	No
TORO ASSICURAZIONI	01/06/2005	11.25	3.176	No
SAVE	25/05/2005	21.00	604	No

Source: Ernst & Young Financial-Business Advisors, Bloomberg

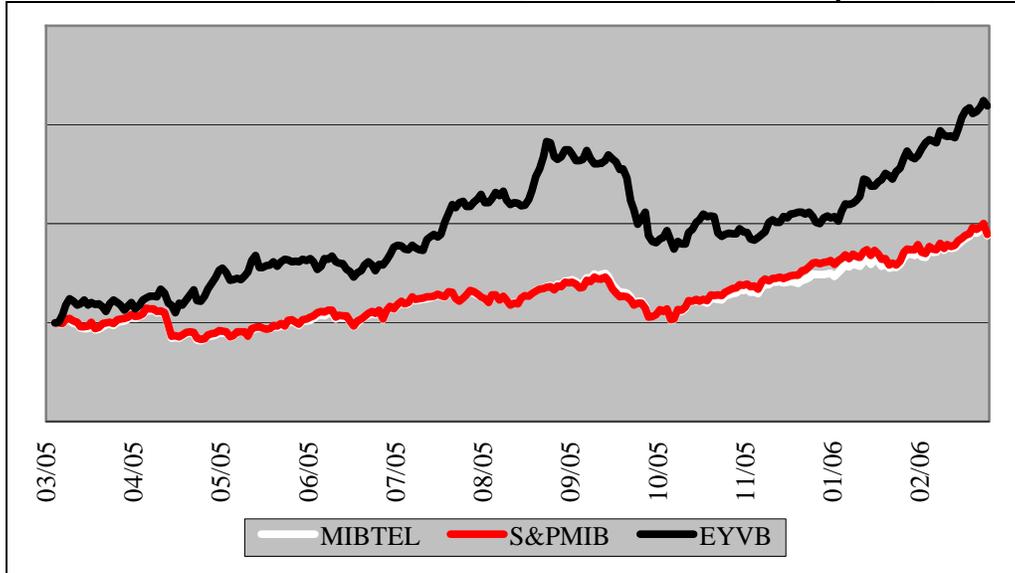
PERFORMANCE OF VENTURE-BACKED SHARES (EYVBI)

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.

Because of the lack of IPOs on the Nuovo Mercato the Ernst & Young Nuovo Mercato Index (“EYNMI”) is no longer computed.

The following chart summarises the performance of the EYVBI from March 1, 2005 through February 28, 2006.

Chart 2 – EYVBI – MIBTEL – S&P MIB (March 2005 – February 2006)



Source: Ernst & Young Financial-Business Advisors, Bloomberg

The chart above confirms that the EYVBI clearly outperformed the market trend. Over the period, the EYVBI value increased 44% as compared to 18% for MIBTEL and 18% for S&P/MIB. During the last four months, such positive performance was primarily driven by Azimut, that registered an increase of 52%, and by Isagro and DMT, which registered an increase of 28% and of 24%, respectively; the three shares collectively represent 57% of the index. Moreover, Azimut recorded an annual growth rate of 103%.

The following table lists the companies included in the EYVBI basket from November 1, 2005 to February 28, 2006 showing the industry sectors in which they operate, IPO dates, market capitalisation and growth over the four-month period.

Effective May 1, 2006 Guala Closures, Eurotech, Safilo and Eurofly will be added to the basket index.

As of February 28, 2006, the total market capitalisation of the companies included in the EYVBI was 3,299 Euro Mln, representing some 0.4% of the total market capitalisation of the MTA/MTAX listed

companies. Therefore, the weight of the companies included in the index increased 0.1% from February, 28, 2005.

Table 2 – EYVBI basket (November 2005 – February 2006)

Company name	IPO date	Market cap. (Euro Mln)	Change 4 months	Industry Sector
ISAGRO	05/11/2003	174	28%	Basic materials
TREVISAN	05/11/2003	87	-2%	Industrial
AZIMUT HOLDING	22/06/2004	1,290	52%	Financial
DMT	07/07/2004	407	24%	Communications
PANARIA	19/11/2004	294	12%	Industrial
IGD	11/02/2005	629	15%	Services
MARR	21/06/2005	417	-6%	Food Distribution

Source: Ernst & Young Financial-Business Advisors, Bloomberg