

THE VENTURE-BACKED IPO MARKET¹

During the last 12 months, Ernst & Young Financial Advisors (Ernst & Young) has continued monitoring the share prices of Venture Backed companies listed on the Italian markets through the analysis of two focused Ernst & Young indices.

The period reviewed, from May 2001 to April 2002, encompassed a time of deep crisis in the world stock markets, driven by the crash in the so called "New Economy" stocks and the events of September 11th, causing a fall in share prices the world over.

Because of extremely difficult market conditions, stock markets the world over finished the year ended April 30, 2002 lower than their valuations at the beginning of May 2001. Whilst the crash was harder in the United States, where the NYSE fell by 15%, European markets nonetheless showed their dependency on American markets, falling by 14% on average.

In this context, Italy's main stock market, the Mercato Telematico Azionario ('MTA'), has continued to grow in importance. Borsa Italiana climbed to become the fourth largest market in Europe, and eighth in the world by capitalisation. In April 2001, Borsa Italiana introduced a new market segment, Star. Enabling small and medium sized businesses to gain visibility whilst increasing the transparency of information available to the investor, Star has been a critical factor in driving Borsa Italiana's recent success.

Nuovo Mercato ('NM'), Italy's market for high technology companies, fell by 45% during the year ended April 30, 2002 while the NASDAQ fell by 24%.

Against this backdrop, NM had higher liquidity compared with its nearest rivals, namely Frankfurt's Neuer Markt, Nouveau Marche in Paris and London's AIM. Even Nasdaq, the biggest "New Economy" market, had liquidity last year of 3 per cent less than that of NM.

¹ This analysis has been carried out with Ernst & Young Financial Advisors

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IPO ACTIVITY

The year ended April 30, 2002 showed a marked decrease in the number of Initial Public Offerings ('IPOs'), with just 16 new listings on the MTA and NM, down from 45 in the previous 12 months to April 30, 2001.

It is likely that the number of Venture Backed IPOs will increase in the near future, as a result of the ever increasing number of Italian Venture Capital funds emerging in the market and the focus declared by many large foreign private equity funds on investment in European Union countries, including Italy.

MTA

During the last 12 months, the MTA saw 13 IPOs; of these three were Venture Backed. The following table summarises new MTA listings during the year ended April 30, 2002:

IPOs on MTA (May 2001 – April 2002)

<i>Company name</i>	<i>Ipo date</i>	<i>Venture backed</i>	<i>Market cap. (EUR million)</i>
LOTTOMATICA	17/05/01	No	1,597
I VIAGGI DEL VENTAGLIO	30/05/01	No	88
GRANITIFIANDRE	13/06/01	No	293
AIR DOLOMITI	13/06/01	No	102
BIESSE	22/06/01	No	120
AMPLIFON	27/06/01	No	461
GIACOMELLI SPORT	04/07/01	Yes	120
DAVIDE CAMPARI-MILANO	06/07/01	Yes	1,028
DE'LONGHI	24/07/01	No	762
NEGRI BOSSI	06/11/01	Yes	61
SNAM RETE GAS	06/12/01	No	6,217
JUVENTUS FOOTBALL CLUB	20/12/01	No	429
BANCA ANTONVENETA	04/15/02	No	4,968

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Source: Ernst & Young Financial Advisors, Bloomberg

THE NUOVO MERCATO

During 2001/2, there were three new listings on the Nuovo Mercato, none of which were Venture Backed. About 15 companies postponed their debut on NM as a result of a general economic slowdown and unfavourable market conditions in 2001.

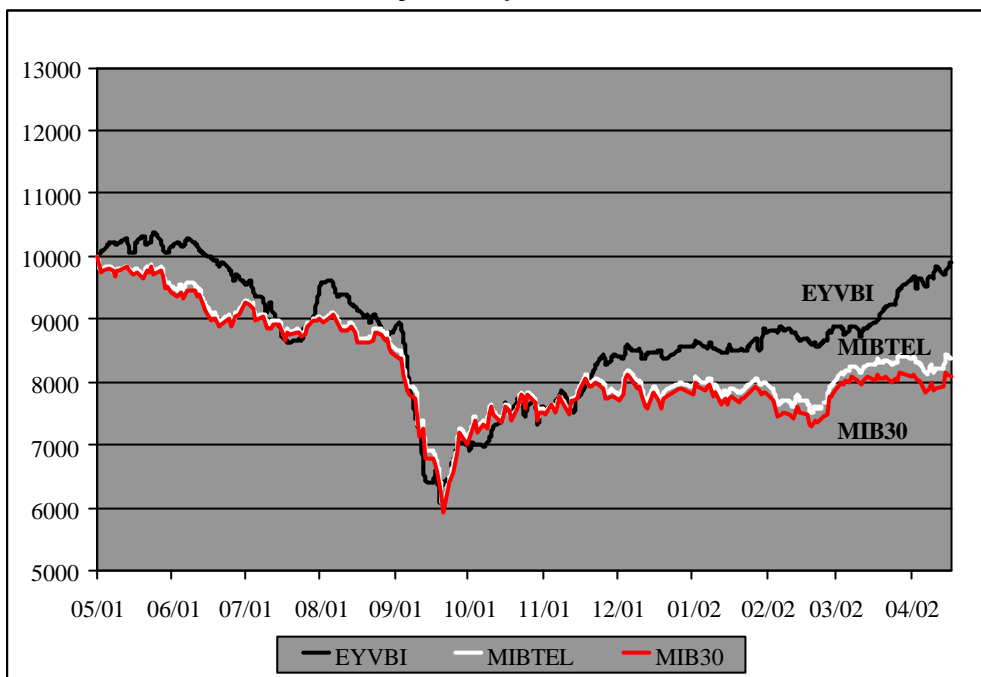
PERFORMANCE OF VENTURE-BACKED SHARES

Ernst & Young uses two bespoke indices to monitor the performance of Venture Back shares listed on the Italian markets: the Ernst & Young Venture Backed Index ('EYVBI') was created in 1996 and monitors Venture Backed shares listed on the MTA; whilst the Ernst & Young Nuovo Mercato Index ('EYNMI') monitors Venture Backed shares listed on Nuovo Mercato. 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 are not included in the first three months after listing to avoid the effect of 'underpricing' on IPO whilst those listed for over three years are considered to be no longer influenced by their Venture Capital investors.

EYVBI

The following chart summarises the performance of the EYVBI over the twelve months from May 1, 2001 to April 30, 2002:

EYVBI – MIBTEL – MIB30 (May 01 – April 02)



Source: Ernst & Young Financial Advisors, Bloomberg

The chart shows that the EYVBI generally followed the market trend up until the end of October 2001, after which it outperformed the market considerably. From May 1 to October 31, 2001, both EYVBI and the entire market fell on average by 25%.

From November 1, 2001 to April 30, 2002, the MIBTEL index increased by 8% and the MIB30 by 4%. Over the same period, the EYVBI increased by 30%, outperforming the market by some 22 percentage points, driven mainly by strong performance by Campari Group, Ferretti and Ducati Motors.

The following table lists the component companies of the EYVBI for the six months from November 1, 2001 to April 30, 2002, showing their industry sectors, IPO dates, market capitalisation and growth over the six month period:

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EYVBI basket (November 2001 – April 2002)

<i>Company name</i>	<i>IPO date</i>	<i>Industry sector</i>	<i>Market cap. (EUR million)</i>	<i>Change over six months</i>
DUCATI MOTOR HOLDING	24/03/99	Motorcycles	315	28%
MIRATO	01/06/99	Cosmetics	81	-3%
MARCOLIN	19/07/99	Optical	77	35%
RONCADIN	19/07/99	Food	37	51%
VEMER SIBER GROUP	20/07/99	Electronics	38	-47%
BASICNET	17/11/99	Apparel	30	23%
GRANDI NAVI VELOCI	26/11/99	Cruise Lines	143	18%
FERRETTI	23/06/00	Leisure	592	25%
GIACOMELLI SPORT	04/07/01	Sporting Goods	120	10%
DAVIDE CAMPARI-MILANO	06/07/01	Beverages	1,028	49%

Source: Ernst & Young Financial Advisors, Bloomberg

As at April 30, 2002, the combined market capitalisation of companies included in the EYVBI was EUR 2,459 million, compared with the capitalisation of all MTA listed companies of EUR 629,600 million. The EYVBI therefore accounts for some 0.4% of the total MTA.

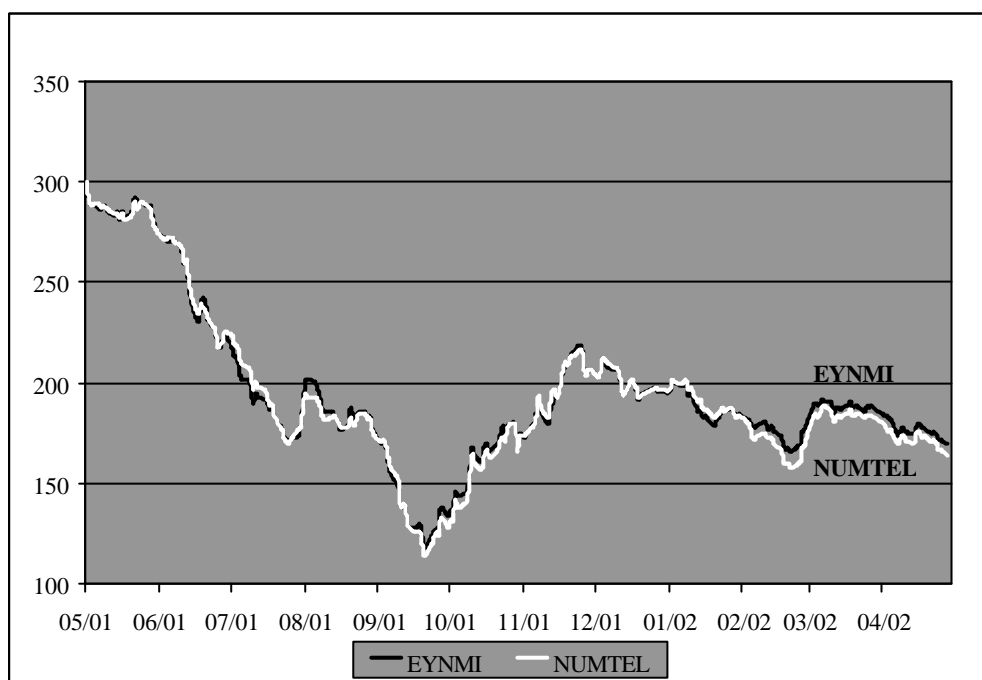
The table demonstrates that the EYVBI is not concentrated in any one industry sector and is therefore not affected by trends in individual industries.

During the next revision of the EYVBI, on May 1, 2002, one company, Negri Bossi, will be added to the index and Ducati Motors removed. Negri Bossi was listed in November 2001 and its principal business is the manufacture of injection moulding machines for automotive and manufacturing industries.

EYNMI

The following chart summarises the performance of the EYNMI over the twelve months from May 1, 2001 to April 30, 2002.

EYNMI - NUMTEL (May 01 – April 02)



Source: Ernst & Young Financial Advisors, Bloomberg

The chart shows that the EYNMI followed market trend throughout the year, falling by 44% whilst the NUMTEL index fell by 46%. The following table lists the component companies of the EYNMI for the six months from November 1, 2001 to April 30, 2002, showing their industry sectors, IPO dates, market capitalisation and growth over the six month period:

EYNMI basket (November 2001 – April 2002)

<i>Company name</i>	<i>IPO date</i>	<i>Industry sector</i>	<i>Market cap. (EUR million)</i>	<i>Change over six months</i>
TISCALI	27/10/99	Telecom Services	3,049	9%
PRIMA INDUSTRIE	27/10/99	Industrial Automation	46	-16%
ARTE	31/05/00	Art Dealer	75	-8%
CENTRO HL	02/06/00	E-Commerce	44	-61%
EUPHON	04/07/00	Multimedia	112	6%
BIOSEARCH ITALIA	31/07/00	Biomedical/Genetics	192	-8%
INFERENTIA DNM	01/08/00	E-Services/Consulting	93	-35%
VITAMINIC	12/10/00	Internet	128	-9%
DATAMAT	12/10/00	Software/Services	216	-5%
NOVUSPHARMA	09/11/00	Biomedical Genetics	216	-3%
ENGINEERING	12/12/00	E-Services/Consulting	342	-12%
DMAIL.IT	22/12/00	Retail-Misc/Diversified	37	-31%
CARDNET GROUP	02/03/01	Data Processing	30	-29%

Source: Ernst & Young Financial Advisors, Bloomberg

As at April 30, 2002, the combined market capitalisation of companies included in the EYNMI was EUR 4,579 million, compared with the capitalisation of all NM listed companies of EUR 12,330 million. The EYNMI therefore accounts for some 37% of the total Nuovo Mercato market.

NM is dominated by Tiscali, which, with a market capitalisation of EUR 3,049 million represents 25% of the total market and some 67% of the EYNMI.

During the next revision of the EYVBI, on May 1, 2002, there will be no additions or deletions to the basket of companies included in the Index.