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Associazione Italiana degli Investitori nel Capitale di Rischio

THE VENTURE-BACKED IPO MARKET¹

The 12 month period ended February 28, 2003 has witnessed turbulent times in the Italian financial markets. The performance of financial institutions, investors and companies has been majorly affected by the economic instability across the world, the lack of confidence after the financial scandals in the United States of America and by sluggish economic growth.

In this financial environment, Ernst & Young Financial-Business Advisors (Ernst & Young) has continued to monitor the share prices of Venture Backed companies listed on the Italian markets through the analysis of two focused indices: the Ernst & Young Venture Backed Index (EYVBI), comprising those Venture Backed stocks listed on the main market of the Italian Stock Exchange, and the Ernst & Young Nuovo Mercato Index (EYNMI), which includes those companies listed on the Nuovo Mercato and held by institutional investors in the pre-listing period.

The capitalisation value of the Italian stock market, at the end of the period under analysis, is much lower than the equivalent value in March 2002, mainly due to extremely difficult economic conditions. The overall stock market performance was worse in the United States than in Europe, with the Dow Jones and the NASDAQ producing average falls of 40%. However, the American influence on the world economy resulted in average falls of 38% in the European markets.

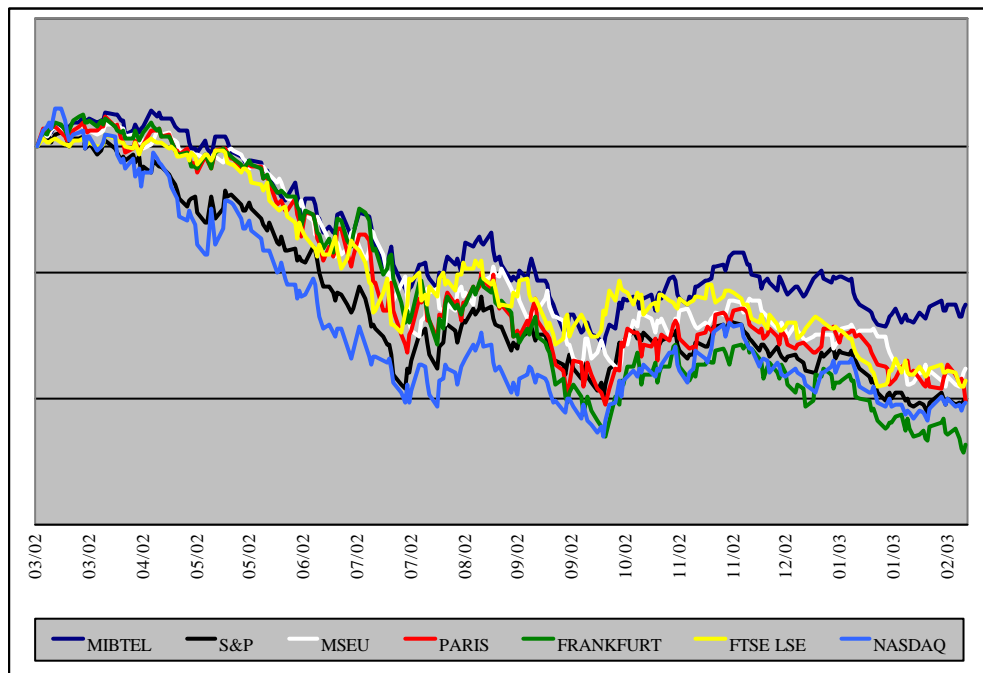
In this context, the Italian stock market maintained its position in relation to the other European stock markets. At December 2002, Borsa Italiana was the first in Europe in terms of index performance, the fifth largest European market in terms of capitalization, fourth in Europe in terms of traded value, and the ninth largest market in the world in terms of capitalization².

¹ The analysis has been realized by Ernst & Young Financial Advisors.

² Borsa Italiana – 2002 statistics.

The chart overleaf shows the performance of the Italian stock market in relation to the other major international stock exchanges.

Chart 1 – Performance of the major international stock market



Source: *Borsa Italiana - 2002 statistics*

The STAR, the new market segment introduced in April 2001, with 41 listed companies, has gradually proved its ability to attract small and medium enterprises (SME). The Nuovo Mercato, second in Europe in terms of market capitalization and traded value, has sustained the growth of competitive companies, despite the decline in the Hi-Tech sector. The Italian market for high technology companies fell by 47%, which compares with NASDAQ's 40% fall and represents one of the worst market performances of the year. There were 22 take-over bids in the year ended February 2003. This rates as the fourth highest number of bids and fifth

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highest in terms of value since 1992 when the current Italian take-over regulations came into force.

IPO ACTIVITY

The year ended February 28, 2003 was disappointing in terms of the number of Initial Public Offerings ('IPOs') placed on the domestic market, with 6 new listings made on the MTA and none on the Nuovo Mercato, as opposed to 16 listings in the previous 12 months to February 2002.

Based on the historical average length of Venture Capital investments of 3 to 5 years, the number of Venture Backed IPOs is reasonably expected to increase in the following years, given favourable market conditions, considering that the Italian Venture Capital funds made significant investments over the 2000-2001 period.

MTA

During the period under analysis, among the 6 new listings on MTA, one was a Venture Backed company. The following table summarises the new MTA listings during the year ended February 28, 2003.

Table 1 - IPOs on MTA (March 2002 – February 2003)

Company name	Ipo date	Ipo price (Euro)	Market cap. (Euro Mln)	Venture backed
FIERA MILANO	12/12/2002	7.05	249	No
SOCOTHERM	11/12/2002	3.05	129	No
ASM BRESCIA	12/07/2002	2.25	1,245	No
PIRELLI & C REAL ESTATE	25/06/2002	26.00	794	No
ASTALDI	06/06/2002	3.01	167	Yes
BANCA ANTONVENETA	15/04/2002	21.10	3,966	No

Source: Ernst & Young Financial-Business Advisors, Bloomberg

THE NUOVO MERCATO

During the period under analysis, no new listings occurred on the Nuovo Mercato, while approximately 15 companies postponed listing on the Nuovo Mercato as a result of the general economic slowdown and the unfavourable 2002 market conditions.

PERFORMANCE OF VENTURE-BACKED SHARES

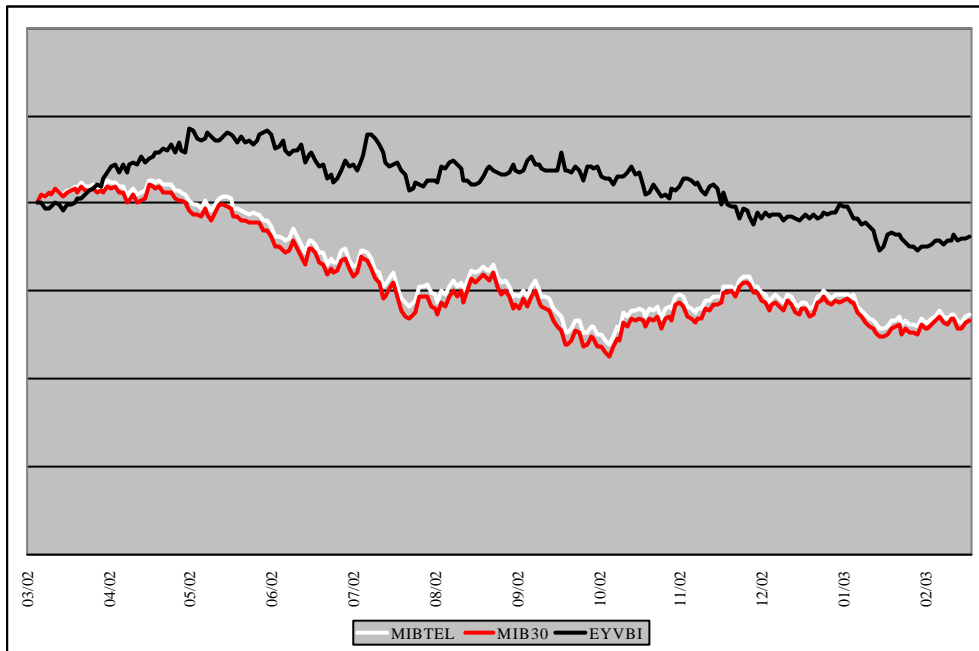
Ernst & Young created two indices to monitor the performance of Venture Backed shares listed on the Italian markets: the Ernst & Young Venture Backed Index ('EYVBI'), created in November '99, which monitors Venture Backed companies with shares listed on the Mercato Telematico Azionario (MTA) and the Ernst & Young Nuovo Mercato Index, which includes the Venture Backed issuers listed on the 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 no longer to be influenced by their Venture Capital investors.

EYVBI

The following chart summarises the performance of the EYVBI from March 1, 2002 through February 28, 2003.

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Chart 2 - EYVBI – MIBTEL – MIB30 (March 2002 – February 2003)



Source: Ernst & Young Financial-Business Advisors, Bloomberg

The chart shows that the EYVBI generally followed the market trend, considerably outperforming the market except for the month of March 2002. Over the period March to May 2002, the EYVBI value increased by 8% but, the overall performance on yearly basis, as of February 2003, was –8%. Market performance, as reported in both the MIB30 and MIBTEL indices, fell by 26% during the period.

The following table lists the companies comprising the EYVBI from November 1, 2002 to February 28, 2003, showing the industry sectors where they operate, IPO dates, market capitalisation and growth over the four-month period.

Table 2 - EYVBI basket (November 2002 – February 2003)

Company name	Ipo date	Market cap. (Euro Mln)	Change over four months	Industry sector
BASICNET	17/11/1999	18	-26%	Apparel
GRANDI NAVI VELOCI	26/11/1999	100	-4%	Cruise Lines
GIACOMELLI SPORT	04/07/2001	28	-36%	Sporting
DAVIDE CAMPARI-MILANO	06/07/2001	835	-7%	Beverages
NEGRI BOSSI	06/11/2001	59	10%	Moulding
ASTALDI	06/06/2002	167	-26%	Construction

Source: Ernst & Young Financial-Business Advisors, Bloomberg

As at February 28, 2003, the combined market capitalisation of the companies included in the EYVBI was EUR 1,207 million, compared to the capitalisation of the MTA listed companies of EUR 420,000 million. Therefore, the EYVBI accounts for some 0.3% of the total MTA.

The table shows that the EYVBI is not focused on an industry sector and, as a result, is expected not to be significantly affected by trends in a specific industry.

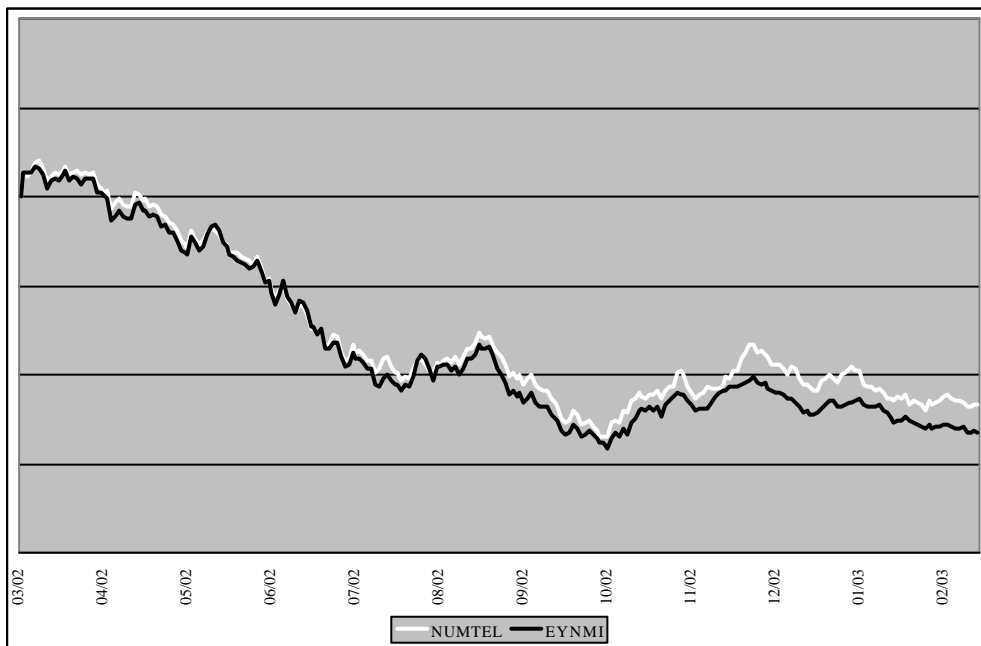
The previous period's basket included five companies (Ducati, Mirato, Marcolin, Roncadin and the Vemer Siber Group), which were excluded this year as a result of the criteria set for the basket. Ferretti was delisted in November 2002 following the acquisition by the Permira Fund. Negri Bossi and Astaldi have been added to the basket in the recent period. During the next revision of the EYVBI, on May 1, 2003, no company will be added to the index and two companies (Basicnet and Grandi Navi Veloci) will be removed.

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EYNMI

The following chart summarises the performance of the EYNMI from March 1, 2002 to February 28, 2003.

Chart 3 - EYNMI – NUMTEL (March 2002 – February 2003)



Source: Ernst & Young Financial-Business Advisors, Bloomberg

The chart shows that the EYNMI followed the market trend throughout the year, falling by 53% whilst the NUMTEL index fell by 47%.

The following table lists the companies included in the EYNMI after the last index review (November 1, 2002), showing their industry sectors, IPO dates, market capitalisation and growth over the last four-month period.

Table 3 - EYNMI basket (November 2002 – February 2003)

Company name	Ipo date	Market cap. (Euro Mln)	Change over 4 months	Industry sector
ART'E'	31/05/2000	101	39%	Art Dealer
CENTRO HL	02/06/2000	18	-69%	E-Commerce
EUPHON	04/07/2000	25	-25%	Multimedia
BIOSEARCH ITALIA	31/07/2000	208	-7%	Biomedical/Gene
INFERENTIA DNM	01/08/2000	56	-37%	E-Services/Cons.
VITAMINIC	12/10/2000	30	-47%	Internet
DATAMAT	12/10/2000	98	-17%	Software/Serv
NOVUSPHARMA	09/11/2000	92	-28%	Biomedical/Gene
ENGINEERING	12/12/2000	184	1%	E-Services/Cons.
DMAIL.IT	22/12/2000	17	-31%	Retail-Misc.
CARDNET GROUP	02/03/2001	14	-38%	Data Processing

Source: Ernst & Young Financial Advisors, Bloomberg

As at February 28, 2003, the combined market capitalisation of the companies included in the EYNMI was EUR 843 million, compared to the capitalisation of the Nuovo Mercato listed companies of EUR 7,000 million. The EYNMI therefore accounts for some 12% of the total Nuovo Mercato market.

The dominant companies on the Nuovo Mercato are Tiscali, e.Biscom and BB Biotech, representing 20%, 16.5% and 13.6% of the index capitalization, respectively. The previous period's basket included two companies (Tiscali and Prima Industrie) which were excluded this year as a result of the criteria set for the basket. During the next revision of the EYNMI, on May 1, 2003, no company will be either added or removed from the basket of the Index.