



Introduction

The year 2004 was a definitely positive year for the Borsa Italiana markets, which maintained and consolidated the growth trend already started during the course of the previous year.

Stock market performances were kept up by the gradual improvement in company profits and the progressive recovery in the world economy. Borsa Italiana confirmed its position as one of the leading European stock exchanges. Turnover was up on all the equity markets and turnover velocity remained the highest in Europe. Thanks also to the sectoral composition of the official list, the MIB index recorded a growth of 17.5% and the S&P/MIB of 14.9%, exceeding the results achieved by the other international stock exchanges. The recovery in stock prices gave rise, especially towards the end of the year, to a resumed growth in the capitalisation/GDP ratio, fostering a renewed interest for listing and the demand for shares.

The signs of an upturn coming from the new listings are promising, with eight new IPOs, including two on the Mercato Expandi, the market designed for small, family controlled businesses. However, Italy has much stronger potential to offer. Domestic industry continues to be scarcely represented on the stock market. This is one of the main critical issues monitored with utmost attention by Borsa Italiana with the aim, hopefully shared at system level, of managing to bridge the gap as soon as possible.

The events organised by Borsa Italiana, often far-reaching at international level, offer analysts and investors the opportunity to get to know the Italian companies, above all the small and medium sized businesses. These conferences are aimed precisely at pursuing the objective of market development, by enhancing the visibility of Italian listed companies, both domestically and abroad. At the same time, the meetings attended and promoted with the representatives from local businesses allow to promote the benefits of going public.

On the demand side, Borsa Italiana continued its activity to identify the different investor categories and analyse behavioural trends. Included within this framework are the relationships on the Italian market with regard to individual investors and online traders on the one hand and, on the other, the Hedge Fund Conference, which has become an annual get together between the Italian and international financial community and the hedge fund industry.

2004 confirmed the full effectiveness of the synergies developed by the Borsa Italiana Group companies, paving the way for the implementation of major projects intended to consolidate the Group's position within the Italian financial market.

Since 26 January 2004, Express II, the new Italian settlement system managed by Monte Titoli, has been operative for all financial instruments traded on the Borsa Italiana markets, on MTS and on TLX, along with the instruments traded directly between intermediaries.

CC&G enhanced the functions of the central counterparty (CCP) for the equity market and continued to pursue the development of specific skills, managing the CCP service for MTS, whose membership spread significantly during the second half of 2004.

BIIt Systems worked together with Borsa Italiana on the project to streamline the technological structure of the markets, helping, during the course of 2004, towards the migration of the MOT to the equity market platform. Within the framework of business area diversification, it developed new Application Services Providing for intermediaries, software vendors and service providers to facilitate access to domestic and international markets.

Borsa Italiana, in turn, continued activities to promote the Italian markets vis-à-vis domestic and foreign intermediaries, with special focus on the international operators, in order to increase the level of internationalisation of the markets.

Alongside its usual activity, Borsa Italiana introduced major innovations to the design of the markets with the main objective of meeting the needs of market participants and supporting the financial evolution and the Italian entrepreneurial system. This is the direction taken by the new segmentation of the securitised derivatives market and, following the launch of the techSTAR sector in 2004 and of the new indices for high quality SMEs on 31 January 2005, the new projects intended to streamline the structure of the equity markets. As regards the IDEM, the year of its tenth anniversary saw the start of trading of futures, mini-futures and options on the S&P/MIB index, which successfully replaced those on the MIB30 index, more than effectively coping with the competition from Eurex. The new derivatives contracts promptly obtained the no-action letters required for the purpose of their offer and sale in the US market.

With the election to the vice presidency of the WFE (World Federation of Exchanges), 2005 represents the year in which Borsa Italiana can and must strive even more to establish its propositive role within the European regulatory context and the changing environment of the international exchange industry.



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