



Stock Market Performance

The upward trend in the market during the last months of 1999, in a situation of high volumes, continued into the first quarter of 2000. In March all-time peaks were recorded for all the main trading indicators of the Borsa Italiana stock markets: on March 10th the general Stock Exchange (MIB) and Nuovo Mercato (NUMEX) indices respectively reached 33,853 and 18,633; on Friday March 17th, coinciding with the expiry date of the derivatives instruments, the turnover of shares listed on the Stock Exchange rose to the all-time high of 7.9 billion euro; the Nuovo Mercato achieved its daily turnover record on Thursday March 30th, with shares traded for 1.1 billion euro.

Although the peaks of the first quarter were followed by a phase of adjustment in terms of a reduction in share prices and overall volumes traded on the market, the year 2000 was characterised by a steep rise in the overall daily average turnover via the electronic trading system (up by 70.1% compared to 1999, increasing from 2.0 to 3.4 billion euro) and in the number of contracts concluded (+101.4%, from 114,499 to 230,550).

STOCK EXCHANGE: THE TREND IN SHARE PRICES AND TURNOVER

After a sharp but short-lived falloff at the beginning of January, 2000 got underway continuing the growth trend that had characterised the closing phase of the previous year. After the first quarter, an adjustment occurred followed by a long series of short alternate phases, with a further shaving in December. The trend in continuous indices was slightly varied, with MIBTEL (+4.6%) and MIDEX (+5.5%) close to the MIB (+5.4%) and the MIB30 (+1.7%) less brilliant.

- As regards the three macrosectors, in 2000 financials and industrials outperformed the index with respective values of +20.6% and +10.4%, while services recorded a falloff of -10.2%. With reference to the main sectors (more than 1% of overall capitalisation), the best performances were achieved by chemical (+39.3%), holding companies (+32.7%) and insurance (+30.0%). Among the sectors showing a decline, notable losses were recorded by media (-21.5%), public utilities (-9.4%) and auto (-5.0%).
- There was an increase in the volatility of the stock indices (chart 2), up from 18.0% in 1999 to 19.4%; the difference between the peak of the MIB index (up to 33,853 on March 10th) and the low (down to 25,840 on January 6th) was equal to 31.0%. The 135 positive sessions exceeded the 119 negative sessions; the highest daily

The MIB index dropped to its year-low at 25,840 (-8.3% compared to 1999 year-end) on January 6th, reached its highest value at 33,853 (+20.2% compared to 1999 year-end) on March 10th and closed 2000 at 29,681, showing a growth of 5.4% on the previous year

positive variance (+4.2%) was recorded on Friday February 11th; the maximum negative variance (-5.3%) occurred on Tuesday January 4th.

Stock Exchange liquidity remained at high levels, as shown by the turnover velocity (the ratio between overall turnover and average market capitalisation) which reached the all-time high of 111.5% with a distinct improvement on 84.2% a year earlier. The capacity of the market to attract new order flows was again confirmed by the residual interest shown by investors in the “lateral” trading circuits: the off-exchange trades (blocks and off-market) remained steady at 5.6% of the total electronic trading system recorded the previous year, once again showing the centrality of the regulated stock market with regard to the alternative trading systems.

In 2000 there was a decisive growth in equity turnover: the overall turnover of shares listed on the Stock Exchange amounted to 838,492 million euro (+66.7% compared to 1999) and the daily average increased from 1,980 to 3,301 million euro

- The breakdown of the sessions by daily turnover and that of the shares by class of liquidity (charts 5 and 6) show the distinct and uniform shift in distribution during the last two years towards the classes characterised by higher trading volumes. In

particular, as regards 2000, 64% of securities traded more than 250,000 euro per day (55% in 1999) and, improving the trend which began a few years ago, just one quarter of the sessions had overall turnovers of less than 2.5 billion euro (in 1998 and 1999 one quarter of the sessions had turnover of less than 1.5 billion euro). Although there was still a relative concentration on main securities (approximately 95% of liquidity concerned the

CHART 2 - STOCK EXCHANGE: MONTHLY RETURN AND VOLATILITY

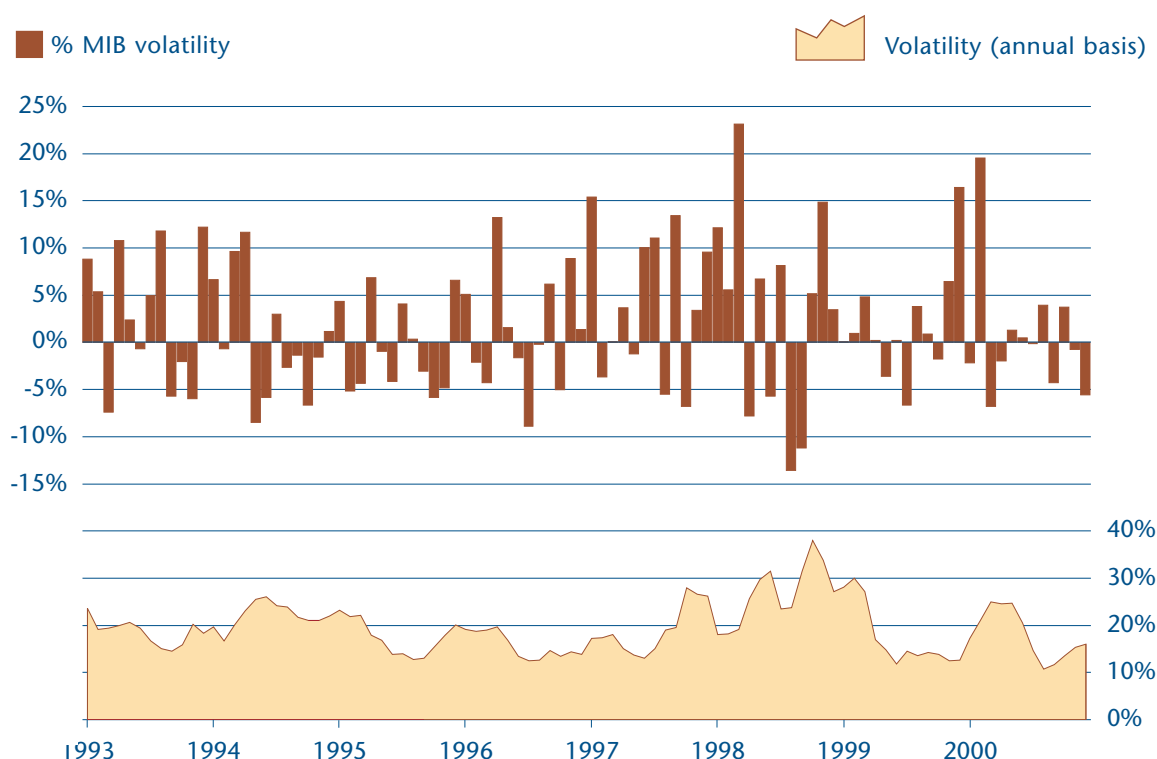


TABLE 5 - STOCK EXCHANGE: BREAKDOWN OF DAILY SESSIONS BY TURNOVER

Year	Daily turnover (millions of euro)															
	0-100	100-200	200-300	300-400	400-500	500-600	600-700	700-800	800-900	900-1 000	1000-1 500	1500-2 000	2000-2 500	2500-3 000	3000-4 000	more than 4 000
1994	-	23	75	66	29	25	19	5	6	2	2	-	-	-	-	-
1995	-	49	101	65	22	7	3	2	-	1	-	-	-	-	-	-
1996	2	48	92	63	17	12	9	1	3	3	2	-	-	-	-	-
1997	-	1	12	32	37	38	31	26	21	15	32	3	1	1	1	-
1998	-	-	-	-	-	-	-	4	3	2	112	79	30	12	10	1
1999	-	-	-	-	-	-	-	1	2	2	59	81	65	24	16	4
2000	-	-	-	-	-	-	-	-	-	1	6	4	47	46	101	49

market's most liquid 25%), the downward trend in the number of shares with limited or no turnover continued.

- There was a drop in the percentage of trades on major securities compared to the previous year in reference to the top five and ten most active shares; conversely, the percentage referred to the thirty most active shares increased (chart 3). The values recorded are respectively equal to 36.6%, 53.8% and 83.0%, compared to 39.6%, 56.4% and 81.4% for the previous year. Compared to 1999 the concentration of turnover on the MIB30 and MIDEX securities was also down (respectively amounting to 75.8% and 5.9% of the total), showing the more uniform distribution of trades and the expansion of investor interest over a larger number of listed shares.
- The growth in liquidity also concerned the minor securities: more than half of the listed shares recorded trades in 100% of the sessions, while only 5% of the listed shares traded on less than half of the trading days.
- As regards the temporal concentration of trades, there was a tendency towards a more uniform distribution of activities over all trading days. The trading sessions characterised by exceptional trades for technical reasons (expiry of derivatives) have taken on a lesser importance than in the past. In 2000, among the top ten days in terms of turnover, derivatives expiry days rank first, fifth and seventh place, while all others classify as ordinary trading days. Trades carried out on futures and option expiry days represented

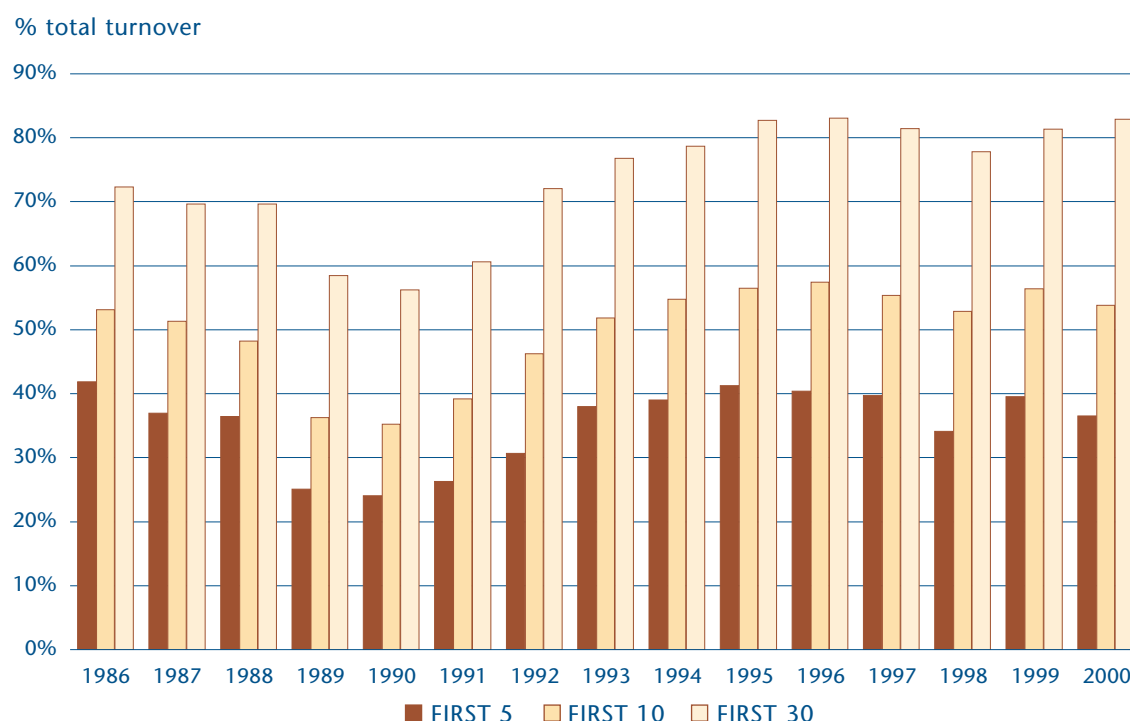
TABLE 6 - STOCK EXCHANGE: BREAKDOWN OF LISTED SHARES BY LIQUIDITY

Average daily turnover (euro)	Percentage of total number of shares and value in each class											
	1995		1996		1997		1998		1999		2000	
	Shares	Value	Shares	Value	Shares	Value	Shares	Value	Shares	Value	Shares	Value
more than 10 bn	2.4	49.2	2.1	49.9	4.9	67.1	11.3	82.7	11.8	86.0	12.5	89.6
from 5 to 10 bn	2.6	20.4	3.0	19.9	4.3	14.3	5.1	5.9	5.2	5.4	7.1	4.3
from 2.5 to 5 bn	2.6	10.3	3.6	11.7	4.9	7.1	7.8	4.5	7.5	3.9	7.7	2.6
from 1 to 2.5 bn	6.5	10.7	6.8	9.9	7.0	5.2	14.9	4.0	11.2	2.5	13.4	2.1
from 500 to 1 000 ml	4.7	3.2	3.3	2.1	8.9	2.6	14.3	1.7	7.8	0.9	12.0	0.8
from 250 to 500 ml	6.2	2.3	3.0	8.6	12.2	2.0	12.2	0.7	11.5	0.6	11.4	0.4
from 50 to 250 ml	23.5	3.3	10.7	10.6	25.1	1.4	19.7	0.5	23.6	0.5	17.1	0.2
from 25 to 50 ml	10.0	0.4	10.1	2.9	7.6	0.1	5.4	0.03	6.9	0.040	8.5	0.029
from 5 to 25 ml	20.3	0.3	22.6	2.2	15.3	0.1	5.1	0.01	9.5	0.024	7.1	0.010
less than 5 ml	17.4	0.040	42.1	0.5	5.8	0.004	1.8	0.0005	3.7	0.001	2.6	0.001
no deals	3.8	-	5.3	-	4.0	-	2.4	-	1.2	-	0.6	-

6.4% of overall turnover in 2000 (7.0% in 1999). Moreover, average trades carried out on expiry days for futures contracts were 35% more than the annual daily average, compared to 48% in 1999.

- The daily average for each month was above 2.5 billion euro; in February, the most liquid month in absolute terms, it rose to 5 billion. Even during the summer months, which traditionally see a falloff in activity, the average daily turnover was more than that recorded during almost all months in 1999 (only in December 1999 better results were achieved).
- Throughout 2000, retail investors played an important role in the growth of volumes, as can be seen from the decline in the average size of contracts concluded, down from 17,800 to 16,500 euro. As regards the national holidays when the Stock Exchange markets remained open for trading (January 6th, April 25th, November 1st, December 8th), a satisfactory level of activity was seen - equal on average to 55% of that recorded during the reference periods - involving the intervention of institutional investors, foreign investors and advanced retail investors, who operate via the new procedures offered to them by the intermediaries (on-line trading, call centers). During these sessions the average size of contracts was up by about 30%.
- In 2000, block trading of listed shares represented 5.6% of overall turnover on the Stock Exchange, stable with respect to 1999. There was also essentially no change in the average size of block transactions, up from 9.1 million euro in 1999 to 9.7 in 2000.
- Trading in warrants, which totalled 2,728 million euro, recorded a drop of 12% compared to the previous year, while trading in convertible bonds showed a slight growth of 8%, for a total 1,120 million euro. Trading in option rights also showed a negative trend, down from 483 to 354 million euro.

CHART 3 - STOCK EXCHANGE: MOST ACTIVE SHARES



- Lastly, as shown in chart 4, foreign investors, who tend to move the portfolio more quickly than domestic investors, keep up their interest in the Italian stock market, with a quota of total trading originated outside of Italy equal to 38%, which dropped during the first quarter only as a result of the higher growth in trading originated internally.

NUOVO MERCATO: THE TREND IN SHARE PRICES AND TURNOVER

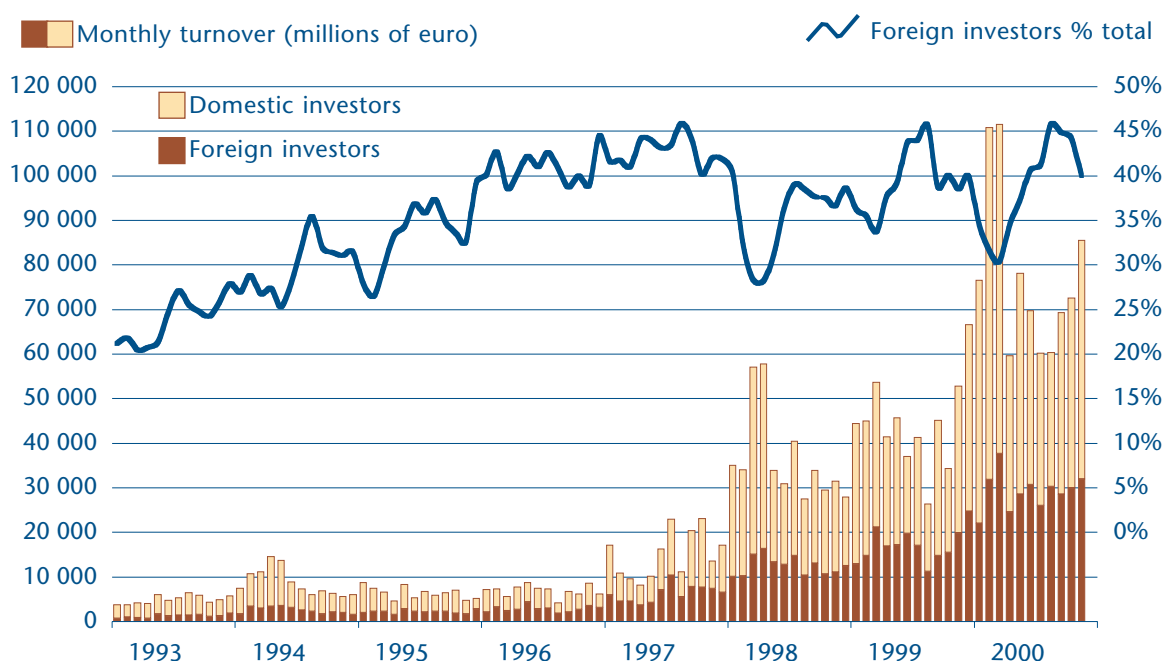
After an extremely positive start of the year, with a performance of the NUMEX up by 186.4% in March compared to the end of 1999, a downward cycle began which, apart from a slight turnabout during the summer months, continued through to the end of the year, causing the index to close with a negative sign (-25.5%).

The distribution of the NUMEX trading sessions per sign showed 107 positive sessions, 146 negative sessions and one without change. On Tuesday February 8th the highest positive daily variation was recorded (+37.9%), on Monday March 13th the most negative (-11.4%). The volatility of the NUMEX, which was very high during the first five months, nevertheless remained below the level of the previous year (68.2% compared to 80.8%).

The NUMEX index reached its all-time high of 18,633 on March 10th, dropped to the low for the year at 4,495 on December 21st and closed 2000 at 4,846

- The liquidity of the Nuovo Mercato was particularly high, with a turnover velocity ratio of 202.3%. All the shares of the Nuovo Mercato traded at 100% of the sessions. Tiscali and e.Biscom shares, apart from being the most capitalised were also the most traded of the entire market. Despite the clear predominance of the two companies as regards capitalisation (at the end of December they jointly represented almost 50% of overall capitalisation), the distribution based on turnover indicated a more uniform picture.

CHART 4 - ACTIVITY OF FOREIGN INVESTORS



Source: Borsa Italiana and UIC

- The strictly prevalent retail nature of the Nuovo Mercato is demonstrated by the very low average size of contracts: equal to an average 3,775 euro over the year, it was further

In 2000, the overall turnover on the Nuovo Mercato amounted to 29,485 million euro (+736% compared to 1999); the daily average turnover was up from 26 million euro in 1999 to 117 in 2000

reduced during the national holidays when the markets remained open for trading (unlike what occurred for the Stock Exchange). During these days, there was a 57% reduction in overall turnover.

- Trading off the regulated market was very much reduced, representing just 1% of the total.
- Due to the high liquidity of the Nuovo Mercato, it was possible to introduce on the IDEM two new option contracts: June 19th on Tiscali and October 23rd on e.Biscom. Moreover, on November 27th, the first warrant on Nuovo Mercato shares (Tecnodiffusione) was admitted, which at the end of December showed trading for 2.9 million euro with 2,656 contracts concluded.

THE MERCATO RISTRETTO

Trading on the electronic trading system of shares dealt on the Mercato Ristretto, which amounted to 1,157.7 million euro, was up 27.7% compared to the previous year while total trading (including blocks and off-market) increased by 40.0% and amounted to 1,339.9 million euro. The positive results follow record volumes recorded on the MTA and on the Nuovo Mercato, but are not enough to curb the gradual marginalisation that has been characterising the market for several years now.

THE COVERED WARRANTS MARKET (MCW)

With the launch of the new trading platform on 24 July 2000, there was a significant growth in the number of covered warrants listed which, owing to the new admissions, rose from 1,565 at the end of 1999 to 3,107.

Overall trading recorded an increase of 118.8% on the previous year: the turnover - calculated in reference to the price paid by buyers and therefore assimilable to the option premium - amounted to 31,079 million euro (daily average of 122 million euro) compared to 14,208 million euro a year earlier (daily average 56). There were 8,079,416 contracts traded, with a daily average of 31,809. Referred to the entire electronic trading system, in 2000 the covered warrants market accounted for 3.4% of the turnover and 11.4% of contracts traded, positioning itself at levels slightly above those recorded by the Nuovo Mercato.

The most liquid month was February, when the daily average exceeded 202 million euro and 44,000 contracts.

The strictly retail nature of this instrument can also be seen from the average size of contracts (3,900 euro), which further reduced during the days when, although national holidays, the markets still remained open for trading. During such days, the overall turnover fell on average by 42% compared to normal trading days and the average size of contracts in euro was 10% smaller.

THE AFTER HOURS MARKET

During the first few months of operation a total 919,101 contracts were traded for an overall turnover of 4,060 million euro. In particular, 2,918 million euro were traded in Stock Exchange shares, 378 in shares of the Nuovo Mercato and 764 in covered warrants.

Compared to the daytime phase trading was largely concentrated on the shares of the Nuovo Mercato (25.2% of overall contracts concluded and 9.3% of turnover, compared to 11.1% and 3.2% for the daytime phase) and on covered warrants (35.1% of contracts and 18.8% of turnover, against 11.4% and 3.4%).

The intensity of evening activity as opposed to daytime trading (taking into account the different length of time) has risen over the months from 8.2% to 14.7% as regards contracts and from 2.4% to 3.6% as regards turnover. Higher percentages were achieved in specific reference to the Nuovo Mercato (19.9% and 10.0% in December) and to covered warrants (31.5% and 18.0% in December).

Trading has intensified over the months, increasing from a daily average turnover of 23 million euro and daily average contracts concluded of 5,595 in May to a daily average of 29 million euro and 7,303 contracts concluded in December.

Trades executed during the same time frame on the alternative trading systems (ATSs) or directly on the part of authorised intermediaries represent a strict minority compared to trading carried out on the Borsa Italiana regulated market, where the market share reaches 98% of contracts concluded and 85% of overall turnover.

On 15 May 2000, Borsa Italiana launched the After Hours Market, the first European regulated market operating during evening hours