

Raising of capital and public take-over bids

During 2001, via the markets managed by Borsa Italiana, a sum close to 14.6 billion euro (table 6) was raised by listed (through issues of new shares or secondary offerings) or newly-listed companies (through Initial Public Offerings). Consistent with the empirical evidence according to which the levels of activity on the primary markets are positively correlated to the price performance of the secondary markets, the overall figure for 2001 shows a decrease of 13.1% with respect to the previous year, affected by the negative trend in prices in the course of the year. The figure, which was below even the data for the 1997-1999 period, is nevertheless in keeping with the results obtained during the year on the part of all the major international markets.

CAPITAL INCREASES

In 2001 the total amount of funds raised through capital increases started to rise again compared to the previous year (7.6 billion euro in 2001, compared to 3.8 billion in 2000). The funds raised were concentrated in a few operations of notable size: of the 18 paid operations carried out during the year, 79.7% of overall funds raised derived from the two most important operations, both carried out by Olivetti (the first during the February-March period, the second in November). However, the total amount of funds raised was less than the figures for 1999 (21.9 billion euro) and 1998 (8.3 billion).

**TABLE 6 - INVESTMENT FLOWS CHANNELLED THROUGH THE STOCK MARKET
(MILLIONS OF EURO)**

Year	Capital increases	Public offer for subscription			Increases + OPS ⁽¹⁾	Public offer for sale			Total
		Listed shares	New listed	Total		Listed shares	New listed	Total	
	(a)	(b)	(c)	(d)=(b)+(c)	(e)=(a)+(d)	(f)	(g)	(h)=(f)+(g)	(g)=(e)+(h)
1990	4 858.7	-	10.9	10.9	4 869.5	-	13.6	13.6	4 883.1
1991	2 506.8	6.2	31.0	37.2	2 544.0	101.4	63.2	164.6	2 708.5
1992	1 563.3	-	857.0	857.0	2 420.3	365.1	-	365.1	2 785.4
1993	8 362.2	-	-	-	8 362.2	1 379.3	-	1 379.3	9 741.5
1994	7 777.0	293.7	96.9	390.6	8 167.6	1 761.1	3 646.8	5 408.0	13 575.6
1995	4 487.4	7.1	254.5	261.6	4 749.0	6.3	3 403.1	3 409.4	8 158.4
1996	1 572.7	-	702.8	702.8	2 275.6	4 680.8	904.0	5 584.8	7 860.4
1997	4 097.1	1 345.4	227.0	1 572.4	5 669.5	18 171.9	590.5	18 762.4	24 431.8
1998	8 214.3	417.7	568.7	986.4	9 200.7	10 655.5	1 103.8	11 759.3	20 960.0
1999	21 886.9	44.8	1 436.4	1 481.2	23 368.0	4 185.9	20 154.6	24 340.5	47 708.5
2000	3 793.1	860.6	4 945.0	5 805.6	9 598.6	5 547.4	1 650.3	7 197.7	16 796.3
2001	7 616.3	420.0	2 178.2	2 598.2	10 214.5	2 720.8	1 669.9	4 390.8	14 605.2

(1) OPS are public offers for subscription, i.e. the operations of subscription of shares newly-issued (included the quota of Initial Public Offering made up by new shares).

- As was the case in 2000, almost all the funds were raised by companies listed on the Stock Exchange: 13 of the 18 paid operations (for 7,390 million euro, representing 97.1% of the total) were recorded on the Mercato Telematico Azionario (Electronic Share Market). The picture is completed with four capital increases on the part of companies listed on the Mercato Ristretto (for 125 million euro, representing 1.6%) and one on the Nuovo Mercato (101 million euro, equal to 1.3%).
- As occurred in 2000, apart from the Olivetti operations, the largest operations were carried out by companies in the banking sector. In fact, ranking in third, fourth and fifth position in terms of placement value were Banca Popolare di Milano (466 million euro), Banca Popolare di Lodi (227) and Interbanca (owing to the issue of convertible bonds for 148 million euro). Other operations where the value exceeded 100 million euro were those carried out by Investimenti Immobiliari Lombardi, Bayerische Vita, Banca Popolare di Sondrio (company listed on the Mercato Ristretto) and e.Planet (listed on the Nuovo Mercato). The median size of the capital increases - which eliminates the distortions due to the existence of very large operations with respect to the rest of the sample - was slightly above the figure for 2000 (92 million euro, against 83 for the previous year).
- The ratio of total funds raised through paid capital increases to overall market capitalisation at year-end was equal to 1.3%. This percentage has risen compared to 2000 (0.5%), but is below the value for 1999 (3.0%). However, the trend in question was affected not only by the growth in funds raised, but also by the drop in capitalisation, due to the negative trend in prices. On the other hand, the incidence of funds raised through capital increases with respect to the value of shares traded amounted to 1.2%, against 0.4% in 2000 (lowest of the last 5 years, to be compared against 4.3% in 1999, 2.0% in 1998 and 2.4% in 1997).
- As to the technical-operational methods used in the area of capital increases, 7 out of 25 operations were scrip issues, while the remaining 18 were carried out against payment. In 9 of these 18 cases there was an offer of ordinary shares, in one case ordinary and savings shares (Terme Demaniali di Acqui), in one case preference shares (Ifis, as in 2000), in three cases convertible bonds (Interbanca, Banca Popolare di Intra and Vittoria Assicurazioni), in two cases ordinary shares and warrants (e-Planet and Banca Popolare di Lodi), in one case convertible bonds and ordinary shares (Olivetti, November 2001) and in one case ordinary shares, convertible bonds and warrants (Olivetti, February-March 2001).

Since Borsa Italiana's privatisation in 1998, listed and newly-listed companies have raised over 100 billion euro through the market, more than half of which went to the issuers in order to finance their growth projects

18 out of 25 capital increase operations were paid and the overall funds raised represent 1.3% of the capitalisation at the end of 2001

PLACEMENT OPERATIONS AND PRIVATISATIONS

As regards operations for placement of securities on the part of listed and newly-listed companies, in 2001 Borsa Italiana was affected by the unfavourable situation, as also occurred on foreign markets. After experiencing a record year in 2000 (there were 48 placements, of

which 45 concerned the listing of new companies), in 2001 there were 20 operations carried out, of which 18 concerned the admission to listing of securities.

- The 20 placement operations enabled the companies and their shareholders to raise almost 7 billion euro. This figure, relating to overall funds raised through public offer for sale and subscription, was the lowest of the last 5 years following the trend in share prices, which reported a negative performance after five years of intense growth.
- The largest operations were the placement of the fifth *tranche* of Eni (equal to 5% of the share capital, for a value of 2,720 million euro), the initial placements of Snam Rete Gas (privatisation operation, for 2,202 million euro), Campari (425 million) and the secondary offer of Banca Popolare del Commercio e Industria (420 million euro).
- The main technique used was that of Public Offer for Sale and Subscription (OPVS), utilised in 9 operations; in 8 cases the Public Offer for Subscription (OPS) technique was utilised and in 2 cases - the Campari and Acegas offerings - that of Public Offer for Sale

The year 2001, in an international context of declining activity, saw an increase in the percentage of participation of institutional investors in placement operations

(OPV). The placement procedure for the fifth Eni *tranche* followed the method of only private placement with institutional investors, using the accelerated bookbuilding methodology. Overall - combining the funds raised by the “pure” subscription operations and the share of the OPVS derived from capital increases - the issuing companies raised 2,596 million euro (equal to 37.2% of total funds raised) which went towards company development. The remaining 4,386 million euro benefited the selling shareholders (62.8%). However, excluding the Eni placement, the percentage of funds due to the issuing companies rises to 60.9%.

- In 7 operations, apart from the usual *tranches* assigned to the public offering and the private placements with institutional investors, provision was made for additional private placements addressed to a number of less than 200 individuals - hence not coming within the rules concerning solicitation of public savings - identified by name on the part of the issuing companies. The composition of the public offerings indicated an involvement in placements of the various categories of stakeholders: apart from the usual *tranches* reserved for employees, in 6 cases there were *tranches* reserved for other parties connected in different ways with the issuing company (such as customers, associates, agents or consultants, residents in the geographical area of the issuer). In 6 cases provision was also made for offers reserved for the clients of intermediaries supplying on-line trading services.
- In 2001 the upward trend continued in the percentage of funds raised coming from institutional investors: even excluding the placement of the fifth Eni *tranche* (considering which the percentage raises to 82.2%), in 2001 the percentage of funds raised deriving from placements reserved for this category of investors reached 70.8%, for a total 3,015 million euro. This percentage was 44.8% in 2000 and 38.0% in 1999. As regards the other categories of subscribers, the offers reserved for the employees of the issuing companies accounted for 22.5 million euro (equal to 0.5% of the total, against 1.2% in 2000) while the remaining portion, equal to 1,223 million euro (28.7%, compared to 54% in 2000) derived from public offering and smaller placements reserved for other parties (quotas reserved for residents and on-line trading operators, family and friends placements).

- The 18 companies admitted to listing as a result of IPO (17 cases) or secondary offers (Algol, a company newly-admitted to the Nuovo Mercato, already listed on Nasdaq Europe) raised 3,840 million euro. More than half of the funds were raised through the issue of new shares (56.6%, compared to 75.8% the previous year). The decline in the percentage raised through OPS was due to the different type of companies listed during the year (13 on the Stock Exchange and 5 on the Nuovo Mercato, compared to 32 on the Nuovo Mercato and 13 on the Stock Exchange in 2000). Not by chance, if we consider just the companies listed on the Nuovo Mercato, which require greater resources to finance company growth, the percentage as regards OPS was still high, equal to 95.0%. Otherwise, as regards the Stock Exchange the figure was lower, equal to 55.3%. In 7 cases, of which 6 on the Stock Exchange, all the capital was raised by the issuing company.
- In a not exceptional year for the stock market, IPO subscription applications were received from about 600,000 retail investors (including overlapping due to those taking part in more than one offering). With reference to the number of retail subscribers, given a median figure of 4,600, about 337,000 investors took part in the Snam Rete Gas IPO.
- From an operational standpoint, the pricing procedures for the shares offered in all operations provided for the open price technique, based on which the placement price is determined at the close of the public offering. In the case of the Acegas privatisation, prior to the launch of the Public Offering a “closed” price range had been established (thus defining a minimum and maximum value) within which the placement price was to be fixed, while in the other cases only the maximum price had been defined. Moreover, it is now normal practice in IPO operations to grant the global coordinators an option to acquire at the placement price, within 30 days of the close of the offering period, an additional quantity of shares destined for any stabilisation policies (so-called green shoe option). As a percentage of the amount of the combined offering, the number of shares concerned with such option was on average 14% of the combined offering, with a minimum value equal to 9.2% (Esprinet) and maximum equal to 17.6% (Algol).

More than half the funds raised in Initial Public Offering operations derived from new share issues and on the Nuovo Mercato the percentage reached 95%

In 2001 the State - directly or indirectly - raised 3.8 billion euro through the privatisations concerning shareholdings in listed companies and the operations carried out at the time of a company's admission to listing. This figure includes the operations carried out through public offering and simultaneous private placement with Italian and foreign institutional investors (Snam Rete Gas and Acegas, respectively for 943 and 165 million euro) and the transfer of a quota of Eni through placement reserved for institutional investors (2,721 million euro).

- The figure is below those recorded in recent years, which had been characterised by the disinvestment of important quotas held by the public sector in large companies such as Eni, Telecom Italia, Enel and Finmeccanica (table 7). During 2000 the figure amounted to 7.3 billion euro; in 1999 total funds raised had risen to record levels, reaching almost 26 billion euro (Enel, Autostrade, Acea, Monte dei Paschi di Siena, Acsm operations).
- The incidence of privatisations on total resources raised by the listed companies through the market was 54.8%, slightly above the levels of previous years (46.0% in 2000, 49.1% in 1999 and 48.8% in 1998).

Due to the unfavourable market conditions and consequent postponement of some important operations, the privatisation process slowed down during 2001

- In the case of the two operations concluded through public offering, the majority quota of the placement was reserved for institutional investors (62.3% for Acegas, 78.3% for Snam Rete Gas). In the case of the placement of the fifth Eni *tranche*, the entire quota was reserved for this category of investors.
- As in previous years, forms of incentive were provided for particular categories of investors. In the case of Acegas provision was made for an incentive in favour of employees in the form of a 10% discount on the placement price; in the case of Snam Rete Gas, on the other hand, a bonus share was envisaged for the general public and employees, in the proportion of one bonus share for every 10 in cases where the shares acquired during the IPO are held without interruption for at least 18 months. As with previous placements relating to municipalized utilities (Aem Milano in 1998, Acea and Acsm in 1999, Aem Torino in 2000), again in the case of the Acegas IPO a quota of the Offering was reserved for residents in the company's reference geographical area (in this case a quota of 3.9% was reserved for residents in the province of Trieste).
- In a difficult year for operations carried out on the primary market, thanks to the good timing of the operation and to the characteristics of the companies' businesses - operating

TABLE 7 - PRIVATISATIONS FROM 1999 TO 2001

Seller	Company	Date	Value (millions of euro)	% Share capital	Operation
Fondazione Monte dei Paschi di Siena	Banca Monte dei Paschi di Siena	Jun 1999	1 632.9 ⁽¹⁾	19.7%	OPVS + PP
Comune di Roma	Acea	Jul 1999	934.0	49.0%	OPV + PP
Comune di Como	Acsm	Oct 1999	17.9	25.0%	OPV + PP
Iri	Autostrade	Oct 1999	2 451.6	30.0%	Direct Assignment
Min. Tesoro	Enel	Nov 1999	16 549.8	31.7% ⁽²⁾	OPV + PP
Iri	Autostrade	Dec 1999	4 185.9	52.4% ⁽²⁾	OPV + PP
Total 1999			25 772.1		
Iri	Finmeccanica	May 2000	5 505.0	43.7%	OPV + PP
Iri	Aeroporti di Roma	Jun 2000	1 326.8	51.2%	Direct Assignment
Vari ⁽³⁾	Aeroporto di Firenze	Jul 2000	16.8 ⁽¹⁾	22.9%	OPVS + PP
Ente Cassa di Risparmio di Firenze	Cassa di Risparmio di Firenze	Jul 2000	301.0	25.0%	OPV + PP
Comune di Torino	Aem Torino	Nov 2000	111.9 ⁽¹⁾	18.0%	OPVS + PP
Comune di Como	Acsm (II <i>tranche</i>)	Nov 2000	42.4	24.0%	OPV + PP
Total 2000			7 303.9		
Ministero del Tesoro	Eni (V <i>tranche</i>)	Feb 2001	2 720.8	5.0%	PP
Comune di Trieste	Acegas	Feb 2001	165.1	44.3%	OPV + PP
Eni	Snam Rete Gas	Dec 2001	942.5 ⁽¹⁾	40.2%	OPVS + PP
Total 2001			3 828.4		

(1) Only on sale from existing shareholders.

(2) Bonus share excluded.

(3) Quota of Chambre of Commerce of Florence, municipalities of Florence and Prato, region of Tuscany and provincial administration of Florence.



in a typically defensive sector - the Snam Rete Gas and Acegas placements had a good reception from the market. The ratio between the level of demand and the number of shares offered (oversubscription ratio) equalled respectively 5.8 and 2.6. Only Amplifon achieved a better result, with an oversubscription of 9.3.

PUBLIC TAKE-OVER BIDS

During 2001, 20 public take-over bid operations were carried out on listed companies (30 operations in 2000). The bids concerned 22 listed shares for a total volume of resources involved amounting to 5.9 billion euro. Although down on the previous two years (12.2 and 55.5 billion euro in 2000 and 1999 respectively), the 2001 figure ranks third position since 1992, the year in which the regulations relating to compulsory take-over bids came into effect in Italy. Another 4 operations, launched in December (Idra Partecipazioni on Idra Presse, Tyche on Lottomatica, HPS on Negri Bossi and Finos on Rotondi Evolution) were concluded in January 2002.

The value of the public take-over bid operations remained at high levels: the 20 operations carried out returned to the market almost 6 billion euro

- The overall value is heavily concentrated in the first two operations (bids on Edison and Montedison on the part of Italenergia). The bid on Edison recorded a value of 2,499 million euro, while the bid on Montedison amounted to 2,482 million euro. Important dimensions were also achieved by the Banca Popolare di Milano take-over bid on Banca di Legnano (350 million euro), that of Programma 2002 on Safilo (161, followed by a residual of 9) and Giorgio Armani on Simint (114, followed by a residual of 18).
- Of the 22 companies involved in public take-over bid operations, voluntary bids were made for 4, residual for 11 and total bids for 7. In two cases (Nuova Immobiliare on Risanamento Napoli, Montedison on Falck) following a residual bid launched on an ordinary share, the bid was extended on a voluntary basis to include the corresponding savings share.
- Most of the public take-over bid operations that took place in 2001 were carried out in order to strengthen the shareholdings of the issuing companies, also to enable greater flexibility in the definition of strategic plans on the part of the bidders. This took place on a voluntary basis (Giorgio Armani on Simint, Reale Mutua Assicurazioni on Italiana Assicurazioni) or as a result of total bid due to the bidders exceeding the quota of 30% of capital (Ergo on Bayerische Vita, Programma 2002 on Safilo, Italenergia on Edison and Montedison, Banca Popolare di Milano on Banca Popolare di Legnano, Asio on Immobiliare Metanopoli).
- Lastly, some residual operations were in completion of operations launched during 2000 in the form of total (Leonardo on Aeroporti di Roma, San Paolo Imi on Banco di Napoli, Montedison on Falck) or voluntary bids (Ms Fonspa Holding on Credito Fondiario e Industriale, Ras on Allianz Subalpina, Seat Pagine Gialle on Buffetti, Montedison on Sondel, Banca Popolare di Lodi on Banca Popolare di Crema).
- Following the outcome of the public take-over bid operations, 13 companies (compared to 9 the previous year), for a total capitalisation of 13.7 billion euro at the end of 2000, were delisted.



The decline in activity which occurred on the primary market during 2001 is a fact common to all the main world markets and is a physiological fact, if correlated to the trend in the markets throughout the year.

According to Thomson Financials data, at world level the number of placement operations concerning equity and equity related instruments (convertible bonds, warrants, etc.) dropped from 3,696 in 2000 to 2,471 in 2001 (-33.1%). In terms of value, the decrease amounted to 29.8% (from 606.3 to 425.6 billion dollars). With reference to Initial Public Offering operations, the decline was 58.7% based on number of operations (from 1,877 to 776) and 57.4% in terms of value (from 213.0 to 90.8 billion dollars); a similar trend occurred as regards secondary placements of equity instruments (down by 14.7% based on numbers - from 1,576 to 1,344 - and by 42.2% in terms of value - from 298.2 to 172.3 billion dollars). Consistent with this scenario, the only figure showing an increase is that relating to secondary placements of convertible bonds, up from 275 to 358 in terms of numbers (30.2%) and from 95.2 to 162.6 billion dollars in value (70.8%).

The Italian market figures should therefore be considered within the global situation of the markets during 2001. It should be remembered that during the past 4 years, since the privatisation of Borsa Italiana, the number of listed and newly-listed companies have increased through the market by over 100 billion euro, of which more than half through the issue of new shares. This sum has financed the development of the issuing companies, especially in the case of companies with higher growth prospects. In this context, as many as 106 new companies have been admitted to listing through IPO operations, including 45 on the Nuovo Mercato.