

Raising of capital and public take-over bids

During 2004 the Italian primary market saw a continuation of the growth trend - from the previous year - in the total amount of funds raised through placements of shares and related instruments (warrants and convertible bonds). The overall funds raised by the issuing companies and by the shareholders of the companies newly-listed (through Initial Public Offerings) or already listed (through issue of new shares) reached 15.2 billion euro, with a significant increase on the figure recorded in 2003 (+20.5%), putting 2004 in fifth position starting from 1980 (the all-time high dates back to 1999, with 47.7 billion euro). The growth in capital raised is almost entirely related to the resumption of privatisations, which led to placements totalling 9.3 billion euro, while there was once again a decline in the amount of resources flowing directly to finance the companies.

CAPITAL INCREASES

In 2004 the overall figure as regards funds raised through capital increases fell to 3.3 billion euro, from 9.8 recorded in 2003, settling at the lowest level since 1996 (table 10). The number of paid operations dropped from 28 to 23, remaining at levels above the recent average.

- 15 of the 23 paid operations concerned the Stock Exchange - MTA (Electronic Share Market) (for 2,837 million euro - equal to 87.0% of the total). There were 6 capital increases recorded by companies listed on the Nuovo Mercato (178 million euro, equal to 5.5%) and 2 operations on the part of companies listed on the Mercato Expandi (247 million, 7.6% of the total). Compared to 2003, the incidence on total transactions on the markets different from the Stock Exchange was up in terms of both number and amount raised.
- The 2 largest operations in 2004 (which together raised just over half of the total) raised funds in excess of 500 million euro and were carried out by BNL during the months of November and December (1.2 billion euro) and by Reti Bancarie Holding during the May-June period (0.6). The other operations that raised more than 100 million euro were those carried out by Credito Valtellinese (344 million euro), Banca Popolare di Sondrio (220), Buzzi Unicem (206), Chl (120) and Telecom Italia Media (119). The other 16 operations each raised funds below the threshold of 100 million euro.
- The BNL operation (the largest operation in 2004) ranks 12th in the list of the most significant capital increase operations since 1996, with the Reti Bancarie Holding operation in 24th place.
- The decline in overall funds raised led to an increase in the concentration indicators. Of

The year 2004 saw a continuation of the growth in activity on the primary market, with overall funds raised totalling 15 billion euro

the 23 paid operations carried out during the year, the top 3 accounted for 66.7% of the total value (50.6% the previous year). The top 5 accounted for 79.7% of the overall funds raised (66.9%), while the top 10 accounted for 93.7% (86.5%).

- There was a decrease in the size of capital increases: the average paid operation, influenced by the size of the largest, amounted to 141.8 million euro, compared to 351.5 in 2003; the median, equal to 27.1 million euro, was down by 80 million, reaching levels below not only 2003 (107.1), but also 2002 (48.1).
- In almost all cases, the capital increase operations were carried out through the placement of just common shares; in one case accompanied by convertible bonds, in another by savings shares.
- Alongside the paid operations 6 scrip issues were carried out, in one case through the distribution of new issue shares, in the other 5 cases by increasing the face value.
- The decline in activity took the ratio of total funds raised through paid capital increases to overall market capitalisation at year-end back down to 0.6%, below the level of 2003 (2.0%) and in line with earlier years (0.8% in 2002, 1.3% in 2001 and 0.5% in 2000). On the other hand, the incidence of funds raised through capital increases with respect to the value of shares traded amounted to 0.4% (1.4% in 2003, 0.6% in 2002, 1.2% in 2001 and 0.4% in 2000).

PLACEMENT OPERATIONS AND PRIVATISATIONS

There were 10 public offerings carried out in 2004: in 8 cases, these were Initial Public Offerings, one case concerned a placement of convertible bonds and one case concerned the third tranche of the Enel privatisation. In addition to this, there were 7 private placements with institutional investors.

**TABLE 10 - 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)	(i)=(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	648.9	5 156.7	5 805.6	9 598.6	5 547.4	1 650.3	7 197.7	16 796.3
2001	7 616.3	420.0	2 178.3	2 598.3	10 214.5	2 720.8	1 662.2	4 383.1	14 597.6
2002	3 692.6	276.5	638.3	914.7	4 607.4	1 434.1	552.0	1 986.2	6 593.5
2003	9 843.3	76.5	66.5	143.0	9 986.3	2 172.8	483.8	2 656.6	12 642.9
2004	3 262.2	-	351.6	351.6	3 613.8	9 337.2	2 278.2	11 615.4	15 229.2

(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).

- The 17 placement operations allowed the companies and their shareholders to raise 12.0 billion euro, a figure well above that of 2003 (2.8) and the highest level since 2000, ranking fifth place in the history of the Italian market.
- The two largest transactions were the Enel public offer for sale (18.9% of ordinary share capital, for a value of 7,636 million euro) and the placement carried out for the new listing of TERNA (for 1,700 million euro). Next came the placements for the admission to listing of Azimut (466 million euro) and Geox (344). The other transactions were for amounts of less than 100 million euro.
- As regards the origin of the securities offered, for 6 transactions the Public Offer for Sale and Subscription (OPVS) method was used, 3 transactions were by Public Offer for Sale (OPV) and there was one case of a Public Offer for Subscription (OPS). In the case of private placements, the procedure followed the method of bought deal with sale of shares.
- Overall - combining the funds raised by the “pure” subscription operations and the share of the OPVS derived from capital increases - the issuing companies raised 352 million euro (equal to 2.9% of the total) compared to 143 million euro in 2003 (equal to 5.1%). The remaining 11,615 million euro (97.1%) benefited the selling shareholders. Even excluding the 7 private placement only transactions, the percentage of funds due to the issuing companies is 3.4% of the total, the lowest figure since 1993.
- The percentage of funds raised coming from institutional investors, just under two thirds, continued to be high (7.7 billion euro, equal to 64.5% of the total). As regards the other categories of subscribers, the offers reserved for the employees of issuing companies accounted for 243 million euro (unchanged at 2.0% of the total), those reserved for former shareholders (all relating to the Enel transaction) accounted for 1,548 million (12.9%), those reserved for the general public accounted for 1,976 million (16.5% compared with 42.9% in 2003) and those reserved for other parties (residents in certain areas, online trading operators and family and friends placements) accounted for 486 million (4.1%).
- The 8 companies admitted to listing as a result of IPOs raised 2,630 million euro, almost five times the figure for 2003 (550), and more than twice the figure for 2002 (1,003).
- The 8 placements for the purpose of admission to listing concerned companies listed in six cases on the Stock Exchange and in two cases on the Mercato Expandi. In chronological order as regards the first trading date of the respective securities, the companies were DMT (Stock Exchange - STAR segment), TERNA (Stock Exchange - blue-chips segment), Procomac (Stock Exchange - ordinary segment), Azimut Holding (Stock Exchange - ordinary segment), Greenvision Ambiente (Mercato Expandi), Panariagroup (Stock Exchange - STAR segment), RGI (Mercato Expandi) and Geox (Stock Exchange - blue-chips segment).
- The upturn in the number of deals and their overall value was accompanied by a growth in investor participation: the IPO subscription applications received from retail investors (including duplications caused by those taking part in more than one offering and also

The year 2004 was characterised by a high percentage of privatisation operations, which accounted for approximately 80% of the total value of securities issued

The placements of newly-listed companies raised over 2.6 billion euro

including offerings reserved for employees) went up from just over 100,000 to 269,000. The concentration of the number of applications on the main deal (TERNA) appears in keeping with the proportional weight in terms of capital raised. On average, just under 100 Italian or foreign parties took part in the institutional placements. Here again, the figure is up on 2003 (65). The highest figures were recorded for the TERNA (248) and Geox (194) placements.

Retail investors represented 40%, and institutional investors 60%, of the total funds raised through public offerings for listing purposes

- Shares purchased by retail investors represented 40.4% of overall funds raised by public offerings for the purpose of listing new companies (this level remained stable with respect to 40.8% in 2003), compared to 59.6% as regards Italian and foreign institutional investors (59.2%). A breakdown of the contribution from the retail component shows that 21.0% of the total amount was subscribed by the general public (21.0% in 2003), 4.2% by employees and parties associated with the issuing companies (2.2%) and 15.2% (16.5%) by other parties benefiting from reserved tranches (shareholders of controlling companies, customers, family & friends).
- In the case of TERNA, provision was made for a bonus share in favour of retail investors, differentiated between general public and Enel shareholders (1 share for every 20) and employees (1:10), for those holding the shares without interruption for 18 months. In the Procomac placement, provision was made for a discount in favour of employees, subject to a lock-up period of three years. In the case of Azimut Holding (an asset management company), a specific tranche was reserved for subscribing customers, while provision was made for financial advisors to be able to participate in the tranche reserved for employees. The bonus share mechanism (1 share for every 10, after 12 months) was also applied in the Panariagroup placement. Lastly, in the case of RGI a percentage of the offering, equal to 9.5% of the total funds raised, was reserved for individuals identified by name on the part of the issuing company (so-called Family and Friends tranche).
- The greenshoe option, provided for in all offerings, was subsequently exercised in respect of the TERNA (13.0% of overall funds raised), Greenvision Ambiente (13.5%), Panariagroup (9.1%), RGI (8.3%) and Geox (13.0%) placements.
- The demand for IPO shares was high: the average oversubscription ratio in terms of shares was 2.3 (the 6.7 for Geox and 3.3 for Greenvision Ambiente were particularly notable), the average in terms of number of applicants was 1.28. With regard to the number of shares the pressure was greater on the institutional demand side (2.7 compared with retail's 1.7), whereas in terms of number of applicants (as was to be expected in view of the dimensions involved) retail exceeded institutional (1.28 against 1.18).
- Confirming the trend already seen in 2003, the majority of capital raised during admission to listing went to the shareholders who had sold their interests, 86.6%, compared to 87.9% in 2003. The remainder (13.4%, compared to 12.1% in 2003) flowed directly to the issuing companies. However, if the TERNA transaction (entirely in the form of OPV) is excluded, the situation appears more balanced, with a percentage of 37.8% flowing to the issuing companies.
- The high incidence of the percentage of OPVs in 2004 is related to the IPO carried out for the TERNA privatisation and the predominance of the OPV component within the other key transactions (Azimut Holding and Geox) carried out during the year. On the

other hand, the transactions for smaller amounts were characterised by a predominance of the new issue share component.

- The implementation of the TERNA IPO and the placement of the third Enel tranche gave rise to a net upturn in funds raised by privatisation transactions, which rose to 9.3 billion euro, the highest figure since 1999, putting 2004 in fourth place in the history of the Italian market. The Enel placement operation in particular ranks third place for funds raised, after the initial offering for the company's listing in 1999 and the Telecom Italia privatisation in 1997.

The year 2004 saw a resumption of privatisations, raising a total of 9.3 billion euro, the highest since 1999

PUBLIC TAKE-OVER BIDS

During the year, 19 take-over bids were performed (32 in 2003) raising a total 530 million euro (16.9 billion in 2003). Since 1992, the year in which compulsory take-over bids were introduced to the Italian legislative system, this is the fourth lowest year for number of operations and second lowest as regards overall value (exceeding only the value of 363 million euro for 1998). The take-over bids involved 19 listed securities (40 in 2003).

- The main operations in 2004, with values of more than 100 million euro, were the take-over bids launched by Giro Investimenti on Saeco (in May-June, for 211 million) and by Dina Italia on Ericsson (in May-June, for 135 million). In 10 transactions - characterised by the distribution of a limited number of shares - the value was less than 10 million euro, in 7 cases less than 2 million.
- Of the 19 instruments involved in the bid operations, voluntary take-over bids were made in 5 cases (22 in 2003), compulsory bids in 14 cases, of which 4 were residual (10 in 2003).

The year 2004 saw 19 take-over bids carried out, for an overall value of 530 million euro

Following the outcome of the public take-over bid operations, 4 companies (compared to 11 in 2003, 4 in 2002 and 13 in 2001), for a total capitalisation at prior year-end of 2.1 billion euro (8.9 billion in 2003, 245 million in 2002, 13.7 billion in 2001), were delisted from trading. The incidence with respect to the overall capitalisation of the Stock Exchange, Nuovo Mercato and Mercato Expandi amounted to 0.4%.