

## BORSA ITALIANA – 2007 REVIEW

### Statements by Angelo Tantazzi, Chairman of Borsa Italiana and Massimo Capuano, President and CEO of Borsa Italiana

“The Italian and European economies continued their growth during 2007” stated **Angelo Tantazzi, Borsa Italiana’s Chairman** “despite a second half which has seen a slowdown in the US economy and turmoil in the credit markets stemming from problems associated with sub-prime mortgage lending and the parceling up and dissemination of that debt. “In Italy, the process of competitive repositioning of many small and medium-sized enterprises continued, as also showed by good trend in exports. Nevertheless, further efforts will be needed to maintain and consolidate these developments, the first benefits of which were seen in the last months”.

“2007 was a mixed year for the financial markets. Trading volumes increased, as did the number of companies that decided list. Despite the high volatility, in particular during the second half of the year, most global equity indices closed the year with a gain. While equity markets with a high concentration in the banking sector – such as in Italy – suffered more than others, the overall fundamentals of listed companies remained strong”.

“This year the Borsa Italiana Group continued in its commitment to the development of the Italian marketplace. It ensured it was ready for MiFID, a new European directive which came into force in November. Moreover, it further expanded its horizons through its merger with the London Stock Exchange, creating Europe’s leading exchange group active in both trading and post-trade services. 2007 saw the end of a phase and the entering into a new one that will allow, as we hope, the Italian economy and its enterprises to fully benefit from access to the capital market thus fulfilling their needs”.

“2007 has been characterised by considerable growth in trading volumes and by a significant number of IPOs, finding in Borsa a strategic ally in support of the realisation of their growth ambitions”, emphasizes **Massimo Capuano, Borsa Italiana’s CEO**. “2007 saw the fulfilment of the intense international activity tenaciously carried out by Borsa Italiana over recent years, focused on defining the new structure of the exchange industry in Europe and worldwide”.

“Starting on 1 October, Borsa Italiana and the London Stock Exchange created a European exchange group leader in equity listing and trading as well as in trading on ETF, securitized derivatives and fixed income securities electronic systems. The underlying reasons for this transaction, of historical importance for the Italian finance services industry, lie in the opportunities given by the merger of two business models



highly efficient and complementary. On one hand, the primary role of the London Stock Exchange as regards UK and international equity instruments, on the other hand, the strength of Borsa Italiana in relation to derivatives, securitised derivatives and fixed income, coupled with a post trade services offering which is the most efficient in Europe. We are confident that thorough the integration of these two companies we shall be able to offer a wider range of products, more efficient services, greater liquidity for listed companies and a reduction in the cost of capital, available to those operating in the Group's markets. For the Italian financial system, in particular, it should accelerate its international exposure".

"Alongside this strong international focus, Borsa Italiana Group continued its activities aimed at the consolidation and expansion of its range of services and markets offered; the results achieved so far confirm the validity of the steps taken".

"2007, in fact, closes with 344 companies listed on Borsa Italiana's markets. The number of 32 IPOs was the highest since 2000, and 30 of these were related to small and medium size enterprises, a further confirmation of the success of Borsa Italiana's offer to this segment of enterprises. These listings succeeded to attract robust demand from institutional investors, which, in 2007, accounted for 83.0% of the overall amount placed through IPOs".

"Meanwhile, the Italian stock market confirmed its European record in terms of turnover velocity, evidence of its elevated liquidity and efficiency. Trading of shares, share derivatives, securitised derivatives and ETF were up further, reaching new record levels and testifying the continuous interest of institutional and retail investors in our markets".

"As regards the configuration of the stock markets, 16 new shares were added to the MTA International, a segment dedicated to shares of foreign issuers that are already traded on other EU markets, for a total of 37 securities, including some of the most liquid in the Eurozone".

"In September, trading started on MAC – Alternative Capital Market – a non regulated equity market dedicated to small companies. The MAC flanks the Borsa Italiana range of markets designed to facilitate the access of small businesses to venture capital".

"The promotion of listed companies continued with roadshows in international financial markets such as Frankfurt, London, New York, Paris and Tokyo. In Italy, origination activities intensified by means of participation in more than 30 events throughout the country and 200 meetings with entrepreneurs and financial market key players".

"In April, ETFPlus was launched, a new market dedicated to the trading of ETFs and ETCs, comprised by 208 listed instruments, and which was characterised, during 2007, by an exceptional growth rate both in the daily average number of trades (+74%) and in turnover (+84%)".



"Idem, the Italian derivatives market, saw a further increase in the number of contracts and in the notional turnover traded, working both on the products offered, increased following the launch of 14 new options and futures on Italian equities, as well as on procedures, through a further optimization of its technological infrastructures, now fully operated by Borsa Italiana, and through the implementation of new functions intended to facilitate clients' operations".

"Foreign brokers who directly access our markets further increased their role: in 2007, the number of brokers directly linked up from abroad rose to 54 (45 in 2006), thereby increasing the total number of members to 125. Furthermore, 11 new memberships were registered on MAC".

"The institutional role played by Borsa Italiana at an international level continued through the activities connected to the Italian Chairmanship, for the period 2007-2008, of the World Federation of Exchanges (WFE), the Federation which brings together the world's leading stock markets. This year's General Assembly & Annual Meeting was held in Shanghai, thus recognising the central role which China and the Asian markets will play in the future. The next General Assembly & Annual Meeting of the WFE will be hosted by Borsa Italiana in October 2008".

"On 1 November the MiFID directive (Markets in Financial Instruments Directive) came into force, which will change the competitive framework of exchanges across Europe as well as some operational activities of intermediaries, imposing new regulatory requirements for those active in the financial markets. Borsa Italiana and BIt Systems developed a series of services intended to allow full compliance with the post-trade transparency, transaction reporting and best execution provisions".

"During 2007, the Borsa Italiana Group grew further, acquiring new expertise and widening the range of services and products provided. In April, Borsa Italiana acquired a 90% interest in Servizio Titoli SpA, a company offering support services in all the operational steps performed, within listed companies, by Securities Departments or Company Secretariats. Moreover, in September Borsa Italiana acquired the 51% interest in MBE Holding it did not already own, thereby increasing its equity interest in MTS SpA to 60.37%. Through this acquisition, Borsa Italiana, together with London Stock Exchange, intends to increase its presence in the electronic trading of fixed income instruments and to further enhance MTS's business".

"Monte Titoli confirmed its leadership in Europe in terms of efficiency, security and cost effectiveness of its post trading services. The European central Bank cited the Italian settlement system as the most cost effective in the Eurozone and the benchmark for the industry. An "AA" rating assigned to Monte Titoli by Thomas Murray, an English company specialised in the business of rating post trading operators, was a first in the Eurozone, Monte Titoli was one of only five companies, including the Federal Reserve, out of the 140 systems monitored worldwide, to be assigned this rating. EXPRESS II, the clearing and settlement system, further increased its level of efficiency, one of the highest in the world, reaching a settlement



rate of 99.8%. X-TRM, the pre-settlement system, strengthened its leadership in this industry, handling over 370 million instructions, up 26% from 2006".

"CC&G (the clearing house) continued with its policy of extending and diversifying the business areas and the offer of its guarantee systems to new customers, both on a national and international level".

"Bit Systems, the Information and Communication Technology company of the Borsa Italiana Group, further enhanced its non-captive activities. Specifically, sales of the ASP (Application Service Providing) services, which make it possible to outsource access to the domestic and international markets, increased 70%".

"The development of the activities of the subsidiary Piazza Affari Gestioni e Servizi, a company which runs the Congress and Training Center at Palazzo Mezzanotte, continued. During 2007, it hosted more than 310 events for an increasingly diversified client base".

"In 2007, MTS saw further records in trading volumes for Repo (+11%) and BondVision (+19%). The launch of MTS Slovenia underlined the strong international nature of MTS, which has progressively expanded its business model to the whole of Europe. The continuous widening of the range of products traded is confirmed by the launch of a market dedicated to EONIA Swaps".

"Servizio Titoli, a company offering shareholding, meetings and company secretariat management services, counts amongst its clients 150 Italian listed companies with over 5 million shareholders. Servizio Titoli is focusing its efforts on widening the range of services, making them more and more suitable to the needs of small and medium cap listed companies".

"Finally, established by royal decree on 16 January 1808, the Exchange in Italy will soon be 200 years old. The 10 year anniversary of the establishment of Borsa Italiana SpA and the 30 year anniversary of Monte Titoli SpA will also fall in 2008. During the past two centuries, Borsa Italiana has reflected the economic and financial fortunes of the country, shifting from domestic to national, first, and then to international market. There are still many opportunities to be seized in the future, and the new framework, where Borsa Italiana is integrated with the London Stock Exchange, increases its international profile and represents, for the Italian financial and economic system, a privileged access point to one of the world's major financial centres."

Milan, 28 December 2007