

AIM Italia – Simple, quick and with an Italian twist

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AIM Italy offers a simple and flexible listing process to small and medium size companies; the process can be followed and documented in English and the issuer and shareholders can benefit from a Euro currency trading with no stamp duty

Background

Founded in 1808, the Milan Stock Exchange, also known as the “Borsa Italiana”, remained under public ownership until 1998, when it was acquired by a consortium of banks, and operated under a joint-stock holding company (“società per azioni”) between 2 January 1998 and 1 October 2007.

On 1 October 2007 the Milan Stock Exchange was merged with the London Stock Exchange in an all share takeover. Today the overall value of the companies traded on the Borsa Italiana stands at approx. Euro 465,123.7 millions.

Following the merger, the Milano Stock Exchange underwent a structural change, resulting also in the launching of the AIM Italia on 1 December 2008.

AIM Italia – An opportunity to dynamic and competitive small and mid-cap companies

Building on the success of AIM London, AIM Italia is Borsa Italiana’s market dedicated to small and medium size Italian enterprises (referred to as SME) with strong growth potential. Admission criteria are balanced and straightforward and the listing requires a very short timing.

AIM Italia is designed to become the ideal marketplace for the matching between Italian SMEs with high growth potential and international investors specialized on SMEs of the most important European financial market.

AIM Italia is a Multilateral Trading Facility or MTF, that is a non regulated market which is not under surveillance by the relevant Authority (Consob), neither during the admission process nor afterwards.

Therefore, it offers the chance to minimize the formalities necessary to the listing and after the listing, while assuring high quality standards. The listing process does not require the release of a prospectus pursuant to the Prospectus Directive (the release of a listing document suffices).

This market is based on the presence of a key figure: the Nominated Adviser (Nomad), which supports the company and safeguards the integrity of the market, thanks to its reputation and experience in the capital markets. The Nomad, who is responsible vis-à-vis Borsa Italiana, assesses the adequateness of the company to the listing and then assists, advises and follows it during the time it is listed on the market.

Why AIM Italia?

- Global recognition through the “AIM” brand; A well established know-how (based on the UK model, well known to international investors, which currently counts 1,500 listed companies from more than 40 countries);
 - Easy access (there are no requirements as to a minimum number of years of existence of the company, no share capital and floating shares requirements, no corporate governance requirements);
 - Admission Document substitutes Prospectus; The admission document is drafted on the basis of the prospectus provided for by the Prospectus Directive, but is remarkably simpler (for example, it does not envisage the MD&A and requires less financial information);
 - The Nomad defines the scope of the due diligence and arranges an appropriate admission date; The Nomad also establishes the completeness of the due diligence and the corporate governance;
 - Admission permit from Borsa Italiana within 10 days;
 - No Consob review;
 - No quarterly reporting obligations; It is only required the release of financial statements and six month intermediate reports;
- Certain and short, since it is not provided for preliminary investigations by Consob and Borsa Italiana and the issuer is allowed to choose the trading start date;
 - Only required to release of financial statements and six month intermediate reports, not of three month intermediate reports;
 - Documentation can also be in English;
 - Currency of trading is Euro;
 - No stamp duty.

A successful balance between the needs of Issuers and Investors

Launched by the London Stock Exchange in 1995, with almost 1,600 listed companies, AIM has become the world's most successful stock market dedicated to small and medium-sized companies with high growth potential.

The high growth of the market as well as its effective model are demonstrated by the high level of funds raised on the secondary market through placing subsequent to the IPO.

AIM represents a continuative financing form available to companies which, once listed, can raise funds periodically to sustain their projects.

AIM Italia represents a good balance between the needs of companies to be listed and those of investors. This allows on the one hand to shorten the timescales and to cut bureaucracy and on the other hand to attract a high number of investors. The companies enjoy: simple admission requirements and a quick access to the capital market; the investors enjoy supervision of an authoritative advisor (Nomad) to assess whether an applicant is appropriate to be listed on AIM and Information transparency.

Who are the AIM Italia Investors?

Italian institutional investors: investment funds, hedge funds, funds specialized on small caps, private banking, private equity, family office, etc.;

Foreign institutional investors: investment funds, hedge funds, funds specialized on small caps, dedicated funds investing on AIM, private banking, private equity, venture capital, family office, alternative investments, etc.;

Retail: small private investors, who invest after listing (the secondary market);

Stakeholders: during the IPO process, employees, suppliers and customers can also invest, provided that the total number of investors is below 100.

A note on the Legal framework and regulatory structure

Regulations by AIM Italia reflect the main features of the Rules by AIM UK, with some adjustments intentionally tailored to fit the peculiarities of the Italian economic and business environment.

Thanks to a flexible and well balanced regulatory approach, AIM Italia reconciles the requirements of Italian small and mid sized companies as well as those of Italian and foreign investors.

The regulatory structure of AIM Italia is based on the Issuers' Regulation and the Nomad Regulation, as well as some additional regulations and procedures handbooks.

The Finance Consolidated Act and the Consob Issuers' Regulations concerning issuers with securities significantly circulating among the public shall also apply, as the case may be.

The main obligations are resulting from the above regulations are the following:

Information in the admission phase

The release of a prospectus pursuant to the Prospectus Directive is not necessary, unless it is a public offering.

The admission to AIM Italia is normally done by means of an initial placement reserved to institutional investors (i.e. private placement), which is exempted from the release of a prospectus. However needed the drafting of an "admission document" summarizing the prospectus, is needed.

Reselling

AIM Italia is accessible, on the secondary market, to non qualified investors as well, without intermediary/bank acting on behalf of the client being bound to release a prospectus. Reselling on the retail market does not constitute a public offering pursuant to the Prospectus Directive.

Following information

The regulatory structure provides for the following obligations:

- disclosure to the market of price sensitive information;
- release of financial statements and six month intermediate reports;
- information to the market of relevant extraordinary transactions (including the possible obligation to release a new admission document);
- notification of transactions with related parties and of insider dealing.

The Nomad

The Nominated Advisor (Nomad) is a key figure in the AIM listing process, guaranteeing the suitability of the listing towards both the Stock Exchange and the Market. An AIM company must appoint and retain a Nomad at all times. If an AIM company ceases to have a nominated adviser the Exchange will suspend trading in its AIM securities.

The Nomad plays a key role for companies on AIM Italia. The Nomad has obligations and responsibilities, which on the official market are shared with other institutions (Consob and Borsa Italiana), including:

- guaranteeing the eligibility of an applicant company and its management for AIM;
- operating as advisor of the applicant company, coordinating the listing process, carrying out the due diligence on the company and the preparation of the AIM admission document/prospectus;
- ensuring that the company is informed of the market regulations that apply to it as a publicly quoted company;
- acting as the main liaison between the company and Borsa Italiana;
- supporting and advising the company throughout its membership on the market;
- monitoring the company once it is listed and ensuring that the market receives adequate information.

Requirements for Admission on AIM Italia

Nomad

- Appointment of a Nomad, a qualified registered firm authorized by Borsa Italiana;
- The suitability of the company applying for admission to AIM Italia must be evaluated by the Nomad;

- In order to evaluate the applicant's suitability, the Nomad has to perform due diligence on the company: the scope of this due diligence is defined by the Nomad itself, which will put more emphasis on substantive rather than formal criteria.

Certified Financial Statements

- Financial statements for the last 3 years certified by a registered auditing firm authorized by Consob;
- Conversion of mentioned financial statements according to IFRS accounting standards.

Admission request and documentation

- Request for admission must be filed at least 10 days before the established admission date;
- The admission document includes: business information, economic and financial data and working capital (if there is no public offering, there is no need for a prospectus authorized by Consob);
- The company can opt to prepare its documentation in Italian or in English.

Evaluation of suitability by the Nomad

In evaluating the suitability of an applicant company, the Nomad should evaluate the satisfaction of key requirements and perform due diligence.

The scope of due diligence will be established by the Nomad which will put more emphasis on substantive rather than formal criteria.

The AIM regulatory framework defines those aspects that still are the object of examination by the Nomad.

Substantial Requirements

- Existence of an effective control system and procedures that give directors reasonable basis to have an appropriate evaluation of the financial situation and the future prospects of the issuer;
- A suitable Board of Directors for a listed company;
- Adequacy of financial resources and/or cash flows for at least 12 months from the listing date;

- Existence of adequate systems, procedures and controls to ensure compliancy with AIM Italia regulations (price sensitive information, press release timing, accounting data, etc.);
- No aspects emerging from the due diligence process that might invalidate the suitability of the issuer to the listing.

Due Diligence

- meeting/management surveys;
- collection and analysis of financials;
- collection and analysis of legal documentation;
- collection and analysis of fiscal documentation;
- management information system analysis / procedures.

The main supervisor of the due diligence activity is the Nomad which heads and coordinates the relative execution, with the support of legal and tax consultants, auditors and control consultants.

The consultants involved may vary according to the level of the organization of the issuer and the business in which it operates.

Post Listing Requirements

Nomad and Specialist

- Nomad is needed during the continuous trading phase (if not the company should be delisted), supporting the company in fulfilling requirements towards the market and verifying that the company is suitable to remain listed;
- Presence of a specialist (this can be the same as the Nomad) responsible for sustaining the liquidity of the shares.

Website

The applicant must have a website, which contains the main information about the company and recurring information as described below.

Annual statement and half yearly report

- Certified financial statements prepared according to IFRS (the timing is established by the Italian Civil Code, so there are no tight deadlines);
- Half yearly report prepared according to IFRS and published within 3 months from the end of 1H.

Company Information

- Disclosure of price-sensitive information;
- Consent of shareholders required only for significant acquisitions and disposals;
- Transaction disclosure with related parties, under Nomad supervision;
- No restrictions to further rights issues;
- Significant stake limit: 3% (vs. 2% for the MTA).

Limits on shares trading (close period)

Relevant Directors and employees cannot buy/sell shares in the two months period prior to annual and semi-annual results being reported or at times when these subjects hold confidential information or at times it is likely that this information become public.

The Listing Process

The listing process on AIM Italia requires 4-5 months and depends exclusively on the company and the Nomad as no formal preliminary review is required by the competent authorities.

A typical listing process on the MTA segment of Borsa Italiana requires a minimum of 7-8 months but may take much longer due to the uncertainty regarding review by Borsa Italiana and especially by Consob.

Listing without public offering: a further option offered by AIM Italia

AIM Italia offers an important option: a listing without initial public offering or with a small private placement to reach a minimum float in the range of 5 – 10% divided among at least 5 subjects.

The listing with a minimum float to reach also without a public offering represents an important flexibility factor and an option to achieve the listing also in the recent period in which the demand for the IPOs by investors is scarce.

Being quoted means being known by investors and so being in a privileged position to raise funds in a flexible way in order to finance the growth projects.

Fast track to the listing on the main market

Borsa Italiana has envisaged a “fast track” for the admission to its MTA segment of companies already listed in AIM Italia, which may constitute an alternative way to the admission to the main market.

Key contact

Key contact biographies can be viewed at simmons-simmons.com



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Companies which have been listed in AIM Italia for at least 18 months shall indeed be able to access the main market with the following benefits:

- exemption from the QMAT (Quotation Management Admission Test) drafting obligation;
- exemption from the obligation to provide a memorandum on management control (thus without the need of the relevant statement by the sponsor, which is replaced by a statement by the chairperson of the board of statutory auditors);
- exemption from the obligation to file the evaluation document to Borsa Italiana;
- exemption from the obligation by the sponsor to release the result of the first investigation;
- preliminary investigations by Borsa Italiana lasting one month only.

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