

The Structure of the Italian Stock Market

An article published in an earlier issue of this journal dealt with post-war developments in the Italian equity market. Now we propose to discuss its structure, in terms of the composition of the stock exchange list and of a brief review of the most representative items in it.

The first thing that hits the eye of the observer is how short the lists of Italian Stock Exchanges are in comparison with those of other Western countries. Several thousand equity shares are quoted on the London stock exchange, 2,000 on the New York stock exchange alone and in Paris, and very nearly a thousand in Frankfurt and Brussels; but on the Milan stock exchange, Italy's largest, only 137 shares are quoted, and on all Italian stock exchanges together barely 220 (without duplications, of course).

There are in Italy altogether ten stock exchanges (Table 1), but the volume of business is very unevenly distributed among them. The Milan stock market is far and away the most important, with about 60 per cent of total business; next in order, but a long way behind, are Turin and Rome, with 14 and 13 per cent of total business, respectively, and then Genoa, with 8 per cent. These four stock exchanges between them account for 94 per cent of all Italian business in equity shares. In 1959, total turnover in all stock markets together amounted to some 900 billion lire, which was more than three times as much as in 1958, but still fell short of the 1955 record figure of 968 billion lire. This is about as much as is traded on the New York stock exchange in a week.

These brief preliminary remarks may serve to show how the size of the Italian equity market compares with major European and American markets. There is clearly much room for expansion, and it is to be hoped that our country will make use of its opportunities in this respect, so as not to find itself at a disadvantage when progressive European integration and diminishing world tension in time allow of freer international capital movements.

TABLE I

ITALIAN STOCK EXCHANGES AND VOLUME OF BUSINESS

Stock exchange	Number of shares quoted	Volume of business		
		Number of shares traded (millions)	Value of transactions	
			(billion lire)	(per cent)
Bologna	11	2.5	4.1	0.4
Florence	38	16.9	27.6	3.1
Genoa	74	44.9	73.3	8.2
Milan	137	322.5	525.5	58.4
Naples	32	11.0	17.9	2.0
Palermo	15	0.1	0.2	—
Rome	79	73.0	119.0	13.2
Turin	79	78.3	127.0	14.1
Trieste	26	1.4	2.3	0.3
Venice	16	1.4	2.3	0.3
<i>Total 1959</i>	220	552.0	899.2	100.0
<i>Total 1958</i>	220	206.9	259.7	—

Financial groups on Italian stock markets

Table 2 presents a synthetic picture of the largest industrial and financial holding companies and of the total capital under their control. These companies and their subsidiaries together account for a large part of Italian industry, as well as for the bulk of the more important shares with stock exchange quotations.

Part A of the Table lists the five large financial companies of the *Iri* group, part B private purely financial companies, and part C the major industrial holding companies — that is, companies whose main activities are industrial but which also control many affiliates. All these companies are industrial but which also control many affiliates. All these companies except *Finmeccanica* are quoted on the stock exchange. *Finmeccanica* was included partly to give a complete picture of the *Iri* group, and partly because some of the company's more important subsidiaries, as will be seen, have their own stock exchange quotations.

The financial companies of the *Iri* group are true holding companies in that practically all their interests in other companies are controlling ones. The same is true of the companies listed under C, while those listed under B are less homogeneous. The first two of the latter, *Gim* and *Industrie Agricole*, are to all intents and purposes financial holding companies,

TABLE 2

PRINCIPAL FINANCE GROUPS ON ITALIAN STOCK MARKETS

(figures in million lire)

Company	Capital stock	Investment holdings (book value)		Capital stock of companies controlled directly or indirectly
		controlling interests	minority holdings	
<i>A - IRI Group</i>				
Finletterica	45,000	51,851*		145,886
Finmare	18,000	956*		1,100
Finsider	70,686	79,691*		163,126
Finmeccanica	50,000	25,490*		53,833
STET	140,000	133,341*		152,860
	323,686	291,329		516,805
<i>B - Financial companies</i>				
GIM	4,000	5,850*		7,680
Industrie Agricole	6,885	13,351*		41,258
La Centrale	42,000	44,000	11,000	106,170
Bastogi	42,000	18,921	35,452	63,186
Pirelli & C.	6,000	2,473	4,725	40,415
Sviluppo	12,500	3,011	8,112	8,560
INVEST	15,000	—	12,668	—
	128,385	87,606	71,957	267,269
<i>C - Industrial groups</i>				
Edison	200,000	190,362*		358,446
Montecatini	100,000	50,762*		51,729
FIAT	100,000	56,819*		...
SNIA-Viscosa	27,450	25,154*		...
Italcementi	12,000	11,276*		...
SADE	72,000	20,530*		23,072
Italgas	23,880	10,704*		...
	535,330	365,606*		433,247
<i>Grand total</i>	987,401	744,541	71,957	1,217,321

* Mainly controlling interests.

the great bulk of their interests being in companies under their control. The next four, *La Centrale*, *Bastogi*, *Pirelli & C.*, and *Sviluppo*, have controlling interests in some important affiliates, but also minority interests in other companies, so that they are a blend of financial holdings and investments companies. The last company listed under B, *Invest*, is a pure investment company, indeed a proper investment trust of the closed end type and the only one of its kind in Italy.

The capital stock of the holding and industrial companies with stock exchange quotations and the capital stock of the companies they control add up to 2,200 billion lire, or 48 per cent of the capital stock of all Italian joint stock companies together. However, these are gross figures which, from an economic point of view, contain a lot of duplications. The percentage would turn out to be much lower if it were possible to calculate it on capital net of duplications, that is to say, on capital in a physical sense.

Let us now look in more detail at the composition of the various financial companies and groups listed in Table 2, with particular reference to those of their affiliates which have stock exchange quotations.

The IRI Group

The Institute for Industrial Reconstruction (*Istituto per la Ricostruzione Industriale - Iri*) is an institution under public law (or in plain words, a government agency) set up in 1933 to relieve some of the largest Italian banks of the stock holdings frozen in their portfolios. The complex operations of *Iri* ended up with the *de facto* nationalization not only of the then existing biggest commercial banks, but also of large parts of heavy industry and of important public utilities and engineering concerns. After *Iri's* intervention however, all the companies concerned continued to operate as normal joint stock companies and as such remained subject to ordinary company law. This was the origin of the so-called "mixed" companies, which are in fact controlled by the government, through *Iri*, but are, legally, ordinary joint stock companies with minority holdings in private hands. Many of them are quoted on the stock exchange. Subsequently, *Iri's* activities went on expanding, mostly within the institutional framework of public utilities and heavy industry, until today the companies of the *Iri* group constitute a by no means negligible part of the whole of Italian industry. In terms of the capital stock of companies quoted on the stock exchange, the *Iri* group accounts for no less than one-third of the total (see Table 3).

TABLE 3
STOCK EXCHANGE LIST OF « MIXED » COMPANIES UNDER THE DIRECT
OR INDIRECT CONTROL OF IRI

Company	Capital stock (million lire)	Direct IRI holdings	Indirect IRI holdings	Total IRI holdings
		(per cent of capital stock)		
1. Società Finanziaria Elettrica (Finelettrica) . . .	45,000	79.0	—	79.0
1.1 Soc. Idroelettrica Piemonte (SIP)	103,423	15.7	31.5	47.2
— PCE	7,956	—	51+	51+
— Vizzola	42,230	—	51+	51+
1.2 Soc. Meridionale di Elettricità (SME) . . .	94,978	15.2	23.8	39.0
— UNES	18,800	—	51+	51+
— Elettr. Campania	7,133	—	51+	51+
— Elettr. Calabria	3,525	—	51+	51+
— Pugliese	9,334	—	51+	51+
— Lucana	1,745	—	51+	51+
— Napoletana Gas	2,400	—	51+	51+
2. Società Finanziaria Marittima (Finmare) . . .	18,000	96.6	—	96.6
3. Società Finanziaria Siderurgica (Finsider) . . .	70,686	62.0	—	62.0
3.1 Cornigliano	50,000	29.9	65.8	95.7
3.2 ILVA	44,000	0.4	64.8	65.2
3.3 Dalmine	12,000	0.2	51.0	51.2
3.4 Terni	33,250	7.4	51.2	58.6
3.5 Cementir	5,000	12.0	51.0	63.0
4. STET - Soc. Fin. Telefonica	140,000	66.6	—	66.6
4.1 TETI	30,000	—	82.0	82.0
4.2 SIT	1,000	—	60.0	60.0
5. Strade Ferrate Secondarie Meridionali	1,200	55.5	—	55.5
6. Manifatture Cotoniere Meridionali	6,000	45.0	—	45.0
7. Monte Amiata	3,280	32.6	—	32.6
8. Mediobanca	8,000	—	51.0+	51.0+
9. Ansaldo	10,800	40.5	51.0+	91.5
10. Cantieri Riuniti Adriatico	3,000	21.9	51.0+	72.9

+ Absolute IRI majority, percentage unknown.

Iri exercises its control either through the five large holding companies listed in Table 2 — which themselves are mixed companies and therefore in part privately owned and quoted on the stock exchange — or directly in the case of a number of firms which are in no way connected with any of these five holding companies. In some cases there is a mixture of direct and indirect control, in so far as *Iri* itself may hold blocks of shares of firms controlled by one of its holding companies. This kind of split control has, of course, no practical significance, but it obscures the formal relationships within the group and might perhaps better be done without. In most cases *Iri* possesses, directly or indirectly, an absolute majority in the controlled companies, but in some cases, which will be mentioned later, *Iri* exercises its control with only a large minority holding.

Table 3 contains a complete list of all the companies of the *Iri* group which are quoted on the stock exchange, together with an indication of the internal investment situation.

The *Società Finanziaria Elettrica (Finelettrica)* represents *Iri* interests in the electricity sector. It directly controls *Società Idroelettrica Piemonte (Sip)* and *Società Meridionale di Elettricità (Sme)*, both of which in turn are the mother companies of important groups of electricity generating and distributing firms. In both these companies *Iri's* total holdings are less than 50 per cent, namely, 47.2 per cent in *Sip* and barely 39 per cent in *Sme*; nevertheless, *Iri's* control is undisputed even in the case of *Sme*, in which private financial groups have sizeable interests. This is possible because the remaining shares of both companies are widely distributed among the investing public at large.

From the investor's point of view, *Finelettrica* is a good stock with a safe return but no immediate growth potential. We have collected particulars of the company's position and results for the last three years in a synthetic table of a form which we have found convenient and useful and which we shall use subsequently in other cases. The item "net worth" includes the year's profits.

The book value of the shares is not much in excess of their nominal value, but this understates the position, in so far as the company's investments are entered at well below their current market price. The actual composition and current value of *Finelettrica's* investments on June 30, 1959, are shown in a separate table below, from which it will be seen that their market value at that time was almost twice as much as shown in the

FINELETTRICA

Statement of condition	(billion lire)		
	30/6/57	30/6/58	30/6/59
Investment holdings	40.2	43.6	51.9
less: long-term debt	—	—	—
	+ 40.2	+ 43.6	+ 51.9
Current claims	15.6	21.0	19.9
less: current liabilities	-21.8	-18.4	-22.0
	- 6.2	+ 2.6	- 2.1
Cash and bank	—	+ 3.6	+ 0.4
Net worth	34.0	49.8	50.2
of which: capital stock	30.0	45.0	45.0
Ratio of net worth to capital stock	1.13	1.11	1.116
Nominal value of share (lire)	1,000	1,000	1,000
Book value of share (lire)	1,130	1,100	1,115
Income data	Business year (billion lire)		
	1956/57	1957/58	1958/59
Gross receipts	4.3	4.7	5.1
Net profit	2.4	3.1	3.3
Dividends paid out	2.2	2.9	2.9
Dividend per share (lire)	75	75	75

accounts. On this basis, *Finelettrica's* own shares at that date should have been worth rather more than 2,000 lire, and were in fact quoted at around that level.

FINELETTRICA HOLDINGS ON JUNE 30, 1959

Shares	Number (millions)	Unit book value (lire)	Total book value (billion lire)	Unit market price (lire) June 30, 1959	Total market value (billions lire) June 30, 1959
SIP	27.2	965	26.2	1,875	52.8
SME	19.0	876	16.6	1,900	36.1
Terni	27.2	209	5.7	370	10.1
Other not quoted . . . . .	..	..	3.3		
<i>Total</i>			51.8		99.1

Gross receipts consist largely of dividends on the company's equity holdings. During the last two years profits represented more than 65 per cent of gross receipts and dividends absorbed about 90 per cent of profits. However, it should be noted in this context that owing to certain imperfections in Italian company law, the profits and loss accounts leave much to be desired and their figures cannot be trusted entirely. It will be seen, for instance, in this and in other cases subsequently illustrated, that net profit is hardly ever shown as much higher than dividend distribution, even when dividends have remained constant for some years — although it is well known that profits fluctuate with the ups and downs of general economic conditions, given the greater rigidity of costs. Although we shall continue, in the subsequent analysis, to quote the figures for profits and dividend distribution, we would warn the reader not to rely too much on their accuracy.

The *Società Idroelettrica Piemonte (Sip)* produces electricity and distributes it in Piedmont and adjacent areas. It is one of the largest Italian electricity companies; its 41 hydroelectric power stations have a combined capacity of 4,700 million Kwh, and it also owns a few thermal power stations with a combined capacity of 1,000 million Kwh. As will be seen from the company's particulars as set out in the accompanying table, plant is written off by about 35 per cent, investments cover a good part of outstanding bonds, and current claims largely exceed current liabilities.

The dividend on *Sip* shares has been held constant at 84 lire for ten years, while the capital has more than tripled, in part by bonus issues. This, together with the group's overall position, makes *Sip* one of the blue chips of the Italian stock market.

Of *Sip*'s many subsidiaries, *Vizzola* and *Piemonte Centrale di Eletticità* have their own stock exchange quotations. *Sip* also has interests in both the electronuclear companies set up lately in Italy, namely *Senn* (*Società Eletttronucleare Nazionale*) of the *Iri-Eni* group, and the private *Selni* (*Società Eletttronucleare Italiana*).

The *Società Meridionale di Eletticità (Sme)* heads an important group of electricity companies which have practically a monopoly of electricity production and distribution in the whole of Central and Southern Italy (from the Abruzzi to Calabria, but not in the Islands). *Sme* itself owns ten hydroelectric power stations with an installed capacity of 700,000 Kw and one thermal power station at Naples with an installed capacity of 220,000 Kw. The principal subsidiaries of *Sme*, as listed in Table 3, are

S I P

Statement of condition	(billion lire)			
	31/12/56	31/12/57	31/12/58	31/12/59
Fixed assets	182.4	198.3	207.8	214.1
less: depreciation	54.5	60.9	67.1	73.6
	+ 127.9	+ 137.4	+ 140.7	+ 140.5
Inventories	2.9	1.1	0.7	3.4
Investment holdings	26.3	28.1	33.8	34.2
less: long-term debt	48.6	52.1	50.6	48.6
	- 22.3	- 24.0	- 16.8	- 14.4
Current claims	18.7	24.7	17.4	28.2
less: current liabilities	21.4	19.1	21.9	13.6
	- 2.7	+ 5.6	- 4.5	+ 14.6
Cash and bank	+ 0.1	+ 0.1	+ 0.1	+ 0.1
Net worth	105.9	120.2	120.2	144.2
of which: capital stock	68.9	82.7	82.7	103.4
Ratio of net worth to capital stock	1.54	1.45	1.45	1.39
Nominal value of share (lire)	1,200	1,200	1,200	1,200
Book value of share (lire)	1,850	1,740	1,740	1,670
	Business year (billion lire)			
Income data	1956	1957	1958	1959
Sales	22.0	25.8	27.6	26.9
Net profit	4.9	5.9	5.9	6.8
Dividends paid out	4.6	5.6	5.5	6.8
Dividend per share (lire)	84	84	84	84

quoted on the stock exchange, but *Sme* also controls a good many other smaller companies and has an interest in nuclear power through *Senn*. The company's accounts have a certain resemblance with those of *Sip*.

From the investor's point of view, *Sme* is one of Italy's leading stocks and, being quoted on Swiss stock exchanges, also enjoys a certain international reputation. Major stockholders include *Bastogi* with 13.7 per cent and *Financière Italo-Suisse* with 4.8 per cent of the stock; the rest of the shares are widely distributed among private investors. The dividend is 75 lire per share and has not changed since 1951.

S M E

Statement of condition	31/3/57	31/3/58	31/12/58	31/12/59
Fixed assets	167.9	175.2	183.8	193.1
less: depreciation	48.7	53.7	57.5	63.8
	+ 119.2	+ 121.5	+ 126.3	+ 129.3
Inventories	+ 2.5	+ 2.4	+ 2.2	+ 2.1
Investment holdings	24.8	25.7	25.2	25.0
less: long-term debt	36.0	35.3	38.0	41.5
	11.2	9.6	12.8	16.5
Current claims	21.8	23.8	19.0	28.1
less: current liabilities	22.8	27.8	24.4	16.7
	1.0	4.0	5.4	+ 11.4
Cash and bank	+ 1.0	+ 0.6	+ 0.6	+ 3.2
Net worth	110.5	110.9	110.9	129.5
of which: capital stock	75.0	75.0	75.0	95.0
Ratio of net worth to capital stock	1.47	1.48	1.48	1.36
Nominal value of share (<i>lire</i>)	1,000	1,000	1,000	1,000
Book value of share (<i>lire</i>)	1,475	1,480	1,480	1,360
	Business year (<i>billion lire</i>)			
Income data	1956/57	1957/58	1958 (*)	1959
Sales	22.4	23.0	22.3 (*)	22.4
Net profit	5.2	5.6	5.9 (*)	6.8
Dividends paid out	4.9	5.3	5.7	6.4
Dividend per share (<i>lire</i>)	75	75	75 (*)	75

(*) Nine-months results extrapolated for a full year.

The *Società Finanziaria Marittima (Finmare)* represents *Iri's* shipping interests. It is almost wholly (96.6 per cent) owned by *Iri* and in its turn owns almost the entire stock of the four shipping companies under its control. These are the *Società "Italia"*, which runs the big transatlantic lines to North and South America, the *Lloyd Triestino*, which operates the Suez Canal lines to Africa, Asia and Australia, and the two smaller companies *Adriatica* and *Tirrenia*, which concentrate on Mediterranean shipping. These companies are not quoted on the stock exchange and the market for *Finmare* itself is somewhat narrow.

The *Società Finanziaria Siderurgica (Finsider)* is the holding company for *Iri's* interests in heavy industry. *Iri* owns 62 per cent of the stock of this company, which has absolute majority holdings in a number of important firms, including: the two big steel concerns *Cornigliano* and *Ilova*, *Dalmine* (mainly tube-makers), *Terni* (heavy machinery and elec-

FINSIDER

Statement of condition	<i>(billion lire)</i>		
	30/4/57	30/4/58	30/4/59
Investment holdings	57.4	77.5	79.4
less: long-term debt	0.3	0.3	0.4
	+ 57.1	+ 77.2	+ 79.0
Current claims	11.0	22.9	27.3
less: current liabilities	9.3	19.0	24.4
	+ 1.7	+ 3.9	+ 2.9
Cash and bank	+ 0.2	—	—
Net worth	59.0	81.1	81.9
of which: capital stock	50.5	70.7	70.7
Ratio of net worth to capital stock	1.17	1.147	1.158
Nominal value of share (<i>lire</i>)	500	500	500
Book value of share (<i>lire</i>)	500	575	580
	Business year (<i>billion lire</i>)		
Income data	1956/57	1957/58	1958/59
Gross receipts	7.9	6.5	8.4
Net profit	3.8	4.8	6.5
Dividends paid out	3.2	4.5	6.1
Dividend per share (<i>lire</i>)	45	45	45

tricity), *Cementir* (cement), as well as in many smaller firms not quoted on the stock exchange. In this group, *Finsider*, *Ilova* and *Terni* have the widest market.

The book value of *Finsider* shares is just under 580 lire, whereas their current market price is much higher. One of the reasons for the

discrepancy is that the company's investment portfolio is greatly undervalued in the books, as is seen from the table below:

FINSIDER HOLDINGS ON APRIL 30, 1959

Shares	Number (millions)	Book value	Market value as of Dec. 31, 1959
		(billion lire)	
ILVA	71.3	19.7	65.0
Terni	41.1	9.4	20.0
Dalmine	12.2	5.8	32.0
Cornigliano	32.9	31.6	59.0
Cementir	6.4	2.1	5.0
Others not quoted	—	10.8	—
<i>Total</i>		79.4	191.8

The market value of *Finsider* investments at the end of December, 1959, was 140 per cent higher than their accounting value, and has further increased since then. There is then the rather high dividend of 45 lire, which still makes *Finsider* one of the best yielding shares on the market and finally the very good results in the Italian steel industry in 1959 and the first months of 1960.

Iva - Altiorni e acciaierie d'Italia, is one of the two biggest iron and steel concerns in Italy. The other is *Cornigliano*, which, however, introduced its stock on the market only last year.

Iva has three smelting works, at Bagnoli (Naples), Piombino and Trieste, respectively, and fifteen processing and engineering works. It employs 22,000 people and its annual output runs to about 1.9 million tons of pig iron, 2 million tons of steel and 1.6 million tons of rolled sections.

The company's reserves amount to more than half its capital stock. Recently, however, the capital has been increased to 66 billion lire, half for new money and half as a bonus issue and the surplus has fallen to 20 per cent. The figures show a sharp drop in sales during 1958, but the brisk recovery in the second half of 1959, which was particularly marked in the Italian steel industry has brought an improvement in 1959 and

I L V A

Statement of condition	(billion lire)			
	31/12/56	31/12/57	31/12/58	31/12/59
Fixed assets	103.1	116.7	135.5	151.6
less: depreciation	59.2	65.4	68.7	74.2
	+ 43.9	+ 51.3	+ 66.8	+ 77.4
Inventories	+ 23.8	+ 40.0	+ 42.5	+ 37.1
Investment holdings	0.9	1.1	1.5	4.8
less: long-term debt	31.7	36.2	48.8	-61.0
	30.8	35.1	47.3	56.2
Current claims	25.9	26.6	27.0	32.4
less: current liabilities	16.1	19.2	20.9	20.4
	+ 9.8	+ 7.4	+ 6.1	+ 12.0
Cash and bank	+ 8.2	+ 1.1	+ 0.1	+ 0.1
Net worth	54.9	64.7	68.2	70.4
of which: capital stock	32.0	44.0	44.0	44.0
Ratio of net worth to capital stock	1.72	1.47	1.55	1.60
Nominal value of share (lire)	400	3.0	400	400
Book value of share (lire)	685	2.8	620	640
	Business year (billion lire)			
Income data	1956	1957	1958	1959
Sales	107.8	118.7	101.3	105.0
Net profit	2.7	3.0	3.3	3.3
Dividends paid out	2.7	2.8	3.1	3.1
Dividend per share (lire) (unchanged since 1953)	28	28	28	28

must have established new records in the company's order books. Discounting this, the price of *Iva* shares has gone recently well above its book value.

Terni - Società per l'industria e l'elettricità, is one of the largest industrial concerns in Central and Southern Italy. Its activities have a wide range — apart from owning fourteen hydroelectric power stations, it operates huge steel works at Terni with specialized foundries for heavy machinery, two electrochemical factories (for the production of calcium

T E R N I

Statement of condition	(billion lire)			
	31/12/56	31/12/57	31/12/58	31/12/59
Fixed assets	143.3	153.4	162.5	171.0
less: depreciation	33.8	37.8	42.3	49.7
	+ 109.5	+ 115.6	+ 120.2	+ 121.3
Inventories	+ 8.7	+ 11.9	+ 10.4	+ 8.1
Investment holdings	2.3	2.2	4.6	5.5
less: long-term debt	-32.5	-32.8	-36.9	-35.1
	- 30.2	- 30.6	- 32.3	- 29.6
Current claims	28.0	28.6	23.2	24.2
less: current liabilities	54.1	53.2	48.1	50.5
	- 26.1	- 24.6	- 24.9	- 26.3
Cash and bank	+ 0.1	—	—	0.1
Net worth	62.0	72.3	73.4	73.6
of which: capital stock	26.2	33.2	33.2	33.2
Ratio of net worth to capital stock	2.37	2.18	2.21	2.22
Nominal value of share (lire)	250	250	250	250
Book value of share (lire)	590	545	552	555
Income data	Business year (billion lire)			
	1956	1957	1958	1959
Sales	40.7	43.2	44.4	...
Net profit	1.9	2.1	2.3	2.3
Dividends paid out	1.8	2.0	2.2	2.4
Dividend per share (lire) (since 1956)	16.50	16.50	16.50	16.5

carbide, calcium cyanamide, ammonia, sulphuric acid, etc.), a cement mill and a few brown coal mines.

Terni has experienced some difficulties in recent years, as for one reason or another not all its activities always paid their way. The company has ample reserves, but also large debts. There has been, however, some improvement lately, and when the reorganization which, like all *Iri* companies, *Terni* is now undergoing yields its fruits, the company's stock ought to become more attractive.

The *Società Finanziaria Telefonica (Stet)*, of whose capital *Iri* owns 66 per cent, controls the entire Italian telephone network through five affiliated companies. Of these, four are wholly owned by *Stet* and are not quoted on the stock exchange; the fifth, *Teti*, which is the telephone

S T E T

Statement of condition	(billion lire)		
	31/3/57	31/3/58	31/3/59
Investment holdings	73.1	85.2	133.3
less: long-term debt	5.8	5.9	5.4
	+ 67.2	+ 79.3	+ 127.9
Current claims	4.7	7.1	7.4
less: current liabilities	1.1	1.5	2.0
	+ 3.6	+ 5.6	+ 5.4
Cash and bank	+ 3.3	+ 3.4	+ 8.9
Net worth	74.1	88.3	142.2
of which: capital stock	65.0	78.0	120.0
Ratio of net worth to capital stock	1.14	1.132	1.185
Nominal value of share (lire)	2,000	2,000	2,000
Book value of share (lire)	2,320	2,265	2,375
Income data	Business year (billion lire)		
	1956/57	1957/58	1958/59
Gross receipts	5.1	6.1	7.5
Net profit	4.2	5.2	6.3
Dividends paid out	3.3	4.9	5.9
Dividend per share (lire) (unchanged since 1948)	150.	150	150

company for Latium (incl. Rome) and Tuscany, and in its turn controls the *Società Impianti Telefonici (Sii)*, is government-owned to the extent of 82 per cent and is quoted on the stock exchange. *Stet* is counted among the Italian blue chips. The book value of the stock is well below its current market price, but this, however, does not appear unreasonable in the light of the steady return (the dividend of 150 lire per share has been maintained for more than ten years on continuously growing capital) and the still fairly good yield of the stock. In 1959 the company again increased its capital, which is now 140 billion lire.

The fifth and last of *Iri's* financial holding companies, *Finmeccanica*, which represents government investment in engineering and shipbuilding, is not quoted on the stock exchange. Two of the biggest shipbuilding yards it controls, *Ansaldo* and *Cantieri Riuniti dell'Adriatico*, are quoted independently, but the stocks are friendless since they have paid no dividends for some years. *Finmeccanica* controls a very great number of firms, among which we may mention *Alfa Romeo*, the car makers (1).

Iri furthermore owns almost the entire capital stock of the three nation-wide banks *Banca Commerciale Italiana*, *Credito Italiano* and *Banco di Roma*. These in turn hold a majority in *Mediobanca*, the only banking share quoted on Italian stock exchanges.

Finally, *Iri* directly controls very many other firms, but only three of them are quoted on the stock exchange, namely, *Monte Amiata* (mercury mining and production), *Strade Ferrate Secondarie Meridionali* (a small company running a secondary railway line on the outskirts of Naples), and *Manifatture Cotoniere Meridionali*, a large Neapolitan textile firm labouring under severe and prolonged difficulties. In the first and third of these companies *Iri* has no absolute majority holding, but only a minority control.

Other "mixed" companies quoted on the stock exchange

To complete our catalogue of the "mixed" companies quoted on Italian stock markets, we have to mention: *Società Finanziaria E. Breda*, in which the government itself holds directly a majority; *Anic*, where the majority holdings belong to *Eni (Ente Nazionale Idrocarburi)*; and *Larderello*, which is controlled by the National Railways.

E. Breda is a holding company which controls a number of firms in heavy engineering and electro-engineering. *Anic* is the only Italian oil company with a stock exchange quotation; while it used in the past to concentrate on oil refining, it has now ventured also into the chemical and petrochemical field. During the last few years it set up a factory at

(1) Very recently a new financial company has been created in the *Iri* Group. This is *Fincantieri*, which will hold all *Iri's* interests in the shipbuilding sector. It will take over therefore *Ansaldo* and *Cantieri Riuniti* from *Finmeccanica*.

Ravenna for the production of synthetic rubber and chemical fertilizers from methane gas, and is now on the point of building another like it at Gela, Sicily, where it will use the local oil. *Larderello* is mainly concerned with the exploitation of the natural energy and the chemical products of the borax spring vapours in certain areas of Tuscany.

Private Financial Companies

In parts B and C of Table 2, at the beginning, we have listed the major Italian financial companies and industrial holdings. Now in Table 4, the entire list of companies belonging to private financial or industrial groups and whose shares are quoted on the Stock Exchange is shown.

TABLE 4
COMPANIES BELONGING TO PRIVATE FINANCIAL
OR INDUSTRIAL GROUPS QUOTED ON ITALIAN STOCK EXCHANGES

1. <i>GIM</i>	6. <i>Sviluppo</i>
1.1 Broggi Izar	6.1 C.I.G.A.
1.2 Metallurgica Italiana	7. <i>Edison</i>
1.3 S.A.G.I.	7.1 Mittel
2. <i>Industrie Agricole</i>	— Nord Milano
2.1 Eridania	7.2 Châtillon
2.2 Distillerie	7.3 Edisonvolta
3. <i>La Centrale</i>	7.4 Idroelettrica Subalpina
3.1 Selt Valdarno	7.5 Dinamo
3.2 Romana Elettr.	7.6 Elettr. Bresciana
3.3 Invest	7.7 Orobia
3.4 SIFIR	7.8 Emiliana
4. <i>Bastogi</i>	7.9 CIELI
4.1 Elettrica Sarda	7.10 O.E.G.
4.2 SESO	8. <i>S.A.D.E.</i>
4.3 Beni Stabili	8.1 Acqua Marcia
5. <i>Pirelli & C.</i>	9. <i>Snia-Viscosa</i>
5.1 Pirelli S.p.A.	9.1 Cotonif. Olcese
— Incet	9.2 Cascami Seta
— Linoleum	10. <i>Italgas</i>
5.2 Aedes	10.1 Condotta Acqua Potabili
	10.2 Pibigas

We will first examine the financial companies and then the industrial groups.

Gim (Società Generale Industrie Metallurgiche) has its main interests in basic metals. This is a very good group of companies, but rather small in size and therefore not among the most popular in the stock exchange.

Industrie Agricole Ligure Lombarda is mainly interested in the food industry, where its two most important affiliates are *Eridania Zuccheri* and *Distillerie Italiane*.

Eridania is the leading sugar concern in Italy. It has 26 sugar refineries, mostly in Northern Italy, and is planning the construction of another large one in Sardinia, to process the local sugar beet. The com-

ERIDANIA

Statement of condition	(billion lire)			
	31/12/56	31/12/57	31/12/58	31/12/59
Fixed assets	44.3	44.6	47.1	50.3
less: depreciation . . .	32.2	33.2	34.4	36.3
	+ 12.1	+ 11.4	+ 12.7	+ 14.0
Inventories	+ 33.3	+ 13.1	+ 16.1	+ 25.8
Investment holdings . . .	7.4	7.5	8.9	9.7
less: long-term debt . .	6.0	5.7	5.6	5.6
	+ 1.4	+ 1.8	+ 3.3	+ 4.4
Current claims	8.7	8.6	5.1	7.0
less: current liabilities .	34.6	17.2	10.9	25.1
	- 25.9	- 10.6	- 5.8	- 18.1
Cash and bank	+ 1.5	+ 4.9	+ 3.1	- 3.9
Net worth	22.4	20.6	29.4	30.0
of which: capital stock	18.0	18.0	24.0	24.0
Ratio of net worth to capital stock	1.24	1.14	1.23	1.25
Nominal value of share (lire)	2,000	2,000	2,000	2,000
Book value of share (lire) .	2,480	2,280	2,460	2,500
	Business year (billion lire)			
Income data	1956	1957	1958	1959
Sales	43.1	75.6	60.0	...
Net profit	1.3	1.8	2.2	2.6
Dividends paid out . . .	1.3	1.7	1.9	2.4
Dividend per share (lire) .	200	200	200	200

bined capacity of all these factories is more than 250,000 tons of sugar per year. The company has excellent traditions and, on careful examination, its position will be seen to be extremely sound, despite the sugar industry's recent difficulties which have not yet entirely spent themselves. More than three-quarters of fixed assets are written off, but stocks and current liabilities, while not nearly as burdensome as at the end of 1956, are still heavy. Sales receipts appear surprisingly high in relation to profit,

LA CENTRALE

Investment holdings on Oct. 31, 1959 and market value of Dec. 31, 1959

Stock	Number of units (thousands)	Book value (million lire)	Stock market value Dec. 31, 1959 (million lire)
Selt-Valdarno	9.3	17.1	17.1
Romana Elettr.	9.5	17.3	17.3
Others		1.8	1.8
<i>Total electricity</i>		36.2	36.2
Sifir	3.9	4.0	11.0
Invest	0.8	1.9	3.6
Bastogi	0.25	0.2	0.8
STET	0.11	0.3	0.4
Others		2.0	2.0
<i>Total finance</i>		8.4	17.8
Montecatini	1.3	1.4	4.2
Pirelli	0.2	0.2	1.4
Incet	0.3	0.3	1.2
Cornigliano	1.5	1.5	2.7
Others		1.3	1.3
<i>Total misc.</i>		7.2	10.8
<i>Grand total</i>		51.8	111.4

but more than half of them represent the excise tax on sugar, which, as is known, in Italy is as high as 100 lire per kg.

La Centrale is a large financial company which controls a great number of subsidiaries in various sectors. Its largest interests are in elec-

tricity (70 per cent according to the latest accounts); the finance sector comes next (16.3%) and the remaining 13.7% are scattered in various other branches.

Until 1957 *La Centrale* also controlled one of the large telephone companies (*Società Telefonica Tirrena - Teti*), but this has since been natio-

LA CENTRALE

Statement of condition	(billion lire)		
	31/10/57	30/6/58	31/10/59
Investment holdings	51.4	46.0	57.3
less: long-term debt	2.7	2.7	5.0
	+48.7	+43.3	+52.3
Current claims	7.9	11.6	3.7
less: current liabilities	11.2	15.4	17.9
	- 3.3	- 3.8	- 14.2
Cash and bank	—	+ 7.8	+ 14.4
Net worth	45.4	47.3	52.5
of which: capital stock	35.0	35.0	42.0
Ratio of net worth to capital stock	1.30	1.35	1.25
Nominal value of share (lire)	5,000	5,000	5,000
Book value of share (lire)	6,500	6,750	6,250
Income data	Business year (billion lire)		
	1956/57	1957/58	1958/59 (1)
Gross receipts	4.0	6.0(1)	9.0(2)
Net profit	2.8	4.6(1)	6.4(2)
Dividends paid out	2.5	2.8(1)	3.9(2)
Dividend per share (lire)	400	400(1)	500(2)

(1) For 8 Months.

(2) For 16 months.

nalized against due compensation, and now depends on *Iri* through *Stet*. *La Centrale* interests in the finance sector include controlling holdings in *Invest* (Italy's only investment trust), in *Cofina* (the only company in

Italy with investment "plans" for small savers on the instalment system), and in *Sifir* (and important newcomer among finance houses). The reason for the exceptionally high liquidity shown in the company's latest accounts is that not all the funds obtained from the compulsory sale of *Teti* have yet found adequate reemployment.

At current market prices of those of *La Centrale's* investments which are quoted on the stock exchange, the company's holdings should be worth 120 per cent more than their book value of 52 billion lire. Details are given in a separate table above.

The *Società per le Strade Ferrate Meridionali*, known on the stock exchange as *Bastogi*, is one of the oldest of Italian financial companies. Its original business was the construction and operation of railway lines in

BASTOGI

Investment holdings on Dec. 31, 1958 and market value of Dec. 31, 1959

Stock	Number of units (thousands)	Book value (million lire)	Stock market value Dec. 31, 1959 (million lire)
SME	10,265	8,649	19,600
SESO	4,388	6,528	19,200
SESO 5/10	997	1,068	2,200
Edison	3,066	4,742	14,000
Volta ord.	681	1,192	2,000
SADE	6,407	5,275	14,500
Sarda	1,137	2,989	10,000
Valdarno	996	1,662	4,300
Beni Stabili	2,337	6,596	15,500
Catini	2,337	2,930	7,500
Pirelli S.p.A.	109	131	800
Italcementi	633	2,751	12,500
Condote	469	173	500
De Angeli-Frua	324	647	1,600
Pirelli & C.	102	256	500
Others quoted		762	1,400
Total of stocks quoted		46,326	126,100
Stocks without quotation		6,447	6,447
Total		52,773	132,547

BASTOGI

Statement of condition	(billion lire)			
	31/12/56	31/12/57	31/12/58	31/12/59
Investment holdings . . .	45.6	49.6	54.7	55.7
less: long-term debt . . .	0.4	0.4	0.4	0.4
	+ 45.2	+ 49.2	+ 54.3	+ 55.3
Current claims	14.6	18.0	17.2	16.6
less: current liabilities . . .	14.1	21.1	21.0	18.7
	+ 0.5	3.1	3.8	2.1
Cash and bank	—	—	—	—
Net worth	45.7	46.1	50.5	53.2
of which: capital stock	36.—	36.—	42.—	45.—
Ratio of net worth to capital stock	1.27	1.28	1.20	1.18
Nominal value of share (lire)	1,000	1,000	1,000	1,000
Book value of share (lire) .	1,270	1,280	1,200	1,180
	Business year (billion lire)			
Income data	1956	1957	1958	1959
Gross receipts	4.3	5.2	5.5	7.9
Net profit	3.1	3.3	3.6	3.9
Dividends paid out (unchanged since 1951)	2.9	3.0	3.4	3.8
Dividend per share (lire) .	80	80	80	85

Southern Italy; when its railways were subsequently nationalized, it became a general finance company.

Bastogi now controls the largest electricity companies in Sicily and in Sardinia, i.e. the *Società Generale Elettrica Sicilia* and the *Elettrica Sarda*, a large Rome real estate company called *Istituto Romano dei Beni Stabili*, and a number of smaller firms. But *Bastogi* is also — and perhaps we should say above all, if we look at the composition of its investment portfolio — an investment company with strong minority holdings in many other concerns.

Bastogi's investment holdings at the end of 1959 were valued in the books at 52.8 billion lire; as will be seen in the accompanying table, they

were worth 130 billion at market prices of December 31, 1959. After a dividend of 80 lire per share had been paid for eight years on repeatedly increased capital, the dividend was raised to 85 lire for 1959, when there was also another free capital issue, raising the capital stock from 42 to 45 billion lire. In view of all this, *Bastogi* is one of the finest shares on the Italian stock market.

Pirelli & C. has its main interests in the rubber industry, and *Sviluppo (Società per lo Sviluppo delle Imprese Industriali)* in the hotel industry, through its majority holding in the largest Italian hotel company, *Compagnia Italiana Grandi Alberghi - Ciga*, which owns and runs 18 luxury hotels in all the largest towns of Italy.

Both companies also have important minority holdings, and, as in the case of *Bastogi*, their investments are entered in the books at well below market price.

Among the subsidiaries of *Pirelli & C.*, the outstanding one is *Pirelli S.p.A.*, producer of automobile tyres, electric cables and rubber articles in general. *Pirelli S.p.A.* is one of the most important companies in Europe. It owns 18 factories in Italy, including the ultra-modern *Bicocca* at Milan, and has numerous subsidiaries in Italy and abroad. The foreign subsidiaries are controlled by the *Société Internationale Pirelli, S.A.*, at Basel, which in its turn is owned by the two Italian *Pirelli* companies.

Pirelli S.p.A. is an exceptionally sound company. Plant is written off to a large extent, investment holdings comfortably cover long-term debts, and current claims exceed current liabilities by well over one-third. Cash and bank balances are ample. *Pirelli* shares are very popular with investors. Notwithstanding the fact that sales results were not too brilliant in 1958, the company was able to increase its 1958 dividend from 130 to 140 lire. This has been maintained for 1959.

Invest, finally as has already been noted, is an investment trust of the closed end type. Its invested capital amounts to 15 billion lire, and its investments are well scattered throughout all sections of the stock exchange list. As of December 31, 1959, the market value of the investments was more than twice their cost.

SVILUPPO

Investment holdings on March 31, 1959 and market value of December 31, 1959

Stock	Number of units (thousands)	Book value (million lire)	Stock market value Dec. 31, 1959 (million lire)
Assac. Generali	5.4	129	415
Bastogi	898.0	980	2,900
CIGA	2,296.5	1,680	16,000
FIAT	1,020	1,197	2,700
Italgas	265	323	530
Sme	171	123	330
Catini	1,870	2,312	6,100
Pirelli	85	312	600
SADE	2,359	2,358	5,850
Others quoted	2,565	292	580
Total of stocks quoted		9,706	35,675
Stocks		2,359	2,359
<i>Total</i>		12,065	38,034

PIRELLI & C.

Investment holdings on December 31, 1958 and market value of December 31, 1959

Stock	Number of units (thousands)	Book value (million lire)	Stock market value Dec. 31, 1959 (million lire)
Mediobanca	12	176	475
La Centrale	59	188	1,100
Bastogi	98	67	310
Cot. Cantoni	43	27	1,150
Edison	117	101	540
STET	90	203	370
Montecatini	1,519	2,293	4,950
FIAT	2,796	1,338	7,400
Aedes	263	70	1,300
Incet	263	84	1,050
Pirelli S.p.A.	1,822	1,944	12,750
Others		706	1,650
<i>Total</i>		7,199	33,000

PIRELLI S.P.A.

Statement of condition	(billion lire)			
	31/12/56	31/12/57	31/12/58	31/12/59
Fixed assets	66.0	70.1	74.0	78.2
less: depreciation	40.6	45.1	48.9	52.6
	+ 25.4	+ 25.0	+ 25.1	+ 25.6
Inventories	+ 20.3	+ 19.8	+ 18.1	+ 18.1
Investment holdings	15.9	18.1	18.8	21.2
less: long-term debt	-36.2	-35.3	-35.9	-37.8
	- 20.3	- 17.2	- 17.1	- 16.6
Current claims	37.9	36.9	40.5	45.3
less: current liabilities	16.8	18.1	20.0	25.2
	+ 21.1	+ 18.8	+ 20.5	+ 20.1
Cash and bank	+ 5.6	+ 6.2	+ 8.0	+ 7.3
Net worth	52.1	52.6	54.6	54.5
of which: capital stock	24.0	24.0	24.0	24.0
Ratio of net worth to capital stock	2.17	2.19	2.28	2.27
Nominal value of share (lire)	1,000	1,000	1,000	1,000
Book value of share (lire)	2,170	2,190	2,280	2,280
Income data	Business year (billion lire)			
	1956	1957	1958	1959
Sales	97.3	96.3	90.9	102.0
Net profit	3.5	3.6	3.6	3.6
Dividends paid out	3.1	3.1	3.4	3.4
Dividend per share (lire)	130	130	140	140

Private industrial groups

The companies listed in Part C of Table 2 are both industrial and holding companies. With the exception, perhaps, of *Edison*, their industrial activities are their primary concern. In all cases their subsidiaries are mainly smaller firms operating in fields related or complementary to the mother company's.

The most important industrial holdings are *Edison*, *Montecatini* and *Fiat*. *Edison* recently ventured out of its main field, which is electricity;

into other branches, including especially the chemical industry and man-made fibres; its original electricity business was handed over to *Edison-volta*, a new firm specially set up for this purpose in 1955. In terms of its own capital stock and the capital stock of its associates *Edison* is today

EDISON

Statement of condition	(billion lire)			
	31/12/56	31/12/57	31/12/58	31/12/59
Fixed assets	96.8	85.1	90.5	94.9
less: current liabilities . .	34.4	35.6	40.5	45.3
	+ 62.4	+ 49.5	+ 50.0	+ 49.6
Inventories	+ 6.6	+ 7.8	+ 8.0	+ 8.5
Investment holdings	166.4	172.4	190.4	200.3
less: long-term debt . . .	15.4	15.1	16.7	20.3
	+ 151.0	+ 157.3	+ 171.7	+ 180.0
Current claims	62.5	109.9	78.7	104.9
less: current liabilities . .	70.9	95.4	79.1	88.3
	- 8.4	+ 14.5	- 0.4	+ 16.6
Cash and bank	+ 4.8	+ 6.0	+ 9.5	+ 14.1
Net worth	216.4	235.1	238.8	268.8
of which: capital stock	160.0	180.0	180.0	200.0
Ratio of net worth to capital stock	1.35	1.31	1.33	1.34
Nominal value of share (lire)	2,000	2,000	2,000	2,000
Book value of share (lire) .	2,700	2,620	2,660	2,680
	Business year (billion lire)			
Income data	1956	1957	1958	1959
Sales . . . . .	...	...	...	...
Net profit	11.0	11.2	12.4	13.7
Dividends paid out	10.4	10.6	11.7	13.5
Dividend per share (lire) .	130	130	130	135

the largest private industrial group in Italy. While its interests are wide-spread, electricity still predominates by a wide margin.

As the company's particulars show, investment holdings are the largest item in the assets, though industrial plant also stands at a very high figure. The financial situation is sound and well-balanced. From

the investor's point of view, *Edison* is a first class stock; it is also one of the few which never once missed a dividend ever since the company was founded in 1889.

Eleven companies of the *Edison* group are quoted on the stock exchange, as shown in Table 4 above. Two of these, *Mittel* and *Nord Milano*, are railway companies; one, *Châtillon*, is in the artificial textiles branch, and eight are in the electricity sector. Among companies not quoted on the stock exchange we may mention *Sicedison*, a large chemical and petrochemical concern in which Monsanto Chemical C. has an interest; *Celene*, also in the chemical industry, in which Union Carbide and Carbon C. have an interest; and *Sincat*, which is at present putting up a compound fertilizer factory at Syracuse, in Sicily.

Edison furthermore controls *Selni* (*Società Elettro-nucleare Italiana*), in which other groups also have interests, and has started a great number of other ventures in the electricity sector. Finally, it has the distribution of gas for the city of Milan.

In 1959 *Edison's* capital stock was raised to 200 billion lire, and early in 1960 the company issued bonds in the amount of 50 billion lire. The dividend was increased from 130 to 135 lire.

Montecatini, società generale per l'industria mineraria e chimica, is the largest chemical and mining concern in Italy and one of the largest in Europe. *Montecatini* has 150 works in Italy, mainly in mining and quarrying (bauxite, pyrites, sulphur, marble), in aluminium production and in the petrochemical and chemical industries (nitrogen, sulphuric acid, chemical fertilizers, resins, miscellaneous chemical products). It also has power stations of its own, with an annual capacity of 3,000 million Kwh. *Montecatini* is very well known abroad, partly because of its own factories and activities, and partly through its widely used industrial patents. *Montecatini* stock is quoted in New York and Paris, and on German stock exchanges.

A look at the company's accounts shows a high percentage of amortization and a very satisfactory ratio of current claims to current liabilities. Liquid funds in bank deposits are high. The company's results have improved considerably in 1959.

Recently *Montecatini* raised a 10 million dollar loan in the United States and 30 billion lire in Italy. The first is to be used for the construction of a chemical factory in Virginia, and the second to finance a large petrochemical plant at Brindisi, in Southern Italy.

MONTECATINI

Statement of condition	Business year (billion lire)			
	31/12/56	31/12/57	31/12/58	31/12/59
Fixed assets	250.0	263.4	285.3	313.6
less: depreciation . . .	155.2	167.8	180.3	192.7
	+ 94.8	+ 95.6	+ 105.0	120.9
Inventories	+ 41.2	+ 47.9	+ 51.2	+ 48.7
Investment holdings . . .	41.1	44.1	50.8	55.9
less: long-term debt . .	-66.3	-66.9	-95.3	-101.5
	- 25.2	- 22.8	- 44.5	- 45.6
Current claims	54.1	65.1	76.5	99.2
less: current liabilities . .	38.0	41.0	55.2	65.9
	+ 16.1	+ 24.1	+ 21.3	+ 33.3
Cash and bank	+ 25.0	+ 24.7	+ 35.8	12.3
Net worth	151.9	169.5	168.8	169.6
of which: capital stock	84.0	100.0	100.1	100.0
Ratio of net worth to capital stock	1.81	1.69	1.69	1.70
Nominal value of share (lire)	1,000	1,000	1,000	1,000
Book value of share (lire) .	1,800	1,700	1,690	1,700
	(billion lire)			
Income data	1956	1957	1958	1959
Sales	152.0	152.6	146.6	159.5
Net profit	10.9	11.6	10.8	12.4
Dividends paid out . . .	9.7	11.5	11.5	11.5
Dividend per share (lire) (unchanged since 1953)	115	115	115	115

Although none of Montecatini's subsidiaries is quoted on the stock exchange, some of them are quite important firms, including, for instance, *Acna, Cokitalia, Farmitalia, Montevecchio, Rhodiatocce*, and others. Finally, *Montecatini* has interests in many foreign companies.

Fiat is the largest engineering concern in Italy. While its main business is the manufacture of cars, it is also active in many and important related fields, such as the manufacture of electric household appliances, aeroplanes, motors in general, agricultural machines, rolling stock, etc. Altogether, *Fiat's* secondary activities account for 30 per cent of its sales.

Fiat's balance sheet position is very satisfactory. Of the company's 412 billion lire's worth of fixed assets, about half is written off. Current liabilities exceed current claims by more than 20 per cent, but the difference is comfortably covered by the very liquid cash position. Net worth is 2.3 times as much as capital stock. The dividend was 80 lire per share during the last three years, having previously increased continuously since 1948 on successively growing capital. In 1959 it has been again raised to 85 lire. It may be worth mentioning that, given the low nominal value of the shares, *Fiat* distributes more in dividends than any other

FIAT

Statement of condition	(billion lire)			
	31/12/56	31/12/57	31/12/58	31/12/59
Fixed assets	327.5	387.7	412.6	434.3
less: depreciation . . .	149.3	178.6	199.7	229.5
	+ 178.2	+ 200.1	+ 212.9	+ 204.8
Inventories	+ 42.6	+ 58.2	+ 52.4	+ 57.7
Investment holdings . . .	45.4	50.4	56.8	64.7
less: long-term debt . .	84.3	113.1	117.0	116.8
	- 38.9	- 62.7	- 60.2	- 52.1
Current claims	75.1	109.0	82.2	98.6
less: current liabilities . .	94.8	106.3	99.0	115.8
	- 19.7	- 2.7	- 16.8	- 17.2
Cash and bank	+ 36.4	+ 40.4	+ 46.2	+ 52.7
Net worth	198.6	233.3	234.5	245.9
of which: capital stock	76.0	100.0	100.0	100.0
Ratio of net worth to capital stock	2.61	2.33	2.34	2.46
Nominal value of share (lire)	500	500	500	500
Book value of share (lire) .	1,350	1,165	1,170	1,230
	Business year (billion lire)			
Income data	1956	1958	1958	1959
Sales	306.0	319.0	339.0	405.5
Net profit	14.1	13.9	16.6	19.7
Dividends paid out . . .	12.2	12.4	15.0	17.0
Dividend per share (lire) .	80	80	80	80

Italian company. This year, for example, it will distribute 17 billion lire, as against 13.5 billion to be distributed by *Edison*, whose capital stock is twice as large.

Like *Montecatini*, *Fiat* has no subsidiaries which are quoted on the stock exchange.

Snia Viscosa, società per l'industria delle fibre tessili artificiali e prodotti affini, heads the largest Italian textile group. It is also active in the

SNIA VISCOSA

Statement of condition	(billion lire)			
	31/12/56	31/12/57	31/12/58	31/12/59
Fixed assets	72.8	77.0	79.9	85.1
less: depreciation	47.6	49.7	51.8	55.4
	+ 25.2	+ 27.3	+ 28.1	+ 29.7
Inventories	+ 9.9	+ 10.8	+ 8.7	+ 10.4
Investment holdings	24.7	24.8	25.2	27.0
less: long-term debt	7.8	13.8	13.5	13.2
	+ 16.9	+ 11.0	+ 11.7	+ 13.8
Current claims	18.7	19.2	22.5	25.3
less: current liabilities	13.5	10.9	13.1	17.2
Cash and bank	+ 5.2	+ 8.3	+ 9.4	+ 8.1
	+ 1.2	+ 1.2	+ 1.0	+ 2.8
Net worth	58.4	58.6	+ 58.9	64.8
of which: capital stock	21.0	21.0	21.0	27.4
Ratio of net worth to capital stock	2.78	2.79	2.80	2.36
Nominal value of share (lire)	1,200	1,200	1,200	1,200
Book value of share (lire)	3,340	3,350	2,390	2,990
	Business year (billion lire)			
Income data	1956	1957	1958	1959
Sales*	70.4	67.1	70.4	...
Net profit	2.0	2.0	2.1	3.0
Dividends paid out	1.7	1.7	1.7	2.7
Dividend per share (lire) (unchanged since 1954)	100	100	100	120

(*) Including the other companies of the group.

related chemical sector and elsewhere, most recently in oil prospecting — which, if successful, should provide the company with a valuable raw materials supply of its own. The company has very strong reserves, its net worth being 2.3 times its capital stock. Investment holdings are twice as much as long-term debt and current claims nearly 1.5 current liabilities. In 1959 *Snia Viscosa* raised its capital to 27.4 billion lire, partly by a free scrip issue and partly against new money. The dividend was increased from 100 to 120 lire.

Two of the companies controlled by *Snia Viscosa* are quoted on the stock exchange: *Cotonificio Olcese* and *Filature Cascami di Seta*, which latter is a recent acquisition. *Snia Viscosa* has many interests in foreign companies, especially in Spain and Latin America.

Italcementi — Fabbriche Riunite di Cemento — is the largest Italian producer of cement and related construction materials. The company has 21 factories of its own and its subsidiaries have another 8. While most of *Italcementi's* own factories are in Northern Italy, its subsidiaries operate in Southern Italy, Sicily and Sardinia. In recent years the company has been progressively spreading into many other fields; not long ago it acquired control of the old automobile firm of *Lancia*, which is to be reorganized and its output increased.

The company's position is very sound. Fixed assets are written off by 2/3, investments largely exceed long term debts and current claims and liabilities are well balanced. Recently, *Italcementi* has doubled its capital (from 12.0 to 24.0 billion lire) half by increasing the nominal value of its shares to 3,000 lire and half for cash. The dividend for 1959 has been increased to 600 lire. None of *Italcementi's* subsidiaries are quoted on the stock exchange.

The *Società Adriatica per l'Elettricità, Sade*, is an important concern mainly engaged in electricity generation and distribution in North-East Italy (especially Veneto and Emilia). It controls many other companies, again mostly in the electricity sector and also in water distribution, including *Acqua Marcia*, which owns the aqueducts supplying large parts of Rome and has its own stock exchange quotation. The company is also connected with the finance company *Sviluppo*, which was discussed a little earlier.

Sade owns 29 hydroelectric power stations, of which ten were built since the last war, and has an interest in nuclear power through *Selni*. It also has a few thermal power stations with a combined capacity of

ITALCEMENTI

Statement of condition	(billion lire)			
	30/6/57	30/6/58	31/12/58	31/12/59
Fixed assets	51.6	56.0	58.6	61.4
less: depreciation	30.4	33.6	35.9	41.3
	+ 21.2	+ 22.4	+ 22.7	+ 20.1
Inventories	+ 2.3	+ 2.1	+ 2.4	+ 2.0
Investment holdings	11.1	11.3	11.3	12.8
less: long-term debt	10.9	10.8	10.8	10.6
	+ 0.2	+ 0.5	+ 0.5	+ 2.2
Current claims	6.9	8.8	7.8	9.3
less: current liabilities	8.5	10.7	12.4	9.1
	- 1.6	- 1.9	- 4.6	+ 0.2
Cash and bank	+ 3.7	+ 3.7	+ 4.7	+ 4.2
Net worth	25.8	26.8	25.7	28.7
of which: capital stock	12.0	12.0	12.0	12.0
Ratio of net worth to capital stock	2.15	2.23	2.14	2.39
Nominal value of share (lire)	2,000	2,000	2,000	2,000
Book value of share (lire)	4,280	4,780	4,280	4,780
Income data	Business year (billion lire)			
	1955/56	1957/58	II half 1958	1959
Sales	36.3	34.3	17.1	34.5
Net profit	3.2	3.1	1.6	3.8
Dividends paid out	3.0	3.0	1.5	3.6
Dividend per share (lire)	500	500	250	600

230,000 Kw. The company's net worth is very considerable, far and away the main item being fixed assets. Current items show a rather marked excess of debts on claims. *Sade* shares are widely traded on Italian stock exchanges and are a very safe investment. Their dividend has been maintained at 70 lire ever since 1948, although capital was increased on more than one occasion, partly by free issues and partly against new money.

The *Società Italiana per il Gas, Italgas*, is a gas producer and has the household distribution of gas in something like 40 Italian towns,

S A D E

Statement of condition	(billion lire)			
	31/3/57	31/3/58	31/12/58	31/12/59
Fixed assets	155.7	171.9	181.6	197.5
less: depreciation	56.5	64.5	69.9	71.0
	+ 99.2	+ 107.4	+ 111.7	+ 126.5
Inventories	+ 3.7	+ 3.2	+ 3.2	+ 3.1
Investment holdings	20.2	20.2	20.5	20.0
less: long-term debt	27.6	33.0	32.0	32.1
	- 7.4	- 12.8	- 11.5	- 12.1
Current claims	14.7	17.2	15.7	16.9
less: current liabilities	23.6	22.3	24.2	38.4
	- 8.9	- 5.1	- 8.5	- 21.5
Cash and bank	+ 1.5	+ 11.6	+ 9.0	+ 5.0
Net worth	88.1	104.3	103.9	101.0
of which: capital stock	54.0	72.0	72.0	72.0
Ratio of net worth to capital stock	1.63	1.45	1.44	1.40
Nominal value of share (lire)	1,000	1,000	1,000	1,000
Book value of share (lire)	1,630	1,450	1,520	1,410
Income data	Business year (billion lire)			
	56/57	57/58	58	59
Sales	22.2	...	...	...
Net profit	4.0	4.3	4.0	31.3*
Dividends paid out	3.8	4.1	3.8	5.0
Dividend per share (lire)	70	70	52.50	70

(*) Nine months.

including Rome, Turin, Florence, Venice and Leghorn. It owns a great number of subsidiaries in related industrial fields, such as coal, liquid gas, and aqueducts.

The company's position is very sound and steady. In the public utilities field, which accounts for the bulk of the company's business, one can expect a steady income but neither windfall profits nor rapid growth. This no doubt accounts for the quiet life the stock usually leads on the market.

Of the many subsidiaries of *Italgas*, two are quoted on the stock exchange; they are *Pibigas*, distributors of liquid gas in cylinders for domestic use, and *Società per la Condotta di Acque*, a Turin water company.

ITALGAS

Statement of condition	(billion lire)		
	31/3/57	31/3/58	31/3/59
Fixed assets	52.7	55.1	56.7
less: depreciation	28.8	30.2	29.2
	+ 23.9	+ 24.9	+ 27.5
Inventories	+ 3.6	+ 4.0	+ 3.3
Investment holdings	10.7	10.7	10.7
less: long-term debt	1.4	1.5	1.5
	+ 9.3	+ 9.2	+ 9.2
Current claims	5.4	5.2	5.4
less: current liabilities	10.9	7.9	9.2
	- 5.5	- 2.7	- 3.8
Cash and bank	+ 0.6	+ 1.1	+ 0.5
Net worth	31.9	36.5	36.7
of which: capital stock	19.9	23.9	23.9
Ratio of net worth to capital stock	1.60	1.53	1.54
Nominal value of share (lire)	1,000	1,000	1,000
Book value of share (lire)	1,000	1,520	1,530
	Business year (billion lire)		
Income data	1956/57	1957/58	1958/59
Sales	25.9	25.2	...
Net profit	1.7	2.0	2.0
Dividends paid out	1.6	1.9	1.9
Dividend per share (lire) (unchanged since 1953)	80	80	80

Other stocks on Italian stock exchanges

We are getting to the end of our brief survey. While the financial groups we have discussed encompass very nearly all the major companies quoted on the stock exchange, there are a few others outside these groups which would well merit an analysis. The difficulty is where to stop. One stock which certainly should be mentioned is the highly popular

one of *Assicurazioni Generali* of Trieste, the largest Italian insurance company. This well over centenarian firm, which was founded in 1831, operates directly or indirectly in 59 countries, through more than 70 subsidiaries. Its fixed assets, which are valued at 40 billion lire, include something like 300 urban buildings, of which 200 in Italy and 100 abroad; its investment holdings, entered in the books at about 60 billion lire, are probably worth 3 or 4 times as much, given the rise in share prices during these last few years. For all these reasons, *Assicurazioni Generali* have always been popular — so much so that currently the shares are quoted at about 100,000 lire, which, at a dividend of only 700 lire, means a yield of less than 1 per cent.

Other companies which might be mentioned are *Cartiere Burgo*, the largest Italian pulp and paper manufacturers; *Rinascete*, which owns the department store chains of *Rinascete* and *Upim* (the Italian equivalent of Woolworths) and whose shares have given investors much satisfaction over the last five or six years; *Olivetti*, known the world over for its typewriters and calculating machines; *Motta*, the Milan confectioners and makers of the famous *panettone*; *Società Generale Immobiliare* of Rome, which is engaged mainly in residential building, but is equipped to handle any other kind of construction and public works. This list could well be continued.

In conclusion, we thought it well to provide an overall picture of the leading stocks traded on Italian stock exchanges. To this end we have listed, in Table 5, the 25 companies ranking highest by seven different standards, namely:

- 1) Capital stock;
- 2) Net worth;
- 3) Sales;
- 4) Number of employees;
- 5) Stock market valuation of capital stock;
- 6) Stock exchange turnover;
- 7) Number of shareholders.

While the first four of these criteria are purely economic and concern the company as such, the last three are of technical stock exchange interest. Such a table cannot, of course, do anything like establish an absolute hierarchy, but taken as a whole, it may perhaps form the background for an informed subjective assessment of the relative position of leading shares on Italian stock markets, and as such may provide some guidance to would be investors.

TWENTY-FIVE LEADING STOCKS CLASSIFIED BY SEVEN STANDARDS (1)

TABLE 5

Capital stock (million lire)		Net worth (million lire)		Sales (million lire)		Number of employees		Stock market valuation of capital stock (million lire)		Stock exchange turnover (million lire)		Number of shareholders	
Edison	200,000	Edison	226,440	FIAT	339,000	FIAT	79,930	FIAT	540,000	FIAT	76,965	Montecatini	187,527
Edisonvolta	140,000	FIAT	214,543	Montecatini	146,621	Montecatini	49,500	Edison	492,000	Edison	42,653	FIAT	100,000
STET	140,000	Montecatini	157,629	ILVA	101,340	ILVA	21,882	Montecatini	342,200	Montecatini	37,549	SIP	67,000
SIP	103,423	Edisonvolta	140,845	Pirelli S.p.A.	90,864	Pirelli S.p.A.	20,300	STET	306,040	SNIA-Viscosa	34,695	STET	60,000
FIAT	100,000	SIP	118,729	Cornigliano	80,284	Cornigliano	80,284	Edisonvolta	352,800	Ass. Gen.	21,562	Italgas	55,000
Montecatini	100,000	SME	107,291	SNIA-Viscosa	70,400	SNIA-Viscosa	16,500	SIP	202,537	Finsider	12,784	SADE	48,050
SME	94,978	SADE	95,398	Ass. Generali *	70,093	Ass. Generali *	13,572	SME	197,650	Pirelli S.p.A.	11,580	Bastogi	40,995
SADE	72,000	STET	84,214	Dalmine	69,149	Dalmine	11,664	SADE	174,240	Bastogi	11,142	Pirelli S.p.A.	37,500
Finsider	70,686	Finsider	74,570	Edisonvolta	63,897	Edisonvolta	9,624	Pirelli S.p.A.	166,200	STET	10,372	SME	34,871
Cornigliano	50,000	Terni	66,643	La Rinascente	61,295	La Rinascente	9,359	Gen. Ass.	155,400	Liquigas	10,000	Rumianca	27,306
Finelettrica	45,000	ILVA	58,552	Eridania	60,000	Eridania	8,797	Finsider	154,661	La Centrale	9,792	Viscosa	26,592
Romana El.	45,000	SNIA-Viscosa	56,580	Acc. e Ferr. Falck	54,424	Acc. e Ferr. Falck	8,564	La Centrale	152,460	Terni	9,139	Pirelli & C.	26,125
Selt-Valdarno	45,000	Vizzola	51,485	Italcementi	51,355	Italcementi	6,434	Bastogi	134,358	ILVA	9,100	Finsider	26,000
ILVA	44,000	Cornigliano	50,500	Terni	44,448	Terni	6,094	Italcementi	126,000	Italcementi	8,003	Pibigas	25,200
Vizzola	42,230	Pirelli S.p.A.	50,247	Cant. Riun. Adr.	40,000	Cant. Riun. Adr.	5,550	Cartiere Burgo	106,500	Edisonvolta	7,100	Immobiliare	24,000
Bastogi	42,000	Bastogi	46,745	R.A.S. *	32,000	R.A.S. *	5,421	Italcementi	104,424	Pirelli & C.	7,000	Terni	22,300
La Centrale	42,000	Finelettrica	46,651	Cartiere Burgo	27,950	Cartiere Burgo	5,390	Cot. Merid.	101,352	SME	6,952	Sviluppo	20,632
CIELI	35,000	Selt-Valdarno	45,832	SIP	27,566	SIP	5,334	E. Marelli	101,025	SADE	6,897	Romana El.	16,391
Terni	33,250	Romana El.	45,649	Italgas	25,216	Italgas	5,183	Ass. Gen.	100,350	SAFFA	6,700	ILVA	16,000
SESO	31,725	SESO	44,855	SME	24,000	SME	4,631	Tecnomasio	99,225	Finelettrica	6,500	La Centrale	15,700
TETI	30,000	La Centrale	43,008	SADE	24,000	SADE	4,546	Italgas	90,000	Anic	6,188	Ass. Gen.	14,500
SNIA-Viscosa	27,450	CIELI	38,236	TETI	23,108	TETI	4,378	Motta	98,000	Gen. Immob.	5,900	Unes	13,900
Pirelli S.p.A.	24,000	Italgas	32,975	Lanerosi	21,419	Lanerosi	4,170	SADE	81,280	Rinascente	5,623	Liquigas	13,688
Eridania	24,000	Unes	32,812	Motta	19,235	Motta	4,086	Franco Tosi	79,500	Italgas	5,600	Nebiolo	13,153
Italgas	23,880	TETI	31,010	F. Tosi	18,460	F. Tosi	4,035	Châtillon	74,304	Lanerosi	4,850	SAFFA	13,150

* Insurance premiums.

(1) Sales, number of employees and number of shareholders are based on 1958 reports. As we write (March-April 1960) we have for some companies the 1959 reports, but for reasons of homogeneity we cannot use them here. Capital stock, net worth and stock market valuation of capital stock are as of December 31, 1959. Stock Exchange turnover refers to 1959.

Table 5 includes, in all, 51 companies. We have set out in a separate table the frequency with which each of them appears among the leading 25 by our seven standards.

DISTRIBUTION OF THE 51 COMPANIES LISTED IN TABLE 5

Number	Companies	Number of headings under which listed
6	Montecatini, FIAT, SADE, ILVA, Pirelli S.p.A., Snia-Viscosa	7
4	SME, Terni, Edisonvolta, Italgas	6
7	STET, Finsider, Bastogi, SIP, La Centrale, Assicurazioni Generali, Cornigliano	5
5	Edison *, Finelettrica, Italcementi, Romana Eletticit�, TETI	4
6	Valdarno, Vizzola, Falck, La Rinascente, Generale Immobiliare, Lanerossi	3
13	Pirelli & C., SESO, Cantieri Riuniti, Franco Tosi, Dalmine, Burgo, CIELLI, Liquigas, SAFFA, Eridania, UNES, RAS, MOTTA	2
10	Sviluppo, Rumianca, Pibigas, Cotoniere Meridionali, E. Marelli, Cucirini, ANIC, Tecnomasio, Ch�tillon, Nebiolo	1

* Edison would almost certainly figure under all the seven headings, if its sales figures, staff and number of shareholders were known.

Six companies are among the leaders on all seven counts; they are *Montecatini*, *Fiat*, *Sade*, *Ilva*, *Pirelli S.p.A.* and *Snia Viscosa*; four companies are shown six times, seven five times, etc. We should add, though, that while the data on capital stock, net worth, stock exchange valuation of capital and turnover are known for all the companies, data on sales, personnel and number of shareholders are not known for all of them, and these latter classifications are therefore incomplete. To give an example, if the figures were known, *Edison* would almost certainly appear seven times in our table. Finally, the category "sales" does not, of course, exist for financial companies and their personnel is in the nature of things very small. For this reason any financial company which figures under five headings is of comparable importance with an industrial company figuring under all seven.

Rome

PIETRO MANES