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UNITED NATIONS
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1969
ENGLISH

United Nations Industrial Development Organization

Director General
Industrial Development Center
Vienna, Austria



FINANCING OF MANUFACTURING COMPANIES IN
A STATE SHAREHOLDING SYSTEM 1/

by

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1. **INTRODUCTION**

Industrialization policies in the 1950s... attributes... governments'... the... objective... National... has a... reasons... utilities... the result... and the... opposite...

In... the... stimulating... initiative... This... public... to which... they are...

This... for financial... discrimination...

In... controlled by... only that... manufacturing... competitive... represents one of the primary instruments of national government policy

...the development of the economy... has been... of the country,
the... Mezzogiorno... This area exhibits an underdevelopment
...the largest in Western Europe; it may
...inhabitants, whose
...of the remaining 32 million
...country.

THE ITALIAN

...in industry arises
...system. Each
...and regulated by
...of primary manufacturing
...are at the same
...by a public law
...sector, IRI, ENI
...function: (a)
...of subsidiary
...public...

...concept which aims
...capacity of public
...for pursuing
...indispensable
...important
...State Share-
...ensure
...from the operation of
...activity
...by the management agency
...part of its share capital;
...company, i.e. which

The... link can in practice be indirect, by way
...companies (these are also constituted
...at the head of sub-groups of
...industrial sectors. This arrangement
...pattern described in the text.

market prices cannot cover, but which the firms controlled by the agency incur because they are instrumental in pursuing objectives of general interest.

For the coverage of requirements (as in a) above) it is obviously possible and normal for there to be direct access to the capital market. This takes place either directly by the firms themselves and by the management agency which contributes to the financing of companies if cover is by filling up the gap between requirements and what the companies can obtain from the market on the strength of their own creditworthiness.

Clearly, however, the activities of the industrial groups under the management agencies could not be expanded indefinitely solely on the basis of the capital provided by the market without impairing the condition under b) above. Furthermore, by definition, requirement c) cannot be financed by the market.

To satisfy this body of demands on it, the management agency is provided by law with an endowment fund passed to it by the Treasury. The existence of the management agency's endowment fund is the precondition for the raising of capital on the market both by the agency itself and ultimately by the companies under its control. Indeed the creditworthiness of the subsidiary companies is itself founded on the companies' own capital, in the formation of which the management agency has participated directly or indirectly^{3/}. At the same time, the endowment fund - which plays a role in the financial management of the agencies analogous to that of the share capital for a joint stock company - constitutes a resource which is permanently at the disposal of each management agency and, moreover, by its nature, does not entail obligatory remuneration, even though such remuneration remains a constant objective of the agencies' action.

It can therefore be concluded that the non-remuneration of the fund (or its remuneration at a rate lower than the market rate) constitutes the resource on which the agencies can draw for covering the extra costs referred to in c) above; these costs, being such as to be unacceptable to companies

^{3/} In those cases where a sectoral holding company stands between the operating company and the management agency... (See footnote ², page 2)

operating in a competitive environment, are correctly shifted through the management agencies on to the Treasury.

In order to illustrate the functioning of the mechanisms outlined above, reference will be made to the actual experience of two of the largest groups of public manufacturing companies in Italy. The two groups are controlled respectively by the sectoral holding companies Finisider and Finmeccanica, both controlled by management agency IRI. The analysis will cover the period 1964-1967 and will be preceded by a brief outline of the groups and their main activities in the period under consideration.

3. THE STATE SHAREHOLDING MANUFACTURING GROUPS FINISIDER AND FINMECCANICA

Finisider, one of the five sectoral holding companies in the IRI group, embraces a group of companies which, for the size and modernity of their plants, are the main strength of Italy's steel industry. In 1966 the Finisider companies produced about 7.4 million tons of pig iron (almost 9% of the national total), 10.1 million tons of crude steel (59%) and 9 million tons of finished products (48%). The presence of public enterprise in the steel sector can be attributed to two main reasons. On the one hand the need for developing ore-based steel making, neglected by private enterprise because of the scale of capital and risk involved compared to scrap-based production. Already before the war IRI considered the ore-based process indispensable - and this judgement was to be confirmed by post-war events - for a balanced long-term growth of the Italian steel industry parallel with a vigorous expansion in demand. On the other hand the steel sector was among those which offered concrete possibilities for locating in the underdeveloped Mezzogiorno area an important share of the new production capacity required.

The whole of Italy's ore-based steel output is concentrated in the Finisider group. Most recent expansion - in the face of a growth in domestic fuel consumption of up to 17.5 million tons in 1963 - has entailed, besides the extension of the three previously existing centres in the Centre-North (Liguria and Tuscany) and South (Campania), the creation of a new major centre in the South (Taranto, in the Apulia region). The latter centre in the Mezzogiorno is one of the largest and most modern steel plants in Europe (the current production capacity is about 3 million tons) and has raised - together with the concomitant expansion of the other southern steel plant of the Finisider

group - the 1977 1978 1979 1980 1981 1982 1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033 2034 2035 2036 2037 2038 2039 2040 2041 2042 2043 2044 2045 2046 2047 2048 2049 2050 2051 2052 2053 2054 2055 2056 2057 2058 2059 2060 2061 2062 2063 2064 2065 2066 2067 2068 2069 2070 2071 2072 2073 2074 2075 2076 2077 2078 2079 2080 2081 2082 2083 2084 2085 2086 2087 2088 2089 2090 2091 2092 2093 2094 2095 2096 2097 2098 2099 2100 2101 2102 2103 2104 2105 2106 2107 2108 2109 2110 2111 2112 2113 2114 2115 2116 2117 2118 2119 2120 2121 2122 2123 2124 2125 2126 2127 2128 2129 2130 2131 2132 2133 2134 2135 2136 2137 2138 2139 2140 2141 2142 2143 2144 2145 2146 2147 2148 2149 2150 2151 2152 2153 2154 2155 2156 2157 2158 2159 2160 2161 2162 2163 2164 2165 2166 2167 2168 2169 2170 2171 2172 2173 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...firms fully capable of surviving under equally competitive market conditions. The other companies would be required to obtain a set of features in the form of management assistance or other financial support, including:

...and, where appropriate, to provide for the necessary working capital and other resources to ensure the successful operation of the business.

...to ensure that the companies are able to meet their obligations to creditors and other stakeholders, and to ensure that the companies are able to meet their obligations to the public.

...to ensure that the companies are able to meet their obligations to the public, and to ensure that the companies are able to meet their obligations to the public, and to ensure that the companies are able to meet their obligations to the public.

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...of the companies, and to ensure that the companies are able to meet their obligations to the public, and to ensure that the companies are able to meet their obligations to the public.

...of the companies, and to ensure that the companies are able to meet their obligations to the public, and to ensure that the companies are able to meet their obligations to the public.

made up of depreciation allowances. These allowances are small little pieces
then 10% of annual expenditures. It appears that the type, quantity
to be taken, on the one hand, and the amount of depreciation allowances, on the
the other, depends on the type of the investment. For example, when
are the signs of depreciation allowances, it is not possible to say that
labor involved in the production of the investment goods, or that
steel, concrete, or other materials, are the main factors in determining
however, the amount of depreciation allowances. The amount of depreciation
allowances is determined by the general economic conditions, and by the
domestic prices of labor, profit, etc.

It is clear, however, that the amount of depreciation allowances is not
fixed, but varies widely from one industry to another. The figure of
The figure of depreciation allowances is not fixed, but varies widely from
by the company, or by the industry, or by the country. The amount of
made by the company, or by the industry, or by the country. The amount of
extent of depreciation allowances, for example, is not fixed, but varies
the composition of the investment goods, or by the industry, or by the country.

In fact, the amount of depreciation allowances is not fixed, but varies
widely from one industry to another. The figure of depreciation allowances
are not fixed, but varies widely from one industry to another. The figure of
The figure of depreciation allowances is not fixed, but varies widely from
the industry, or by the country. The amount of depreciation allowances
viewed in the context of the general economic conditions, and by the
the industry, or by the country. The amount of depreciation allowances
in the industry, or by the country. The amount of depreciation allowances
with the industry, or by the country.

As a result, the amount of depreciation allowances is not fixed, but varies
widely from one industry to another. The figure of depreciation allowances
in the industry, or by the country. The amount of depreciation allowances
million, or by the industry, or by the country. The amount of depreciation
allowances is not fixed, but varies widely from one industry to another.

If this is not the case, the amount of depreciation allowances is not fixed,
but varies widely from one industry to another. The figure of depreciation
allowances is not fixed, but varies widely from one industry to another.

¹ The total flow of U.S. expenditures for investment goods, and the amount of
share issues fell from \$15,000 million in 1956 to \$10,000 million
in 1957.

easy and cheap terms because of the high degree of liquidity in the banking system, partly due to short-term business conditions and partly because of the depression of the equity market.

Government estimates of the total investment programme for 1964-67 are that the capital requirements of the manufacturing sector for the period 1964-67 to more than Lit. 132,000 million (1964 prices), of which Lit. 81,000 million referred to investment in plant.

The main source of funds for investment in the manufacturing sector, both outside and inside the country, has been the banks, and the expansion of the business conditions within the manufacturing sector during the four years under review has led to a substantial increase in investment in the two-year period 1964-67. Investment in plant and machinery, however, still in 1967, was only 11.5% of the total investment in plant and machinery and investment in plant and machinery accounted for the greater part of the Finance Corporation's investment programme. The effect of the economic recession was to limit the supply of funds to the manufacturing sector. The reconstruction programme of the manufacturing sector in 1964-67 was a phase of recovery, following a decline in production in 1963. Only the motor car industry, after a period of stagnation in 1964, continued to expand. Growth in demand in the following years.

On the other hand, within the Finance Corporation's investment programme was in the motor car sector, which is a construction of a new plant on the outskirts of Milan which was completed in 1964. The cost of the previous production expansion programme was estimated to be about Lit. 70,000 million (1964 prices). The Finance Corporation was chiefly engaged in a complex rationalisation programme, which involved automation and specialisation of production units, application of electrical engineering, heavy machinery, and the development of new products and stock exchanges. This activity was largely financed by the Finance Corporation's European Common Market, in 1964-67, which was a net lender of Lit. 1,000 million.

5/ A survey covering the period 1964-67, published in the "Survey of the Stock Exchange" shows that in the years 1964-67, 45% of the total capital requirements from the banks. It also shows that the banks had already during 1964-67 the Finance Corporation's short-term debt of about Lit. 55,000 million, bringing them down in one year from 45% to 44% of total indebtedness.

part by the economic recession which was mentioned earlier.

As is shown by Table 1, self-financing in the period under review provided about Lit. 33,000 million equal to 72% of total financial requirements of the companies concerned. The main difference between a) the combined depreciation allowances and other provisions accumulated during the period and b) the operating losses recorded by the companies in the same period, it should be added that approximately 10% of these losses were covered over the four years to Lit. 15,000 million, corresponding to about 0.5% of investments undertaken; then there were undistributed profits and other non-deductible retirement funds and other provisions for a similar sum for another Lit. 17,000 million. Surplus against these in the same period amounted to Lit. 44,000 million, so that the companies' financial requirements were reduced to the figure of Lit. 19,000 million, as shown in Table 1.

It should be pointed out that the views in the context of the unfavourable economic conditions already referred to. This and the effect of eroding profits still positive operating result of the larger companies in the group, and the fact that many of the larger firms are still under way in other countries.

It should be noted that the majority of the companies were concentrated in a limited number of firms, about one-third of the companies suffered by five companies with turnover for the year 1967 of Lit. 100,000 million. However, apart from the concentration of companies in a few firms, the effect of rationalization measures, such as the reduction of the number of firms, given the fact that the Italian wine-making industry is experiencing a period of recession which will last for several years.

INI's contribution to the development of the wine-making industry of 60 to which, then, temporarily, will be the main source of funds for the period 1967-1970 through the sale of the shares of the Treasury. The cost of the shares is indeed incurred in the form of a liability which will be the company's entrepreneurial responsibility and management of the industry.

1. Particular attention should be given to the fact that in 1967 made a profit, with the main cause of action of losses, owing to the difficulties encountered in the market for wine, the main part of which this firm was created in 1967.

The consequences of this situation can be easily seen from the figures of Table 1, showing the group's recourse to external sources of finance. In the period considered the market's contribution, equal to almost Lit. 64,000 million, was proportionally much smaller than in the case of Finsider (45% of requirements against 31%). The above amount included a very marginal injection of risk capital by private minority shareholders, since these are virtually absent in the case of Finmeccanica companies. The sum of Lit. 2,100 million indicated in Table 1 actually refers to a number of new joint ventures started in the engineering sector with an equal shareholding by Finmeccanica and private groups, both Italian and foreign, who already possess well-proven technical and commercial experience in the fields in which they operate and can therefore contribute to a more rapid success of such new ventures.

IRI was therefore called on to make a relatively large contribution through its subscription to capital increases amounting to more than Lit. 30,000 million, making about 23% of requirements. At least in part, these funds went to cover the above mentioned losses by the subscription afresh of the share capital of certain companies, after its having been written down.

An overall picture of the asset, liability and capital situation of the two groups examined is given in Tables 2 and 3. These tables show the consolidated balance sheet figures as at the end of 1963 and 1967 for Finsider and Finmeccanica respectively: -

Examination of the two balance sheets suggests some interesting points. On the assets side for the Finsider group a preponderant place is held by the item relating to "plant, equipment and other fixed assets", which at the end of 1967 accounted, net of depreciation, for 61% of total assets. This item nearly doubled over the four years, a circumstance which goes a long way in explaining why the ratio of accumulated depreciation to fixed assets fell from 29% to 22% over the period under review.

Turning to Finmeccanica, one notices that the value of plant and other fixed assets less depreciation, increased by only 37% in the same period. In

Note that, in order to bring out the financial role of the management agency IRI, which controls both groups, the latter's debts towards the Institute are shown separately from liabilities; moreover each group's capital and surplus are broken down between the share belonging to IRI and that pertaining to outside shareholders.

this case the increase in gross fixed assets (+54%) was about two fifths less than that in accumulated depreciation (+95%), so that the amortized proportion of fixed assets rose from 29% to 37% over the four-year period. At the end of 1967 the balance sheet value of plant stood at less than Lit. 4.4 million (\$7,100) per employee (compared with Lit. 10.8 million (\$30,000) per employee in the Finsider group)^{3/}. This is an indicator of the cautiousness with which balance sheet values have been calculated in the engineering sector of the IRI group.

From the balance sheets shown it can be seen that:

	Finsider group	Finmeccanica group	Total
	(Billions Lit.)		
At the end of 1967 net <u>fixed assets</u> of the two groups amounted to	2,346.3	475.9	2,822.2
Deducting from these amounts:			
- for <u>Finsider</u>			
- current indebtedness	210.0		
- staff retirement funds and other provisions	<u>112.0</u>		<u>322.0</u>
- for <u>Finmeccanica</u>			
- current indebtedness		33.9	
- staff retirement funds and other provisions		<u>61.3</u> <u>150.2</u>	
<u>Total to be deducted</u>			<u>474.2</u>
<u>Net investment</u> in the two groups therefore was equal to	2.024.3	3-5.7	2.050.0

^{3/} Net fixed assets per employee refer only to consolidated companies of the two groups (employing 75,000 and 42,000 persons respectively in the Finsider and the Finmeccanica groups).

The above net investment appears to have been financed as follows

	Finsider group	Finmeccanica group	total	%
	(billion Lir)			
Short-term borrowing	715.9	147.2	863.3	37
Medium and long term borrowing	692.7	74.5	771.3	32
<u>Total borrowing from third parties</u>	1,408.3	220.3	1,634.6	70
borrowing from IRI	119.1	4.5	124.1	5
<u>Total borrowing</u>	1,527.9	230.3	1,753.7	75
Equity, surplus and profits	496.4	9.9	501.3	25
<u>Total</u>	2,227.3	335.7	2,559.0	100

The figures given above bring out that, at the end of 1967, the capital invested in the two groups under consideration was financed by outside loans to the extent of about 70% (of which more than half was short-term debt), if borrowing from IRI is also included, the proportion rises to about 75%.

The two groups own means (share capital, surplus, undistributed profits), amounted therefore to 25%, more than one half of this (Lit. 312,000 million) was represented by the private shareholders interest in the capital and surplus of the two groups.

It should be stressed that private shareholdings were concentrated in the Finsider group, which in the period examined offered good earnings prospects, in this case third parties hold shares not only in the holding company (40% of the stock, divided among more than 90,000 shareholders), but also in the operating companies controlled by Finsider (Italsider, Dalsine, Terni and other smaller firms, which in their turn had about 120,000 minority shareholders). This circumstance explains why IRI's share in the equity of the Finsider group is less than 50%, though the Institute retains full control. As has been said, private shareholdings in the Finmeccanica group are very limited and mostly refer to the already mentioned joint ventures with

outside groups.

As to IRI's contribution, it is worth mentioning that the Institute has obtained a market rate of interest on the loan which is the same as the rate of interest on the loan which the holding company has obtained from IRI. IRI holds shares in the holding company, but the four companies which IRI's shareholding in the financial group, on the other hand, hold shares except in the case of Alfa Romeo (which holds shares in the Alfa Romeo group onwards). IRI's loans to the financial group are made at the current market rate, but the loans to the Alfa Romeo group are made at a rate when it borrowed from IRI Lit. 10,000 million, which was used as part of the new steel plant in Alfa Romeo. In the case of Alfa Romeo, the same rate is applied in the case of the other companies in the Alfa Romeo group.

IRI's profit in 1964 amounts for 1964-1965 to 1.5% of the average yield of the Institute's shareholdings and other investments fluctuating between 5.5% and 1.5% in the steel sector, while it is 1.5% in the engineering sector.

The Institute, during its four years of existence, has met 70% of its own requirements in the capital market, in particular by means of an average cost of capital of 9% which was used to virtually double the amount in all four years. This amount is the result of the Institute's shareholdings in the Finsider and Finmeccanica group, and other companies which are operating in various branches of industry (telephones, airlines, etc.), derived from the profits of these companies, and from sufficient income to cover the cost of maintenance of the plant, as well as the cost of its own administration, which in the case of the plant provided by the State remained unremunerated.

5. CONCLUDING REMARKS

The preceding analysis shows that, at the end of 1967, the two groups of manufacturing companies controlled by the Institute have assets valued Lit. 2,522,000 (13,500 million). The contribution made by IRI to the formation of these assets amounts to Lit. 401,000 million, was equal to 1.3% (13,500 million divided by 1000 million). The capital contributed by third parties, in the form of firms, and therefore, the

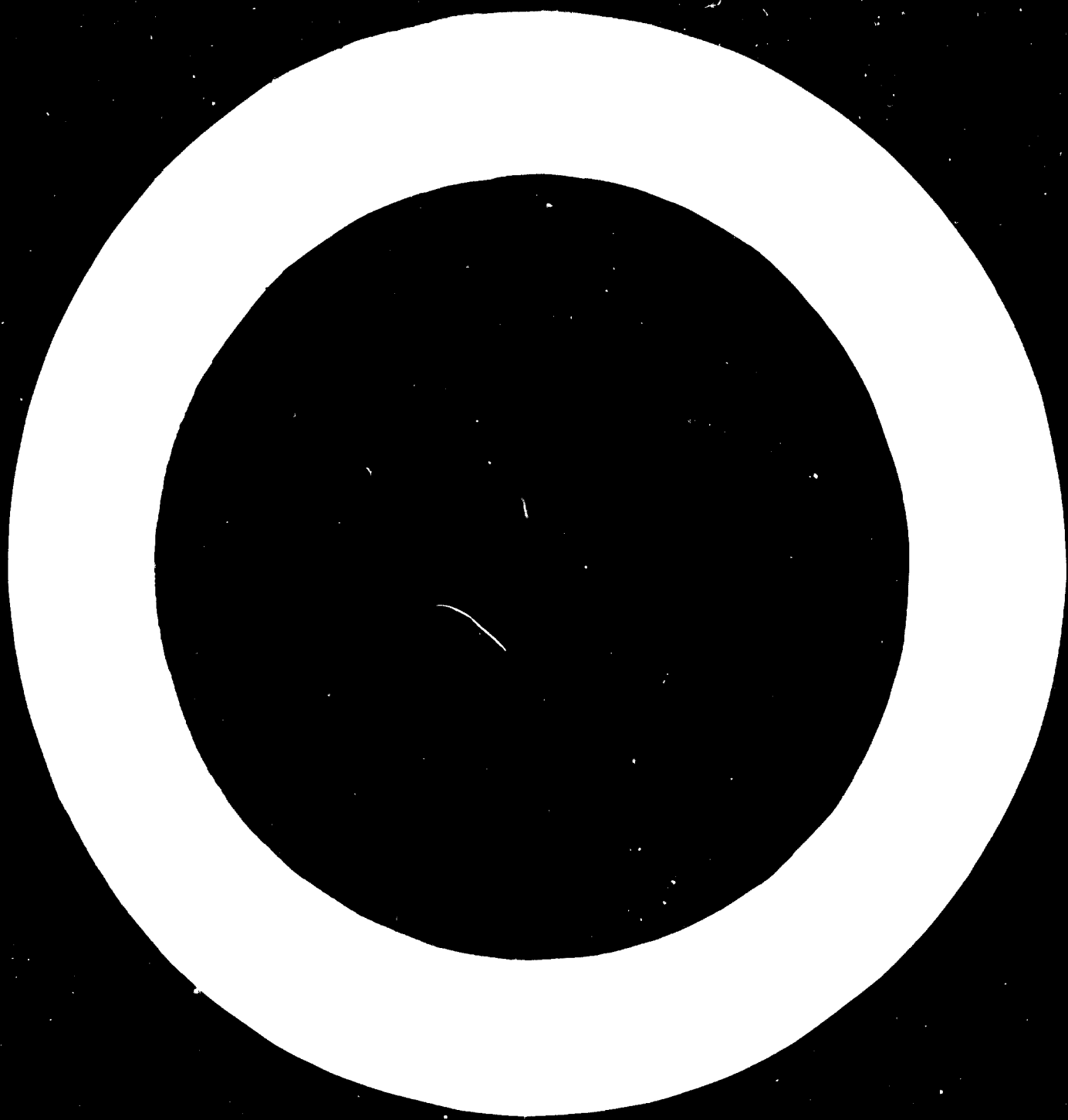
same date six times that of IRI (four times, at the end of 1963) and so played a decisive role in financing the considerable growth in requirements of the two groups of companies over the period 1964-67. Of the total of about Lit. 1,50,000 billion (3,500 million) of liquid resources raised on the market, the proportion involved in the two groups by private shareholders (about 16% at the end of '66) was appreciable.

IRI, as the "managerial agency" standing between the industrial companies and the State, achieved on the financial plane a number of results of great interest. The Institute - which is the prototype of other Italian public agencies responsible for the management of industries - thanks to its diversified field of activity and to the consequent spreading of risks, has managed itself to possess a credit standing which is greater than the sum of the capacity for credit enjoyed by the individual subsidiary companies. IRI's experience in fact shows that at the end of 1967 two-thirds of the resources available to the Institute came from the market, and only one third was derived from its "own means" (endowment fund and surplus) which include the financial contributions made by the State. These figures show that, thanks to the organizational formula adopted, it is possible to stand the heavy financial commitments entailed in the policy for the development of manufacturing industry in particular through the running-in phase of new ventures or in tackling the problems of conversion and reorganization of existing companies) with a limited contribution on the part of the State. What is the same as saying that IRI's action, on the financial plane, largely freed from the restrictions traditionally imposed on its amount and the timeliness of Government expenditure.

At the same time the controlling position ultimately held by the State through its managerial agency is in no way compromised. It has already been shown, among other things, how the adoption of the joint stock form of company for the public industrial firms and the multi-tier structure obtained by placing sectoral holding companies between IRI and operating companies, has made it possible to attract a maximum of private capital prepared to run the risk of minority equity investment.

But perhaps still more important is the fact that the financing mechanism achieved, inasmuch as it maintains equality of operating conditions

for public enterprise vis-à-vis private industry (and in Italy's case the context is that of a multinational common market) provides a stimulus to efficiency and enterprise. As a consequence the government tends to assess much more closely than otherwise possible what are the specific extra costs that have to be incurred for the sake of the general interests pursued by the State through its industrial activities. Not only this, but it is also possible to minimise these costs or, in other words, to maximise the achievement of the objectives of public action.



FINISIDER and FINANCECERIE GROUP: Total Capital Requirements
and Coverage over the four-year period 1964-67

	Finisider Group		Financecerie Group	
	billion fr.	%	billion fr.	%
REQUIREMENTS				
Investment in plant	449.6	42.1	31.6	26.7
Increase in working capital	223.7	21.8	30.0	27.4
<u>Total</u>	1,070.0	100.0	132.4	100.0
COVERAGE				
<u>Self-financing (a)</u>	195.4	18.3	36.7	27.7
<u>Outside funds obtained through:</u>				
a) market:				
- capital increases subscribed by minority shareholders	15.8	1.5	2.1	1.6
- Bonds and other medium and long term loans	326.6	30.5	1.0	1.5
- short-term operations	521.1	47.7	59.5	45.0
	663.5	60.7	63.5	48.1
b) IRI:				
- capital increases	15.6	1.4	30.6	23.1
- loans	-4.5	-0.4	-0.5	-0.4
	11.1	1.0	30.1	22.7
	1,070.0	100.0	132.4	100.0

(a) Depreciation allowances, increase in pensional retirement funds and other provisions of a similar kind, undistributed profits, net of losses.

Table 2

Consolidated Balance Sheet of Finisider group companies, as of 31 December 1963 and 1967
(billion lire)

	1963	1967	Change
<u>Assets</u>			
Current assets	561.3	717.3	+ 156.0
Plant, equipment and other fixed assets, less accumulated depreciation	743.6	1,426.6	+ 683.0
Non-consolidated shareholdings	16.8	17.5	+ 0.7
Other assets	30.8	154.2	+ 123.4
<u>Total</u>	<u>1,352.5</u>	<u>2,315.6</u>	<u>+ 963.1</u>
<u>Liabilities and Capital</u>			
Current liabilities	259.4	310.3	+ 50.9
Short-term debts	207.2	715.2	+ 508.0
Medium and long-term debts	354.7	291.3	- 63.4
Personnel retirement funds and other provisions	79.2	100.0	+ 20.8
Debts with IRI	102.2	103.5	+ 1.3
<u>Total liabilities</u>	<u>782.5</u>	<u>1,520.3</u>	<u>+ 737.8</u>
Minority shareholders' interest in capital and surplus of consolidated companies	100.0	100.0	
<u>Total equity resources</u>	<u>100.0</u>	<u>100.0</u>	<u></u>
IRI's interest in capital and surplus of consolidated companies	1,252.5	2,215.6	+ 963.1
<u>Grand total</u>	<u>1,352.5</u>	<u>2,315.6</u>	<u>+ 963.1</u>

N.B. - The consolidated balance sheets include all companies controlled by IRI through the sectoral holding system. Exclusion of shareholding is at least 50%. This criterion has led to the exclusion from consolidation of a few companies which are not included in the analysis of financial requirements given in Table 1.

"Current assets" include accounts receivable, inventories and sundry assets less advances from customers.

"Other assets" include special credits for the indemnity when in the State Electricity Authority (SEI) and the State Electricity nationalization of electric power plant, as well as securities, prepaid expenses, prepaid interest and other items.

"Current liabilities" include accounts payable to suppliers and other creditors and equity liabilities. "Short-term debts" of cash in hand and with banks.

Table 3

Consolidated Balance Sheet of Finmeccanica Group companies, as of 31 December 1967 and 1968
(billion lire)

	1967	1968	Change
Assets			
Current assets	208.4	283.2	+ 74.8
Plant, equipment and other fixed assets, less accumulated depreciation	133.3	182.0	+ 48.7
Non-consolidated shareholdings	7.3	10.7	+ 3.4
Total	349.0	475.9	+ 126.9
Liabilities and Capital			
Current liabilities	11.1	11.1	• 11.1
Short-term debts	59.6	59.6	• 59.6
Medium and long-term debts	3.4	3.4	• 3.4
Personnel retirement funds and other provisions	12.9	12.9	• 12.9
Debts with IRI	1.7	1.7	• 1.7
Total liabilities	80.7	100.7	+ 19.9
Minority shareholders' interest in capital and surplus of consolidated companies	1.0	1.0	• 1.0
Reserve for available resources	1.0	1.0	• 1.0
Intergovernmental capital and surplus of consolidated companies	1.0	1.0	• 1.0
Total capital	81.7	101.7	+ 20.0

N.B. - The consolidated balance sheets include all companies controlled by IRI through the shareholding criterion, when the shareholding is at least 50%. This criterion has been applied by order from the Ministry of Economic Affairs. The most important instance is Selenia with issued capital of 1,000 billion lire, of which 50% is held by IRI. However taken into account in the analysis of capital requirements given in Table 1.

"Current assets" include accounts receivable, inventories and equity assets, less allowances for doubtful debts.

"Current debts" include accounts payable to suppliers and other creditors and sundry liabilities.

"Short-term debts" are net of cash in hand and with banks.



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