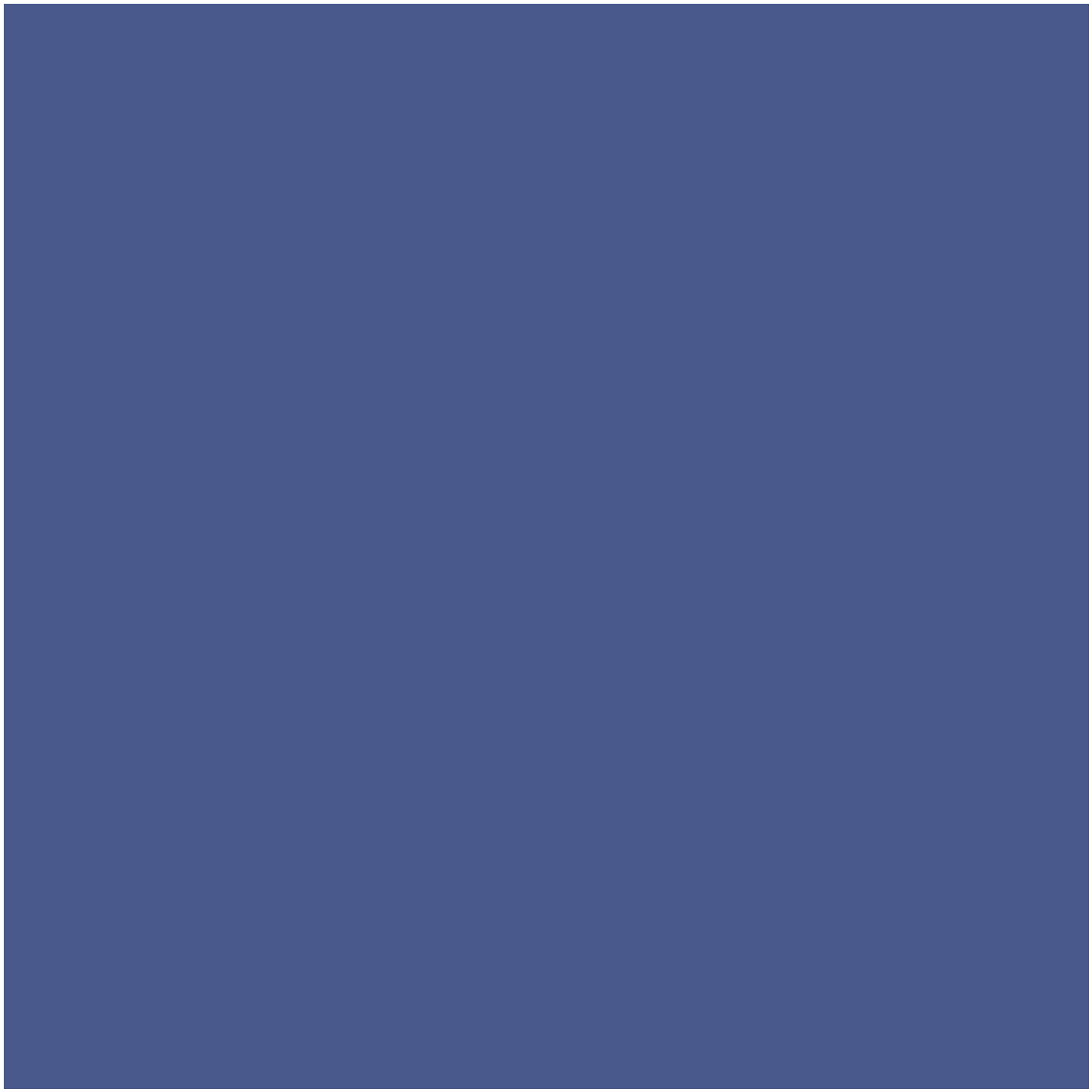


# IPO Watch Europe

Review of the year 2004





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# Foreword

Welcome to the IPO Watch Europe annual review of 2004, the PricewaterhouseCoopers survey that tracks volume and value of IPOs around Europe. 2004 has been a good year for IPO activity with a strong last quarter.

The number of European IPOs increased by 182% from 149 in 2003 to 420 in 2004. This significant increase reverses the trend of decreases in 2003 (down 14% from 2002) and 2002 (down 44% from 2001). New money raised in 2004's IPOs of €27.3bn represented a huge increase of €20.5bn from €6.8bn in 2003, similarly reversing the declines of 42% and 66% experienced in 2003 and 2002 respectively.

London was the exchange with the largest number of IPOs, and increased its market share from 2003 to 2004, accounting for 63% and 73% of IPOs by number in those years, respectively. Euronext's market share by number reduced from 19% to 11% in the same period, however Euronext accounted for the greatest amount of new money raised. This was because of a small number of high value Euronext IPOs, including the largest IPO of 2004, the telecoms company Belgacom, raising €3.3bn.

In 2004 the third most active exchange by volume was Warsaw, which was also responsible for the third highest amount of new money raised. Warsaw experienced a significant increase in number of IPOs from six in 2003 to 36 in 2004, including Europe's second largest IPO of the year, the retail bank PKO BP which raised €1.8bn

Capital market regulations in Europe have continued to develop and much progress has been made towards completing the capital markets regulation elements of the EU's Financial Services Action Plan.

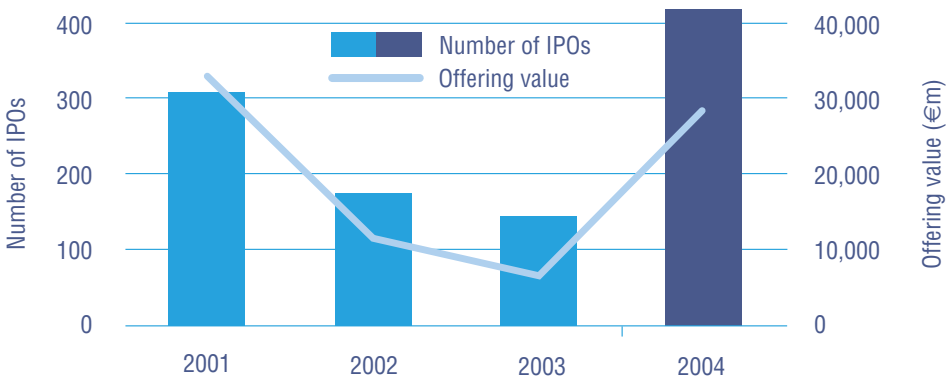
The year also saw significant developments in understanding of the detailed application and implications of the Sarbanes-Oxley Act passed by US congress in 2002, with significant press coverage given to non-US companies' reluctance to subject themselves to the increased US regulation and choosing to IPO in Europe.

As predicted in last year's annual review, 2004 was a much better year than 2003 for IPOs. A strong finish to the year, particularly in December, and an improving pipeline of upcoming IPOs, are positive indicators for 2005 although alternative funding sources such as private equity and regulatory changes this year which may result in some delays, lead us to be cautious about predicting similar levels of growth in 2005 to those we saw in 2004.

Tom Troubridge, Head of the London Capital Markets Group



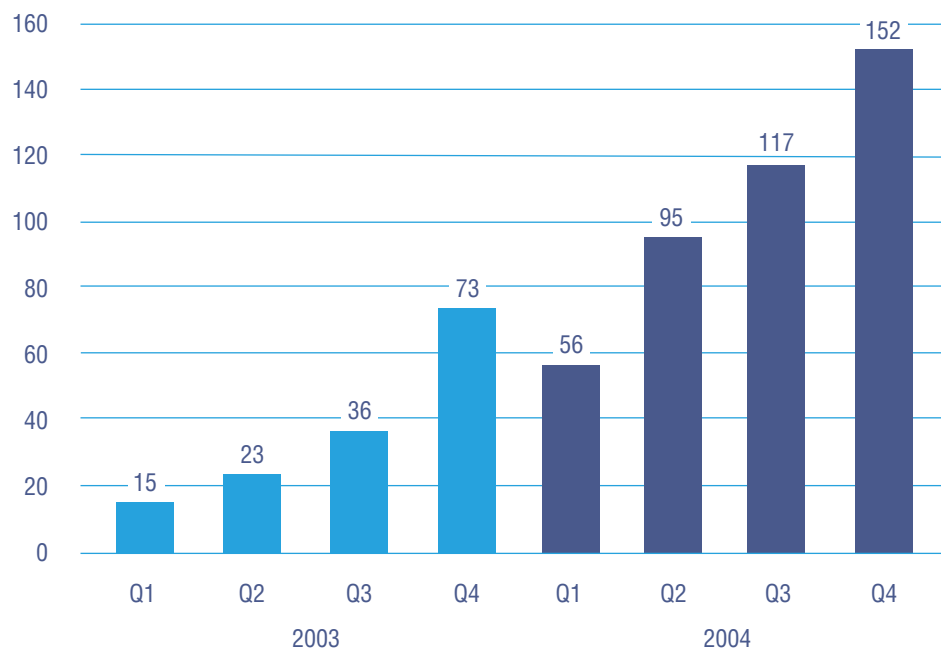
IPOs and offering value



# European IPOs by quarter

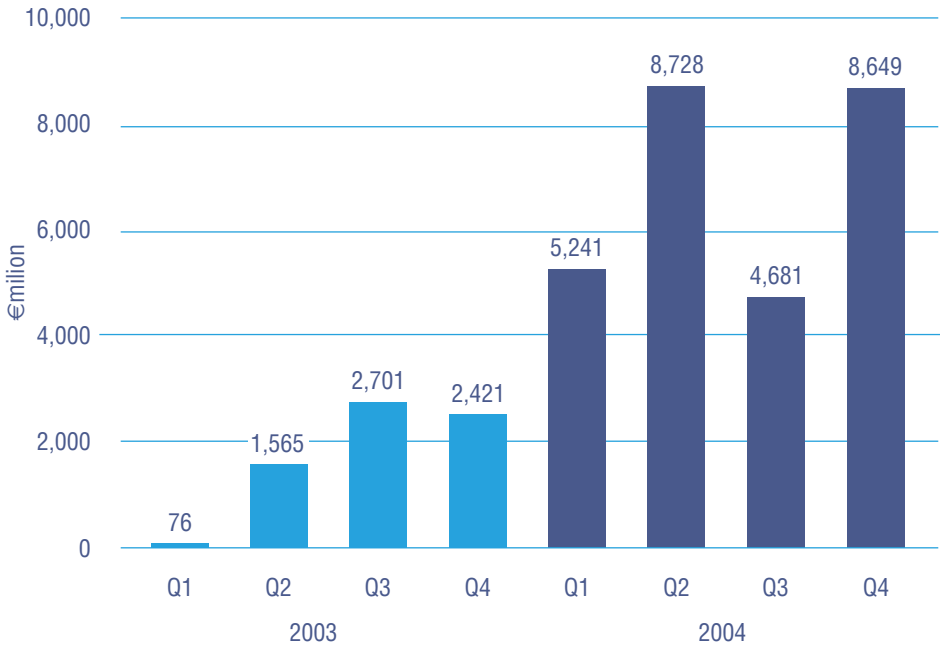
From a low of just 15 IPOs in the first quarter of 2003 there has been a steady quarter on quarter increase throughout 2003 and 2004. The only quarter to show a decrease in number of IPOs was Q1 2004 when compared to Q4 2003, and this was due to the seasonally high final quarter activity in 2003. The average number of IPOs per quarter during the year increased from 37 in 2003 to 105 in 2004.

Number of IPOs



The spread of offering value year on year is more variable, largely due to a small number of very large offerings in each year as discussed on page 7 of this report. If we discount those very large offerings (the top ten from each year), the general trend for IPOs is towards a higher offering value. Excluding the top ten IPOs each year, the “normalised” average offering value per IPO has increased from €7m in 2003 to €32m in 2004.

Offering value of IPOs



# IPOs by Stock Exchange

## IPOs per exchange

	IPOs 2003	Offering value (€m) 2003	IPOs 2004	Offering value (€m) 2004
London Stock Exchange				
AIM	81	1,350	273	3,536
Main Market	13	2,813	32	4,773
<b>Total</b>	<b>94<sup>4</sup></b>	<b>4,163<sup>4</sup></b>	<b>305<sup>1, 2, 3</sup></b>	<b>8,309<sup>1, 2, 3</sup></b>
Euronext	29 <sup>4</sup>	145 <sup>4</sup>	48	8,486
Borsa Italiana	5	493	8	2,481
Stockholm	3	-	5	90
Austrian Stock Exchange	6 <sup>5</sup>	1,002 <sup>5</sup>	1	7
Oslo Børs	3	47	2	292
Swiss Stock Exchange	2	-	4	408
Madrid Stock Exchange	2	837	3	2,415
Deutsche Börse	1 <sup>5</sup>	- <sup>5</sup>	5	1,818
Athens Stock Exchange	-	-	2	5
Copenhagen Stock Exchange	-	-	2 <sup>3</sup>	- <sup>3</sup>
Dublin Stock Exchange	-	-	2 <sup>1, 2</sup>	681 <sup>1, 2</sup>
Warsaw	6	76	36	2,988
<b>Total</b>	<b>149</b>	<b>6,763</b>	<b>420</b>	<b>27,299</b>

<sup>1</sup> includes C&C Group (which raised €385m) which listed on both Dublin and London

<sup>2</sup> includes Eircom (which raised €296m) which listed on both Dublin and London

<sup>3</sup> includes Group 4 Securicor which listed on both London and Copenhagen

<sup>4</sup> includes Kesa which listed on both London and Euronext

<sup>5</sup> includes Hypo Real Estate which listed on both the Deutsche Börse and Austria

Europe saw 420 IPOs in 2004, up 182% from 149 in 2003. Of those 420 IPOs, London accounted for 305. This represents a market share for London of 73%, up from 63% in 2003, but in the same period London accounted for only 30% of new money raised. Activity on the London Stock exchange is best understood by considering AIM and the Main Market separately.



AIM saw 273 IPOs in 2004, an increase of 237% over its 81 IPOs in 2003. AIM thereby strengthened its position as the most active European market, accounting for 65% of European IPOs in 2004 compared to 54% in 2003. The average offering value on AIM in 2004 was €13m. Late in 2004, AIM celebrated having over 100 non-UK companies on its books and over 1,000 companies in total.

The Main Market did see a significant increase in IPO activity, up 146% from 13 in 2003 to 32 in 2004; however that increase was below the increase enjoyed by AIM and below the average increase in Europe. The average offering value on the Main Market in 2004 was €149m.

The fact that there was a relative shift in activity from the Main Market to AIM and the fact that only one of the top ten IPOs in 2004 by offering value was in London compared to six of the top ten in 2003, combine to result in the two London markets together accounting for only 30% of new money raised in the year in Europe, compared to 62% in 2003.

London also welcomes Air China to its Main Market in 2004. This was the first major Chinese company for some years

to select an IPO in London over an IPO in the US, and may be indicative of a reluctance of non-US companies to subject themselves to the rigours of the Sarbanes-Oxley Act in the US.

Euronext saw an increase in number of IPOs from 29 in 2003 to 48 in 2004, which translated into an increase in new money raised from €145m in 2003 to €8.5bn in 2004. The average offering value of IPOs on Euronext was up from just €5m in 2003 to €177m in 2004. To some extent the high value of IPOs on Euronext in 2004 was due to the average being pushed up by Europe's largest IPO in 2004 by Belgacom, raising €3.3bn.

The third most active market in terms of numbers and value of IPOs was Warsaw. Partly due to Poland's successful entrance to the EU as an accession country in May 2004, Warsaw had 36 IPOs in 2004 compared to just six in 2003. These 36 IPOs represent a significant increase in the overall size of the Warsaw market to 215 companies in 2004. €3.0bn was raised on Warsaw in 2004, up from just €76m in 2003, with the retail bank PKO BP responsible for €1.8bn of this.

The Italian Stock Exchange had eight IPOs in 2004, up from five in 2003, and an increase in total offering value to €2.5bn from €493m in the same period with one IPO, that of the utilities company T.E.R.N.A., accounting for €1.3bn, or 51%, of the money raised in 2004. This meant that the average offering value increased to €310m from €99m in 2003.

The Madrid Stock Exchange saw just three IPOs in 2004, although this was one more than in 2003, but they raised €2.4bn, up from €837m in 2003. Of Madrid's three IPOs in 2004, two (Cintra and Telecinco) were in the top ten for money raised in Europe.

Apart from the €1.4bn IPO of Deutsche Postbank, Germany has had a low level of IPO activity in recent years. In 2004, there were five IPOs on the Deutsche Börse raising €1.8bn which was a significant increase on the single introduction seen in 2003.

Dublin had two IPOs in 2004, which both dual listed in London, raising €681m. In 2003 there were no IPOs on Dublin.

# Major IPOs in 2004

In 2004 there were eight IPOs raising over €1.0bn compared to only one in 2003, and the total new money raised by the top ten IPOs was up 143% in 2004 to €14.2bn from €5.8bn in 2003.

London was home to one of the top ten IPOs in 2004 compared with six of the ten largest IPOs in 2003. This reflects the mix in London of a high growth in the smaller companies market AIM and relatively lower levels of activity on the Main Board. The top ten in 2004 included a large number of government privatisations which partly accounted for Euronext increasing its number of IPOs in the top ten in terms of value from zero to four companies in this same period.

Madrid continued to have a low volume of high value IPOs, with by far the highest average money raised per IPO in 2004 of €805m.

## Ten largest (ranked by money raised) IPOs

2004			
Company	Money raised €m	Exchange listed on	Sector
<a href="#">Belgacom</a>	3,290	<a href="#">Euronext</a>	<a href="#">Telecoms</a>
<a href="#">PKO BP</a>	1,784	<a href="#">Warsaw</a>	<a href="#">Retail Bank</a>
<a href="#">Deutsche Postbank</a>	1,425	<a href="#">Deutsche Börse</a>	<a href="#">Retail Bank</a>
<a href="#">T.E.R.N.A.</a>	1,258	<a href="#">Borsa Italiana</a>	<a href="#">Utilities</a>
<a href="#">Pages Jaunes</a>	1,253	<a href="#">Euronext</a>	<a href="#">Publishing &amp; Printing</a>
<a href="#">Cintra</a>	1,240	<a href="#">Madrid</a>	<a href="#">Motorway toll systems</a>
<a href="#">APRR</a>	1,209	<a href="#">Euronext</a>	<a href="#">Motorways</a>
<a href="#">Snecma</a>	1,154	<a href="#">Euronext</a>	<a href="#">Aerospace</a>
<a href="#">Air China</a>	803	<a href="#">Hong Kong + London</a>	<a href="#">Airline</a>
<a href="#">Telecinco</a>	742	<a href="#">Madrid</a>	<a href="#">Media &amp; Entertainment</a>
<b>Total</b>	<b>14,158</b>		

2003			
Company	Money raised €m	Exchange listed on	Sector
<a href="#">Yell Group</a>	1,642	<a href="#">London</a>	<a href="#">Media &amp; Entertainment</a>
<a href="#">Bank Austria Creditanstalt</a>	958	<a href="#">Austria</a>	<a href="#">Bank</a>
<a href="#">Vedanta</a>	730	<a href="#">London</a>	<a href="#">Mining</a>
<a href="#">Northumbrian Water Group</a>	545	<a href="#">London</a>	<a href="#">Utility Company</a>
<a href="#">Antena 3 Tv</a>	420	<a href="#">Madrid</a>	<a href="#">Media &amp; Entertainment</a>
<a href="#">Red Electrica de Espana</a>	417	<a href="#">Madrid</a>	<a href="#">Electricity</a>
<a href="#">Hera</a>	381	<a href="#">Borsa Italiana</a>	<a href="#">Utility Company</a>
<a href="#">Center Parks (UK) Group</a>	353	<a href="#">London</a>	<a href="#">Media &amp; Entertainment</a>
<a href="#">Alea Group Holdings (Bermuda)</a>	238	<a href="#">London</a>	<a href="#">Insurance</a>
<a href="#">Benfield Group</a>	140	<a href="#">London</a>	<a href="#">Insurance</a>
<b>Total</b>	<b>5,824</b>		

# Number of IPOs: 1998-2004

The graph below displays the number of IPOs on Europe's most active markets over the last seven years.

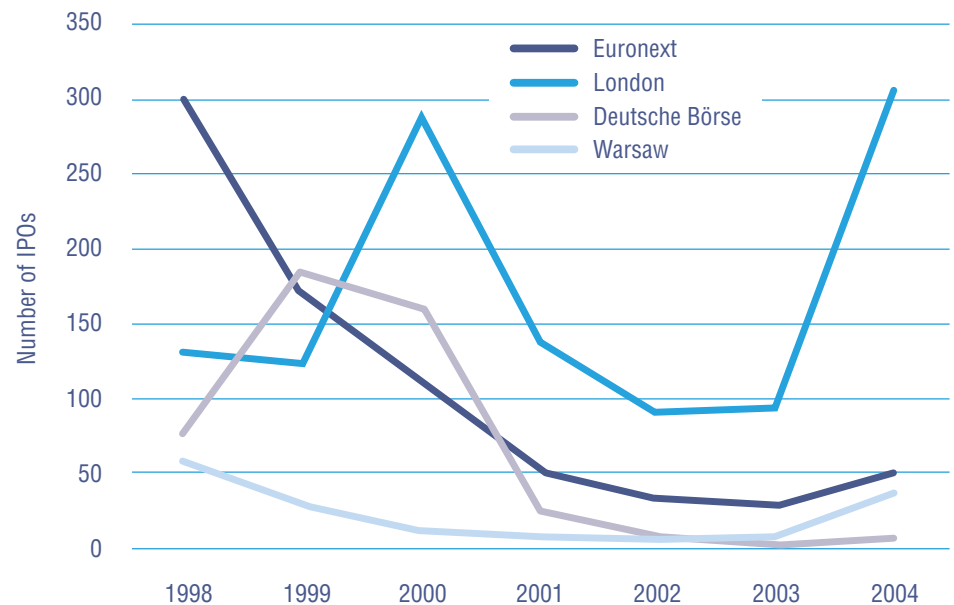
After the Dot-Com boom of 2000 the European exchanges had a dramatic decrease in numbers of IPOs, exacerbated by uncertainty following September 11th and the situation in Iraq.

Euronext in 2003 illustrated the decrease most emphatically with only a tenth of the IPOs in that year as compared to the number of IPOs enjoyed by its constituent exchanges in 1998.

After signs of growth towards the end of 2003, a significant recovery took place in 2004. Most particularly this took place on AIM in London, while at the same time Warsaw enjoyed a dramatic increase in activity in the wake of Poland joining the European Union.

The relatively young Warsaw market in 1998 was still seeing a significant number of privatisations and splitting of large groups, activity which was dramatically curtailed by the 1998 political crisis in Russia. No recovery was observed until 2003.

## Number of IPOs over past 7 years



# Where is the liquidity?

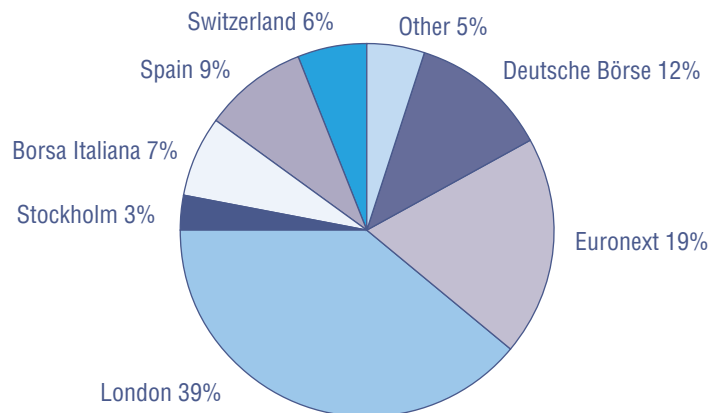
## Overview

Europe's capital markets are witnessing turbulent times.

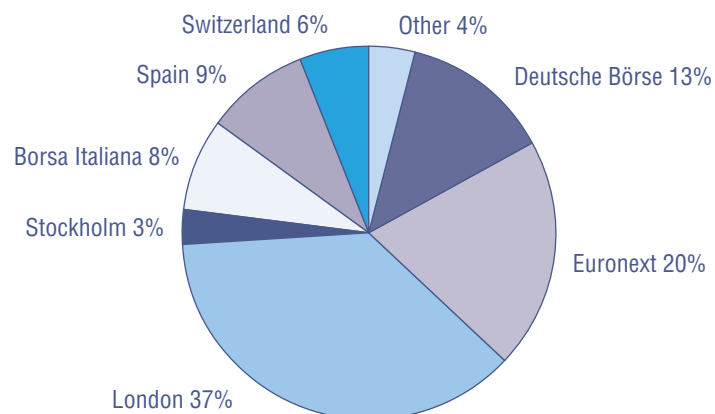
Moves within Europe to harmonise listing and reporting standards will improve transparency and provide an important step towards further market consolidation. New legislation in the US will continue to have an effect on capital markets globally.

The total value of equity traded as set out opposite shows that relative proportions of trading have remained broadly constant for the major exchanges, with London and Euronext together continuing to account for well over half of the total in each year.

**Value of equity trading 2004 (total trading is €10,658bn)**



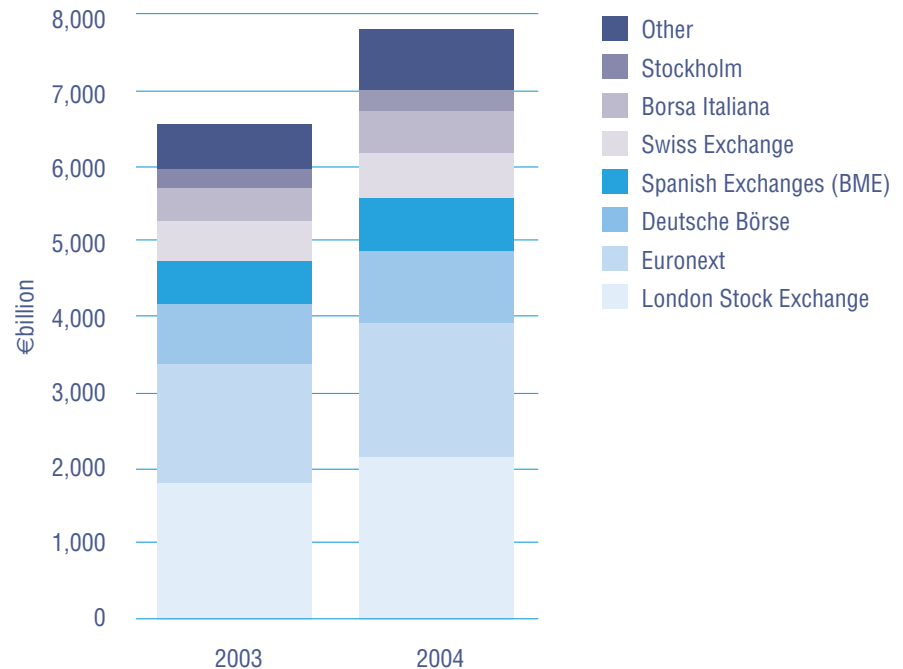
**Value of equity trading 2003 (total trading is €7,999bn)**



# Where is the value?

The market capitalisation of the European exchanges increased by 19% or approximately €1,229bn from 2003 to 2004. Of the major exchanges, the Deutsche Börse experienced the smallest increase (approximately 10%) while Madrid and the Borsa Italiana both saw significant increases of nearly 30%.

**Market capitalisation of exchanges**



# IPOs by sector

Sector	IPOs 2003	IPOs 2004
Aerospace & Defence	1	3
Agriculture	-	2
Automobiles & Parts	2	5
Banks	4	3
Beverages	1	6
Chemicals	6	5
Construction & Building Materials	5	11
Distributors	-	1
Diversified Industrials	1	1
Electricity	3	3
Electronic & Electrical Equipment	7	16
Engineering & Machinery	4	8
Food Producers & Processors	4	8
General Retailers	7	11
Health	8	14
Household Goods & Textiles	3	6
Information Technology Hardware	5	3
Insurance	3	4
Leisure, Entertainment & Hotels	5	13
Media & Entertainment	10	28
Mining	17	35
Oil & Gas	8	23
Packaging	-	1
Personal Care & Household Products	1	2
Pharmaceuticals	2	22
Real Estate	8	18
Software & Computer Services	9	39
Speciality & Other Finance	10	53
Steel & Other Metals	1	1
Support Services	3	36
Other Technology	-	4
Telecommunication Services	4	20
Transport	5	12
Utilities	2	3
<b>Total</b>	<b>149</b>	<b>420</b>

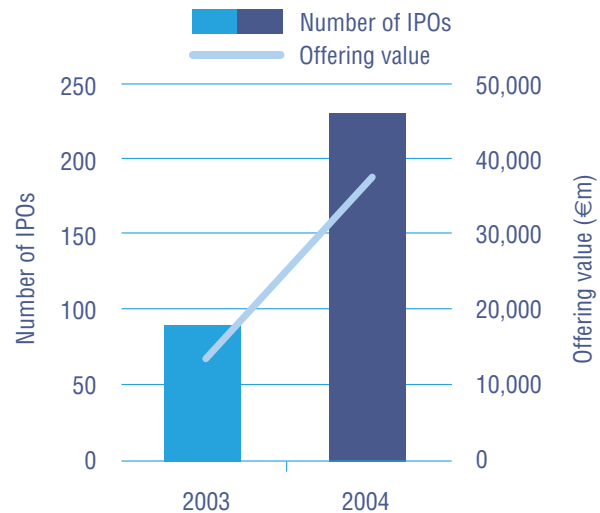
In a year which saw an overall increase of 182% in the number of IPOs, most sectors could be expected to have enjoyed increased activity. Particular winners in 2004 are Speciality & Other Finance with 53 IPOs in the year (up 430% from 10 in 2003); Software & Computer Services with 39 IPOs (up 333% from 9 in 2003); and Support Services with 36 IPOs (up 1,100% from 3 in 2003).

Amongst more 'traditional' industries, Mining (the sector responsible for the greater number of IPOs in 2003) remained active – particularly on AIM – with 35 IPOs; and Pharmaceuticals experienced a resurgence to 22 IPOs in 2004 from only 2 in 2003.

# Comparison with the US

The parallel to experience in Europe is clear – the 182% increase in IPO activity in Europe in 2004 is remarkably similar to the 184% increase seen in the US. The relative growth in offering value was greater in Europe, but the average size of a European IPO remains significantly smaller. Increased regulatory scrutiny in the US appears to have discouraged some non-US companies from accessing the US equity markets, but despite that foreign IPOs increased from five transactions in 2003 to 18 in 2004.

IPOs and offering value



# Comparison with the US

Overall 2004 saw a nearly threefold increase in both the number and offering value of IPOs. As with Europe, if we were to exclude the top ten IPOs in the year, the average for the “normalised” IPOs was a significant increase in deal size. The market rebound that began in the third quarter of 2003 continued, and there was a significant increase in IPO activity late in 2004 following the presidential election. NYSE continued to enjoy the largest IPOs by value, while NASDAQ continued to enjoy the greatest volume of IPOs. The infocom and technology sector was the most active each year, accounting for approximately one quarter of activity and value each year.

	IPOs 2003	Offering value (€m) 2003	IPOs 2004	Offering value (€m) 2004
Europe total	149	6,763	420	27,299
Nasdaq	55	4,827	170	15,806
NYSE	24	8,283	56	21,121
AMEX	4	226	10	616
US Total	83	13,336	236	37,543

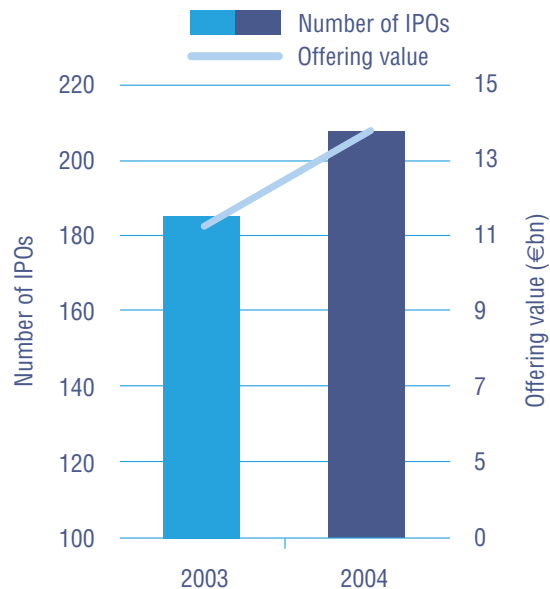
Fuller details of US IPOs are available in our US IPO Watch. In our US IPO Watch, the definition of IPOs differs to that used here as the US definition includes Real Estate Investment Trusts (REITs).



# Comparison with Greater China

The 'Greater China' region comprises Hong Kong (Main Board plus GEM); Shanghai (A plus B); Shenzhen (A plus B); and Taiwan. Greater China had not seen the same trends as Europe and the US in recent years – indeed 2003 saw fewer IPOs than both 2001 and 2002. 2003 however had seen a significant increase in funds raised. 2004 saw an increase in the number of IPOs and an increase in average offering value, particularly driven by high value IPOs in Hong Kong, mainly originating from mainland China.

IPOs and offering value



# Comparison with Greater China

There is no real correlation with trends experienced in Europe (or for that matter in the US). Activity in 2003 was not as curtailed in Greater China as it was in Europe, and hence there was no 'bounce back' in 2004. Average offering values in Greater China, again driven by mainland China offerings in Hong Kong, significantly exceed those experienced in Europe.

	IPOs 2003	Offering value (€bn) 2003	IPOs 2004	Offering value (€bn) 2004
Europe total	149	6.76	420	27.30
Hong Kong	73	7.61	70	12.49
Shanghai	67	5.71	61	2.96
Shenzhen	-	-	39	1.40
Taiwan	45	0.61	38	0.30
Greater China Total	185	13.93	208	17.15

# Developments in European capital market regulation

2004 has seen much progress towards completing the capital market regulation elements of the EU's Financial Services Action Plan. This culminated in the publication of the Transparency Obligations Directive at the end of the year.

The Prospectus Directive, which was published in 2003 and is to be implemented by Member States by 30 June 2005, sets the template for when a prospectus is required and its overarching content on a consistent basis across the EU. There has been significant progress on the detailed implementing measures associated with the Prospectus Directive. After a number of consultations, CESR (The Committee of European Securities Regulators) has provided its advice to the European Commission concerning implementing measures such as prospectus advertising. CESR also published proposed recommendations for consistent implementation of the Prospectus Directive during the year, which are due to be finalised early in 2005.

The Market Abuse Directive that governs the disclosure of information and its use by insiders, was published in January 2003, and was required to be brought into force by Member States by 12 October 2004. In addition, detailed implementing measures on such matters as the definition and public disclosure of inside information and the definition of market manipulation, as well as the fair presentation of investment recommendations have been issued.

The Transparency Obligations Directive addresses the requirements for companies to make specific ongoing disclosures when admitted to trading on a regulated market. The areas it deals with are financial reporting (annually and half-yearly as well as interim management statements in each half year), and disclosure of major interests in a company's securities. It must be imposed into Member State law by 20 January 2007.

The impact of the implementation of these new requirements will begin to be seen in 2005 as Europe continues to work toward the goal of a single capital market.

# Sarbanes-Oxley

Signed into law on July 30, 2002, the Sarbanes-Oxley Act has had the most far-reaching impact on US corporate governance, financial disclosure, and public accounting practices since the U.S. Securities Act of 1933 and the Securities and Exchange Act of 1934. Passed largely in response to the corporate scandals of the late '90s, the Act placed significant new responsibilities on management of US registered companies and their boards, enhanced the powers of the SEC and created the Public Company Accounting Oversight Board (PCAOB).

Section 302 requires CEOs and CFOs of public companies to certify financial statements, while Section 404 requires U.S. public companies with fiscal years ending on or after November 15, 2004 to attest to the effectiveness of their internal controls over financial reporting. Companies must comprehensively document, test and report on internal controls governing the financial reporting process. Then their auditor must independently test such controls and render an opinion as to their adequacy. The company's annual report must include the auditor's report on internal controls and a list of any material weaknesses that either the auditor or management uncovered.

Sarbanes-Oxley is gradually transforming the way all companies in the US – public and private – do business, has set the standard against which all business management processes will be measured and gives companies contemplating a US registration much to consider. No doubt the implications will soon reach into other capital markets.

Embracing the new rules in advance of going public may significantly reduce the risks associated with closing the transaction and completing the registration process. A candidate's Sarbanes-Oxley readiness may also have a significant impact on its market timing and the valuation received. Potential investors and underwriters may not want to assume the added risk of backing a non-compliant company, and may be more likely to back a company that has shown it takes the Sarbanes-Oxley Act's requirements seriously.

# London Capital Markets Group



The London Capital Markets Group is part of the Assurance practice of PricewaterhouseCoopers LLP. It comprises a core team of specialists who provide a broad range of services to companies and investment banks in connection with London capital market transactions. These include preparations for becoming a public company, selecting the right market and advisory team, assisting with

reviewing accounting policies and GAAP conversion projects, advising on regulatory issues and undertaking financial and business due diligence investigations. The London Capital Markets Group is part of the PricewaterhouseCoopers global network of capital markets specialists. For more information visit [www.pwc.com/londoncapitalmarkets](http://www.pwc.com/londoncapitalmarkets)

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# London Capital Markets Group

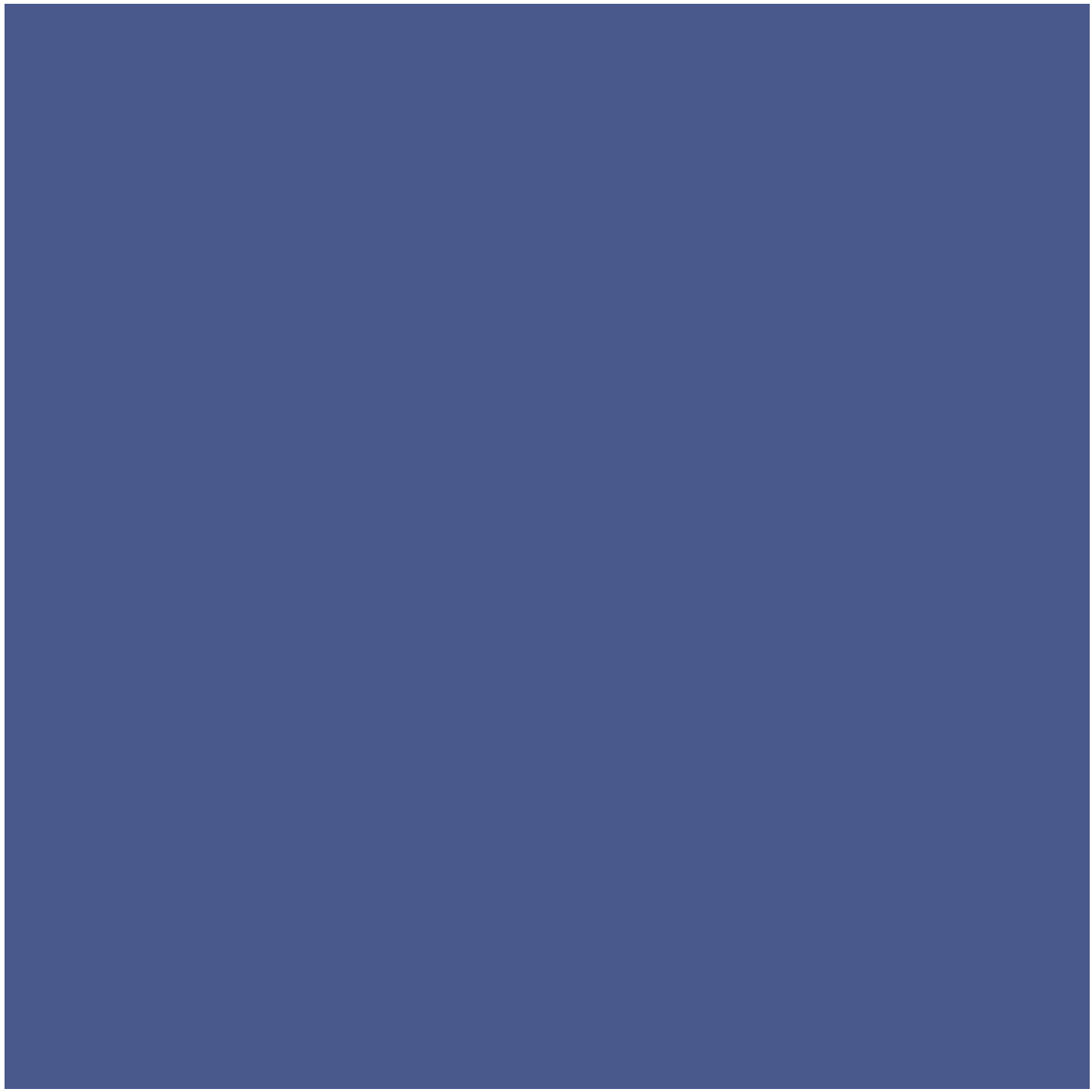
## About IPO Watch Europe

IPO Watch Europe surveys all new primary market listings on Europe's principal stock markets and market segments (including exchanges in the EU member states plus Switzerland and Norway) on a quarterly basis. Investment-related companies' listings, movements between markets on the same exchange and greenshoe offerings are excluded. The IPO Watch Europe – Review of the year 2004 collates data from the quarterly surveys conducted between 1 January and 31 December 2004 capturing new market listings based on their listing date.

IPO Watch Europe – Review of the year 2004 was compiled by Tom Troubridge, David Smailes, Vhernie Manickavasagar, Marcin Stanczyk and Stephanie Howel.

All of the graphs, tables, and data used within this publication have been collated by the London Capital Markets Group research team.

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