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# IPO Watch Europe

Review of the year 2007



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# Foreword

IPO activity on the European exchanges remained strong in 2007 despite the problems that arose in the financial markets in the second half of the year. The European markets have, for the third year running, outperformed those in the US both in terms of volume of IPOs and total value of offerings. Europe has also remained ahead of Greater China in 2007, but growth in those markets has meant that the gap has narrowed very significantly. London was the most successful European market in 2007 with an increased market share by offering value of 49%, despite a fall in the volume and value of IPO activity.

Activity on the European exchanges fell slightly in 2007 to 813 IPOs compared with 838 in 2006, while the total offering value of IPOs fell by 9% from €87,849m in 2006 to €80,367m in 2007.

IPO activity in Europe continued to be supported by the volume of international IPOs, that is non-European companies listing on the European capital markets. While the volume of international IPOs fell slightly by 5% to 126 in 2007, the total offering value rose by 13% to €21,431m with the growth coming from a number of large transactions, predominantly Global Depository Receipts (GDRs) from emerging markets such as Russia and India. Two of the top five IPOs in 2007 were international offerings on the London Main Market: VTB Bank and Eurasian Natural Resources Corporation Plc. VTB Bank, a large Russian bank, raised €4,724m through a GDR offering and was the largest IPO of the year in Europe. Eurasian Natural Resources Corporation Plc, a Kazakhstan mining group, raised €1,888m in December 2007 and was unusual in that it achieved a primary equity listing rather than offering GDRs.

We have seen London lead the European exchanges again in 2007. London's popularity as a market was again driven to a significant extent by its attractiveness for international offerings and London saw 81% of the 126 international IPOs in Europe in 2007. Money raised on the London

markets in 2007 was €39,087m, representing a 7% fall on money raised in 2006. This fall was largely due to reduced activity on London's AIM market which had 220 IPOs raising €9,537m in 2007 compared to 325 IPOs raising €13,618m in 2006 – a 32% fall in volume of IPOs. Activity on London's Main Market was in line with that in 2006.

IPO volumes on the exchange-regulated markets that have driven so much of the activity in Europe in recent years fell by 14% in 2007. This net fall comprises a notable reduction in activity on established markets such as London's AIM, NYSE Euronext's Marché Libre and Alternext, and the Deutsche Börse's Entry Standard, offset by significant activity on new markets. The OMX's First North Market which opened in 2006 attracted 50 IPOs in its first full year, while the Warsaw Stock Exchange's NewConnect market attracted 24 IPOs after opening in August 2007.

The US capital markets continued to grow in 2007 following the recovery seen in 2006. The total offering value of US IPOs increased by 16% from €40,426m in 2006 to €46,732m in 2007 with 279 IPOs in 2007 compared to 242 IPOs in 2006. While the US

capital markets continued to be more domestically focused than those in Europe, there was a growing impact from international IPOs. The US capital markets hosted 50 international IPOs, raising €8,804m in the year. International IPOs accounted for 19% of money raised in the US compared to 27% of money raised in Europe and half of the money raised in London.

The Greater China markets saw significant growth in 2007 with the total offering value of IPOs rising by 60% from €47,604m to €76,333m and the volume of IPOs increasing from 138 in 2006 to 240 in 2007. The Shanghai exchange re-commenced fund raising activities in mid 2006 after the Chinese government lifted its year long suspension, which resulted in the exchange enjoying growth in total offering values from €11,359m in 2006 to €43,853m in 2007. The total offering value of IPOs on the Hong Kong exchange fell by 18% to €27,758m despite a rise in the number of IPOs. The high offering value in 2006 was partly due to IPOs by the two largest banks in China, which together raised €21.6bn in that year.

As we anticipated last year, there was a strong start to 2007 but as the year progressed the markets became more unsettled. Over the full year, we have seen a slight fall in activity on the European markets. Despite this the European equity markets remained strong, outperforming both the US exchanges and the Greater China exchanges in terms of offering value and volume of IPOs. Greater China's growth in the year has been exceptionally strong, and if it continues, Greater China will soon be the world's dominant capital market for IPO activity.

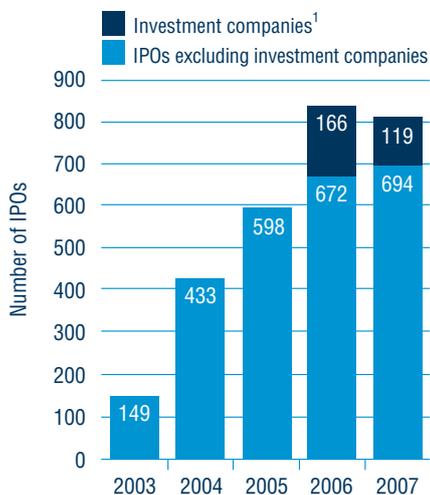
Major developments in capital markets regulation have been seen in relation to equivalence of certain generally accepted accounting principles (GAAP) to IFRS and consideration in the UK of market segmentation. There is now more clarity as to the criteria for determining whether a non-EEA issuer's GAAP is 'equivalent' to IFRS, and in the UK the Financial Services Authority is giving consideration to the differences in regulation between a full primary equity listing in London and a GDR offering and consulting on the topic of audit committees and corporate governance.

The market volatility that arose in late 2007 has worsened in early 2008, and while there remains a strong pipeline of companies wishing to enter the capital markets, it is difficult for companies to price and complete their IPOs in highly volatile market conditions. Levels of activity in 2008 will depend upon whether the current market conditions represent a brief correction of the markets or the start of a longer period of low growth or even recession.

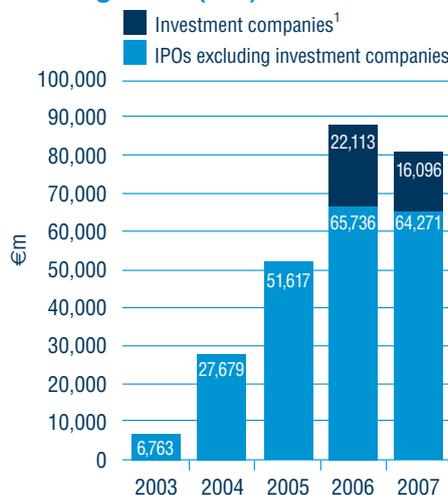


Tom Troubridge, Head of the Capital Markets Group in London

### Volume of IPOs



### Offering Value (€m)



<sup>1</sup> Data in respect of investment companies is not available for 2003, 2004 and 2005.

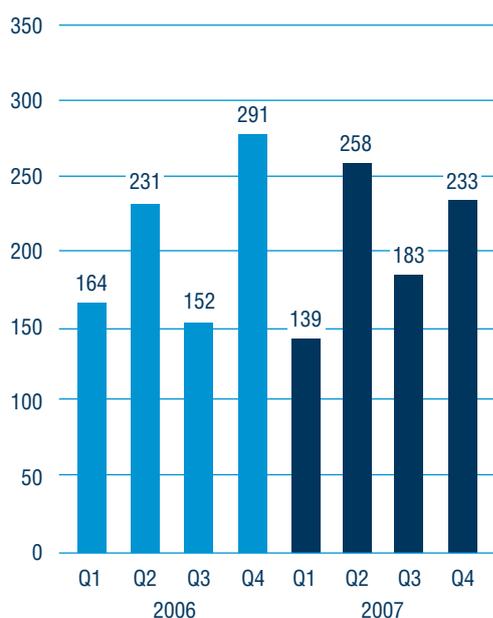
# European IPOs by quarter

IPO activity on the European exchanges remained strong in 2007, despite problems which arose in the financial markets in the second half of the year. Total activity for 2007 was slightly behind that in 2006 with 813 IPOs compared to 838 in 2006.

The established quarterly trend is for a surge in activity in the second and final quarters as IPOs are completed before the summer and the end of the year respectively, with the final quarter typically being the most active in the year. While this trend did continue for the first three quarters of 2007, we note that, unusually, activity in quarter four of 2007 was lower than that in quarter two of 2007. Given that year on year activity was higher in quarter two and quarter three of 2007, the relative drop in quarter four reflects the effect of a rise in investor caution and a slowdown in many of Europe's stock exchanges towards the end of 2007.

The relative fall in total offering value of IPOs in 2007, to €80,367m from the €87,849m raised in 2006 was greater than the fall in volume of IPOs in the same period. On a quarterly basis the total offering value of European IPOs was lower in 2007 than in 2006 in each quarter except quarter two. We note that the fourth quarter of 2006 enjoyed a record offering value for any quarter since our survey began. There was also great consistency in the average offering value, which fell slightly from €120m in 2006 to €115m in 2007, however the combined value of the top ten IPOs fell by 14% compared to 2006.

Number of IPOs



Offering value of IPOs (€m)



# IPOs by Stock Exchange

	Company IPOs 2007	Offering value (€m) 2007	Company IPOs 2006	Offering value (€m) 2006
London	324 <sup>(1,3,4,5,6,7,8,9)</sup>	39,087 <sup>(1,3,4,5,6,7,8,9)</sup>	426 <sup>(10,11,12,13,14)</sup>	42,182 <sup>(10,11,12,13,14)</sup>
BME (Spanish Exchanges)	12	10,084	10	2,969
NYSE Euronext	127	8,032	134	21,287
Deutsche Börse	62	6,984	89	6,997
Borsa Italiana	29	3,943	21	4,330
OMX	85	3,138	59	2,848
WSE	104 <sup>(2)</sup>	2,021 <sup>(2)</sup>	38	1,045
Oslo Børs & Axess	37	1,993	15	1,457
SWX	10	1,975	9	1,022
ISE	10 <sup>(1,3,4,5,6,7,8,9)</sup>	1,678 <sup>(1,3,4,5,6,7,8,9)</sup>	8 <sup>(10,11,12,13,14)</sup>	597 <sup>(10,11,12,13,14)</sup>
Wiener Börse	6 <sup>(2)</sup>	1,427 <sup>(2)</sup>	7	1,715
Luxembourg	13	1,295	25	1,355
Athens Stock Exchange	3	479	2	612
<b>Europe Total</b>	<b>813</b>	<b>80,367</b>	<b>838</b>	<b>87,849</b>

Note: IPOs by market are shown gross of dual listings; however these are netted off in the total number and offering values.

- (1) Total Produce dual listed on London (AIM) and ISE (IEX) with no money raised.  
(2) Warimpex dual listed on WSE and Wiener Börse raising €99m.  
(3) Boundary Capital dual listed on London (AIM) and ISE (IEX) raising €25m.  
(4) Origin Enterprises dual listed on London (AIM) and ISE (IEX) raising €100m.  
(5) Smurfit Kappa dual listed on London (Main) and ISE raising €1,495m.  
(6) Zamano dual listed on London (AIM) and ISE (IEX) with no money raised.  
(7) First Derivatives dual listed on London (AIM) and ISE (IEX) with no money raised.  
(8) Andor Technology dual listed on London (AIM) and ISE (IEX) with no money raised.  
(9) Trinity Venture Capital Holdings dual listed on London (AIM) and ISE (IEX) raising €50m.  
(10) Agi Therapeutics dual listed on London (AIM) and ISE (IEX) raising €43m.  
(11) Amarin Corp dual listed on London (AIM) and ISE (IEX) with no money raised.  
(12) Petroneft Resources dual listed on London (AIM) and ISE (IEX) raising €12m.  
(13) Aer Lingus dual listed on London (Main) and ISE raising €502m.  
(14) Siteserv dual listed on London (AIM) and ISE (IEX) raising €10m.

Europe hosted 813 IPOs in 2007, a 3% decrease from the 838 in 2006. The total offering value decreased by 9%, from €87,849m in 2006 to €80,367m in 2007.

**London** continues to lead the European capital markets by number of IPOs and offering value, with 324 IPOs raising €39,087m in 2007, compared to 426 IPOs raising €42,182m in 2006. London's market share by offering value increased slightly in 2007 to 49% although its market share by volume fell from 51% to 40%. London hosted five of the top ten IPOs by offering value in 2007 including the largest IPO of the year by VTB Bank, a Russian bank which raised €4,724m through GDRs on the Main Market in May 2007.

# IPOs by Stock Exchange

## **Martin Graham, Director of Markets, London Stock Exchange:**

*“While the second half of 2007 was not without its challenges for companies considering IPOs, the fundraising of our primary markets remained strong for the year as a whole and London remains the key market in Europe for international IPOs.*”

*“Around a quarter of all IPOs floating on London’s markets in 2007 were international IPOs. We have been struck by the potential of regions where we have recently started to market our offering more actively, with companies based in markets as diverse as Vietnam, Bahrain and Argentina all choosing London for their IPOs this year.”*

**BME (Spanish Exchanges)**, saw the number of IPOs increase from ten in 2006 to twelve in 2007 and it was the second largest exchange in terms of offering value, raising €10,084m in 2007, more than three times the €2,969m raised in 2006. This significant increase in offering value was almost entirely due to the second and third largest European IPOs by value in 2007: Iberdrola Renovables, a renewable energy company, which raised €4,070m, and Criteria Caixa Corporation, an investment company raising €3,452m.

## **Domingo J Garcia, Head of Research Department, BME (Spanish Exchanges):**

*“Following an outstanding previous year, 2007 was the best one in the history of the Spanish market in terms of the aggregate value of IPOs.*”

*The capital raised by new companies on the stock market in 2007 represents a three-fold increase relative to 2006 and an 84% rise compared to the figure for the entire year 2000, which was the previous record high.*

*Two of the IPOs, Criteria Caixa Corp – the financial holding created by the leading Spanish savings bank – and Iberdrola Renovables – the renewable energy subsidiary of one of Spain’s main power companies – marked the two biggest IPOs in continental Europe in Q3 2007.”*

**NYSE Euronext** was the second largest European market in terms of volume of IPOs with 127 IPOs in 2007 compared with 134 in 2006. Its market share of European IPOs by volume remained constant at 16%, however the total offering value decreased by 62% from €21,287m in 2006 to €8,032m in 2007. In 2007 NYSE Euronext welcomed the sixth largest European IPO of the year, Nyrstar, a mining company, which raised €1,739m. It is notable that NYSE Euronext hosted Europe’s largest IPO in 2004 and 2005, and hosted Europe’s second largest IPO in 2006. In 2007 however, NYSE Euronext maintained its volume of IPO activity but did not see as much IPO activity by major companies.

## **Martine Charbonnier, Executive Director European Listings, NYSE Euronext:**

*“Following three record years, NYSE Euronext’s European markets again made a strong showing for new listings in 2007, taking first place in the Eurozone for the number of admissions. Nearly a third of all new listings were on Alternext, which counted 119 companies at the end of 2007 after passing the 100 mark in the course of the year. This confirms its*

*place as the benchmark for the listing and capital raising of small and medium-sized businesses in Europe. In the months ahead, NYSE Euronext will be making the most of momentum on its markets, of the quality and diversity of its offering and the benefits of its international reach to consolidate its prime position for market listings in Europe, particularly among international companies.”*

The **Deutsche Börse** was the fourth largest exchange by offering value with 62 IPOs raising €6,984m in 2007. This is consistent with the €6,997m it raised in 2006, however it does represent a 30% decrease in activity in the same period. The Deutsche Börse hosted the fifth largest IPO of 2007, Tognum AG, a supplier of engines and propulsion systems, which raised €1,800m.

## **Rainer Riess, Managing Director of Stock Market Business Development at Deutsche Börse.**

*“Deutsche Börse welcomed the first German REIT (Real Estate Investment Trust) and launched an independent REITs segment after the German REIT law came into force in April 2006. We also saw first listings from China and Russia/CIS. These figures confirm the increasing internationalisation of the primary market.”*

**Borsa Italiana** ranked fifth by offering value of IPOs in 2007, falling one place from fourth in 2006. It hosted 29 IPOs which raised €3,943m compared with 21 IPOs raising €4,330m in 2006. The largest IPO hosted by Borsa Italiana in 2007 was that by the technology company Prysmian SPA, which raised €1,080m.

**Raffaele Jerusalmi, Executive Director – Italian Exchange Markets, Borsa Italiana:**

*“In 2007, the great momentum of the Italian IPO continued, after the brilliant results for 2006. This was the second best year in the history of Borsa Italiana, with only a higher figure in 2000 (45).”*

The Nordic exchange, **OMX**, had a notably successful year with an 44% increase in the number of IPOs to 85 in 2007. The total offering value of IPOs also increased, by 10%, from €2,848m in 2006 to €3,138m in 2007. The IPO of the Swedish manufacturer Nederman Holding Aktiebolag was the largest on OMX in the year, raising €642m.

The Warsaw Stock Exchange (**WSE**) showed a large increase in activity in 2007 both in the number of IPOs and money raised. In 2007 the WSE hosted 104 IPOs raising €2,021m compared with 2006 when it hosted 38 IPOs raising €1,045m. The largest IPO on the WSE in 2007 was that of LC Corp, a real estate company, which raised €279m.

**Ludwik Sobolewski, President, Warsaw Stock Exchange:**

*“2007 IPOs were important for the WSE in many aspects. In terms of the numbers, it simply was a very successful year, with 80 new companies debuting on the main market of the exchange, this includes more than ten foreign listings. We definitely plan to establish and strengthen the position of the WSE as an international marketplace. In the second half of 2007 the WSE launched an alternative market for shares, under*

*the name of NewConnect, allowing small companies to raise capital and establish their presence on the public market. NewConnect will increase in size in 2008 and we would expect around 60 to 70 flotations on the main, regulated market, and a similar number as regards the NewConnect market. IPOs in 2008 are expected to bring more capitalisation and fresh capital to the market, as it is foreseen that some important privatisations will occur during that year.”*

The number of IPOs on the **Oslo** exchanges increased from 15 in 2006 to 37 in 2007, while total offering value rose from €1,457m to €1,993m. The largest IPO on this market during 2007 was that of ElectroMagnetic GeoServices, which raised €331m.

The **SWX** saw relatively little change in activity, hosting ten IPOs in 2007 which raised €1,975m compared to the €1,022m raised from the nine IPOs it saw in 2006.

The significant increase in the offering value of IPOs on **ISE** from €597m in 2006 to €1,678m in 2007 was due to the dual listing of Smurfit Kappa on ISE and London's Main Market, which raised €1,495m. The number of IPOs on this market increased from eight in 2006 to ten in 2007.

Activity on the Austrian exchange, **Wiener Börse**, was slightly behind last year in terms of both volume and offering value. The exchange hosted a total of six IPOs in 2007 raising €1,427m compared to the €1,715m raised from seven IPOs in 2006.

The **Luxembourg** exchange saw a 48% reduction in the number of IPOs from 25 in 2006 to 13 in 2007. Offering value remained relatively constant with €1,295m being raised in 2007 compared with €1,355m raised in 2006.

# EU-Regulated and Exchange-Regulated Markets

	Company IPOs 2007	Offering value (€m) 2007	Company IPOs 2006	Offering value (€m) 2006
<b>EU-Regulated</b>				
London (Main)	99 <sup>(5)</sup>	27,641 <sup>(5)</sup>	97 <sup>(13)</sup>	27,683 <sup>(13)</sup>
BME (Spanish Exchanges)	12	10,084	10	2,969
NYSE Euronext (Eurolist)	40	7,563	49	20,805
Deutsche Börse	28	6,734	38	6,278
Borsa Italiana	29	3,943	21	4,330
OMX	35	2,301	45	2,503
Oslo Børs & Axess	37	1,993	15	1,457
WSE (Main)	80 <sup>(2)</sup>	1,980 <sup>(2)</sup>	38	1,045
SWX	10	1,975	9	1,022
ISE	1 <sup>(5)</sup>	1,495 <sup>(5)</sup>	1 <sup>(13)</sup>	502 <sup>(13)</sup>
Wiener Börse	6 <sup>(2)</sup>	1,427 <sup>(2)</sup>	7	1,715
Athens Stock Exchange	3	479	2	612
Luxembourg	-	-	-	-
<b>EU-regulated sub-total</b>	<b>378</b>	<b>66,021</b>	<b>331</b>	<b>70,419</b>
<b>Exchange-Regulated</b>				
London (AIM)	220 <sup>(1,3,4,6,7,8,9)</sup>	9,537 <sup>(1,3,4,6,7,8,9)</sup>	325 <sup>(10,11,12,14)</sup>	13,618 <sup>(10,11,12,14)</sup>
London (PSM)	5	1,909	4	881
Luxembourg (EuroMTF)	13	1,295	25	1,355
OMX (First North)	50	837	14	345
NYSE Euronext (Alternext)	39	445	53	461
Deutsche Börse (Entry Standard)	34	250	51	719
ISE (IEX)	9 <sup>(1,3,4,6,7,8,9)</sup>	183 <sup>(1,3,4,6,7,8,9)</sup>	7 <sup>(10,11,12,14)</sup>	95 <sup>(10,11,12,14)</sup>
WSE (NewConnect)	24	41	-	-
NYSE Euronext (Marche Libre)	48	24	32	21
<b>Exchange-regulated sub-total</b>	<b>435</b>	<b>14,346</b>	<b>507</b>	<b>17,430</b>
<b>Europe Total</b>	<b>813</b>	<b>80,367</b>	<b>838</b>	<b>87,849</b>

Note: IPOs by market are shown gross of dual listings; however these are netted off in the total number and offering values.

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(14) Siteserv dual listed on London (AIM) and ISE (IEX) raising €10m.

**EU-regulated markets** hosted a total of 378 IPOs raising €66,021m in 2007, representing a 14% increase in the level of activity but a 6% decrease in offering value compared with 2006. In volume terms, London's Main Market was again the most active and attracted 99 IPOs. The second most active EU-regulated market was the WSE with 80 IPOs, followed by NYSE Euronext's Eurolist with 40 IPOs.

In terms of offering value, London's Main Market again led the way, generating €27,641m which represents 42% of total money raised on the EU-regulated markets in 2007. BME raised €10,084m, the second largest amount by an EU-regulated market, largely due to BME hosting the second and third largest European IPOs by value in 2007. The third largest exchange by money raised was NYSE Euronext's Eurolist which raised €7,563m in 2007, a 64% decrease from the €20,805m raised in 2006.

Looking at the **exchange-regulated markets** overall, 435 IPOs raised a total of €14,346m in 2007 compared to 507 IPOs which raised a total of €17,430m in 2006. Existing exchange-regulated markets saw some slowdown while growth came from newer exchange-regulated competitors.

Activity continues to be dominated by London's AIM market, although AIM's market share has continued to decrease, accounting for 51% of all exchange-regulated IPOs in 2007 compared to 64% in 2006 and 84% in 2005. AIM's 220 IPOs in 2007 represents a fall of 32% on the 325 IPOs experienced in 2006, while the €9,537m offering value in 2007 is 30% down on the €13,618m raised in 2006.

The reduction in London's market share by volume is almost solely due to the slowdown of activity on AIM in 2007 compared to the success of newer exchange-regulated markets elsewhere, particularly OMX's First North and the WSE's NewConnect. However, as the volume of IPO activity in Europe was to some extent underpinned by these new exchange-regulated markets targeting smaller companies, the strength of London's Main Market, which remained broadly constant year on year, drove the overall increase in London's market share by value.

It is notable that the volume of IPOs reduced on AIM, EuroMTF and Alternext, the major exchange-regulated markets, whereas the volume of IPOs increased significantly on newer exchange-regulated markets such as OMX and the WSE.

Although London's PSM only hosted five IPOs in 2007 it raised €1,909m, the second largest in terms of value for the year. In 2006 the PSM hosted four IPOs but only raised €881m. Four out of the five IPOs in 2007 took place in the last quarter of 2007 showing a renewed interest in the PSM. These were all international listings, one each from India, Pakistan, Taiwan, Nigeria and South Korea, and included two banks and one technology, one retail and one general finance company.

Luxembourg, as in 2006, saw no IPOs on its EU-regulated market with all of its 13 IPOs taking place on its exchange-regulated market, EuroMTF. The EuroMTF has dominated activity in Luxembourg since it opened in July 2005 and reflects the attractiveness of the exchange-regulated market to non-EU issuers. Luxembourg continues to be particularly attractive to Indian GDRs.

Although the volume of IPOs on EuroMTF fell by 48%, total offering value was only slightly down on 2006 at €1,295m, and EuroMTF was the third largest European exchange-regulated market by value in 2007.

OMX's First North market was the second most active exchange-regulated market in 2007, its first full year of trading, hosting 50 IPOs raising €837m.

NYSE Euronext's Alternext was the fourth most active exchange-regulated market by volume with 39 IPOs which raised €445m compared with 53 IPOs raising €461m in 2006. Its Marché Libre exchange was the third most active exchange-regulated market by volume with 48 IPOs compared with 32 IPOs in 2006, however average offering values on the exchange are generally low with a total money raised in 2007 of €24m.

The WSE New Connect exchange opened in August 2007 and saw 24 IPOs raising €41m.

# International IPOs

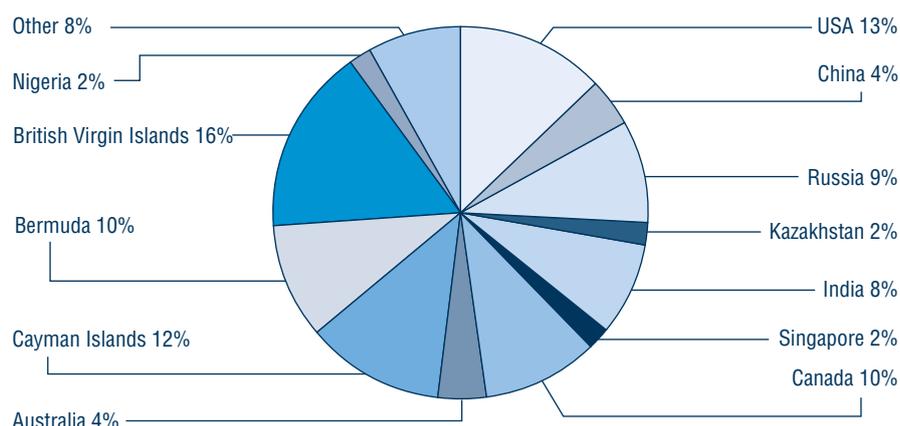
Over recent years, there has been a trend of large Eastern European businesses raising funds via GDRs on London's Main Market, while Indian companies have continued to favour GDRs in Luxembourg. Canadian companies, particularly those in mining and exploration, have found a home on AIM, as have an increasing number of smaller US businesses which have been attracted by AIM's lower level of regulation compared to their domestic markets.

European exchanges attracted 126 IPOs by non-European issuers in 2007 compared with 132 in 2006, which represents a 5% decrease in international IPO activity. However, continuing the overall trend of higher value IPOs, the amount of money raised by international IPOs grew by 13% from €18,887m in 2006 to €21,431m in 2007.

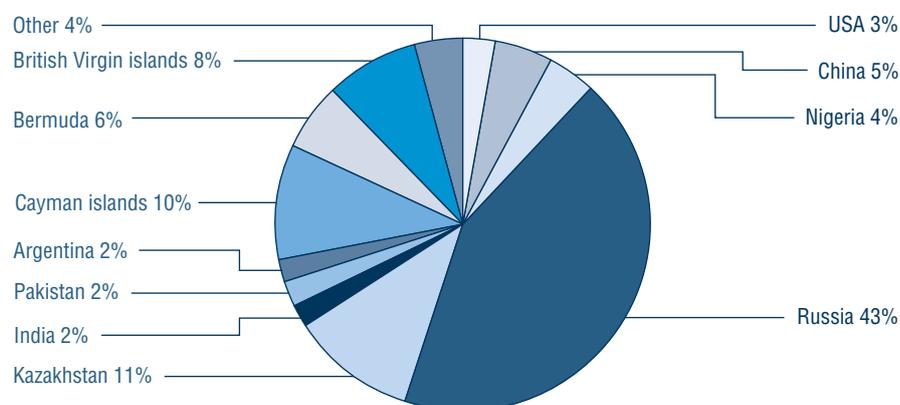
London attracted 81% by volume of all international IPOs; AIM hosted 64 international IPOs which raised €2,764m; and London's Main Market saw 33 international IPOs raising €14,924m in 2007. The PSM saw five international IPOs raising €1,909m. The five largest international IPOs in 2007 were all in London, four listing on the Main Market and one on the PSM.

The largest international IPO, VTB Bank of Russia, which raised €4,724m through GDRs, was also the largest IPO of 2007. Russian companies dominated international IPOs, providing three of the top five, all GDRs. It is also notable that Eurasian Natural Resources Corp, a mining group from Kazakhstan and the second largest international IPO of 2007, achieved a primary equity listing on London's Main Market.

## Country of incorporation by volume of IPOs



## Country of incorporation by value (€m)



Luxembourg's EuroMTF was the second most attractive destination for international IPOs with seven IPOs from India, four from Bermuda and one from Taiwan.

The OMX exchange saw four international IPOs raising €472m while Oslo Børs also saw four raising €51m.

NYSE Euronext and Deutsche Börse both hosted two international IPOs each.

### Top five largest international IPOs

Company	Money raised (€m)	Exchange	Sector	Country of incorporation
VTB Bank	4,724	London	Banks	Russia
Eurasian Natural Resources Corporation	1,888	London	Mining	Kazakhstan
InnoLux Display Corporation	931	London	Technology	Taiwan
Magnitogorsk Iron & Steel Works	748	London	Basic Resources	Russia
PIK Group	690	London	Real Estate	Russia

# Major IPOs in 2007

In 2007, as in 2006, each of the top ten largest IPOs raised over €1bn and the total money raised by the top ten IPOs in 2007 was €22,883m. London's Main Market was home to five of the top ten IPOs in 2007 including the largest, VTB Bank, compared to four in 2006.

The BME was notable in the year for having the second and third largest IPOs in 2007: Iberdrola Renovables and Criteria Caixa Corp, raising €4,070m and €3,452m respectively.

In prior years, NYSE Euronext has featured much more prominently in the top ten list. NYSE Euronext hosted the

largest European IPO in 2004 (Belgacom raising €3,290m); and in 2005 (EDF raising €7,000m) and would have continued that trend in 2006 when Natixis raised €4,220m but for Rosneft. However, we note that in 2007 NYSE Euronext hosted none of the top five European IPOs, and only one of the top ten.

## Ten largest IPOs (ranked by money raised)

### 2007

Company	Money raised (€m)	Exchange listed on	Sector	Country of incorporation
VTB Bank	4,724	London	Banks	Russia
Iberdrola Renovables	4,070	Madrid	Utilities	Spain
Criteria Caixa Corporation	3,452	Madrid	Investment Company	Spain
Eurasian Natural Resources Corporation	1,888	London	Mining	Kazakhstan
Tognum	1,800	Deutsche Börse	Industrial Goods & Services	Germany
Nyrstar	1,739	NYSE Euronext	Basic Resources	Belgium
Smurfit Kappa	1,495	London/Ireland	Industrial Goods & Services	Ireland
Sports Direct International	1,384	London	Retail	UK
Strabag	1,184	Wiener Börse	Construction & Materials	Austria
3i Infrastructure	1,147	London	Investment Company	Channel Islands

### 2006

Company	Money raised (€m)	Exchange listed on	Sector	Country of incorporation
Rosneft	5,192	London	Oil & Gas	Russia
Natixis	4,220	NYSE Euronext	Banks	France
KKR Private Equity Investors	3,928	NYSE Euronext	Investment Company	Channel Islands
Standard Life	3,240	London	Insurance	UK
Lotte Shopping	2,316	London	Retail	South Korea
Saras	2,069	Borsa Italiana	Industrial Goods & Services	Italy
AP Alternative Assets	1,635	NYSE Euronext	Investment Company	Channel Islands
MW Tops	1,500	NYSE Euronext	Investment Company	Channel Islands
Debenhams	1,378	London	Retail	UK
Symrise	1,215	Deutsche Börse	Chemicals	Germany

# IPOs in the last five years

The graphs below show the level of activity on the most active markets over the last five years, excluding investment companies.

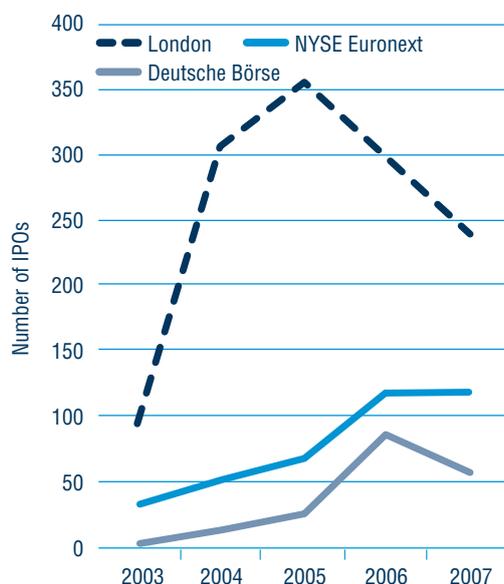
Following the signs of growth in 2003 and significant recovery in 2004 and 2005, London experienced a fall in the number of IPOs in 2006 and again in 2007. However, the offering value of IPOs continued to increase strongly between 2004 and 2006 before levelling off in 2007. This marks a shift in the mix of IPOs in London, with IPO activity for larger companies on the Main Market remaining relatively strong while IPO activity for smaller companies on AIM has reduced significantly.

NYSE Euronext, on the other hand, experienced a steady increase in the number of IPOs over the period but a decrease in the offering value in 2006 and 2007.

Deutsche Börse saw a drop in the number of IPOs in 2007 with the offering value flat in 2007 after a gradual increase between 2003 and 2006.

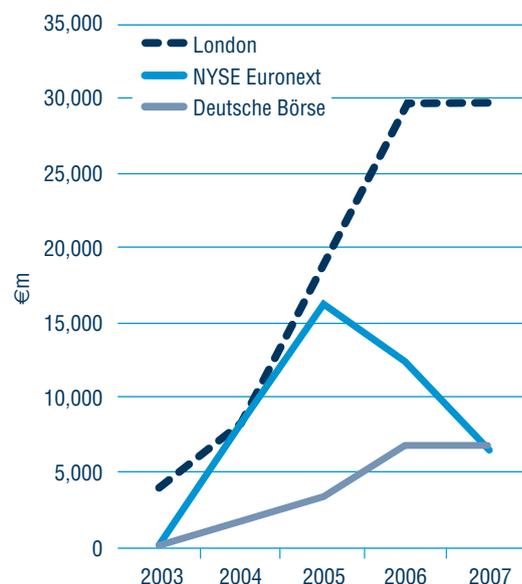
There have been significant increases in the number of IPOs on other exchanges, including the WSE, Oslo Børs, OMX and, to a lesser degree, Borsa Italiana; however the offering value on these individual exchanges has not increased as sharply as the volumes. BME (Spanish Exchanges) enjoyed a spectacular growth in offering value in 2007 as a result of two large IPOs, while the volume of activity continued to increase more modestly.

Volume of IPOs over the past five years<sup>1</sup>



<sup>1</sup> Excluding investment companies

Offering value – over the last five years (€m)<sup>1</sup>



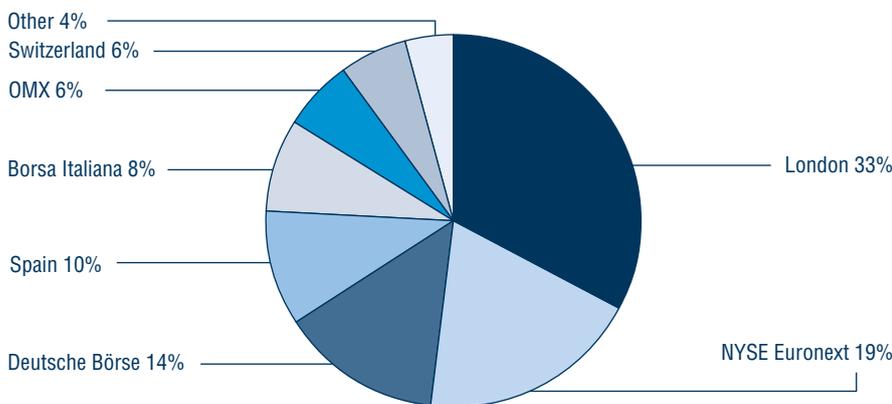
<sup>1</sup> Excluding investment companies

# Where is the liquidity in Europe?

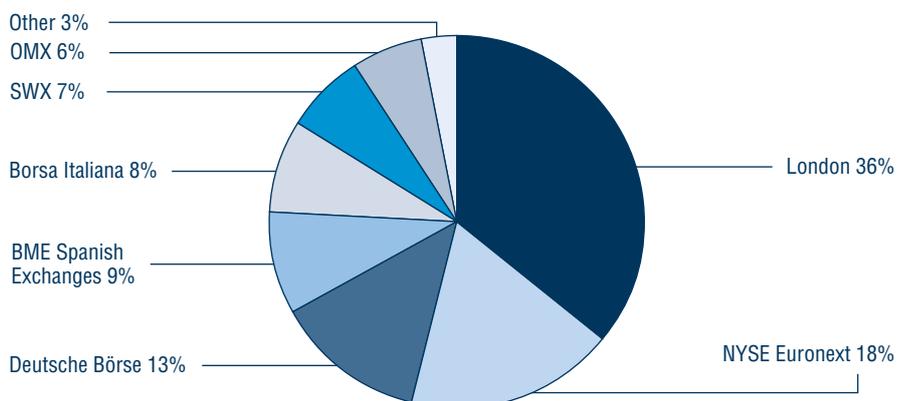
There has been a 32% increase in the value of equity traded from €16,771bn in 2006 to €22,124bn in 2007. Following the pattern seen over the last few years, the relative proportions of the total value of equity traded across the European exchanges have remained broadly constant between

2006 and 2007 with London and NYSE Euronext continuing to contribute over half (52% in 2007) of the equity traded in the year and with London leading in both years.

## Value of equity trading 2007 (total trading was €22,124 billion)<sup>1,2</sup>



## Value of equity trading 2006 (total trading was €16,771 billion)<sup>1,2</sup>



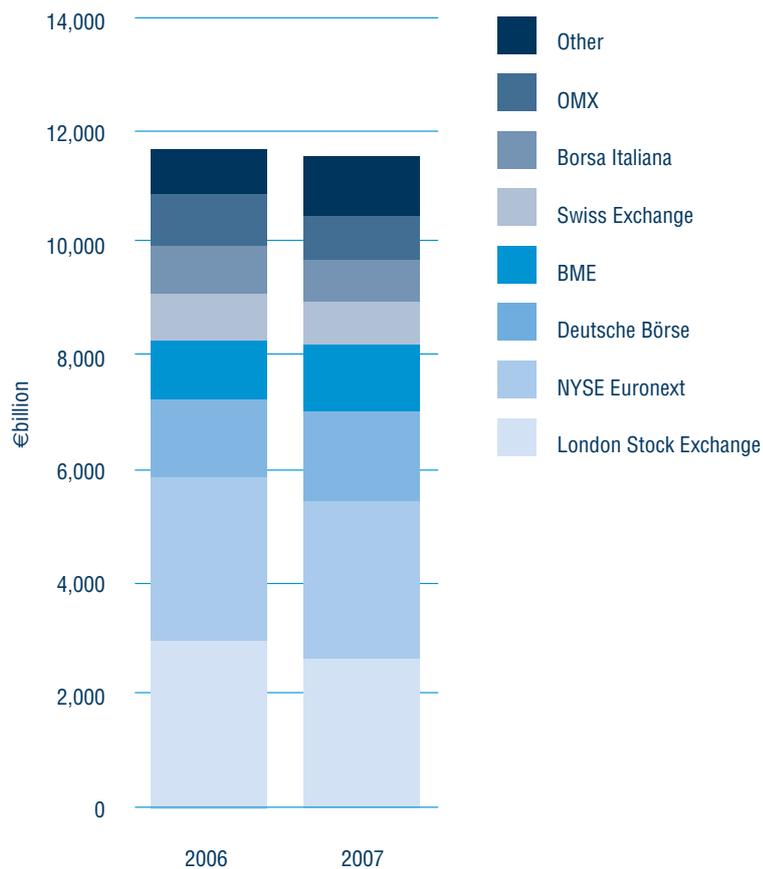
<sup>1</sup> Data has been sources from World Federation of Exchanges (WFE).

<sup>2</sup> No data available for individual exchanges within OMX from WFE; OMX Exchanges include Copenhagen, Helsinki, Stockholm, Iceland, Tallinn, Riga and Vilnius Stock Exchanges. No data available for individual exchanges within ME from WFE; BME (Spanish Exchanges) comprises Madrid, Barcelona, Bilbao and Valencia stock exchanges, MF Mercados Financieros, Iberclear and BME Consulting.

# Where is the value in Europe?

The market capitalisation of the European exchanges decreased slightly in 2007, falling from €11,823bn in 2006 to €11,635bn in 2007. Some of the larger exchanges saw a fall in their domestic market capitalisation in 2007 including London and NYSE Euronext whereas others saw an increase over the period, including Deutsche Börse and the Spanish exchanges, BME.

Market capitalisation of exchanges (€billion)<sup>3</sup>



<sup>3</sup> Market capitalisation figures exclude investment companies.

# IPOs by sector

The **Industrial Goods & Services** sector saw a 10% increase in the number of IPOs. The 147 IPOs in this sector raised €13,604m in 2007, the largest IPO being that of Tognum AG, which listed on Deutsche Börse and raised €1,800m.

**James F. McDonnell, Partner, PwC Transaction Services:**

*“IPOs in Industrial Goods & Services enjoyed another strong year in 2007, as the number of issues surpassed that of the previous year. 2006 was a year in which much of the IPO market was funding new energy-related technology and in which European issues were financing businesses spread across the world. 2007 has been a slightly less exotic year in which IPOs are characterised by a return to Europe and businesses which represent a shift “back to industrial basics”.*

*Whilst we still had entries from further flung regions such as Kazakhstan and Russia, Northern Europe accounted for much of the IPO activity in 2007 in this sector, especially Scandinavia and Poland which accounted for more than one quarter of new issues.*

*Prominent amongst this year’s new issues are companies focused on transportation infrastructure – ports, shipping, logistics and distribution, distribution businesses (e.g. electrical components) and mainstay industrial products such as engines automotive components and packaging. We will watch 2008 with interest to see if the credit crunch leads to more equity-based fundraising in the form of new issues.”*

The second largest sector in 2007 was **Investment Companies**. There were 119 IPOs within this sector in 2007 raising €16,096m, representing a 28% decrease from the 166 IPOs in 2006 which raised €22,113m.

As in 2006, many investment companies chose London’s AIM market as their destination in 2007 however the level of activity fell from 83 IPOs raising €8,272m in 2006 to 43 IPOs raising

€3,964m in 2007. London’s Main Market saw a small reduction from 44 IPOs by investment companies in 2006 to 37 in 2007; however the offering value increased by 51% from €3,556m in 2006 to €5,373m in 2007.

Eurolist saw eight out of the ten investment company IPOs on NYSE Euronext in 2007, compared to 17 of its 19 investment company IPOs on NYSE Euronext in 2006.

Sector	Company IPOs 2007	Movement in the table	IPOs 2006
Industrial Goods & Services	147	+ 1	134
Investment Companies	119	- 1	166
Technology	90	-	89
Financial Services	50	-	43
Real Estate	49	+ 1	32
Oil & Gas	37	+ 1	30
Media	33	- 2	37
Pharmaceuticals & Biotech	32	- 2	32
Travel & Leisure	30	- 1	29
Food & Beverage	29	+ 6	19
Personal & Household Goods	26	- 2	27
Mining	24	- 7	37
Retail	22	- 2	24
Telecommunications	21	-	22
Utilities	19	+ 4	8
Basic Resources	16	- 1	21
Construction & Materials	16	- 7	26
Banks	14	- 1	14
Health Care	12	- 7	23
Automobiles & Parts	12	-	7
Insurance	9	- 1	7
Chemicals	6	- 4	11
<b>Total</b>	<b>813</b>		<b>838</b>

The largest investment company IPO in 2007 was the Spanish based Criteria Caixa Corporation, raising €3,452m on BME. This was the third largest IPO in 2007. Two other investment companies raised over €1,000m in 2007: 3i Infrastructure Limited which raised €1,147m on London's Main Market and Gottex Fund Management Holdings Ltd which raised €1,002m on SWX.

The number of **Technology** sector IPOs increased from 89 in 2006 to 90 in 2007. However, money raised rose by 66% from €2,636m in 2006 to €4,363m in 2007. The largest IPO in this sector was that of the Italian cable manufacturer Prysmian SPA which raised €1,080m.

**Andy Morgan, Partner, PwC Corporate Finance:**

*"2007 saw another buoyant year for IPO activity in the Technology Sector in Europe. Activity levels were almost flat with 90 IPOs, however funds raised increased by 66% to €4,363m. Activity was dominated by two deals – the €1,080m listing of high technology cable and systems manufacturer Prysmian SPA in Italy, and the €931m IPO of Taiwanese TFT-LCD display manufacturer InnoLux Display Corporation in London.*

*Whilst AIM remained active, recording 15 Technology IPOs raising some €255m, it relinquished its position as the most liquid market for technology stocks as European exchanges rediscovered their appetite.*

*Perhaps surprisingly, activity in the Technology market remained strong across the year, with quarter four bucking the overall trend and seeing the best quarter of the year in terms of funds raised for Technology stocks. A number of high profile Technology IPOs*

*were pulled during the autumn as market conditions tightened, and some, notably financial services software provider Smartstream Technologies which was sold to DIFC Investments, found alternative M&A solutions to meet the objectives of their shareholders. The outlook may look more cautious for 2008, with a flight to scale and quality, however the greater diversity of liquidity across the European markets should provide some insulation against a further tightening of credit appetite."*

The **Financial Services** sector has seen an increase of 16% in the number of IPOs in 2007 from the 43 in 2006 to the 50 in 2007. However, money raised fell by 14% from €3,765m in 2006 to €3,221m in 2007. The largest IPO in this sector was the Nigerian Guaranty Trust Bank listing in London and raising €558m.

**Nick Page, Partner, PwC Transaction Services:**

*"In 2007, financial institutions (the financial services sector together with banking and insurance) generated 73 equity market transactions – such a combined 'financial institutions' sector would have been the fourth most active sector by number of transactions.*

*London continued to be the most popular exchange for financial institutions, with 34 of the 73 transactions in Europe occurring on London's Main Market, AIM and the PSM. It is important to note however, that of these 34 transactions, seven were secondary international listings by*

*financial institutions from emerging markets. London clearly remains the preferred choice for many financial services organisations to have a listing and / or to raise capital.*

*Of the banking IPOs, the Russian bank VTB Bank (JSC) was the largest, raising €4,724m through its listing on the LSE (the single largest IPO in Europe during 2007); and of the insurance IPOs, the French group Paris Re was the largest, raising €225m through its listing on Euronext."*

The **Real Estate** sector has shown a 53% increase in IPO activity in 2007 with 49 IPOs compared to 32 in 2006. The largest real estate company was AFI Development which raised €1,135m on London's Main Market.

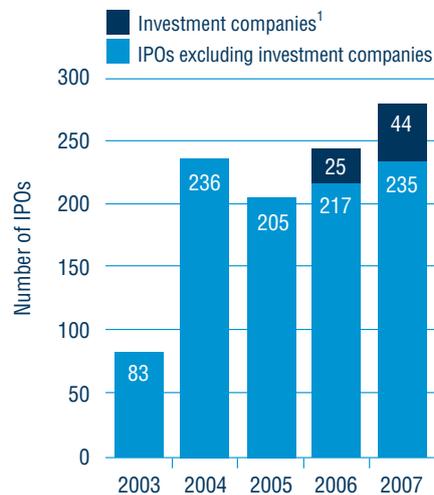
London and the WSE were the most popular exchanges for real estate IPOs. London hosted 19 real estate IPOs, 14 of those on AIM, and the WSE hosted eleven IPOs, three of those on the new, exchange-regulated NewConnect exchange.

# Comparison with the US

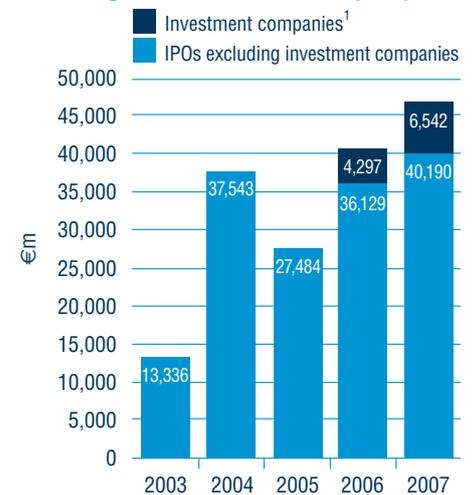
The number of IPOs on the US exchanges continued to grow in 2007 following the recovery seen in 2006, increasing 15% from 242 in 2006 to 279 in 2007, while the total offering value also grew by 16% from €40,426m in 2006 to €46,732m in 2007.

In 2007, the European exchanges have continued to outperform their US counterparts in both volume of IPO activity as well as total amount of new money raised. While the average offering value of IPOs in the US is higher, the volume of transactions on the European exchanges resulted in European IPOs raising €80,367m compared to the US's €46,732m in 2007.

## Volume of US IPOs

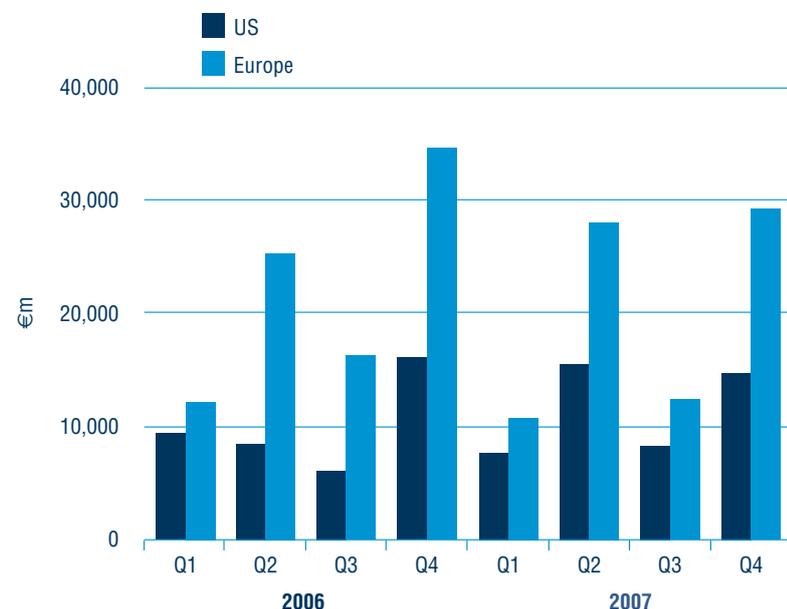


## Offering value of US IPOs (€m)



<sup>1</sup> Data in respect of investment companies is not available for 2003, 2004 and 2005

## US v Europe quarter on quarter by offering value (€m)



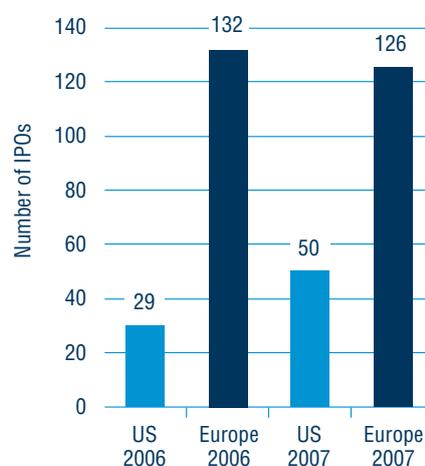
Stock Exchange	IPOs 2007	Offering value (€m) 2007	IPOs 2006	Offering value (€m) 2006
<b>Europe total</b>	<b>813</b>	<b>80,367</b>	<b>838</b>	<b>87,849</b>
NYSE	83	24,868	70	23,799
Nasdaq	144	14,013	141	13,855
AMEX	52	7,851	31	2,772
<b>US total</b>	<b>279</b>	<b>46,732</b>	<b>242</b>	<b>40,426</b>

The top three largest US IPOs took place on NYSE. The largest of these was the Blackstone Group LP, which raised €3,020m, followed by MF Global Ltd which raised €2,134m, and Sterlite Industries (India) Ltd which raised €1,281m.

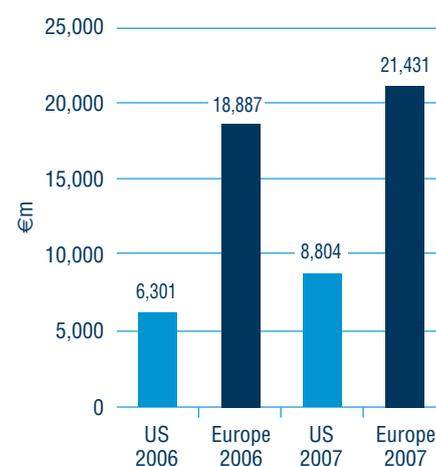
The US exchanges attracted 50 international IPOs which raised €8,804m in 2007 compared to €6,301m raised by the 29 international IPOs in 2006. Of these 50 international IPOs, 28 were from China, which continues to be a rich source of activity on the US markets. Of the remaining 22 international IPOs there were six each from Greece and Israel,

two from Brazil and one each from Argentina, India, Ireland, Mexico, the Netherlands, the Philippines, Puerto Rico and the Marshall Islands. This compares to the 126 international IPOs raising €21,431m in Europe, illustrating that currently Europe remains the preferred destination for international IPOs, but that while international IPO activity in the US has grown, Europe has seen a decline in the number of international IPOs and a smaller increase in the offering value in 2007.

**International IPOs by number US v Europe**



**International IPOs by offering value US v Europe (€m)**



# Comparison with Greater China

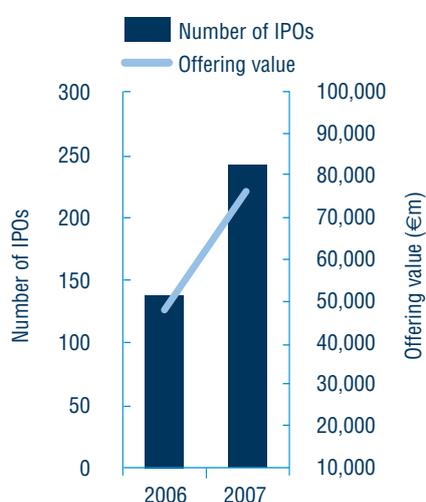
The 'Greater China' region comprises Hong Kong (Main Board plus GEM); Shanghai (A plus B); Shenzhen (A plus B); and Taiwan.

In 2007, the number of IPOs in Greater China increased by 74% to 240 from 138 in 2006. The total offering value increased from €47,604m in 2006 to €76,333m in 2007, a growth of 60%.

All of the exchanges within Greater China have shown growth in volume of IPOs in 2007 from 2006. However, both the Hong Kong and Taiwan exchanges have shown a fall in money raised in 2007 of 18% and 30% respectively, partly because of unusually large transactions in 2006 with 64% of the total offering value on the Hong Kong Stock Exchange in 2006 related to the listing of the two largest banks in China. Both the Shanghai and Shenzhen exchanges have significantly increased the number of IPOs and the amount of money raised in 2007 compared to 2006, having re-opened in mid 2006 after a year long suspension of fund raising activities on those exchanges by the Chinese government.

The total offering value in Greater China has grown so significantly that it has nearly equalled the 2007 total for Europe of €80,367m and has significantly exceeded funds raised in the US. If this trend continues, Greater China will represent the world's largest capital market in 2008.

## IPOs and Offering Value (€m)



Stock Exchange	IPOs 2007	Offering value (€m) 2007	IPOs 2006	Offering value (€m) 2006
<b>Europe total</b>	<b>813</b>	<b>80,367</b>	<b>838</b>	<b>87,849</b>
Shanghai	23	43,853	13	11,359
Hong Kong	86	27,758	62	34,012
Shenzhen	101	4,305	52	1,638
Taiwan	30	417	11	595
<b>Greater China total</b>	<b>240</b>	<b>76,333</b>	<b>138</b>	<b>47,604</b>

# Comparison with Japan

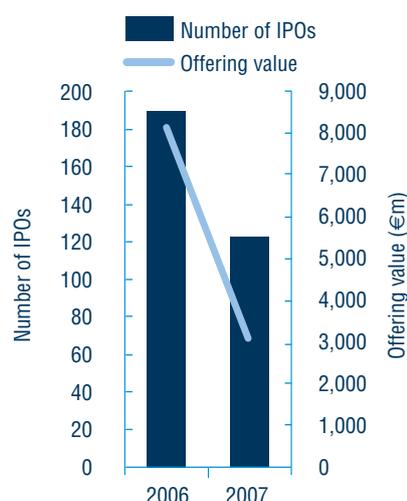
There were 121 IPOs on the Japanese exchanges in 2007, a decrease of 36% in activity when compared to the 188 IPOs in Japan in 2006. The largest Japanese exchange by activity in 2007 was JASDAQ. While this exchange maintained the largest market share in Japan, activity on the exchange fell from 56 IPOs raising €1,217m in 2006 to 49 IPOs raising €465m in 2007.

## Yoshiyuki Ohashi, Partner, PwC Japan:

*“In 2007 the number of IPOs has dramatically decreased due to the obstacles for potential IPO companies such as implementing internal controls in accordance with regulations for financial reporting and additional reporting requirements on a quarterly basis from the 2008 fiscal year onwards. Also, examination by the relevant Stock Exchange will be more strict. For 2008 we expect that the number of IPO companies will decrease to less than 100 companies.”*

As activity has fallen in 2007, the amount of money raised on the Japanese exchanges has also fallen from €8,061m in 2006 to €3,094m in 2007.

## IPOs and Offering Value (€m)



Stock Exchange	IPOs 2007	Offering value (€m) 2007	IPOs 2006	Offering value (€m) 2006
<b>Europe total</b>	<b>813</b>	<b>80,367</b>	<b>838</b>	<b>87,849</b>
Tokyo Stock Exchange (Main)	13	2,029	29	5,796
JASDAQ	49	465	56	1,217
Mothers	23	336	41	604
Hercules	25	203	37	305
Others	11	61	22	66
Osaka Stock Exchange (Main)	-	0	3	73
<b>Japan total</b>	<b>121</b>	<b>3,094</b>	<b>188</b>	<b>8,061</b>

# Developments in Capital Markets Regulation

With the key elements of the EU Commission's Financial Services Action Plan now effective in member states, major developments in capital markets regulation have been with respect to GAAP equivalence and GAAP reconciliations. In addition, in London consideration is being given to the implications for investors of differences between the "super-equivalent" requirements applied to primary equity listings and the EU standard requirements applied to GDR listings and secondary listings.

## GAAP equivalence

Under the Transparency Directive and the Prospectus Directive there is a presumption that all financial information will be presented in accordance with IFRS for listed companies, although provisions were included to allow non-EEA issuers to use an "equivalent GAAP".

While the EU Commission has delayed the assessment of equivalence until 2009, as an interim measure to date US, Japanese and Canadian GAAPs have been accepted as being equivalent to IFRS. In its December 2007 advice to the EU Commission, the Committee of European Securities Regulators ("CESR") has proposed that a holistic approach is taken to determining when GAAPs are equivalent and has specifically advised that US GAAP and Japanese GAAP are equivalent. CESR delayed concluding on the equivalence of Chinese GAAP until completion of an assessment of the implementation of the new Chinese accounting standards for business enterprises.

In January 2008 the EU Commission issued the latest pronouncement in the long running debate as to what constitutes an "equivalent" GAAP. As a result, in addition to US, Japanese and Canadian GAAP, non-EEA issuers are now permitted to use a third country's accounting standards where that third country has, by 30 June 2008, publicly committed to either adopt IFRS or to converge to IFRS by 31 December 2011, and has a comprehensive programme in place to deliver that commitment.

## GAAP reconciliations

The SEC has removed the requirement for reconciliation to US GAAP for foreign private issuers who are IFRS reporters and who file their Form 20-F on or after 4 March 2008 with respect to a year ending on or after 15 November 2007.

While the SEC exemption is specifically available to companies that apply IFRS as issued by the IASB, and not IFRS as adopted by the EU (as is applied by EU companies listed on EU-regulated markets), the differences between the two frameworks are relatively limited and do not currently impact many IFRS reporters. Consequently, it is anticipated many foreign private issuers from the EU will take advantage of the exemption and drop their US GAAP reconciliation with immediate effect.

This represents a significant step on the road towards a global set of financial reporting standards. In particular, an immediate impact is that there is already discussion of the possibility of the SEC considering allowing the use of IFRS by US domestic registrants.

## Developments in London

In response to concern that the different standards applied to primary, secondary and GDR listings in London may provide scope for some confusion and indeed could be endangering the London "badge of quality", the UK's Financial Services Authority has, in January 2008, issued a discussion paper on the topic of market segmentation. The paper considers amongst other things, whether there is a case for providing greater clarity and disclosure in relation to the regulatory standards which apply to the various types of securities currently being listed in London. In addition, the Financial Services Authority is separately consulting on the topic of audit committees and corporate governance, although new rules will not be in place until 2009.

These developments should also be considered in light of the EU Statutory Audit Directive, which, among other things, establishes criteria which must be met by the auditor and, as implemented by the Financial Services Authority, means that for non-EEA issuers listed in London, their auditor will have to be registered with the UK Professional Oversight Board.

The combination of these amendments could potentially place additional regulatory requirements on non-EEA companies looking to complete secondary and GDR listings in London.

# 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. Movements between markets on the same exchange, re-admissions, reverse takeovers and greenshoe offerings are excluded. The IPO Watch Europe – Review of the year 2007 collates data from the quarterly surveys conducted between 1 January and 31 December 2007 capturing new market listings based on their listing date.

IPO Watch Europe – Review of the year 2007 was compiled by

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

In collating this information, we rely upon data provided directly by various exchanges, we do not carry out any confirmation procedures on that information.

The figures stated herein for the Warsaw Stock Exchange differ from those stated in our quarterly IPO Watch Europe press releases, as the definition of the 'listing date' has been adjusted to match that used by the Warsaw Stock Exchange.

Further (hard) copies of this publication are available from the PricewaterhouseCoopers publications department on + 44 (0) 207 212 4999.

# About the Capital Markets Group in London



The Capital Markets Group in London 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 practices and GAAP conversion projects, advising on regulatory issues and undertaking financial and business due diligence investigations. The Capital Markets Group in London is part of the PricewaterhouseCoopers global network of capital market specialists.

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