

15 July 2005

Impacts for issuers of listed securities of the transposition of the Prospectus Directive into Luxembourg national law

On June 29, 2005, the Luxembourg Parliament has adopted the so-called "prospectus law" making Luxembourg one of the first European countries to transpose the Prospectus Directive (2003/71/CE) (the "Directive") into national law.

As an immediate consequence, all the applications for listing securities on the Luxembourg Stock Exchange filed as from the 1st of July will be reviewed by the regulator under the framework of the new Luxembourg prospectus law (in the case where Luxembourg is the "Home member state" as further defined below).

This Directive pursues three main objectives:

1. Enable an easier access to the capital market for corporations and especially for small and medium enterprises;
2. Enable a better investor protection and enhance public trust;
3. Enable market efficiency.

The Directive will also facilitate the passporting of a prospectus throughout Europe. A prospectus being approved by its Home member state can be passported to all other European countries without the need of disclosing major additional information.

This directive as well as others, like the Transparency Directive, will not just impact European issuers but also non-European issuers who want to offer their securities to the public or who want to list their securities on a regulated market within the European Union.

A law in five parts

The Luxembourg prospectus law is organized in five parts. The first part relates to the subject matter of the law and definitions whereas part five relates to transitional and final provisions. This paper focuses on the three other parts of the law, which are relevant for an issuer:

- **The second part** relates to the transposition of the rules of the Prospectus Directive for the securities offered to the public in Luxembourg and for the securities negotiated on a regulated market in Luxembourg. The admission of securities on a regulated market in Luxembourg requires (unless specific cases) the publication of a prospectus, whose content should be in accordance with the provisions stated in Regulation EC/809/2004. These prospectuses will benefit from the European mutual recognition (i.e. the passporting of the prospectus within the European Union).
- **The third part** describes the regime applicable to the public offerings of securities, which are not in the scope of the second part of the law (i.e. securities with low denomination; securities issued by a member state, a local or regional authority of a member state, an international public organization,...).

The *chapter one* more particularly addresses the public offerings of such securities. These prospectuses will not benefit from the European mutual recognition but their content will be less extensive than in regulation EC/809/2004.

The *chapter two* describes the regime applicable to securities where an application has been made for admission to trade on the Luxembourg EU regulated market.

- The **fourth part** describes the rules applicable to prospectus of securities to be negotiated on a regulated market that is not a market registered on the list of regulated markets of the European Commission.

New model for approval of prospectus in Luxembourg

As from the 1st of July, the rules governing the approval of prospectus have changed in Luxembourg. The Commission de Surveillance du Secteur Financier (CSSF), Luxembourg local financial sector supervisor, is replacing the Luxembourg Stock Exchange in its present role of approving the prospectuses.

The CSSF will be the competent authority to approve the prospectuses for securities, which fall under the scope of part II and part III (chapter one) of the law.

The Luxembourg Stock Exchange will however continue to be responsible for the approval of the prospectuses for securities, which fall under the scope of part III (chapter two: admission of securities for negotiation on a regulated market) and part IV of the law (admission on a market not registered on the list of regulated markets of the European Commission).

EU regulated market

As far as its regulated market is concerned, the Luxembourg Stock Exchange is taking all the necessary measures to meet the legal challenges created by the implementation of the Prospectus Directive and its transposition into national law.

The Luxembourg Stock Exchange has therefore decided to further enhance the development of its regulated market and its services offerings. The current regulated market in Luxembourg will become, at the time of publication of the new prospectus law, the EU official regulated market. As from the publication of the law, all securities currently listed on the Luxembourg market will be considered under this regulated market and will have to comply with the rules of an EU regulated market (e.g. requirement for issuers to produce an annual list of information according to article 10 of the Prospectus Directive).

Creation of an 'alternative' market : EuroMTF

Non-EU issuers will have to closely consider the additional information to be filed to meet the requirements of the Prospectus Directive and the yet-to-come Transparency Directive.

In order to meet certain concerns related to these new requirements, the Luxembourg Stock Exchange will launch as of 16th of July an 'alternative market' named "EuroMTF", operated independently of the EU regulated market and which is governed by public policy rules.

The issuers willing to have their securities listed on the EuroMTF will not be asked to meet all the financial information requirements of both Prospectus and Transparency directives. On the EuroMTF will be listed securities whose prospectus have been approved by the Luxembourg Stock Exchange under provisions of part IV of the Luxembourg law.

In addition, the EuroMTF will meet the strong internal and external requirements, which institutional investors demonstrate in terms of eligibility and investment rules. It therefore offers a solution, which is consistent with the current set of rules. This alternative market as well as the EU regulated market operated by the Luxembourg Stock Exchange comply with the official Stock Exchange listing criteria.

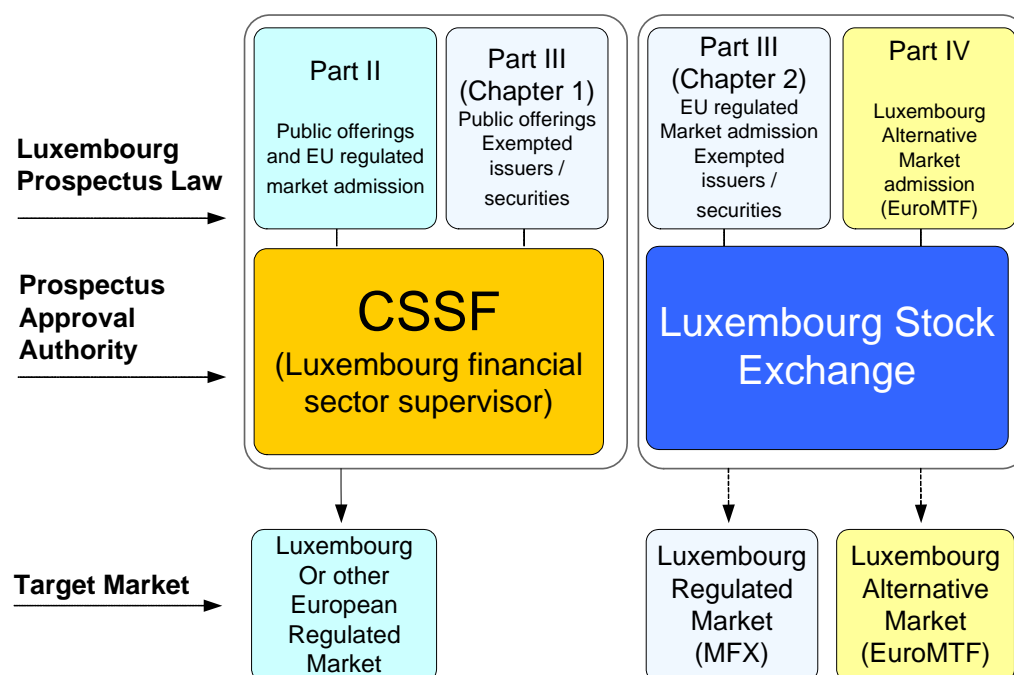
Presentation of financial information under IFRS standards

Under the new Prospectus Directive, all issuers and guarantors (including non-EU issuers and guarantors) of securities listed on the EU regulated market will have to include in their prospectus financial information presented under IFRS or equivalent standards.

The question of "standards equivalent to IFRS" has been considered by the Committee of European Securities Regulators (CESR), which concluded that, US, Canadian and Japanese GAAP could be considered as equivalent to IFRS, provided certain supplemental information is disclosed in certain circumstances (business combination,...).

Albeit no official statement has been issued so far, it is widely understood that Luxembourg authorities will grant a derogation to issuers and guarantors (EU and non-EU) that only have listed debt securities, by which the requirement of disclosing financial information under IFRS or equivalent standards will apply only as of January 1, 2007.

For issuers and guarantors of securities to be listed on the EuroMTF the requirements in terms of accounting framework for financial information disclosures will be similar to the ones that prevailed up to June 30, 2005, meaning that there is no requirement for IFRS or equivalent GAAP basis.



	Part II	Part III	Part IV
Main Benefits	European passport	Simplified Prospectus	Less reporting obligations under Luxembourg market operator regulation
Main Constraints	Reporting requirements (content / frequency)	No EU passporting. Admission on only Luxembourg EU regulated market	Admission on a market not on the list of official EU regulated markets

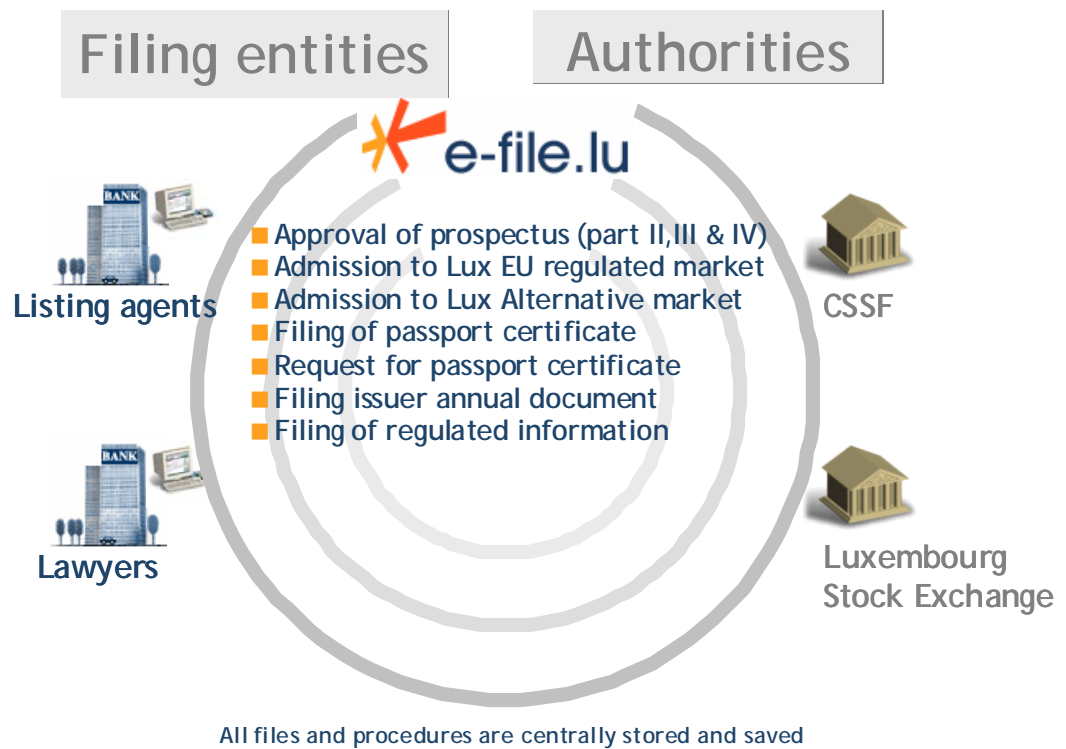
One Luxembourg electronic platform for filing and admission to trading

Within the scope of those new European Directives and to increase transparency and efficiency of legal procedures towards the Supervisory Authority, the CSSF and the Luxembourg Stock Exchange closely cooperated in implementing an innovative electronic solution named “e-file.lu”.

“e-file.lu” offers to the professionals of the financial sector a unique and secured communication tool between them and the Luxembourg financial authorities. The web-based tool facilitates and accelerates the filing of documents with CSSF and with the Luxembourg Stock Exchange, while at the same time strengthening the transparency of information targeted at all the parties concerned.

The market participants will benefit from reduced administrative charges, faster process and a better follow-up of filing procedures and compulsory "reporting" like prospectus, financial statutory reporting, corporate actions, etc.

In the context of the Prospectus Directive, “e-file.lu” will be used as the privileged communication channel between the issuers, the CSSF and the Luxembourg Stock Exchange for the approval process of prospectuses and for the admission to trade on the Luxembourg regulated or alternative market. While accelerating communication between the different parties, this tool will help the CSSF to meet the Luxembourg law deadline (10 days) for the approval of prospectuses and will further enhance the process of admission to trading on both Luxembourg markets.



“e-file.lu” is also closely integrated with the securities consultation portal of the Luxembourg Stock Exchange (www.bourse.lu). The consultation portal provides the financial industry with a large range of key information related to all listed securities including securities prospectus, pricing and corporate actions.

The Luxembourg Stock Exchange

With a forty-year experience in the listing of international bonds, the Luxembourg Stock Exchange is determined to maintain the high-quality services, which it has always provided to the issuers.

Taking all the necessary measures to meet the legal challenges created by the implementation of the Prospectus Directive and its transposition into national law, the Luxembourg Stock Exchange is determined to further enhance the development of its regulated market to maintain its position as an international leading listing centre.

The Luxembourg Stock Exchange admitted 9,143 new securities, a record figure, to official listing in 2004, bringing the number of listed securities to 33,022 (up 13.4% over the previous year). The listed securities broke down as follows: 73.6% bonds, 19.1% equities and undertakings for collective investment (UCIs) and 7.3% warrants (*).

The figures are evidence that the Luxembourg Stock Exchange maintained its expertise in international securities listing and its recognition as a leading listing centre for such securities. In 2004, the euro served as an issuing currency for 51.3% of the bonds newly listed on the Luxembourg Stock Exchange, compared with 31.8% for the US dollar. The aggregate issued value of the new euro-denominated bonds amounted to 551.8 billion euros (46.5%), compared with 4165.1 billion euros (45.1%) for new US dollar bonds (*).

(*) FactBook 2005 Bourse de Luxembourg

PricewaterhouseCoopers Luxembourg Contacts			
Laurent Marx	Partner	laurent.marx@lu.pwc.com	+352 49 48 48 2117
Mervyn Martins	Partner	mervyn.martins@lu.pwc.com	+352 49 48 48 2053
Laurent Collet	Director	laurent.collet@lu.pwc.com	+352 49 48 48 4104
Jean-François Kroonen	Director	jean-francois.kroonen@lu.pwc.com	+352 49 48 48 2149
Pierre Kirsch	Manager	pierre.kirsch@lu.pwc.com	+352 49 48 48 4031

This document can also be found on the PricewaterhouseCoopers Luxembourg website: www.pwc.com/lu.

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