

Review of the year

2008

# IPO Watch Europe





# Contents

Foreword	1
European IPOs by quarter	3
IPOs by Stock Exchange	4
EU-Regulated and Exchange-Regulated Markets	7
International IPOs	9
Major IPOs in 2008	11
IPOs in the last five years	12
Where is the liquidity in Europe?	13
Where is the value in Europe?	14
What does the future hold for the European Exchanges?	15
IPOs by sector	16
Other European Markets	19
Comparison with the US	20
Comparison with Greater China	22
Comparison with Japan	23
Comparison with the Middle East	24
Developments in European Capital Markets Regulation	25
About IPO Watch Europe	26
About the Capital Markets Group in London	27

# Foreword

IPO activity across the European exchanges, and worldwide, has suffered a dismal year due to the loss of confidence in the capital markets and the global economic crisis. The European markets have seen a proportionately larger decline in the money raised compared with both the US and Greater China, resulting in Europe being outperformed by both these markets for the first time since 2003. London has continued to be the most successful European market in 2008 with an increased market share by offering value of 64%, despite a significant fall in the volume and value of IPO activity.

Activity on the European exchanges fell by 59% in 2008 to 337 IPOs compared with 819 in 2007, while the total offering value of IPOs fell dramatically by 83% from €80,473m in 2007 to just €13,957m in 2008. This trend has also been seen in the volume and value of international IPOs (non-European companies listing on the European capital markets), which have seen respective decreases of 38% and 72%, to 81 IPOs by non-European issuers raising a total of €6,018m in 2008.

In 2008 only three of the top ten largest IPOs raised over €1bn, whereas in 2007 each of the top ten largest IPOs raised over €1bn. The total money raised by the top ten IPOs dropped by 65% from €22,883m in 2007 to €8,076m in 2008. Two of the top five IPOs in 2008 were international offerings on London's Main Market: Fresnillo and Global Investment House. Fresnillo, a Mexican based precious metals mining company, was the third largest IPO of the year in Europe, and raised €1,143m. Global Investment House, a Kuwaiti financial services company, was the fourth largest IPO this year and raised €735m.

We have continued to see the London markets lead the European exchanges in 2008. London continued to attract the majority of international offerings, with 55% of the 81 international IPOs in 2008, including four out of the five largest international IPOs this year. However, total money raised on the London markets in 2008 was just €8,884m, representing a 77% fall on money raised in 2007. Also, there were 99 IPOs in London in 2008, a fall of 69% from 2007. The reduced level of money raised and activity was felt across both AIM and London's Main Market.

Despite a large fall in IPO activity on the US exchanges during 2008, for the first time in three years the US exchanges outperformed the European exchanges in terms of the total amount of new money raised. This was largely due to the NYSE hosting the largest IPO in US history, that of Visa, which took place during the first quarter of 2008 and raised €11,510m (\$17,864m). Visa accounted for 60% of the €19,092m raised by the 57 IPOs across the US exchanges during the year. The US capital markets continued to be more domestically focused than those in Europe, with international IPOs accounting for just 6% of the money raised in the US compared to 43% of the money raised in Europe and 56% of the money raised in London.

The Greater China markets also saw a significant decline in IPO activity in 2008 with the total offering value of IPOs falling by 79% from €76,333m to €16,041m and the volume of IPOs decreasing from 240 in 2007 to 157 in 2008.

For the first time this year, the IPO Watch Europe survey also discusses the IPO activity in the Middle East. This analysis, together with that of the US and Greater China markets, illustrates that the effects of the current crisis in the financial markets are being felt throughout the world, with the Middle East being the least affected of those areas considered.

During 2009, we intend to consult with the exchanges across Europe regarding the content and presentation of the IPO Watch Europe survey and we may, as a result, amend the scope of the survey to take account of any changes such as the introduction of new markets or the development or segmentation of existing markets.

Developments in EU capital markets regulation this year have been focused on GAAP equivalence, and ongoing developments will mainly consist of fine tuning of the existing regulations. NYSE Euronext has introduced a “Fast Path Listing” procedure which allows the use of SEC filings by non-EU issuers. In London, the FSA is consulting on amendments to the Listing Rules which would result in there being “Standard” and “Premium” listings, and has reduced the minimum subscription period for a rights issue.

The current unstable market conditions

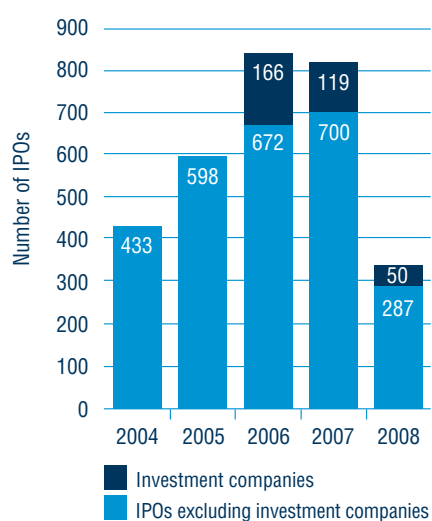
make it extremely difficult to predict, with any confidence, when the IPO market is likely to start showing signs of recovery. The majority of capital raisings in 2009 are almost certainly going to be dominated by secondary offerings as companies look to rebuild their balance sheets and seek financing from their existing investors through rights issues.

Our research has shown that the equity markets historically lead the business cycle by four to six months and, given recent IMF forecasts, most market commentators do not expect equity prices to recover until late 2009 at the earliest and possibly not until 2010. IPO volumes follow the equity markets, but because the IPO process itself takes on average between four and six months, IPO volumes are likely to lag behind the initial recovery of equity prices, which suggests a recovery in the IPO market towards the end of the first half of 2010.

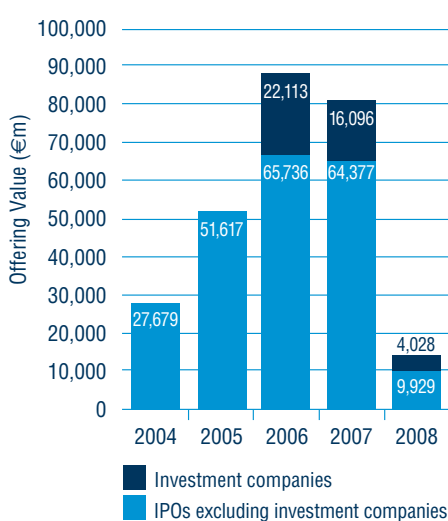


Tom Troubridge, Head of the Capital Markets Group in London

## Volume of IPOs



## Offering Value (€m)



# European IPOs by quarter

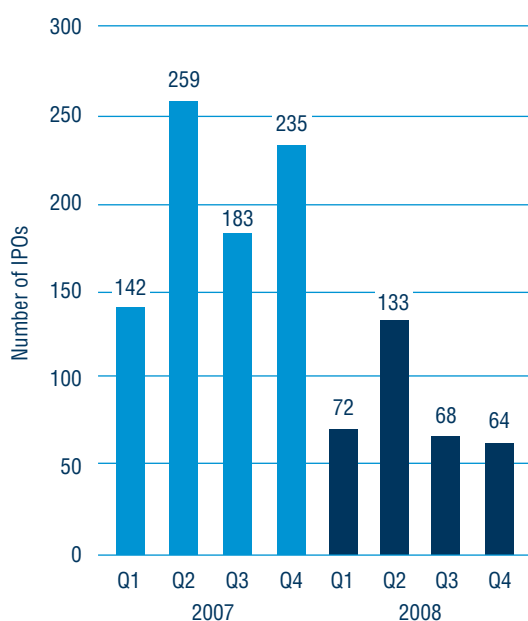
IPO activity on the European exchanges has suffered during 2008 due to the increasing loss of investor confidence and the global economic crisis. Total activity in Europe by volume was down by 59% in 2008, which saw 337 IPOs compared to 819 IPOs in 2007, and total offering value fell by a massive 83% from €80,473m in 2007 to €13,957m in 2008.

The established quarterly trend is for a surge in activity in the second and final quarters of the year as IPOs are completed before the summer and the end of the year. While this trend held true for the second quarter of 2008, the European equity markets suffered a particularly dismal fourth quarter which recorded the lowest IPO activity since the first quarter of 2003, and which has been the worst fourth quarter in terms of IPO activity since 2002, when market confidence was weakened by the uncertainty surrounding events in the Middle East.

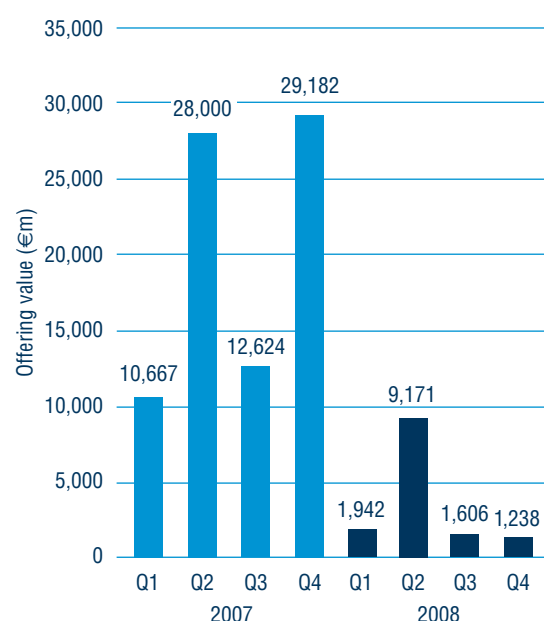
The year-on-year activity, both in terms of value and volume of IPOs, was markedly lower across all quarters of 2008 when compared to prior year, with the fourth quarter experiencing the largest falls in IPO activity.

There was also a large fall in the average offering value<sup>1</sup>, which fell by 52% from €115m in 2007 to €55m in 2008, and the combined value of the top ten IPOs fell by 65% compared to 2007.

Volume of IPOs



Offering value of IPOs (€m)



<sup>1</sup> The average offering value has been calculated based on the total offering value over the number of IPOs raising money.

# IPOs by Stock Exchange

Stock Exchange	Company IPOs 2008	Offering value (€m) 2008	Company IPOs 2007	Offering value (€m) 2007
London	99 <sup>(1,2)</sup>	8,884 <sup>(1,2)</sup>	324 <sup>(4,6,7,8,9,10,11,12)</sup>	39,087 <sup>(4,6,7,8,9,10,11,12)</sup>
WSE	91 <sup>(2)</sup>	2,502 <sup>(2)</sup>	104 <sup>(5)</sup>	2,021 <sup>(5)</sup>
NYSE Euronext	65	2,501	127	8,032
Deutsche Börse	12	330	62	6,984
BME (Spanish Exchanges)	1	292	12	10,084
Luxembourg	19 <sup>(1)</sup>	285 <sup>(1)</sup>	19	1,401
OMX	26	208	85	3,138
SIX Swiss Exchange	6 <sup>(3)</sup>	169 <sup>(3)</sup>	10	1,975
Borsa Italiana	6	129	29	3,943
Oslo Børs & Axess	14	65	37	1,993
ISE	1 <sup>(3)</sup>	- <sup>(3)</sup>	10 <sup>(4,6,7,8,9,10,11,12)</sup>	1,678 <sup>(4,6,7,8,9,10,11,12)</sup>
Wiener Börse	-	-	6 <sup>(5)</sup>	1,427 <sup>(5)</sup>
Athens Stock Exchange	-	-	3	479
<b>Europe Total</b>	<b>337</b>	<b>13,957</b>	<b>819</b>	<b>80,473</b>

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

<sup>(1)</sup> Enegi Oil dual listed on London (AIM) and Luxembourg (BdL) raising €18m.

<sup>(2)</sup> New World Resources listed on London (Main Market), WSE (Main Market) and the Prague Stock Exchange raising €1,390m.

<sup>(3)</sup> Aryzta dual listed on the ISE (Main Market) and SIX Swiss Exchange with no money raised.

<sup>(4)</sup> Total Produce dual listed on London (AIM) and ISE (IEX) with no money raised.

<sup>(5)</sup> Warimpex dual listed on WSE and Wiener Börse raising €99m.

<sup>(6)</sup> Boundary Capital dual listed on London (AIM) and ISE (IEX) raising €25m.

<sup>(7)</sup> Origin Enterprises dual listed on London (AIM) and ISE (IEX) raising €100m.

<sup>(8)</sup> Smurfit Kappa dual listed on London (Main) and ISE raising €1,495m.

<sup>(9)</sup> Zamano dual listed on London (AIM) and ISE (IEX) with no money raised.

<sup>(10)</sup> First Derivatives dual listed on London (AIM) and ISE (IEX) with no money raised.

<sup>(11)</sup> Andor Technology dual listed on London (AIM) and ISE (IEX) with no money raised.

<sup>(12)</sup> Trinity Venture Capital Holdings dual listed on London (AIM) and ISE (IEX) raising €50m.

Europe hosted 337 IPOs in 2008, a 59% decrease from the 819 in 2007. The total offering value plummeted by 83%, from €80,473m in 2007 to €13,957m in 2008.

**London** continues to lead the European capital markets by number of IPOs and offering value, with 99 IPOs raising €8,884m in 2008, compared to 324 IPOs raising €39,087m in 2007. London's market share by offering value increased from 49% in 2007 to 64% in 2008 although its market share by volume fell from 40% to 29%. This trend was shown by the fact that London

hosted seven of the top ten IPOs by offering value in 2008 including the second and third largest IPOs of the year: New World Resources and Fresnillo. New World Resources, a Czech Republic based mining company, triple listed on the Main Market in London, the Main Market of the Warsaw Stock Exchange (WSE) and on the Prague Stock Exchange raised €1,390m across all three markets. Fresnillo, a Mexican precious metals mining company, listed on the Main Market in London raised €1,143m. Both companies listed in May 2008.

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

*"There can be little doubt that the second half of 2008 produced some of the most difficult market conditions many of us can remember, impacting investor confidence and the number of new companies joining markets across the globe. However, during the year the London Stock Exchange continued to outperform the world's other major exchanges in attracting international IPOs. In 2008, as well as welcoming companies from Asia, Russia and other CIS countries, where we have been very active historically, we also extended our global reach, with Fresnillo becoming the first Mexican firm to join our markets, illustrative of the Exchange's growing influence in Latin America.*

*Looking ahead, we see a strong pipeline of issuers preparing for flotation, waiting for market conditions to improve, and believe that the fund raising opportunities that we provide and the depth of liquidity in our markets will continue to make the London Stock Exchange the listing venue of choice for ambitious international companies."*

# IPOs by Stock Exchange

The **Warsaw Stock Exchange (WSE)** was the second largest European market in terms of number of IPOs and offering value with 91 IPOs raising €2,502m in 2008 compared with 2007 when it hosted 104 IPOs raising €2,021m. The WSE's market share of European IPOs by volume increased from 13% in 2007 to 27% in 2008. The 24% increase in the offering value in 2008 is primarily due to it co-hosting the second largest IPO of the year with the triple listing of New World Resources raising €1,390m in May 2008. It also hosted another of the top ten IPOs by offering value of 2008 with the IPO of Enea, the Polish energy company which raised €546m.

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

*"In the very harsh conditions of 2008 WSE maintained a relatively high number of new companies debuting on the main floor, and an impressive number of new companies entering NewConnect, an alternative platform. It shows a steady interest on the side of domestic companies to go public, to strengthen their transparency and public accountability, and to create a new source of capital. The number of new listings on the main market and on NewConnect amounted to one of the biggest joint value of IPOs in Europe. The fact that the IPO market has been alive, fighting the repercussions of the global crisis, has greatly contributed to WSE becoming in 2008 the largest stock exchange in Central-Eastern and South-Eastern Europe in 2008 in terms of market capitalisation."*

**NYSE Euronext** has remained the third largest European market in terms of number of IPOs and offering value with 65 IPOs raising €2,501m in 2008. This, however represents a significant decrease of 69% in the amount raised on NYSE Euronext in 2007 and a 49% decrease in activity in the same period. NYSE Euronext hosted the largest IPO

of the year by EDP Renováveis, a Portuguese renewable energy company which raised €1,566m in June 2008. It also hosted another of the top ten IPOs of 2008 by offering value with the raising of €600m by Liberty International Acquisition Company, an investment company.

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

*"Despite tough market conditions in 2008, NYSE Euronext's European markets attracted several large IPOs, including the successful IPO of EDP Renováveis on Euronext Lisbon, which raised €1,566m, the largest IPO in Europe in 2008. Alternext, our specialist market for small and mid-sized companies, attracted a growing number of international listings, including the first US company to ever list on Alternext and, for the first time, four companies from China. This reflects the major effort we are making to attract international companies from fast-growing countries like China onto our markets and help them grow further."*

The **Deutsche Börse** saw an 81% decrease in the volume of IPOs from 62 in 2007 to 12 in 2008. The offering value of €330m represents a dramatic decrease of 95% from the €6,984m raised in 2007. Its market share by offering value also decreased from 9% in 2007 to 2% in 2008. The largest IPO on the Deutsche Börse was SMA Solar Technology which raised €315m.

The **BME (Spanish Exchanges)** ranked fifth by offering value of IPOs in 2008, falling three places from second in 2007. The BME only hosted one IPO raising €292m in 2008 compared with 12 IPOs raising €10,084m in 2007. Together with the decrease in activity, this significant decrease in offering value was due to the BME having 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, that raised €3,452m.

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

*"The corporate activity of companies in Spain in 2008 has reflected the difficult condition of the world's financial markets, resulting in a sharp drop in IPOs compared to the previous year in which Spain ranked the second largest European exchange by offering value. The only IPO of 2008 was indeed an historic one; being the first Spanish Savings Bank to list."*

The **Luxembourg** exchange saw a consistent number of IPOs with 19 in both 2007 and 2008, however the offering value decreased by 80% from €1,401m in 2007 to €285m in 2008. Of the 19 IPOs in 2008, 15 were by overseas companies offering Global Depositary Receipts (GDRs), 13 of which were by Indian companies, which demonstrates that Luxembourg remains the market of choice for Indian companies issuing GDRs in Europe. The largest IPO on Luxembourg was a GDR offering by Anant Raj Industries, an Indian real estate development company.

**Hubert Grignon Dumoulin, Head of  
Issuers and Market Regulation,  
Luxembourg Stock Exchange:**

*"The IPO activity by volume on the Luxembourg Stock Exchange did not fall in 2008 compared to 2007 as the exchange attracted a consistent number of 19 IPOs in both 2007 and 2008. Luxembourg was partially immune from the slowdown of activity until the last quarter of the year. GDR activity has significantly decreased with only one listing in the last quarter. The end of the year was significant for the Luxembourg Stock Exchange with the listing of Reinet Investment SCA, an*

*important spin off from the Compagnie Financière de Richemont.”*

Following its successful year in 2007, the Nordic exchange, **OMX**, hosted only 26 IPOs which raised €208m in 2008 compared to 85 IPOs which raised €3,138m in 2007. The IPO of the Danish investment company, Formue Evolution, was the largest on OMX in the year, raising €122m.

The **SIX Swiss Exchange** (formally the SWX Swiss Exchange) was the eighth largest European market in terms of offering value, hosting six IPOs in 2008 which raised €169m compared to the €1,975m raised from the ten IPOs it saw in 2007. The largest IPO on this market during 2008 was Orascom Development, which raised €117m.

**Dr. Yvonne Gunsch-Wegmann, Vice President and Head of Issuer and Investor Relations, SIX Swiss Exchange:**

*“The rather conservative number of initial public offerings was no surprise under the current market conditions. The largest IPO this year on the SIX Swiss Exchange was that of the real estate development company, Orascom Development Holding Ltd, which while domiciled in Switzerland, has its origin and main operations in Egypt. Moreover, we set the ground for a broader acquisition of cross-border IPOs with the inclusion of foreign domiciled companies in our equity indices from May 2008. This should help maintain our highly competitive position amongst the major European exchanges in terms of the percentage of foreign companies listed (based on statistics available from the Federation of European Securities Exchanges).”*

**Borsa Italiana** has seen a dramatic decrease both in the volume and offering value of IPOs in 2008 compared to 2007. It hosted six IPOs

which raised €129m compared with 29 IPOs raising €3,943m in 2007.

**Luca Peyrano, Head of Continental Europe – Primay Markets, Borsa Italiana:**

*“After five consecutive years of excellent results, IPO activity slowed down significantly in 2008, one of the most difficult years in recent history. Nevertheless, the wide pool of Italian SMEs, the largest in Europe, is a major potential for growth for our markets. The launch of AIM Italia in December 2008 recognises this potential, and represents a key milestone of the merger between Borsa Italiana and the London Stock Exchange. AIM Italia will be an essential part of Borsa Italiana’s offering for small and medium sized companies.”*

The **Oslo** exchanges, **Børs** and **Axess**, together hosted 14 IPOs raising €65m in 2008. This again represents a sharp fall in the volume and offering value of IPOs when compared to 2007 which saw €1,993m raised from 37 IPOs.

**Inge A. Myhrvold, Vice President, Head of Issuer Sales, Oslo Stock Exchange:**

*“While 2007 represented a record year for the Norwegian market, Oslo followed the international trend in 2008 of fewer IPOs and less money being raised. We experienced a solid run of companies going public as we moved into the summer, but the momentum ceased in the second half of last year. However, our fully regulated market for younger companies, Oslo Axess, continued its triumphant journey last year, and since it was launched in May 2007 this market has captured 63% of all new listings in Oslo. We are very proud to facilitate such an efficient listing vehicle for these exciting growth companies.”*

The only IPO on the Main Market of the **Irish Stock Exchange (ISE)** was that of

the Swiss food producer, Aryzta, which dual listed on the ISE and the SIX Swiss Exchange, with no money raised.

**Deirdre Somers, Chief Executive, Irish Stock Exchange:**

*“This year has seen some of the most challenging IPO market conditions for some time. Looking forward to 2009, the Exchange will continue to ensure that the Irish market is structured to benefit from any resurgence in the Irish economy and to focus on promoting its IEX market to quality growth companies which may be considering an IPO in the future. The IEX market has a proven track record in attracting companies seeking a wider base of investors, euro denominated trading facilities and a streamlined admissions regime which is complementary to the AIM market in London.”*

The Austrian exchange, **Wiener Börse**, and the **Athens Stock Exchange** had no IPO activity in 2008.

**Michael Buhl, CEO, Wiener Börse (Vienna Stock Exchange):**

*“2008 was a difficult year for all international financial markets. After several very prosperous years, all major market indicators declined in 2008 under the influence of the financial crisis that originated in the US sub-prime market. The Vienna Stock Exchange was not able to decouple from these turbulences.*

*Nevertheless, the Vienna Stock Exchange was able to set positive signals in the past year that allow for an optimistic outlook. In 2008, we built a strong axis with the acquisition of majority stakes in three neighbouring stock exchanges – Budapest, Ljubljana and Prague. With this cooperation we want to raise international awareness among institutional investors of this capital market region and increase liquidity on the regional stock exchanges in the future. In the last year we also extended our close cooperation with many stock exchanges in the region, above all, Bucharest, Sarajevo*

# EU-Regulated and Exchange-Regulated Markets

Stock Exchange	Company IPOs 2008	Offering value (€m) 2008	Company IPOs 2007	Offering value (€m) 2007
<b>EU-Regulated</b>				
London (Main)	38 <sup>(2)</sup>	7,137 <sup>(2)</sup>	99 <sup>(8)</sup>	27,641 <sup>(8)</sup>
NYSE Euronext (Euronext)	16	2,466	40	7,563
WSE (Main)	30 <sup>(2)</sup>	2,455 <sup>(2)</sup>	80 <sup>(5)</sup>	1,980 <sup>(5)</sup>
Deutsche Börse	2	324	28	6,734
BME (Spanish Exchanges)	1	292	12	10,084
SIX Swiss Exchange	6 <sup>(3)</sup>	169 <sup>(3)</sup>	10	1,975
OMX (Main)	10	152	35	2,301
Borsa Italiana	6	129	29	3,943
Luxembourg	4 <sup>(1)</sup>	18 <sup>(1)</sup>	1	-
Oslo Børs	4	2	18	1,264
ISE	1 <sup>(3)</sup>	- <sup>(3)</sup>	1 <sup>(8)</sup>	1,495 <sup>(8)</sup>
Wiener Börse	-	-	6 <sup>(5)</sup>	1,427 <sup>(5)</sup>
Athens Stock Exchange	-	-	3	479
<b>EU-regulated sub-total</b>	<b>115</b>	<b>11,736</b>	<b>360</b>	<b>65,292</b>
<b>Exchange-Regulated</b>				
London (AIM)	58 <sup>(1)</sup>	1,423 <sup>(1)</sup>	220 <sup>(4,6,7,9,10,11,12)</sup>	9,537 <sup>(4,6,7,9,10,11,12)</sup>
Luxembourg (EuroMTF)	15	267	18	1,401
London (PSM)	2	255	5	1,909
London (SFM)	1	69	-	-
Oslo Axess	10	63	19	729
OMX (First North)	16	56	50	837
WSE (NewConnect)	61	47	24	41
NYSE Euronext (Alternext)	7	31	39	445
Deutsche Börse (Entry Standard)	10	6	34	250
NYSE Euronext (Marché Libre)	42	4	48	24
ISE (IEX)	-	-	9 <sup>(4,6,7,9,10,11,12)</sup>	183 <sup>(4,6,7,9,10,11,12)</sup>
<b>Exchange-regulated sub-total</b>	<b>222</b>	<b>2,221</b>	<b>459</b>	<b>15,181</b>
<b>Europe Total</b>	<b>337</b>	<b>13,957</b>	<b>819</b>	<b>80,473</b>

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

<sup>(1)</sup> Enegi Oil dual listed on London (AIM) and Luxembourg (BdL) raising €18m.

<sup>(2)</sup> New World Resources listed on London (Main Market), WSE (Main Market) and the Prague Stock Exchange raising €1,390m.

<sup>(3)</sup> Aryzta dual listed on the ISE (Main Market) and SIX Swiss Exchange with no money raised.

<sup>(4)</sup> Total Produce dual listed on London (AIM) and ISE (IEX) with no money raised.

<sup>(5)</sup> Warimpex dual listed on WSE and Wiener Börse raising €99m.

<sup>(6)</sup> Boundary Capital dual listed on London (AIM) and ISE (IEX) raising €25m.

<sup>(7)</sup> Origin Enterprises dual listed on London (AIM) and ISE (IEX) raising €100m.

<sup>(8)</sup> Smurfit Kappa dual listed on London (Main) and ISE raising €1,495m.

<sup>(9)</sup> Zamano dual listed on London (AIM) and ISE (IEX) with no money raised.

<sup>(10)</sup> First Derivatives dual listed on London (AIM) and ISE (IEX) with no money raised.

<sup>(11)</sup> Andor Technology dual listed on London (AIM) and ISE (IEX) with no money raised.

<sup>(12)</sup> Trinity Venture Capital Holdings dual listed on London (AIM) and ISE (IEX) raising €50m.

EU-regulated markets hosted a total of 115 IPOs raising €11,736m in 2008, representing a 68% decrease in the level of activity and a massive 82% decrease in offering value compared with 2007. In volume terms, London's Main Market was again the most active and attracted 38 IPOs compared to the 99 IPOs in 2007. The second most active EU-regulated market was the WSE with 30 IPOs, followed by NYSE Euronext (formerly Eurolist) with 16 IPOs.

In terms of offering value, London again led the way, generating €7,137m which represents 61% of total money raised on the EU-regulated markets in 2008. NYSE Euronext raised €2,466m, the second largest amount raised by an EU-regulated market, largely due to NYSE Euronext hosting the largest IPO of the year by EDP Renováveis, a Portuguese renewable energy company. The third largest exchange by money raised was the Main Market of the WSE which raised €2,455m, an increase of 24% from the €1,980m raised in 2007. This was largely due to the second largest IPO of the year by New World Resources, a Czech Republic based mining company which triple listed on the Main Market of the WSE, the Main Market in London and the Prague Stock Exchange, raising €1,390m.

In 2008 BME raised €292m from one IPO compared to the €10,084m raised from its 12 IPOs in 2007. In 2007 BME hosted the second and third largest European IPOs by value.

Dramatic reductions in the amounts raised on EU-regulated markets were seen on the Deutsche Börse, the SIX Swiss Exchange, the Main Market of OMX, the Oslo Børs and the Borsa Italiana where the offering values fell by 95%, 91%, 93%, 99% and 97% respectively from the amounts raised in 2007, due to the decreased levels of activity.

Looking at the exchange-regulated markets overall, similar decreases were experienced and again it was value that reduced most dramatically. In the year, 222 IPOs raised a total of €2,221m compared to 459 IPOs which raised a total of €15,181m in 2007. Predictably, all European exchange-regulated markets have been significantly affected by the volatility in the financial markets, and the total money raised fell by 85% compared to 2007.

The money raised on London's AIM market made up 64% of the total raised on Europe's exchange-regulated markets. However, AIM's market share by volume has continued to decrease, accounting for 26% of all exchange-regulated IPOs in 2008 compared to 48% in 2007, due to the success of newer exchange-regulated markets elsewhere, particularly the WSE's NewConnect.

AIM's 58 IPOs in 2008 represent a fall of 74% on the 220 IPOs experienced in 2007, while the €1,423m offering value in 2008 is 85% down on the €9,537m raised in 2007. The reduction in the volume of IPOs hosted by AIM is largely due to a combination of the loss in confidence in the capital markets and volatile market conditions.

The WSE NewConnect exchange was the most active exchange-regulated market by volume with 61 IPOs which raised €47m compared with 24 IPOs raising €41m in 2007. The WSE NewConnect exchange opened in August 2007.

Luxembourg saw the majority of its IPOs 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.

The volume of IPOs on EuroMTF decreased by 17% and the total offering value was 81% down on 2007 at €267m. EuroMTF was the second largest European exchange-regulated market by value in 2008.

Although London's PSM only hosted two IPOs in 2008 it raised €255m, making it the third largest exchange-regulated market in terms of value for the year. Both IPOs were international listings, one a South Korean engineering company and one a construction company from Pakistan. In 2007 the PSM hosted five IPOs and raised €1,909m, all of which were international listings.

London's Specialist Fund Market (SFM), a newly created market in 2008 and dedicated solely to the increasing number of specialist funds, attracted one IPO raising €69m and this was sufficient to make it the fourth largest exchange-regulated market by value in the year.

Oslo Axess has seen ten IPOs in 2008 raising €63m compared with 19 IPOs raising €729m in 2007. Since opening in May 2007 Oslo Axess has attracted more listings than Oslo Børs.

OMX's First North market ranked sixth by value in 2008 with 16 IPOs raising €56m, after being the fourth most active exchange-regulated market by offering value in 2007, its first full year of trading, when it hosted 50 IPOs that raised €837m.

NYSE Euronext's Alternext saw a sharp decrease in the volume and a sharper decrease in offering value of IPOs in 2008 compared with 2007. In 2008 NYSE Euronext's Alternext saw seven IPOs which raised €31m compared with 39 IPOs raising €445m in 2007. Marché Libre saw a small decrease in the volume of IPOs from 48 in 2007 to 42 in 2008, however offering values on the exchange were generally lower with total money raised in 2008 of €4m compared to €24m raised in 2007.

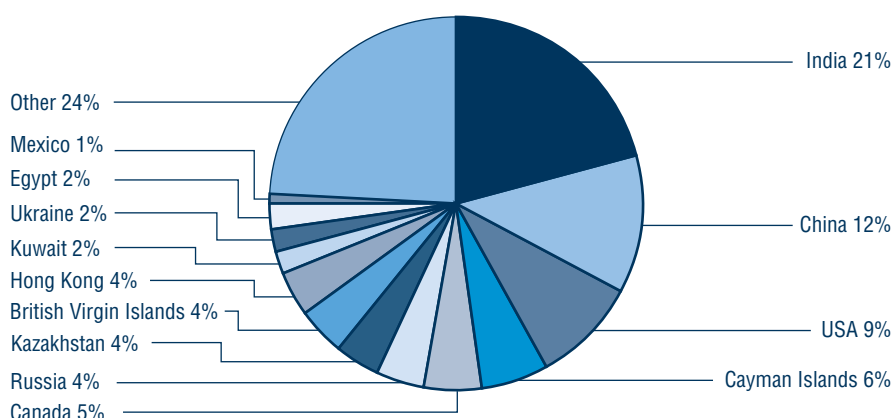
# International IPOs

The global economic crisis has had a significant impact on the number and value of international IPOs across the European markets in 2008. European exchanges attracted 81 IPOs by non-European issuers in 2008 compared with 131 in 2007, which represents a 38% decrease in international IPO activity. However, the decline in offering value was nearly double that of the decline in volume, with the amount of money raised by international IPOs decreasing by 72% from €21,537m in 2007 to €6,018m in 2008.

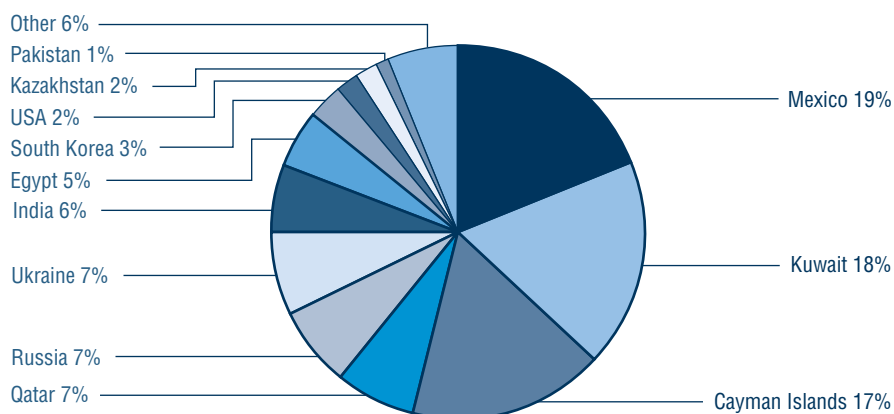
London attracted 55% by volume of all international IPOs; AIM hosted 29 international IPOs which raised €977m and London's Main Market saw 14 international IPOs raising €3,785m in 2008. The PSM saw two international IPOs raising €255m. Four out of the five largest international IPOs in 2008 were in London, with all four listing on the Main Market. The largest international IPO, Fresnillo, which raised €1,143m on London's Main Market, was the third largest IPO of 2008. It is notable that two of the top five international IPOs were Kuwaiti companies.

NYSE Euronext hosted 16 international IPOs, with six on Euronext and five each on Alternext and Marché Libre. Liberty International Acquisition Company was the largest international IPO on NYSE Euronext in 2008 raising €600m. Luxembourg's EuroMTF was the third most attractive destination for international IPOs with 13 IPOs from India and one from Argentina.

**Volume of IPOs by country of origin**



**Offering value by country of origin**



The Deutsche Börse saw two international IPOs raising no money. Oslo Børs and Oslo Axess each hosted one international IPO. The SIX Swiss Exchange hosted one international IPO, an Egyptian real estate company which raised €117m.

Companies from India represented 21% of the total volume of international IPOs in 2008, however due to a relatively low average offering value they only accounted for 6% of the total money raised.

### Top five international IPOs

Company	Money raised (€m)	Exchange	Sector	Country of Origin
Fresnillo	1,143	London	Mining	Mexico
Global Investment House	735	London	Financial Services	Kuwait
Liberty International Acquisition Company	600	NYSE Euronext	Investment Company	Cayman Islands
Commercial Bank of Qatar	444	London	Banks	Qatar
Global Mena Financial Assets	318	London	Investment Company	Kuwait

# Major IPOs in 2008

In 2008 only three of the top ten largest IPOs raised over €1bn, whereas in 2007 each of the top ten largest IPOs raised over €1bn. The total money raised by the top ten IPOs dropped by 65% from €22,883m in 2007 to €8,076m in 2008.

London's Main Market was home to seven of the top ten IPOs in 2008 compared to five in 2007, when it also hosted the largest, VTB bank. It is interesting to note in the current economic climate that six of the top ten IPOs of the year are companies in the financial services, investment company and bank sectors.

## Ten largest IPOs (ranked by money raised)

2008				
Company	Money raised (€m)	Exchange	Sector	Country of Origin
EDP Renováveis	1,566	NYSE Euronext	Utilities	Portugal
New World Resources	1,390	London/WSE/Prague	Mining	Czech Republic
Fresnillo	1,143	London	Mining	Mexico
Global Investment House	735	London	Financial Services	Kuwait
BH Global	674	London	Investment Company	Channel Islands
Resolution	660	London	Investment Company	Channel Islands
Liberty International Acquisition Company	600	NYSE Euronext	Investment Company	Cayman Islands
Enea	546	WSE	Utilities	Poland
Commercial Bank of Qatar	444	London	Banks	Qatar
Global Mena Financial Assets	318	London	Investment Company	Kuwait

2007				
Company	Money raised (€m)	Exchange	Sector	Country of Origin
VTB Bank	4,724	London	Banks	Russia
Iberdrola Renovables	4,070	BME (Spanish Exchanges)	Utilities	Spain
Criteria Caixa Corporation	3,452	BME (Spanish Exchanges)	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

NYSE Euronext was notable for having the largest IPO of the year, EDP Renováveis. In 2007 NYSE Euronext hosted none of the top five European IPOs, and only one of the top ten. However in prior years, NYSE Euronext had 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 the Rosneft IPO which raised €5,192m on London's Main Market.

# IPOs in the last five years

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

All markets have seen dramatic decreases in the volume and offering value of IPOs in 2008 due to the volatility in the financial markets, with London showing the sharpest falls.

Following the growth in 2004 and 2005, London experienced a fall in the number of IPOs in 2006, 2007 and again in 2008. The offering value of IPOs continued to increase strongly between 2004 and 2006 before levelling off in 2007 and then falling sharply in 2008. The collapse in 2008 follows a shift in the mix of IPOs in London between 2004 and 2007 when IPO activity for larger companies on the Main Market remained relatively strong, while IPO activity for smaller companies on AIM reduced significantly.

NYSE Euronext, on the other hand, experienced a steady increase in the number of IPOs over the four year period to 2007 before declining in 2008, however the offering value has decreased continuously since 2005.

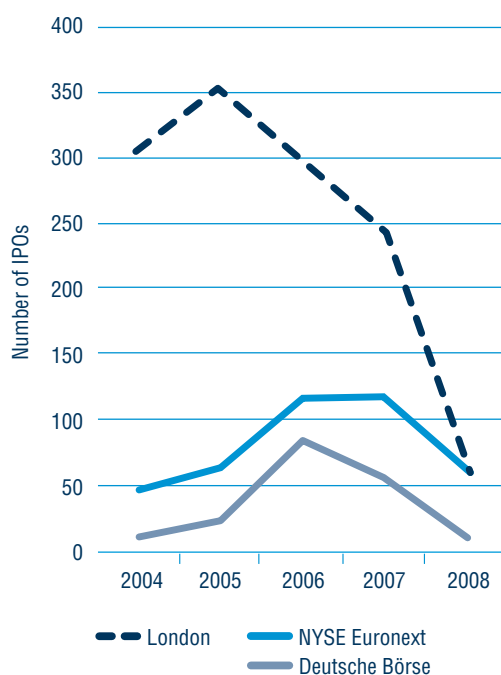
Deutsche Börse saw a drop in the number of IPOs in 2007 and 2008 with the offering value gradually increasing between 2004 and 2006 and flat in 2007 before decreasing sharply in 2008.

Volumes of IPOs on the Borsa Italiana and BME (Spanish Exchanges) increased steadily over the period from 2004 to 2007, however the number and offering value of IPOs on the Borsa Italiana and BME declined sharply in 2008 as a result of the poor economic conditions. BME enjoyed a spectacular growth in offering value in 2007 as a result of two large IPOs, however saw only one IPO in 2008.

The WSE has seen a continuous increase in the volume of IPOs from 2004 to 2007 with a marginal decrease seen in 2008. After decreasing in 2005 and 2006, an increase in the offering value has been seen in 2007 and 2008. The WSE was the only European exchange to see an increase in offering value in 2008.

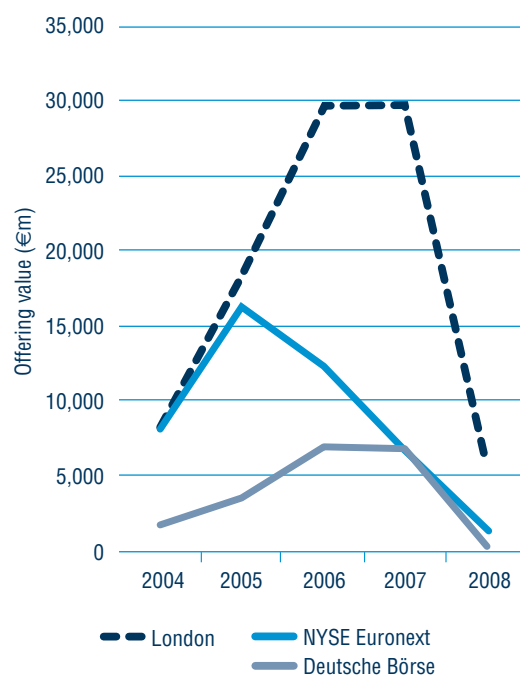
With the exception of 2008, there have been significant increases in the number of IPOs on other exchanges, including the Oslo Bors and OMX; however the offering value has been relatively low.

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



<sup>1</sup> Excluding investment companies

Offering value over the last five years<sup>1</sup>



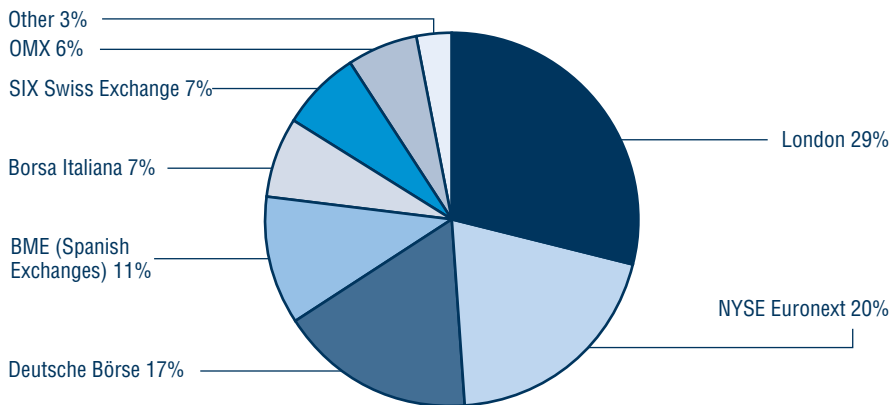
<sup>1</sup> Excluding investment companies

# Where is the liquidity in Europe?

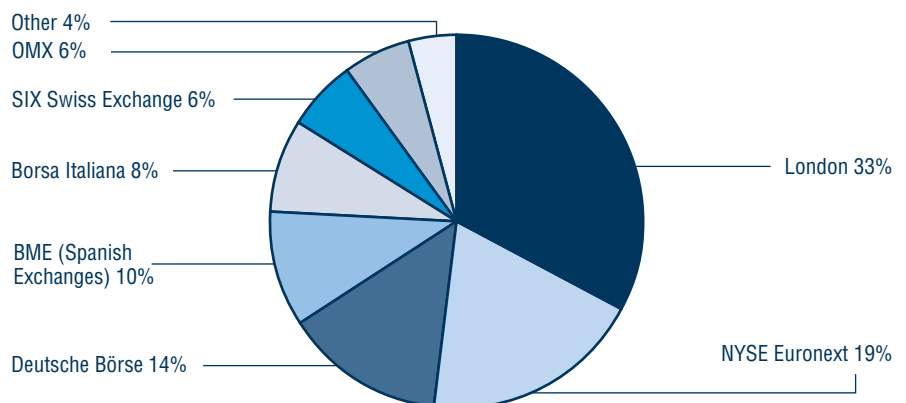
There has been a 31% decrease in the value of equity traded from €22,124bn in 2007 to €15,345bn in 2008, reflecting investor uncertainty in the current economic climate across Europe. In line with previous years, the relative proportions of the total equity traded across the European exchanges have remained broadly consistent.

London saw a 41% drop in its equity trading and its proportion of the overall value of trading in Europe fell by 4%, while Deutsche Börse had a proportionately smaller decrease in trading and saw its contribution rise to 17% of the total in 2008 from 14% in 2007.

## Value of equity trading 2008 (total trading was €15,345 billion)<sup>1,2</sup>



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



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

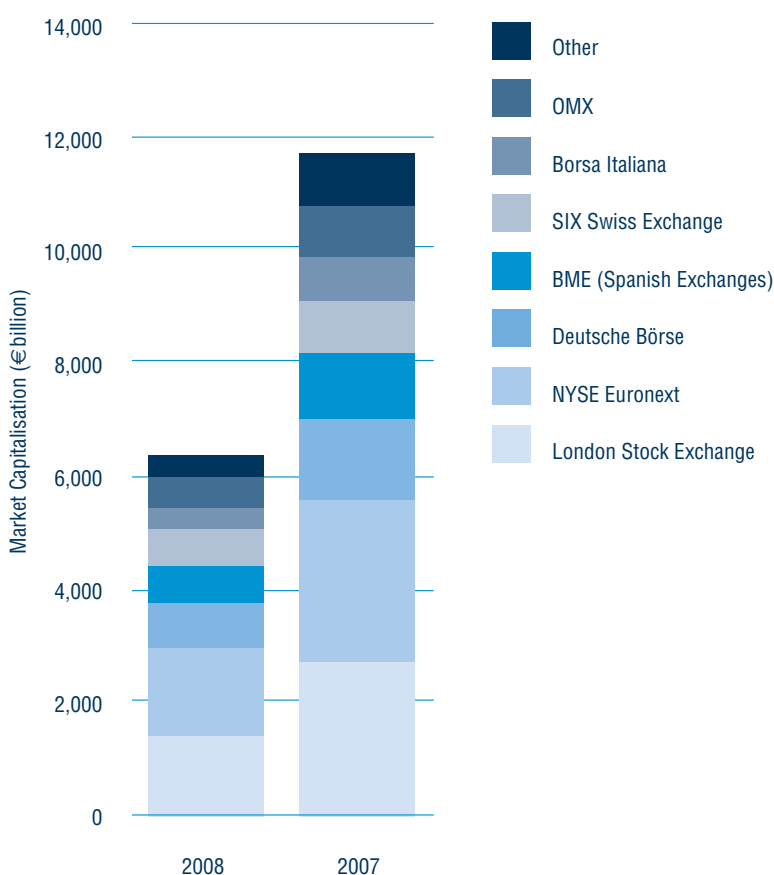
<sup>2</sup> No data available for individual exchanges within OMX from WFE; OMX Exchanges include Copenhagen, Helsinki, Stockholm, Iceland, Tallinn, Riga and Vilnius Stock Exchanges. No data available for individual exchanges within BME from WFE; BME (Spanish Exchanges) comprises Madrid, Barcelona, 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 significantly in 2008, falling from €11,635bn in 2007 to €6,307bn in 2008, a 46% drop. This decrease was spread relatively evenly across all of the exchanges, with the largest fall in market capitalisation value being

experienced by the largest exchange, NYSE Euronext. London and NYSE Euronext continued to contribute the highest value of the European exchanges, forming 47% of the total market capitalisation in 2008 (48% in 2007).

## Market capitalisation of exchanges<sup>3</sup>



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

# What does the future hold for the European exchanges?

2008 was a disappointing year in terms of the volume and value of IPOs in Europe as well as in terms of general equity trading activity on the markets as a result of investor uncertainty in the current economic climate. The market volatility which started towards the end of 2007 continued through 2008 and into 2009 and it is difficult to predict when investor appetite for IPOs may return. The collapse in the credit markets has reduced market confidence and created a decrease in equity values and a flight to quality, with investors focusing on defensive stocks, gilts, cash and a move away from small and micro caps.

High level trends in IPO volumes tend to track the economic cycle, with strong correlations seen between the volume and value of IPOs and equity prices. This was particularly evident in the 1980s and 1990s where the high volume and values of IPOs corresponded to periods of strong economic growth and increasing stock market valuations, and in the late 1970s, the early 1990s and the early 2000s when the low volume and values of IPOs occurred during recessions and periods of weak economic growth.

The recovery of IPO volumes across Europe is dependent on the return of market confidence and the reduction in volatility of equity securities, as uncertainty in the valuation of equity securities acts as a disincentive to companies considering an IPO. It is clear that 2009 will be a period of difficulty for developed economies with the postponement of consumption and investment decisions due to eroded consumer and business confidence and a lack of credit. Stock markets generally recover before economic statistics reflect improvement in the economy; thus equity values are therefore a leading indicator of the business cycle.

Equity values are expected to remain depressed until market perception indicates that the business cycle is due to enter a period of expansion. It is likely to be a combination of the return of market confidence and the IPO of a number of defensive stocks that provide the catalyst for the re-opening of the IPO market. Defensive stocks command higher equity valuations during periods of economic downturn therefore these companies are the most likely candidates to lead a recovery in IPOs. The cost of credit in the wholesale markets has continued to rise which has resulted in difficulties for companies attempting to refinance, and it is estimated that there is currently approximately £120 billion of non-leveraged loans maturing in 2009 with a further £260 billion maturing in 2010 in Western Europe<sup>1</sup>. It is likely that, due to limited credit being available, a portion of this debt will be refinanced through equity offerings.

Since 1855 the average recession has lasted approximately 18 months although, since the end of World War II recessions have lasted on average 10 months, varying in length from six months to eighteen months. On average, the stock markets have tended to bottom four to six months prior to the end of the recession. Recent research in "The Aftermath of Financial Crises" by Reinhart and Rogoff suggests that recessions around banking crises tend to be longer than other recessions and that the global nature of the current crisis will make it far more difficult for many countries to grow their way out through higher exports or foreign borrowings.

The International Monetary Fund (IMF) projected in January 2009 that world economic growth will fall to 0.5% in 2009 compared to the 5.2% growth seen in 2007 and 3.4% growth in 2008. In advanced economies, output is forecast to contract by 2.0% in 2009 whilst in emerging economies growth is expected to slow appreciably but still reach 3.3% in 2009. These forecasts are based on the policies in place in January 2009, however further global action and Government policy intervention to support financial markets may limit this decline. The IMF expects that the global economy will experience a gradual recovery in 2010.

The equity markets historically lead the business cycle by four to six months and, given recent IMF forecasts, most market commentators do not expect equity prices to recover until late 2009 at the earliest and possibly not until 2010. IPO volumes will follow this trend and, because the IPO process itself takes on average between four and six months, IPO volumes are likely to lag behind the initial recovery of equity prices, which suggests a recovery in the IPO market towards the end of the first half of 2010.

---

<sup>1</sup> PwC UK Debt Market Outlook 2009, published November 2008.

# IPOs by sector

The **Industrial Goods & Services** sector saw a 59% decrease in the number of IPOs and a 95% fall in the money raised in 2008. The 60 IPOs in this sector raised €711m in 2008 compared to 147 IPOs raising a total of €13,604m in 2007.

London accounted for 82% of the total offering value raised by Industrial Goods & Services companies in 2008, including the two largest Industrial Goods & Services IPOs this year, being that of Globaltrans Investment and Taewoong Co. Globaltrans Investment is a Russian logistics company which listed on London's Main Market and raised €287m by way of a GDR offering. Taewoong Co is a South Korean engineering company which listed on London's PSM market and raised €184m. Overall, London has seen a reduction of 71% in the volume of Industrial Goods & Services IPOs compared to 2007 and a larger fall of 83% in the respective offering value.

The most active market by volume, and the second largest market by offering value, of Industrial Goods & Services IPOs during the year was the WSE which hosted 24 IPOs with an offering value of €86m, compared to 27 IPOs raising €277m in the prior year. Luxembourg was the third largest exchange by offering value during the year with respect to Industrial Goods & Services companies, with five Indian GDR offerings raising €28m.

The second largest sector in 2008 was **Investment Companies**. There were 50 IPOs within this sector in 2008 raising €4,028m, representing a 58% decrease from the 119 IPOs in 2007 which raised €16,096m.

London's Main Market saw a reduction from 37 IPOs by investment companies in 2007 to 22 in 2008 with a decrease in the offering value by 58% from €5,373m in 2007 to €2,232m in 2008. While this reduction is significant, it is proportionally less than the reduction experienced in other sectors, and

indeed four of the top ten European IPOs by money raised in 2008 were investment companies.

The number of IPOs of investment companies on London's AIM market reduced significantly in 2008 with 14 IPOs raising €671m compared with 44 IPOs raising €4,014m in 2007.

Euronext saw two out of the four investment company IPOs on NYSE Euronext in 2008, compared to eight of the ten investment company IPOs on NYSE Euronext in 2007.

Sector	Volume of IPOs 2008	Movement in the table	Volume of IPOs 2007
Industrial Goods & Services	60	-	147
Investment Companies	50	-	119
Technology	37	-	91
Financial Services	19	-	51
Oil & Gas	18	-	37
Real Estate	18	- 1	51
Food & Beverage	15	+ 3	29
Personal & Household Goods	14	+ 3	26
Telecommunications	14	+ 6	21
Utilities	14	+ 7	19
Retail	13	+ 4	22
Construction & Materials	13	+ 7	17
Media	10	- 3	33
Pharmaceuticals & Biotech	9	- 3	32
Travel & Leisure	9	- 2	30
Mining	8	-	24
Health Care	6	+ 6	12
Chemicals	4	+ 7	6
Banks	2	+ 3	15
Automobiles & Parts	2	+ 4	12
Basic Resources	1	+ 1	16
Insurance	1	+ 4	9
<b>Total</b>	<b>337</b>		<b>819</b>

# IPOs by sector

The largest investment company IPO in 2008 was by BH Global which raised €674m on London's Main Market. No investment companies raised over €1bn on any European exchange in 2008 compared to three in 2007: the Spanish based Criteria Caixa Corporation, raising €3,452m on BME (Spanish Exchanges); 3i Infrasture Limited which raised €1,147m on London's Main Market; and Gottex Fund Management Holdings which raised €1,002m on the SIX Swiss Exchange.

## **Pars Purewal, Partner, PwC Assurance:**

*"It is no surprise that the number of IPOs in 2008 in the investment company sector has fallen substantially. In 2006 and 2007 we saw a significant number of real estate, hedge fund of fund and private equity fund of fund IPOs which supported the very strong markets that these sectors were experiencing. These when added to the more traditional investment company launches meant this sector has had a lot of activity during 2006 and 2007. During the second half of 2008, investors have been running for the hills and IPOs of these alternative investment opportunities have fallen off a cliff. Indeed of the 50 IPOs in 2008 only 17 of these were in the second half of the year and the prospects for 2009 do not look good and in these turbulent times, it is still difficult to say when investor appetite will return."*

The number of **Technology** sector IPOs decreased from 91 in 2007 to 37 in 2008. Money raised decreased significantly by 90% from €4,433m in 2007 to only €447m in 2008. The largest IPO in this sector was that of the German solar technology developer and manufacturer, SMA Solar Technology which raised €315m on the Deutsche Börse.

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

*"The Technology sector was certainly not alone, but the chill winds which had started to impact markets towards the end of 2007 turned into a real deep freeze as the effects of the "credit crunch" took hold in 2008.*

*A meagre €447m was raised in 37 new listings across Europe in the sector during 2008. This was down 59% in volume terms and a massive 90% in funds raised, with not a single IPO raising new funds and breaking the gloom after the end of July, once the banking crisis had really taken hold.*

*In reality, 2008 witnessed a material contraction in the stock of listed European technology companies as many significant players left the public markets – either through succumbing to the advances of a strategic trade acquirer, or deciding to pursue their growth strategies outside the public eye through a Public to Private transaction.*

*Only six companies managed to raise more than €10m on IPO during the year. The only bright spot was the €315m listing of leading solar inverter developer SMA Solar Technology in Germany.*

*With no immediate end in sight to the market volatility, and increasing concerns over the depth and longevity of the global downturn, IPOs in the sector are likely to be few and far between in 2009. The more optimistic commentators may be predicting some easing and recovery towards the end of 2009, however any aspiring technology market debutants will need a truly compelling and clearly visible equity growth plan to convince nervous*

*investors to step back into the market."*

The **Financial Services** sector has seen a decrease of 63% in the number of IPOs from 51 in 2007 to 19 in 2008. Money raised fell by 74% from €3,221m in 2007 to €829m in 2008. The largest IPO in this sector was by Global Investment House, a Kuwaiti financial services company raising €735m on London's Main Market.

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

*"2008 was a comparatively slow year for IPO activity by European financial institutions (the financial services sector together with banking and insurance) with only 22 deals as compared to 75 in 2007. The aggregate funds raised amounted to €1,565m of which the majority was raised by the Kuwaiti firm Global Investment House (€735m), the Commercial Bank of Qatar (€444m) and Spanish savings bank Caja de Ahorros del Mediterraneo (€292m). The first two of these were London main market listings which provide confirmation of the rising importance of Middle Eastern financial institutions in the international markets.*

*Seven of the 22 IPOs were domestic listings on the Warsaw Stock Exchange; the prominence of listings in Warsaw is evidence of the growing significance of financial services in one of Europe's largest emerging economies, and could prove to be the start of an important trend.*

*Both the London and Euronext exchanges featured prominently as listing destinations with six and five transactions respectively. The comparable number of transactions underlines the perceived competition between Europe's two largest*

exchanges.

*Looking into 2009 the financial services sector is anticipated to generate M&A activity as the larger European financial institutions review their business portfolios as they face continued capital pressure. We anticipate that some of this activity will lead to IPOs of financial services businesses across a number of exchanges, although more likely later in the year than earlier.”*

The number of IPOs in the **Oil & Gas** sector decreased from 37 in 2007 to 18 in 2008. Money raised fell by 70% from €1,846m in 2007 to €553m in 2008. 11 of the 18 oil and gas IPOs in 2008 were on London’s AIM market compared to 14 of the 37 in 2007.

**Brian Puffer, Partner, PwC Assurance**

*“The economic downturn continues to hit the oil and gas sector of the European markets with a 51% decrease in the number of IPOs in 2008 down from 37 in 2007 to 18 in 2008.*

*London’s AIM exchange suffered fewer repercussions however, and while the number of IPOs fell from 14 to 11, its market share by volume of those companies within the oil and gas sector*

*increased from 38% in 2007 to 61% in 2008.”*

The **Real Estate** sector has shown a 65% decrease in IPO activity in 2008 with 18 IPOs compared to 51 in 2007. The largest real estate company was Palm Hills Development which raised €189m on London’s Main Market.

NYSE Euronext was the most popular exchange for real estate IPOs in 2008. It hosted seven IPOs with four IPOs on Euronext, two on the Marché Libre and one on Alternext. London and the WSE were the most popular exchanges for real estate IPOs in 2007.

**John Waters, Partner, PwC Assurance**

*“European real estate companies have seen significant falls in the valuation of their portfolios in the last six months. Where companies have covenants based on gearing or loan to value, which are common in real estate, the falls in value have inevitably led to significant tightening and potential or actual breaches of covenants. This may lead companies to raise equity to bolster their balance sheets and to raise funds in the anticipation of acquiring property at or near the bottom of the market.”*

# Other European Markets

The IPO Watch Europe survey currently tracks the volume and value of IPOs across all the main European exchanges. Inevitably, over time there are developments such as the introduction of new markets or change in or segmentation of existing markets, and we have continued to monitor those exchanges and those types of transactions that are included in the survey. During 2009, we intend to consult with the exchanges across Europe regarding the content and presentation of the IPO Watch Europe survey and may as a result make improvements to our survey as appropriate.

Certain markets that are not currently included within the IPO Watch Europe survey have been relatively active, particularly the First Quotation Board of Deutsche Börse but also other markets such as those operated by the PLUS Market plc ("PLUS") in London. This section discusses the nature and activity of those markets.

## First Quotation Board

In October 2008, Deutsche Börse restructured its existing third market, the Open Market, and introduced the First Quotation Board as a new segment. The First Quotation Board is an exchange-regulated market of the Frankfurt Stock Exchange. It now hosts all primary offerings made onto the Open Market, providing greater visibility for initial listing of shares and depository receipts. It is primarily aimed at qualified investors who are able to assess and bear the significant risks that are likely to be associated with an equity investment listed on the First Quotation Board.

The introduction of the First Quotation Board was the Deutsche Börse's response to the increasing number of initial listings on the Open Market. Since 2005 companies have increasingly been using the Open Market as a way to offering their shares for trading without being required to meet any continuing obligations. The majority of companies listed on the First Quotation Board are from outside Germany.

## **Rainer Riess, Managing Director Cash Market Development, Deutsche Börse**

*"The difficult market conditions in 2008 also had an impact on companies considering an IPO. While the number of new admissions decreased in the primary market, Deutsche Börse recorded an increase to 177 new market entries (2007: 147 companies) on the First Quotation Board. Deutsche Börse restructured the Open Market in October 2008. All initial listings in the primary market segment are now grouped in the First Quotation Board. This new sub-segment accommodates the rising number of initial listings in the Open Market."*

## **PLUS**

PLUS is a Recognised Investment Exchange in the UK and was established in December 2005 as a new small and mid-cap stock exchange for London. PLUS operates two primary markets, the PLUS-listed and PLUS-quoted markets, as well as a secondary trading market (PLUS-traded).

The PLUS-listed market is an EU-regulated market open to companies, funds or market professionals issuing equity, debt, depository receipts and specialist securities, such as structured products and exchange traded funds.

PLUS-quoted is an exchange-regulated market for smaller, growing companies. The PLUS-quoted market offers a disclosure-based regulatory framework and does not impose specific eligibility criteria but instead requires companies to meet certain basic standards.

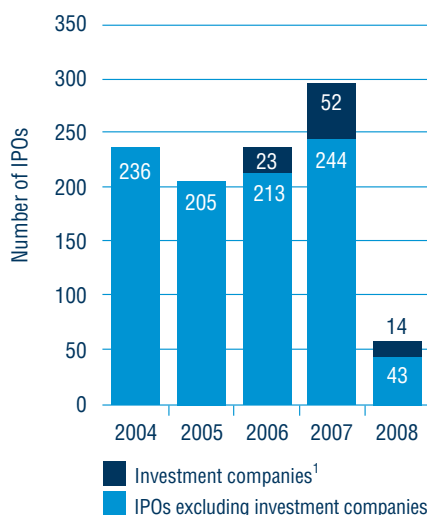
PLUS has disclosed that it hosted 15 new admissions in 2008, a decrease of 71% from the 52 new admissions in 2007. It appears that the large majority of these new admissions were on the PLUS-quoted market.

# Comparison with the US

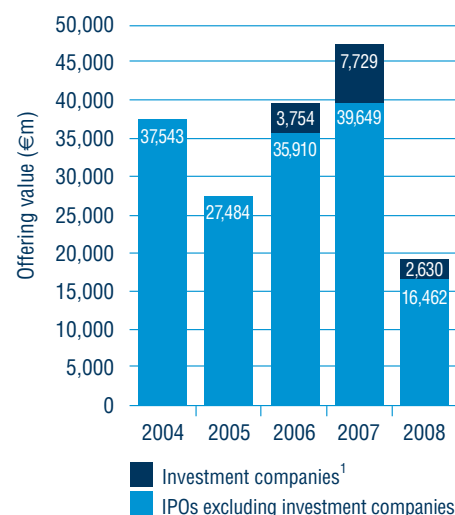
The credit crisis and resulting global financial turmoil caused US IPO activity to come to a near halt in mid-2008, resulting in dramatic reductions of both the number and volume of IPOs across the US exchanges compared to the prior year. The volume and offering value of US IPOs fell by 81% and 60%, respectively, to 57 IPOs raising a total of €19,092m in 2008 from 296 IPOs

raising a total of to €47,378m in 2007. It should be noted that the deterioration of the US dollar against the Euro in 2008 has adversely impacted the year on year comparison of US IPO values as presented in Euros. On a constant exchange rate basis, money raised on the US exchanges in 2008 was 55% lower than in the prior year.

## Volume of US IPOs

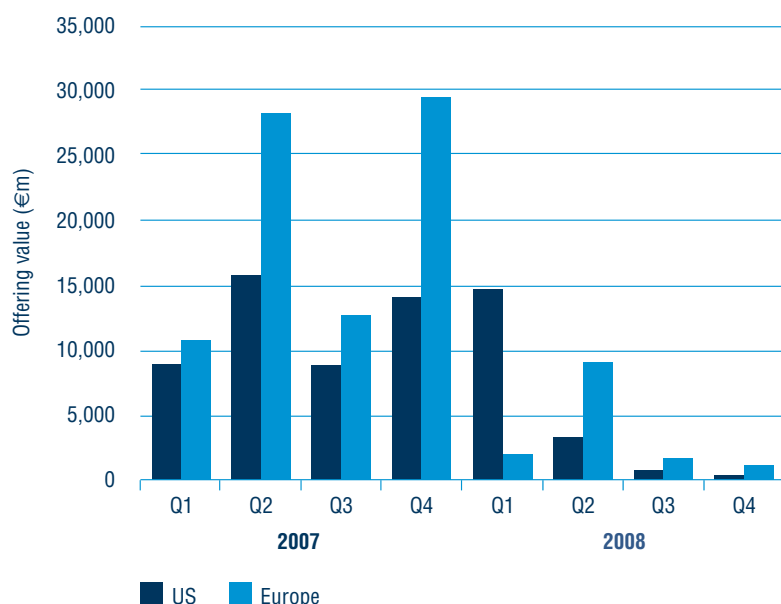


## Offering value of US IPOs (€m)



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

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



# Comparison with the US

Stock Exchange	IPOs 2008	Offering value (€m) 2008	IPOs 2007	Offering value (€m) 2007
<b>Europe total</b>	<b>337</b>	<b>13,957</b>	<b>819</b>	<b>80,473</b>
NYSE	17	14,868	83	24,886
Nasdaq	26	1,974	154	15,046
NYSE Alternext <sup>(1)</sup>	14	2,250	59	7,446
<b>US Total</b>	<b>57</b>	<b>19,092</b>	<b>296</b>	<b>47,378</b>

<sup>(1)</sup> On 1st October 2008, NYSE Euronext completed its acquisition of the American Stock Exchange (AMEX), rebranding it as NYSE Alternext ("Alternext").

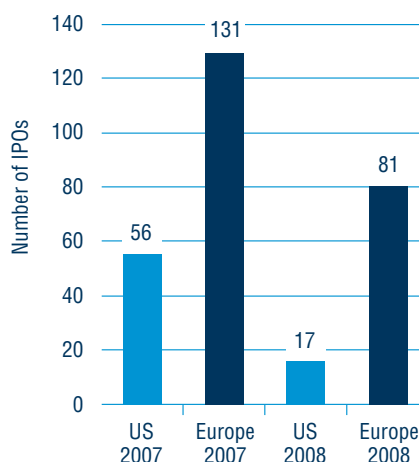
In 2008, for the first time after an interval of three years, the US exchanges outperformed the European exchanges in terms of the total amount of new money raised, putting the US in first place by offering value in 2008 ahead of both Europe and Greater China. The average offering value of IPOs in the US was also higher than that seen in Europe and Greater China.

Despite the large fall in IPO activity, 2008 saw the largest IPO offering in US history, by Visa on NYSE which raised €11,510m (\$17,864m) in the first quarter and accounted for 60% of the total offering value in the US in the year. The second and third largest US IPOs also took place on NYSE. The second largest was that of American Water Works Company which raised €792m (\$1,247m), followed by Intrepid Potash which raised €609m (\$960m).

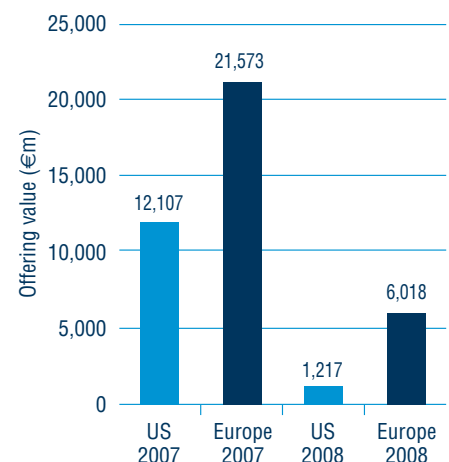
The US exchanges attracted 17 international IPOs which raised €1,217m in 2008 compared to €12,107m raised by the 56 international IPOs in 2007. Of these 17 international IPOs, seven were from China, which continues to be the largest source of international IPOs on the US markets. Of the remaining 10 international IPOs there were two each from Greece and the Cayman Islands

and one each from Bermuda, Canada, Hong Kong, Korea, the Netherlands and the United Kingdom. This compares to the 81 international IPOs raising €6,018m in Europe, illustrating that Europe continues to remain the preferred destination for international IPOs. Additionally, Europe experienced less significant falls in the number and value of international IPOs than the US. In value terms international IPOs represented 43% of the total IPOs in Europe in 2008, compared to just 6% in the US.

**International IPOs by volume 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 line with global trends, the markets in the Greater China region have been significantly affected by the volatility in the financial markets. In 2008, the number of IPOs in Greater China decreased by 35% to 157 from 240 in 2007. The total offering value fell from €76,333m in 2007 to €16,041m in 2008, a decline of 79%.

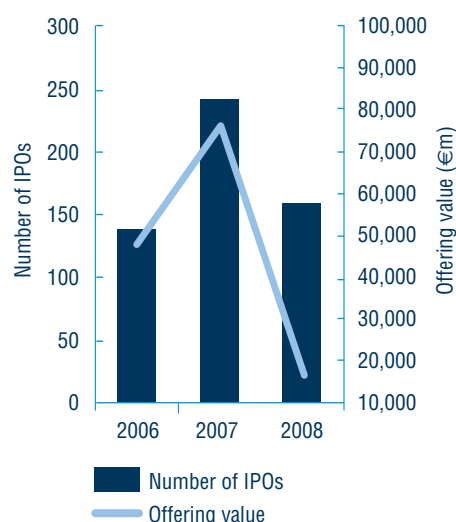
All of the exchanges within Greater China have shown a fall in the money raised in 2008 from 2007, with the largest decreases of 84% and 79% seen on the Shanghai and Hong Kong exchanges respectively. This is partly down to the decrease in the volume of IPOs in 2008 which fell from 23 to six on the Shanghai exchange and from 86 to 49 on the Hong Kong exchange, but as seen elsewhere, values have decreased more steeply than volumes.

The Shenzhen exchange's 71 IPOs in 2008 represents a fall of 30% on the 101 IPOs experienced in 2007, while the €2,942m offering value in 2008 was 32% down on the €4,305m raised in 2007.

The volume of IPOs on the Taiwan exchange actually saw a marginal increase from 30 in 2007 to 31 in 2008, however the offering value fell by 60% from €417m in 2007 to €166m in 2008.

The total offering value in Greater China grew so significantly in 2007 that it was nearly on a par with the total for Europe of €80,473m and significantly exceeded funds raised in the US. In 2008 the total offering value in Greater China exceeded the total offering value for Europe by 13%, however there were fewer IPOs in Greater China with 157 compared with 337 in Europe.

**IPOs and Offering Value of Greater China IPOs<sup>1,2</sup>**



Stock Exchange	IPOs <sup>2</sup> 2008	Offering value <sup>1,2</sup> (€m) 2008	IPOs <sup>2</sup> 2007	Offering value <sup>1,2</sup> (€m) 2007
<b>Europe total</b>	<b>337</b>	<b>13,957</b>	<b>819</b>	<b>80,473</b>
Shanghai	6	7,173	23	43,853
Hong Kong	49	5,760	86	27,758
Shenzhen	71	2,942	101	4,305
Taiwan	31	166	30	417
<b>Greater China Total</b>	<b>157</b>	<b>16,041</b>	<b>240</b>	<b>76,333</b>

<sup>1</sup> The offering value of IPOs in Greater China includes over-allotment or greenshoe amounts.

<sup>2</sup> Companies from Greater China are able to list a different class of shares on the different Greater China exchanges. In these cases, the data above includes the value of shares listed on each exchange and the listings as separate IPOs.

# Comparison with Japan

There were 49 IPOs on the Japanese exchanges in 2008, a decrease of 60% in activity when compared to the 121 IPOs in 2007. Once again, the reduction in offering value was greater, with the amount of money raised on the Japanese exchanges falling 71% from €3,094m in 2007 to €897m in 2008.

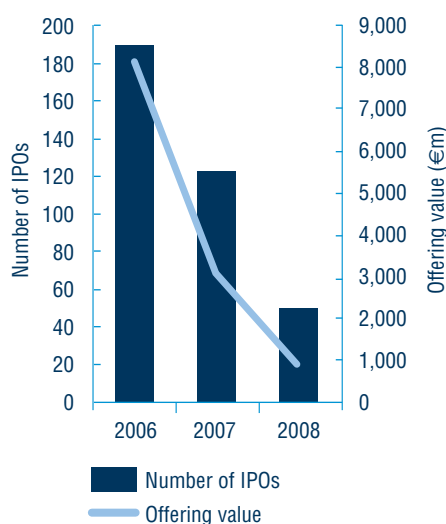
The largest Japanese exchange by activity and by offering value in 2008 was JASDAQ with 18 IPOs raising €431m in 2008 compared with 49 IPOs raising €465m in 2007. The Main board of the Tokyo Stock Exchange saw its total offering value fall by 86% from €2,029m from 13 IPOs in 2007 to €280m from seven IPOs in 2008.

**Yoshiyuki Ohashi, Partner, PwC Japan:**

*“In 2008 the number of IPO companies has continuously and dramatically decreased from 121 to 49 due to the economic factors such as the global economic crisis as well as lower IPO proceeds due to the decline of stock market prices in Japan. The average offering value has decreased from JPY4,124m to JPY2,792m and the number of companies with an offering value over JPY10bn has decreased from 10 to four. For 2009 the number of IPO companies is likely to be at the same level or less than that in 2008.”*

Early in 2009, the Tokyo Stock Exchange and the London Stock Exchange announced a new joint venture, TOKYO AIM. This is a new market for growing companies in Japan and Asia and will adopt a regulatory framework similar to that of London's AIM market.

## IPOs and Offering Value of Japanese IPOs<sup>1</sup>



Stock Exchange	IPOs 2008	Offering value <sup>1</sup> (€m) 2008	IPOs 2007	Offering value <sup>1</sup> (€m) 2007
<b>Europe total</b>	<b>337</b>	<b>13,957</b>	<b>819</b>	<b>80,473</b>
JASDAQ	18	431	49	465
Tokyo Stock Exchange (Main)	7	280	13	2,029
Mothers	12	146	23	336
Hercules	9	31	25	203
Others	3	9	11	61
<b>Japan Total</b>	<b>49</b>	<b>897</b>	<b>121</b>	<b>3,094</b>

<sup>1</sup> The offering value of IPOs in Japan includes over-allotment or greenshoe amounts.

# Comparison with the Middle East

In 2008, the Gulf Cooperation Council (GCC) stock exchanges saw 25 IPOs, which represents a 26% fall in the number of IPOs when compared to the 34 seen in 2007. A total of €7,955m was raised during 2008 as compared to the €9,057m raised in the previous year, a decrease of 12% in funds raised. The Saudi Stock Exchange (Tadawul) accounted for 83% of the total amount raised in the region through 13 IPOs which were all in the first three quarters of 2008 and which raised €6,629m.

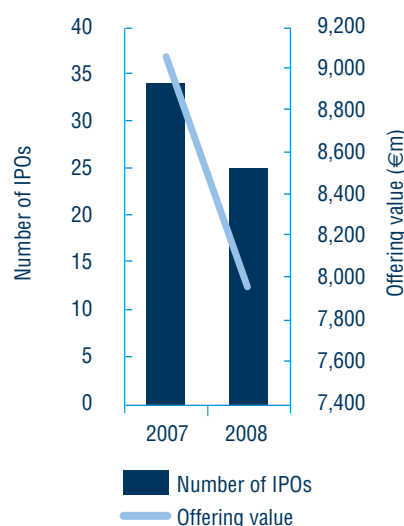
The Saudi Arabia market took the top five spots for the largest IPOs by offering value in the region, which included Alinma Bank raising €1,913m and the Saudi Arabian Mining Company raising €1,685m. The UAE showed an improvement in terms of the number of IPOs, which increased to eight from four in 2007 but showed a sharp fall in the total amounts raised which fell significantly to €862m compared to €5,087m in 2007. This fall was largely attributable to the effect of the DP World IPO, which raised approximately €4bn in November 2007. Financial services sector companies continued to dominate the type of entities listing, but to a lesser degree, with nine IPOs from that sector in 2008 down from 21 in 2007. The 2007 number of IPOs in that sector was high due to the large number of insurance companies listing on the Saudi market. The next most popular sectors were Oil and Gas and Construction, both with three IPOs each in 2008 – up from one and two IPOs respectively in 2007.

**Steve Drake, Partner, Capital Markets Group, PwC Dubai:**

*"IPO activity in the last quarter of 2008 was very limited and the outlook for 2009 remains pessimistic reflecting the predominantly negative sentiments of the investors in the region and high market volatility. The once healthy IPO pipeline of six months ago has dried up as companies delay their IPO plans in view of the current economic conditions. The GCC markets are not*

*expected to revive before the end of the third quarter of 2009 as the region consolidates and seeks to rebuild investor confidence. Companies delaying their IPO plans need to take this opportunity to identify and address the key IPO issues they will face so that when the equity markets do turn around, they are ideally placed to take advantage of what may be a small IPO window."*

## IPOs and Offering Value of GCC IPOs<sup>1</sup>



Stock Exchange	IPOs 2008	Offering value <sup>1</sup> (€m) 2008	IPOs 2007	Offering value <sup>1</sup> (€m) 2007
<b>Europe total</b>	<b>337</b>	<b>13,957</b>	<b>819</b>	<b>80,473</b>
Saudi Arabia	13	6,629	26	3,521
UAE	8	862	4	5,087
Qatar	1	349	2	284
Kuwait	1	67	-	-
Oman	2	48	1	114
Bahrain	-	-	1	51
<b>GCC Total</b>	<b>25</b>	<b>7,955</b>	<b>34</b>	<b>9,057</b>

<sup>1</sup> The offering value of IPOs on the GCC includes over-allotment or greenshoe amounts.

# Developments in European Capital Markets Regulation

With the key elements of the EU Commission's Financial Services Action Plan now well established in member states, developments in EU capital markets regulation have focused on GAAP equivalence, and ongoing developments will mainly consist of fine tuning existing regulations. NYSE Euronext has introduced a "Fast Path Listing" procedure which allows the use of SEC filings by non-EU issuers. In London, the FSA is consulting on amendments to the Listing Rules which would result in there being "Standard" and "Premium" listings, and the UK government has agreed a series of recommendations impacting rights issues.

## GAAP equivalence

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

The EU Commission has determined that the GAAPs of US, Japan, China, Canada, South Korea and India are equivalent to IFRS. The EU Commission will review the situation for China, Canada, South Korea and India by 2011, in line with those countries' respective plans to converge with IFRS by that time, and will monitor the ongoing status of equivalence.

## The EU Commission's agenda

The EU Commission is reviewing the Prospectus, Transparency and Market Abuse Directives. Changes are being considered that would address some areas that were not working as efficiently as the EU Commission would like, or where there were unintended consequences such as how employee share schemes are treated under the Prospectus Directive.

An independent study of national "gold plating" of transparency obligations has been commissioned to assist the EU Commission in evaluating the Transparency Directive in 2009. In addition a review of the Market Abuse Directive is underway, and the EU Commission intends to consider the possibility of simplifying some of the provisions.

## Fast path listings

The NYSE Euronext countries of France, the Netherlands, Belgium and Portugal have initiated the adoption of a "Fast Path listing" procedure that allows the use of SEC filings by issuers registered in non-EU countries. A provision of European law, which has been little used to date, allows regulatory authorities to approve a prospectus drawn up under the legislation of a third country. The stated intention is that this fast path procedure is restricted to an initial market introduction; however there is nothing to stop this being extended to public offers, which could prove attractive to issuers.

## Developments in London

In response to concern that the different standards applied to primary, secondary and GDR listings in London may provide some scope for confusion and could be endangering the London "badge of quality", the UK's Financial

Services Authority has considered the issue of market segmentation, and in December 2008 issued a consultation paper on potential changes to the Listing Rules.

The principal changes proposed are: labelling listings as "Standard" if they meet the EU minimum standards and "Premium" if they meet the "super-equivalent" Listing Rules; and opening up the possibility of such a "Standard" listing to UK companies wishing to list equities in London. While particular attention was given to GDRs and a wide range of alternatives including changing the current disclosure regime and requiring sponsors for GDR transactions were considered, the consultation paper does not make any significant changes impacting GDRs other than the overall labelling point, whereby GDR listings would be labelled as "Standard".

The impact of these proposals on the UK FTSE indices has not yet been communicated although it is likely that, consistent with current practice, only companies with a Premium listing will be eligible for inclusion in those indices.

In November 2008 the Rights Issue Review Group published proposals arising from its market consultation on potential reforms to the UK rights issue process, following problems experienced in the first half of 2008 by companies, particularly banks, undertaking capital raisings. The proposals have been reflected in amendments to regulations with effect from 10 February 2009. The main impact is to reduce the minimum time for a rights issue process in the UK from the current 23 days (or 39 days if a general meeting is required) to 16 days (or 32 days if a general meeting is required).

# 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 2008 collates data from the quarterly surveys conducted between 1 January and 31 December 2008 capturing new market listings based on their listing date.

IPO Watch Europe – Review of the year 2008 was compiled by

Tom Troubridge  
Richard Weaver  
David Smailes  
Sarah Harvey  
Lucy Tarleton  
Amy Benning  
Daniel Barker  
Tony Leigh

Should you have any questions regarding this publication please contact:

Derek Nash Tel: +44 (0) 207 804 3058 [derek.nash@uk.pwc.com](mailto:derek.nash@uk.pwc.com)

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 2007 figures stated herein for the Warsaw Stock Exchange differ from those stated in our quarterly IPO Watch Europe press releases, as the Warsaw Stock Exchange has revised their data for the full year.

Further (hard) copies of this publication are available from the PricewaterhouseCoopers publications department on +44 (0) 207 212 4883.

# 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.

## Key Contacts

Tom Troubridge	Tel: +44 (0) 207 804 4723	tom.troubridge@uk.pwc.com
Richard Weaver	Tel: +44 (0) 207 804 3791	richard.weaver@uk.pwc.com
Clifford Tompsett	Tel: +44 (0) 207 804 4703	clifford.tompsett@uk.pwc.com
Ursula Newton	Tel: +44 (0) 207 212 6308	ursula.newton@uk.pwc.com
Richard Spilsbury	Tel: +44 (0) 207 212 3887	richard.j.spilsbury@uk.pwc.com
Mark Hughes	Tel: +44 (0) 207 804 3824	mark.c.hughes@uk.pwc.com

# Capital Markets European Network

## Key Contacts

<b>Austria</b>	Aslan Milla	Tel: +43 (1) 501 88 1700	aslan.milla@at.pwc.com
<b>Belgium</b>	Peter d'Hondt	Tel: +32 (0) 2 710 7227	peter.dhondt@pwc.be
<b>Cyprus</b>	Nicos Theodoulou	Tel: +357 22 55 5587	nicos.theodoulou@cy.pwc.com
<b>Denmark</b>	Jens Otto Damgaard	Tel: +45 (0) 39 45 3410	jens.otto.damgaard@dk.pwc.com
<b>Finland</b>	Netta Mikkila	Tel: +358 (0) 9 2280 1386	netta.mikkila@fi.pwc.com
<b>France</b>	Thierry Charron	Tel: +33 (0) 156 57 12 33	thierry.charron@fr.pwc.com
<b>Germany</b>	Nadja Picard	Tel: +49 (0) 211 981 2978	nadja.picard@de.pwc.com
<b>Greece</b>	Nicholas Peyiotis	Tel: +30 693 7075 031	nicholas.peyiotis@gr.pwc.com
<b>Ireland</b>	John Loughlin	Tel: +353 (1) 792 8551	john.loughlin@ie.pwc.com
<b>Italy</b>	Gabriele Matrone Matteo Colombo	Tel: +39 06 57025 2397 Tel: +39 02 778 5524	gabriele.matrone@it.pwc.com matteo.colombo@it.pwc.com
<b>Luxembourg</b>	Jean-François Kroonen	Tel: +352 49 48 48 2527	jean-francois.kroonen@lu.pwc.com
<b>The Netherlands</b>	Leandro van Dam Martin Coenen	Tel: +31 (0) 20 568 7144 Tel: +31 (0) 20 568 7316	leandro.van.dam@nl.pwc.com martin.coenen@nl.pwc.com
<b>Norway</b>	Knut Olav Berg	Tel: +47 95 26 13 90	knut.olav.berg@no.pwc.com
<b>Poland</b>	Tomasz Konieczny	Tel: +48 22 523 4285	tomasz.konieczny@pl.pwc.com
<b>Russia</b>	Tomasz Konieczny	Tel: +7 (495) 967 6470	t.konieczny@ru.pwc.com
<b>Spain</b>	Rocio Fernandez	Tel: +34 915 685 052	rocio.fernandez@es.pwc.com
<b>Sweden</b>	Lennart Danielsson	Tel: +46 (8) 555 333 35	lennart.danielsson@se.pwc.com
<b>Switzerland</b>	Michael Abresch	Tel: +41 (0) 58 792 21 20	michael.j.abresch@ch.pwc.com



PricewaterhouseCoopers ([www.pwc.com](http://www.pwc.com)) provides industry-focused assurance, tax and advisory services to build public trust and enhance value for its clients and their stakeholders. More than 146,000 people in 150 countries across our network share their thinking, experience and solutions to develop fresh perspectives and practical advice.

© 2009 PricewaterhouseCoopers LLP. All rights reserved. "PricewaterhouseCoopers" refers to PricewaterhouseCoopers LLP (a limited liability partnership in the United Kingdom) or, as the context requires, the PricewaterhouseCoopers global network or other member firms of the network, each of which is a separate and independent legal entity.



Cover printed on Aleo 80 Silk 300g. Text pages printed on Aleo 80 Silk 150g. 80% recycled, a certified FSC paper.