

# IPO Watch Europe

Review of the year 2006



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# Foreword

## IPO Watch Europe 2006

Welcome to the IPO Watch Europe review of the year 2006, the PricewaterhouseCoopers survey that tracks the volume and value of IPOs around Europe. 2006 was another record year for European IPOs, in terms of the number of IPOs, total offering value and international offerings.

The European capital markets raised more money than those in the US for the second year running, and remained ahead of the rapidly expanding Greater China capital markets. Europe's continued success was underpinned by its attractiveness as a destination for international IPOs, particularly GDR offerings in London. London remained Europe's most successful market in terms of offering value and number of IPOs, although the strong growth observed on London's Main Market was offset to some extent by a slowdown on AIM. Across Europe exchange-regulated markets had a strong year.

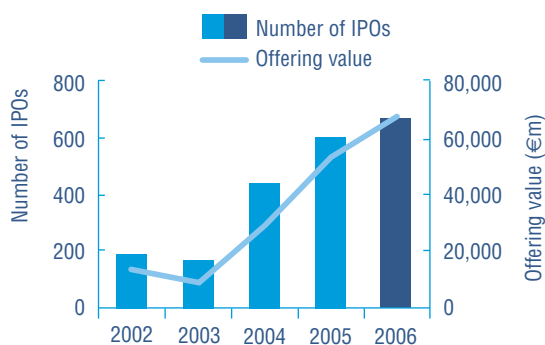
The upward trend in European IPOs by volume and value that we reported in 2005 continued into 2006, with the number of IPOs increasing by 9% from 598 in 2005 to 653 in 2006, and offering value increasing by 27% from €51.6bn to €65.4bn.

The relatively higher growth in offering value than in volume of IPOs is underpinned by the international activity on the European markets, ie non-European companies listing on European capital markets. 2006 saw 118 international companies raise

€16.8bn in Europe, a quarter of total new money raised. This corresponds to a 75% increase in money raised despite a 6% fall in the number of international IPOs. Two of the top five largest IPOs by value were international offerings: Rosneft and Lotte Shopping. Rosneft, the Russian oil and gas conglomerate, raised €5.2bn and was the largest IPO of the year in Europe. Lotte Shopping, a South Korean retail company, raised €2.3bn. Both of these companies completed GDR offerings on London's Main Market.

Driven by its attractiveness to international companies – 86 of the 118 international offerings were on London's markets, raising €15.0bn – London has continued to dominate European IPOs with both the largest number of IPOs and the highest total offering value. London's market share was 45% in 2006 both in terms of offering value and number of IPOs. This represents an increase in market share by offering value from 36% in 2005, but a decrease in market share by number of IPOs from 59% in 2005. This reflects the increase in higher offering value IPOs on London's Main Market offset by a reduction in the number of lower offering value IPOs on AIM.

## IPOs and offering value



In contrast to the reduction in volume on the well-established AIM market, substantial growth has been seen on Europe's major new exchange-regulated markets: Euronext's Alternext; the Deutsche Börse's Entry Standard; and Luxembourg's EuroMTF, which were established during 2005. Indeed the EuroMTF, with 22 IPOs from India and three from Taiwan, captured all Luxembourg IPOs in 2006, leaving their EU-regulated market with no IPO activity.

The US capital markets also showed signs of growth in 2006, following a slow-down in 2005. The total offering value of US IPOs increased by 31% from €27.5bn to €36.1bn, although the US markets continue to lose out on international IPOs, with offering value from international IPOs of €6.2bn compared to the €16.8bn raised in Europe by international IPOs. The growth experienced by the US capital markets was eclipsed by that enjoyed by the Greater China capital markets, which saw an increase in total offering value of 172% from €17.5bn in 2005 to €47.6bn in 2006. Within these figures, Hong Kong alone accounted for a total offering value in the year of €34.0bn. With this level of growth, the Greater China capital markets are quickly catching Europe and have overtaken the US in 2006.

The growth in the European capital markets has not been hindered by major and ongoing changes to regulation, as domestic issuers have taken the changes in their strides; while international issuers have been increasingly attracted to exchange-regulated markets and specialist securities offerings which avoid certain aspects of those regulations. Growth in IPO activity may indeed have been greater had it not been for the high level of private equity deals in the year, which has resulted in an environment with many companies setting out on a "dual track" to achieve either IPO or private sale. There has also been an increasing trend towards public-to-private deals in Europe and particularly in the US, although new money raised by IPOs has comfortably exceeded the amount taken private. Indeed many of the investment companies making such investments are themselves listed.

Overall in 2006, as we predicted last year, the European capital markets have continued to thrive and have proved to be popular destinations for international IPOs. There has been some movement away from smaller company IPOs in favour of those of larger, more established businesses, with a consequent rise in the average offering value. The US capital markets have shown some signs of recovery while the Greater China capital markets have shown significant growth.

The pipeline for 2007 is encouraging and we should continue to see a steady stream of both domestic and international companies coming to European markets to IPO. Investor demand is always difficult to predict given the many factors which can impact international capital markets. However, we expect the IPO market to be buoyant in 2007 provided there are no unexpected world events which could unsettle the markets more generally.



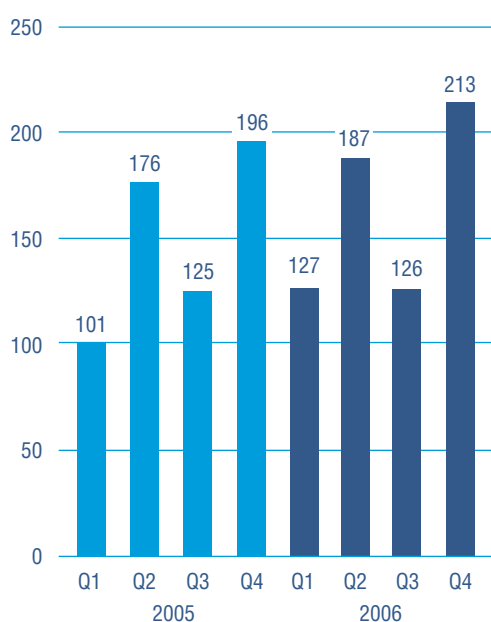
Tom Troubridge, Head of the London Capital Markets Group

# European IPOs by quarter

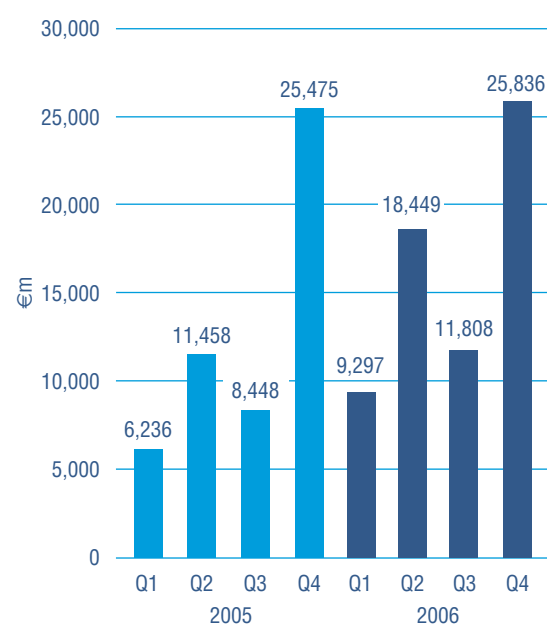
The profile of IPOs by quarter in 2006 is consistent with that seen in 2005, with an increase experienced in each quarter of 2006 relative to the equivalent quarter of 2005. The established trend is for a surge in activity in the second and final quarter as IPOs are completed before the summer and the end of the year. Relatively fewer companies IPO in the first quarter as many are December year ends and as such they wait for their December results to be available before marketing their shares, while the third quarter is effectively shortened by the summer holiday season. It is interesting to note how closely the profile established in 2005 is replicated in 2006 despite the fact that the new EU capital markets regulations went live on 1 July 2005 and there was no equivalent event in 2006.

The offering value of IPOs was significantly higher in each of the first three quarters of 2006 when compared to the equivalent quarters of 2005. The fourth quarter of 2005 enjoyed a record offering value for any quarter since our survey began, and even that record level was exceeded by our new record holder, quarter four of 2006. The average offering value per IPO (excluding introductions) was €116m in 2006 compared to €99m in 2005. Excluding the top ten IPOs each year as well as introductions we can calculate a "normalised" average offering value per IPO. This has increased from €64m in 2005 to €75m, indicating that the general trend for IPOs towards a higher offering value, which we identified in 2005, has continued in 2006.

### Number of IPOs



### Offering value of IPOs



# IPOs by Stock Exchange

## IPOs per exchange

	Company IPOs 2006	Offering value (€m) 2006	Company IPOs 2005	Offering value (€m) 2005
London	297 <sup>(1,2,3,4,5)</sup>	29,745 <sup>(1,2,3,4,5)</sup>	354 <sup>(7,8,9)</sup>	18,588 <sup>(7,8,9)</sup>
Euronext	116	12,427	64	16,319
Deutsche Börse	84	6,974	23	3,542
Borsa Italiana	21	4,330	15	2,400
BME (Spanish Exchanges)	10	2,969	1	157
OMX	35	2,228	27	2,148
Wiener Börse	6	1,465	7 <sup>(6)</sup>	1,162 <sup>(6)</sup>
Luxembourg	25	1,355	31	2,075
Oslo Børs	14	1,293	30	1,391
SWX	8	1,009	10	2,137
WSE	33	953	35 <sup>(6)</sup>	1,740 <sup>(6)</sup>
Athens Stock Exchange	1	612	2	29
ISE	8 <sup>(1,2,3,4,5)</sup>	597 <sup>(1,2,3,4,5)</sup>	3 <sup>(7,8,9)</sup>	12 <sup>(7,8,9)</sup>
<b>Europe Total</b>	<b>653</b>	<b>65,390</b>	<b>598</b>	<b>51,617</b>

(1) Agi Therapeutics dual listing (London (AIM) and ISE (IEX)) raising €43m

(2) Amarin Corp dual listing (London (AIM) and ISE (IEX)) raising €nil

(3) Petroneft Resources dual listing (London (AIM) and ISE (IEX)) raising €12m

(4) Aer Lingus dual listing (London (Main) and ISE) raising €502m

(5) Siteserv dual listing (London (AIM) and ISE (IEX)) raising €10m

(6) SkyEurope dual listing (WSE and Wiener Börse) raising €71m

(7) Irish Estate dual listing (London (AIM) and ISE (IEX)) raising €nil

(8) Newcourt Group dual listing (London (AIM) and ISE (IEX)) raising €12m

(9) Lapp Plats dual listing (London (AIM) and ISE (IEX)) raising €nil

Europe hosted 653 IPOs in 2006, an increase of 9% from 598 in 2005. The total offering value grew by 27%, from €51.6bn in 2005 to €65.4bn in 2006.

London continues to lead the European capital markets by number and offering value, with 297 IPOs raising €29.7bn in 2006, compared to 354 IPOs raising €18.6bn in 2005. London's market share by offering value increased to 45% from 36% in 2005, while its market share by number fell to 45% from 59%. The 60% growth of offering value experienced, despite a 16% reduction in the number of IPOs, reflects the number of high value IPOs London hosted on its Main Market, offset by a reduction in the number of relatively lower offering value IPOs on AIM. London hosted five of the top ten IPOs by offering value in 2006, including the largest IPO of the year in London and in Europe, Rosneft, which raised €5.2bn on the Main Market.

# IPOs by Stock Exchange

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

*“New companies from 26 countries, of all sizes and from all sectors carried out IPOs on the London Stock Exchange’s Main Market and AIM during 2006, raising £29.4 billion<sup>1</sup> (€43.2bn) between them. This made 2006 a record year for IPOs on our markets, with companies raising more money on our markets than on any other Exchange in the world.”*

Euronext was the second largest European market in both volume and offering value terms. With 116 IPOs in 2006 compared to 64 IPOs in 2005, Euronext’s market share by number of IPOs has increased from 11% in 2005 to 18% in 2006. Euronext’s total offering value has decreased by 24% from €16.3bn in 2005 to €12.4bn in 2006, which is largely due to the fact that the 2005 total was particularly high as it included both EDF and Gaz de France, which were Europe’s largest and second largest IPOs of 2005 with offering values of €7.0bn and €3.5bn respectively. In 2006 Euronext welcomed the second largest IPO of the year, that of the French bank Natixis, which raised €4.2bn.

## **Martine Charbonnier, Executive Director Listing & Issuers, Euronext:**

*“In 2006, Euronext followed up what were already two record years with another vigorous performance, taking first place for new listings in the euro zone. Total capital raised reached its highest<sup>2</sup> since 2000 reflecting in particular the listing of several private equity and hedge funds in Amsterdam. More than one in three new listings were on Alternext, the Euronext market*

*specialised in small and medium-sized businesses, which is now in operation in Paris, Amsterdam and Brussels and should be opening in Lisbon during the first half of this year. Looking ahead, Euronext will be building on its central place in the euro zone and its dynamic markets to make the most of healthy trends on primary markets, drawing new strength from its planned merger with NYSE to become a focus of attraction for international investors and foreign companies.”*

The Deutsche Börse has maintained its position as the third most active exchange in 2006 by offering value. Its 84 IPOs in 2006 raised €7.0bn, which represents a significant increase on the previous year when 23 IPOs raised €3.5bn. The Deutsche Börse hosted the seventh largest IPO of 2006, the chemicals company Symrise, which raised €1.2bn.

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

*“IPOs have strongly increased in the last year and this trend is likely to gain momentum in 2007. The sentiment for IPOs continues to be positive and many investors are seeking opportunities to sell off their stakes in unlisted companies. For example, many medium-sized companies who do not find a successor tend to look at a public offering to open up their governance and finance future growth. We also see a trend for large, well diversified companies to spin off their subsidiaries through an IPO. Last but not least German REITs – yet to be approved by legislature – will be an addition to the IPO market.”*

Borsa Italiana ranked fourth by offering value in 2006 as it did in 2005. Its 21 IPOs raised €4.3bn compared with 15 IPOs raising €2.4bn in 2005. This represents a 40% increase in volume terms and an 80% growth in offering value. Borsa Italiana hosted the fifth largest IPO of 2006, that of Saras, which raised €2.1bn.

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

*“The brilliant results for 2006, the best year for number of IPOs and capital raised in Italy since 2000, and the encouraging pipeline of IPOs for 2007, testify the success of Borsa Italiana’s new initiatives in recent years. The combination of Blue Chip, STAR and Standard segments, together with the Expandi market, offers a highly flexible environment for the listing of Italian companies”.*

BME (Spanish Exchanges)<sup>3</sup> saw a significant turnaround in 2006, with the number of IPOs increasing to 10 from just one in 2005. Offering value was also up from €157m in 2005 to €3.0bn in 2006.

## **BME (Spanish Exchanges), Research Department:**

*“In 2006 the IPO market reached record levels in Spain. During the year 10 companies made their debut on the Spanish stock market, the highest number of new companies ever recorded by the market, exceeding the 8 companies that were listed in 1997. The capital raised amounted to €3bn.*

<sup>1</sup> Please note that the LSE figure for total offering value includes transaction types excluded from our analysis namely: investment company IPOs, re-admissions, transfers and reverse takeovers.

<sup>2</sup> Please note that Euronext’s comment is based on data which includes investment companies which are excluded from our analysis.

<sup>3</sup> Please note that BME (Spanish Exchanges) was previously referred to as Madrid Exchange.

*The market value of new companies came in at €16.92bn at year-end.*

*In terms of value of the shares floated the largest IPO in 2006 was that of Bolsas y Mercados Españoles (BME), the company that operates the markets and settlement systems in Spain, which raised €779.34 million.*

*In terms of the number of companies floated in 2006, real estate sector companies singled themselves out; of the 10 companies listed, 4 belong to this sector. The Spanish real estate sector enjoys good momentum, which has helped many business projects to reach a considerable size. The stock exchange represents a quantitative and qualitative step forward for these projects in terms of strategy, organisation, corporate governance, transparency of management and capacity for raising capital to carry out international diversification projects.”*

There was a 30% increase in the number of IPOs hosted by OMX; from 27 in 2005 to 35 in 2006. The offering value rose modestly from €2.1bn in 2005 to €2.2bn in 2006. The IPO of the Swedish retailer KappAhl was the largest on OMX in the year and raised €447m.

The number of IPOs on Oslo Børs dropped from 30 in 2005 to 14 in 2006. Offering value fell only marginally from €1.4bn to €1.3bn due to the impact of the largest IPO on this market during 2006, Renewable Energy Corporation, raising €0.9bn.

Luxembourg, Switzerland and Warsaw all saw similar activity levels but lower offering values in 2006 compared to 2005. Luxembourg continued to host a high volume of international GDRs, however with a lower average offering value. For Switzerland and Warsaw the relatively lower 2006 offering value is attributable to the 2005 figures in each case including a single unusually large IPO: on the SWX this was the IPO of EFG International which raised €0.9bn while on Warsaw this was the IPO of PGNIG, which raised €0.7bn and was the second largest IPO (since our survey began) to take place on that exchange.

GDRs – Global Depositary Receipts – are negotiable certificates issued by depositary banks which represent ownership of a given number of a company's shares which can be listed and traded independently from the underlying shares. These instruments are typically used by companies from emerging markets. They are only offered to sophisticated investors, there is no retail offering and consequently the listing requirements and continuing obligations applied to GDRs differ from, and are lighter than, those applied to shares. In particular there is no Sponsor associated with a GDR offering in London, and consequently no need to commission many of the standard due diligence reports which are typical for a primary listing in London.

# EU-Regulated and Exchange-Regulated Markets

## IPOs per exchange

	Company IPOs 2006	Offering value (€m) 2006	Company IPOs 2005	Offering value (€m) 2005
<b>EU-Regulated</b>				
London (Main)	53 <sup>(4)</sup>	24,127 <sup>(4)</sup>	41	12,521
Euronext (Eurolist)	33	11,963	25	16,168
Deutsche Börse	37	6,278	19	3,515
Borsa Italiana	21	4,330	15	2,400
BME (Spanish Exchanges)	10	2,969	1	157
OMX	35	2,228	27	2,148
Wiener Börse	6	1,465	7 <sup>(6)</sup>	1,162 <sup>(6)</sup>
Oslo Børs	14	1,293	30	1,391
SWX	8	1,009	10	2,137
WSE	33	953	35 <sup>(6)</sup>	1,740 <sup>(6)</sup>
Athens Stock Exchange	1	612	2	29
ISE	1 <sup>(4)</sup>	502 <sup>(4)</sup>	-	-
Luxembourg	-	-	18	1,459
<b>EU regulated sub-total</b>	<b>251</b>	<b>57,227</b>	<b>229</b>	<b>44,756</b>
<b>Exchange-Regulated</b>				
London (AIM)	241 <sup>(1,2,3,5)</sup>	5,352 <sup>(1,2,3,5)</sup>	311 <sup>(7,8,9)</sup>	6,011 <sup>(7,8,9)</sup>
Luxembourg (EuroMTF)	25	1,355	13	616
Deutsche Börse (Entry Standard)	47	696	4	27
Euronext (Alternext)	52	443	14	83
London (PSM)	3	266	2	56
Ireland (IEX)	7 <sup>(1,2,3,5)</sup>	95 <sup>(1,2,3,5)</sup>	3 <sup>(7,8,9)</sup>	12 <sup>(7,8,9)</sup>
Euronext (Marche Libre)	31	21	25	68
<b>Exchange regulated sub-total</b>	<b>402</b>	<b>8,163</b>	<b>369</b>	<b>6,861</b>
<b>Europe Total</b>	<b>653</b>	<b>65,390</b>	<b>598</b>	<b>51,617</b>

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EU-regulated markets had 251 IPOs in total raising €57.2bn in 2006. This represents a 10% increase in the level of activity and a 28% increase in offering value compared to 2005. In volume terms, London's Main Market was the most active and attracted 53 IPOs. The second most active EU-regulated market was Deutsche Börse with 37 IPOs, followed by Euronext's Eurolist with 33 IPOs. In offering value London again led the way and generated €24.1bn, which represents 42% of the money raised on the EU-regulated markets in 2006. The offering value on Eurolist was €12.0bn, and on the Deutsche Börse the offering value amounted to €6.3bn.

Luxembourg saw the most dramatic shift in the year, with no IPOs on its EU-regulated market and all of its 25 IPOs taking place on its exchange-regulated market, EuroMTF. 18 of Luxembourg's 31 IPOs in 2005 took place on the EU-regulated market, however the EuroMTF has dominated since it commenced operation in July 2005. In particular this reflects the attractiveness of the exchange-regulated market to non-EU issuers, which made up 100% of Luxembourg's IPOs in 2006. The success of the EuroMTF contrasts with the performance of London's equivalent market, the PSM, which saw a number of companies transfer their listings from the Main Market but which has failed to capture a significant element of the international IPO market from the Main Market.

Looking at the exchange-regulated markets overall, 402 IPOs raised a total of €8.2bn in 2006 compared to 369 IPOs which raised total of €6.9bn in 2005.

Activity continues to be dominated by London's AIM, although its share has significantly decreased. AIM's 241

IPOs in 2006 represent a fall of 23% compared to the 311 IPOs experienced in 2005; while the offering value on AIM in 2006 of €5.4bn is 11% down on the €6.0bn raised in 2005. In 2005 IPOs on AIM accounted for 84% of all exchange-regulated IPOs and 52% of all European IPOs; in 2006 this reduced to 60% and 37% respectively. AIM activity in 2005 was at an unprecedented level and that continued in the first half of 2006. In the second half of 2006 however many of the smaller, start-up or development stage companies that were seeking to IPO, found that investors in such companies had at least temporarily lost their appetite to invest.

Euronext's Alternext was the second most active exchange-regulated market by number of IPOs in 2006. The 52 IPOs raised €443m in 2006 compared with 14 IPOs raising €83m in 2005. However, by offering value Luxembourg's EuroMTF was the second largest market in 2006, with its 25 IPOs raising €1.4bn.

The Deutsche Börse's Entry Standard was the third most active exchange-regulated market in 2006 with 47 IPOs raising €696m, compared to 4 IPOs and €27m in 2005.

**Dr. Martin Steinbach, Head of Issuer Relations at Deutsche Börse:**

*"The last year saw a record with 194<sup>4</sup> new issuers listing on Deutsche Börse. Particularly the Entry Standard, which Deutsche Börse launched in October 2005, has since firmly established itself as an alternative access to the EU capital market for small and medium-sized companies."*

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<sup>4</sup> Please note that the Deutsche Börse figure for total number of IPOs includes transaction types excluded from our analysis namely: investment company IPOs, re-admissions, transfers and reverse takeovers.

# International IPOs

Looking at the source of international IPOs, there has been a trend for large Eastern European businesses to raise funds via GDRs on London's Main Market, while Indian companies have continued to favour Luxembourg. Canadian companies, particularly those in mining and exploration, have found a home on AIM, as have an increasing number of smaller US businesses which have been attracted by AIM's lighter touch regulation compared to their domestic market.

European exchanges attracted 118 international IPOs (that is, IPOs on European exchanges by non-European issuers) in 2006 compared with 126 in 2005 which represents a modest 6% decrease in the international IPO activity. However, continuing the overall trend of higher value IPOs, the amount of money raised by international IPOs grew by 75% from €9.6bn in 2005 to €16.8bn in 2006.

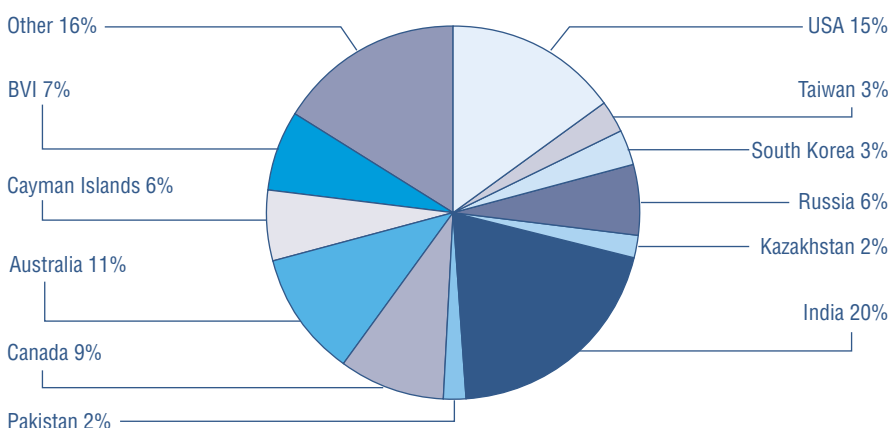
London attracted 75% of all international IPOs. AIM hosted 66 international IPOs which raised €1.8bn and London's Main Market saw 20 international IPOs raising €13.2bn in 2006. The five largest international IPOs in 2006 were all welcomed to London's Main Market. Amongst them the top five international IPOs raised €9.9bn, which accounts for 59% of the

offering value generated by international IPOs and 15% of total offering value in 2006. All of the top five international IPOs were GDR offerings, including Rosneft from Russia and Lotte Shopping from South Korea, which were the largest and fourth largest European IPOs of the year overall.

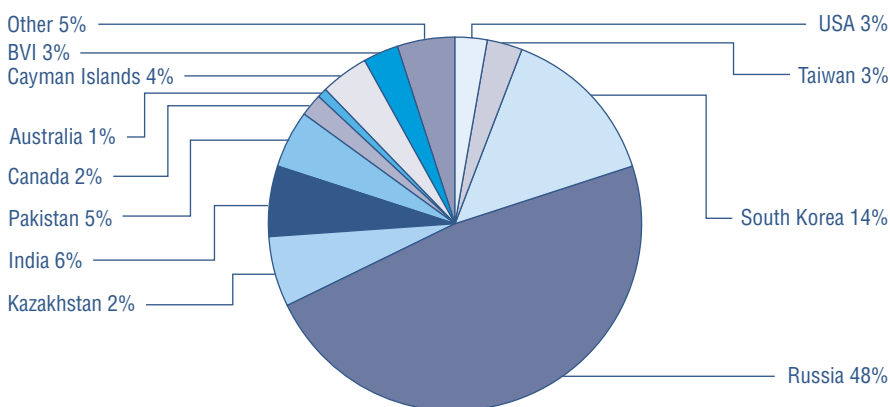
**Martin Graham, Director of Markets, London Stock Exchange:**

*"This success underlined London's position as the market of choice for international issuers. We look forward to helping more companies from around the globe to fund the growth of their businesses next year."*

**Country of incorporation by number**



**Country of incorporation by value (€m)**

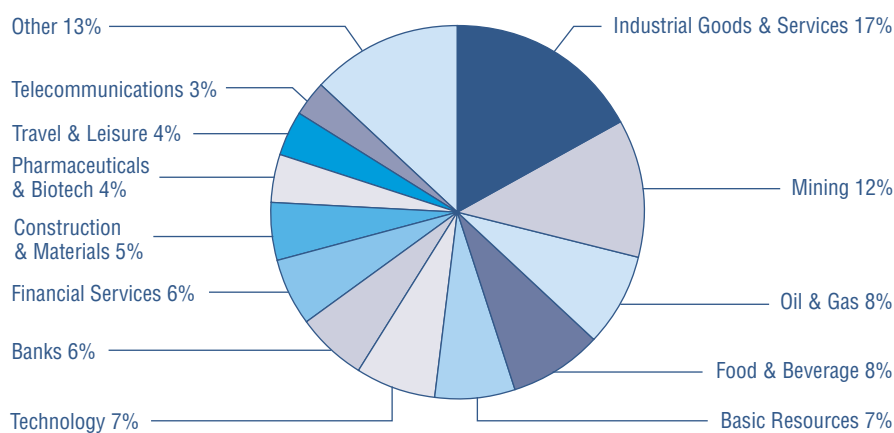


Luxembourg's EuroMTF was the second most attractive destination for international IPOs; with 22 IPOs from India and three from Taiwan. Warsaw hosted two non-European IPOs, one from the United States and one from the Ukraine, which raised €58m and €24m respectively. Oslo saw one international IPO, that of a Canadian oil & gas company, Petrobank which raised €24m. Also, the Deutsche Börse hosted an introduction by a Canadian mining company.

### Top five largest international IPOs

Company	Money raised (€m)	Exchange	Sector	Country of incorporation
Rosneft	5,192	London	Oil & Gas	Russia
Lotte Shopping	2,316	London	Retail	South Korea
OAQ Severstal	839	London	Basic Resources	Russia
Comstar	823	London	Telecommunications	Russia
Oil and Gas Development Co	687	London	Oil & Gas	Pakistan

### International IPOs – by sector



# Major IPOs in 2006

In 2006 all top ten largest IPOs of the year raised over €1bn, compared with six in 2005. The total new money raised by the top ten IPOs was up by 23% from €18.8bn in 2005 to €23.1bn in 2006. London's Main Market was home to five of the top ten IPOs in 2006 compared with four in 2005.

Saras was notable in the year as an IPO raising significantly over €1bn without listing on London, Euronext or the Deutsche Börse.

## Ten largest IPOs (ranked by money raised)

### 2006

Company	Money raised €m	Exchange listed on	Sector	Country of incorporation
Rosneft	5,192	London	Oil & Gas	Russia
Natixis	4,220	Euronext	Banks	France
Standard Life	3,240	London	Insurance	UK
Lotte Shopping	2,316	London	Retail	South Korea
Saras	2,069	Borsa Italiana	Industrial Goods & Services	Italy
Debenhams	1,378	London	Retail	UK
Symrise	1,215	Deutsche Börse	Chemicals	Germany
Experian	1,192	London	Industrial Goods & Services	UK
SNS Reaal	1,190	Euronext	Financial Services	Netherlands
ADP	1,117	Euronext	Industrial Goods & Services	France

### 2005

Company	Money raised €m	Exchange listed on	Sector	Country of incorporation
EDF	7,000	Euronext	Utilities	France
Gaz de France	3,482	Euronext	Oil & Gas	France
PartyGaming	1,356	London	Travel & Leisure	Gibraltar
Telenet Group Holding	1,060	Euronext	Media	Belgium
Sistema	1,040	London	Telecommunications	Russia
Premiere	1,025	Deutsche Börse	Media	Germany
RHM	985	London	Food & Beverage	UK
Kazakhmys	971	London	Basic Resources	Kazakhstan
Raiffeisen International Bank	969	Wiener Börse	Banks	Austria
EFG Internationl	893	SWX	Banks	Switzerland

# IPOs in the last five years

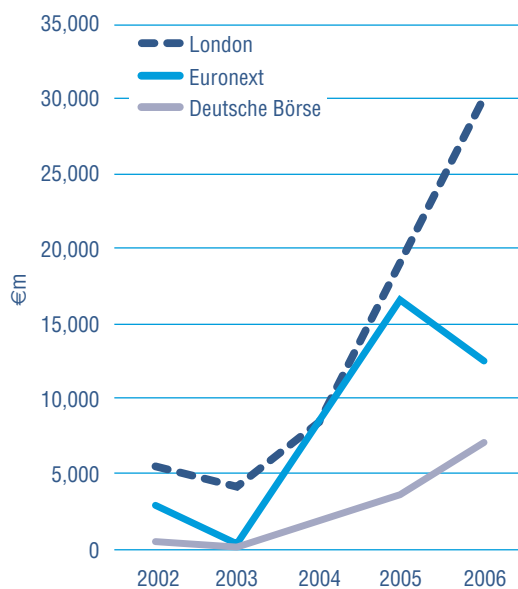
The graphs below show the level of activity on the most active European markets over the last five years.

The five year period presented commences in the lull experienced by the European exchanges after the dot.com boom of 2000, exacerbated by uncertainty following September 11th and the situation in Iraq.

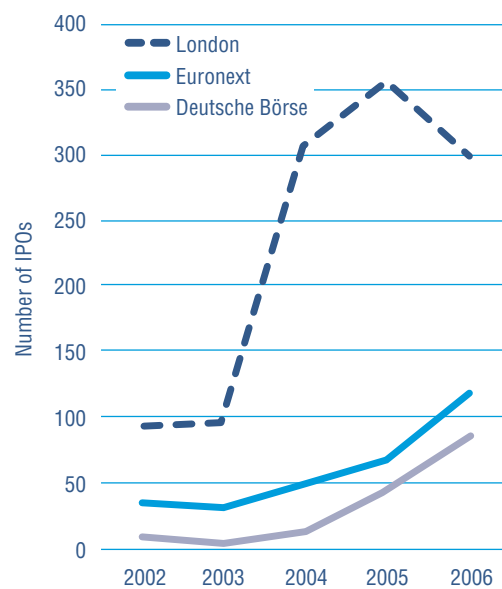
After signs of growth towards the end of 2003, a significant recovery took place in 2004 and continued through 2005 to 2006. Most particularly there was a surge in growth on AIM in London up to 2005, and while AIM

continued to dominate the number of European IPOs in 2006, it was the only market operated by the three largest European exchanges to see a fall in the number and offering value of IPOs in 2006 compared to 2005. This reduction in volume on AIM, coupled with a record year for London's Main Market, helped to drive up the average offering value per IPO in the year.

Offering value – over the last 5 years



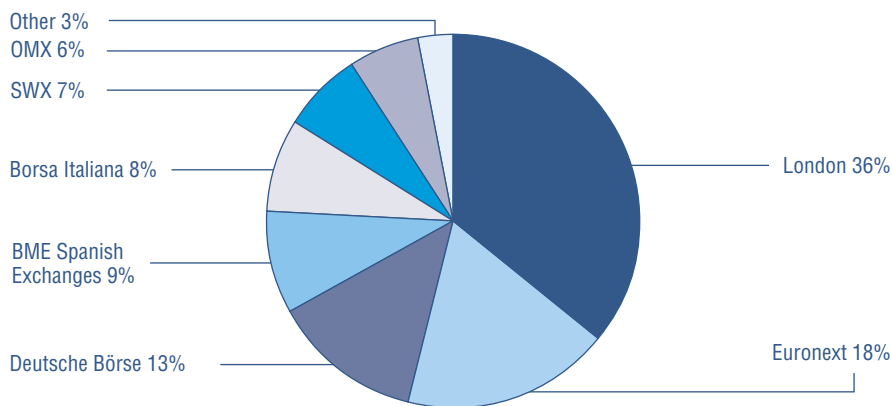
Number of IPOs over past 5 years



# Consolidation of the European Markets – Where is the liquidity?

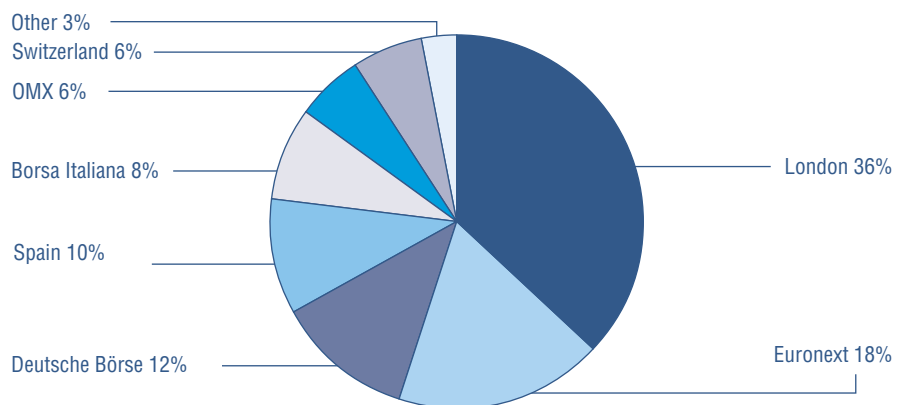
As seen in previous years, the relative proportions of the total value of equity trading have remained broadly constant between 2005 and 2006. London and Euronext continue to contribute over half of the equity trading in each year. The overall value of equity trading has continued its upward trend and increased by a third from €12,637bn in 2005 to €16,771bn in 2006.

## Value of equity trading 2006 (total trading was €16,771 billion)



Source: WFE

## Value of equity trading 2005 (total trading was €12,637 billion)



Source: WFE

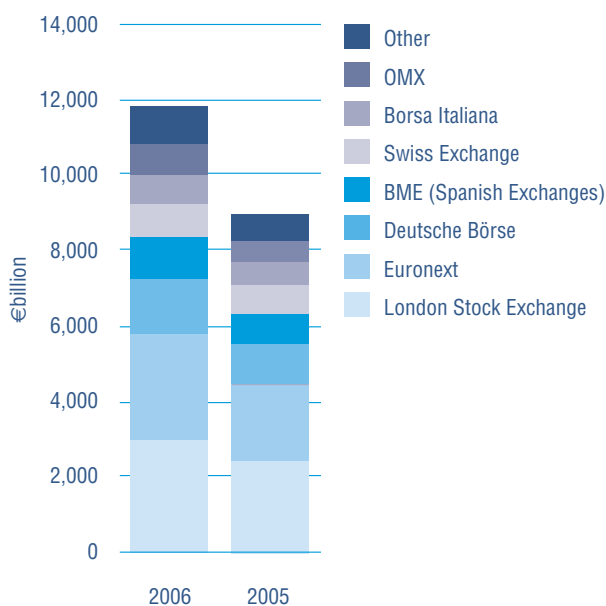
### Note:

- 1) No data available for individual exchanges within OMX from WFE; OMX Exchanges include Copenhagen, Helsinki, Stockholm, Iceland, Tallinn, Riga and Vilnius Stock Exchanges
- 2) 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.
- 3) Swiss Exchange's turnover includes also shares traded on Virt-x

# Consolidation of the European Markets – Where is the value?

The market capitalisation of the European exchanges increased by 31% from €9,002bn in 2005 to €11,823bn in 2006. The majority of exchanges saw increases in excess of 30% and it is interesting to note that London experienced the smallest increase, in percentage terms, of 23% from €2,457bn in 2005 to €3,011bn in 2006. The movement in total market capitalisation is impacted by many factors; however it is worth noting that London has seen a relatively high level of public-to-private deals and London's main share indices saw lower growth in 2006 than those of its main rivals.

Market capitalisation of exchanges



Source: WFE

**Note:**

- 1) No data available for individual exchanges within OMX from WFE; OMX Exchanges include Copenhagen, Helsinki, Stockholm, Iceland, Tallinn, Riga and Vilnius Stock Exchanges
- 2) 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.

# IPOs by sector

The top five sectors which experienced the most IPO activity in 2006 were: the Industrial Goods & Services sector with 130 IPOs; the Technology sector with 87 IPOs; the Financial Services sector with 42 IPOs; and the Mining and Media sectors with 37 IPOs each.

The Industrial Goods & Services sector saw a 34% increase in the number of IPOs. The 130 IPOs in this sector raised €13.2bn in 2006. The largest IPO in this sector was that of Saras on Borsa Italiana, which raised €2.1bn.

## James F. McDonnell, PwC Strategy Partner:

*“A review of European IPOs in the Industrial sector reveals a number of interesting insights... Firstly, the IPO market for Industrials demonstrated continued strength, despite ongoing pressure on European industrial companies due to global competition. The number of Industrial IPOs in 2006 grew about 30% from the previous year to about 130 companies listing, generating €13.2bn in new capital.*

*Secondly, the importance of energy – in particular environmentally friendly energy – was evident in 2006. Energy related companies represented a large component of the 2006 Industrial IPO activity with a plethora of companies focussing on biofuels, solar, wind, fuel cells and clean air technology on the list, in addition to traditional energy processing, services and distribution.*

*Thirdly, the activity in 2006 was truly pan-European as companies from 16 European countries sought capital through European listings.*

*Finally, the importance of Europe as a source of capital for companies outside the EU was apparent as 21 companies from 10 non European nations chose European markets for their listings.”*

The number of Technology sector IPOs increased by 26% in 2006. London and Euronext attracted the majority of these IPOs with 26 and 23 respectively. The 87 Technology sector IPOs raised €2.6bn in 2006. The largest IPO in this sector was that of the Norwegian solar grade silicon and wafers for solar applications producer, Renewable Energy Corporation, which raised €0.9bn.

## Andy Morgan, PwC Partner, Technology Sector Leader Corporate Finance:

*“IPO activity levels in the Technology sector were up more than 26% in volume terms in 2006, with total funds raising €2.6bn. This was dominated by the €0.9bn raised by Renewable Energy Corporation in Oslo, however there was a strong pipeline of mid market activity with 18 companies raising in excess of €30m, a 50%*

Sector	Company IPOs 2006	Movement in the table	IPOs 2005
<b>Industrial Goods &amp; Services</b>	<b>130</b>	-	<b>97</b>
<b>Technology</b>	<b>87</b>	-	<b>69</b>
<b>Financial Services</b>	<b>42</b>	<b>(+2)</b>	<b>48</b>
<b>Mining</b>	<b>37</b>	<b>(-1)</b>	<b>54</b>
<b>Media</b>	<b>37</b>	<b>(+1)</b>	<b>35</b>
Pharmaceuticals & Biotech	32		35
Real Estate	32		22
Oil & Gas	30		50
Travel & Leisure	29		26
Construction & Materials	26		7
Health Care	22		19
Retail	22		11
Telecommunications	22		21
Personal & Household Goods	20		12
Basic Resources	19		9
Food & Beverage	19		26
Banks	14		15
Chemicals	11		15
Utilities	8		16
Automobiles & Parts	7		6
Insurance	7		5
<b>Total</b>	<b>653</b>		<b>598</b>

increase on 2005. AIM has continued to thrive as the market of choice for young, fast growing technology companies and to attract more attention internationally, although activity levels cooled markedly in the second half of 2006.

2006 also saw a strong M&A market in the Technology sector, and a notable step up in Private Equity appetite for technology stocks. M&A and Private Equity may become increasingly attractive alternatives to the public markets in 2007 as shareholders look at alternate means of achieving their objectives.”

The Financial Services sector has seen a decline of 13% in the number of IPOs in 2006.

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

“The Financial Services sector continues to account for a large number of European IPOs. In 2006, as in 2005, Financial Services ranked as the third most active sector (by number of IPOs) in Europe with 42 announced listings (rising to 63 with the inclusion of Banking and Insurance). London has further cemented its reputation as the financial centre of Europe, with 38 of these 63 Financial Services listings occurring on either the LSE, PSM or AIM. The largest listing (by money raised) in the sector resulted from Banque Populaire’s €10bn merger with Caisse d’Epargne, to form Natixis, which raised €4,220m on Euronext. In the UK, demutualisation and listing of life insurer Standard Life raised €3,240m, and the Dutch bancassurer SNS Reaal listed on Euronext raising €1,190m. These transactions confirm the attractiveness of the public markets to a full range of larger European financial services organisations.”

The Mining sector was the fourth most active in 2006. AIM hosted 34 of the 37 IPOs. The total amount raised by Mining sector IPOs was €312m, with €222m of that raised on AIM.

**Jason Burkitt, PwC Director, Mining Group:**

“Continued surging commodity prices off the back of demand from China created ideal conditions for raising funds for mining companies during 2006. However, like the underlying commodities markets, 2006 witnessed peaks and troughs in IPO activity. The softer commodity markets in Q2 impacted the flotation plans of a number of companies and, after some respite, as the year closed, prices continued to decline. While this may have contributed to the reduction in the number of listings from the record year of 2005 (54), there was a large increase in the average deal size of €36m (2005: €8m) due to two particularly large offerings in the second half of the year.

Once again AIM saw the majority of the activity, but the admission of some international medium sized producers to the London’s Main Market towards the end of the year may signal the beginning of a new trend for companies of a certain scale. Both AIM and the Main Market maintained their records of being attractive places for international companies to raise funds for projects in the more remote and higher risk locations.”

There was a modest increase in the number of Media sector IPOs in 2006; 37 IPOs compared with 35 IPOs in 2005.

**Phil Stokes, PwC Partner, UK Entertainment and Media Leader:**

“The number of IPOs in the Media sector increased from 35 in 2005 to 37 in 2006 but the money raised was sharply lower at €1.5bn versus the €3.8bn raised the previous year. Only 4 IPOs raised in excess of €100m: the largest Media IPO by money raised was Trader Media East in London, raising just under €462m, followed by Vocento in Madrid, Multimedia Polska in Warsaw and Rightmove, again in London.

The reduced value of money raised in Media IPOs contrasted with our research into European Media M&A deal values which rose 75% to €43bn in 2006. Excluding the UK which was subdued in M&A activity, deal values rose 123% to €37bn returning the sector to levels not seen since the boom of 2000.”

# Investment Companies

To date we have excluded investment companies from our IPO statistics. The reason for this exclusion was that in most cases companies classified as investment companies were not considered to give a true measure of IPO activity as they are generally raising money to invest in listed or unlisted securities or property. Due to an increasing number of investment companies coming to the European capital markets, in order to be in line with other IPO surveys and to show a more complete picture of activity, we have decided to include investment companies in our analysis presented here and in our future definition of an "IPO". This change will be effective from the Q1 2007 IPO Watch survey. The 2006 figures have been presented on a restated basis below, to take account of this change.

Most of the investment companies chose London's AIM as their destination in 2006; where 84 investment companies' IPOs raised €8.3bn. London's Main Market saw 44 investment IPOs raising €3.6bn and one company raised €0.6bn on PSM.

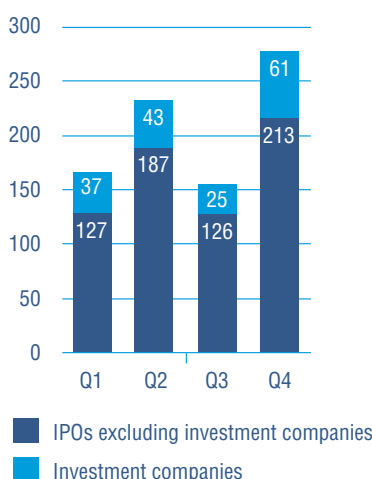
Eurolist saw 16 of the 18 investment IPOs on Euronext in 2006 including the three largest investment company IPOs in 2006: KKR Private Equity Investors (which raised €3.9bn), AP Alternative Assets (which raised €1.6bn) and MW Tops (which raised €1.5bn). All three of these companies are Guernsey based, and both KKR Private Equity Investors and AP Alternative Assets are examples of the increasing number of public investment companies that are being established by private equity.

The following graphs illustrate the quarterly number and offering value of IPOs for 2006 restated to include investment company IPOs. The impact is to increase the number of IPOs reported by 25%, and to raise the total offering value reported by 34%.

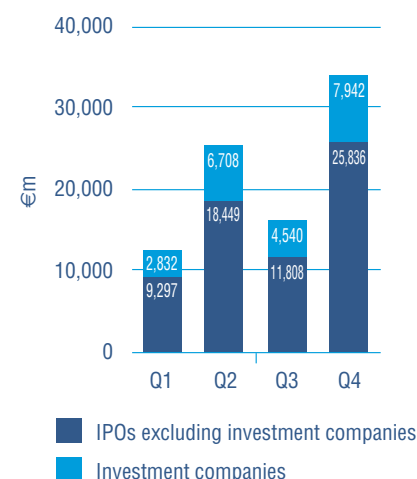
## Investment Company IPOs in 2006

	Number of IPOs	Offering Value (€m)
London	129	12,437
Euronext	18	8860
OMX	10	275
Other	9	450
<b>Totals</b>	<b>166</b>	<b>22,022</b>

## Number of IPOs restated to include investment companies



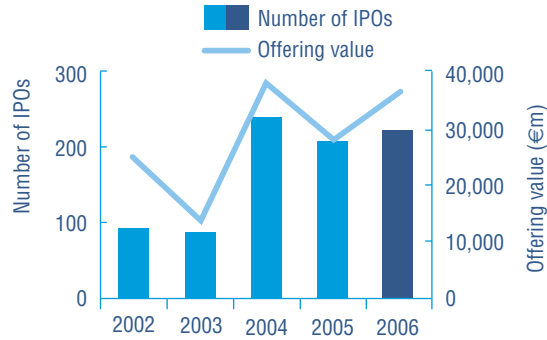
## Offering value of IPOs restated to include investment companies



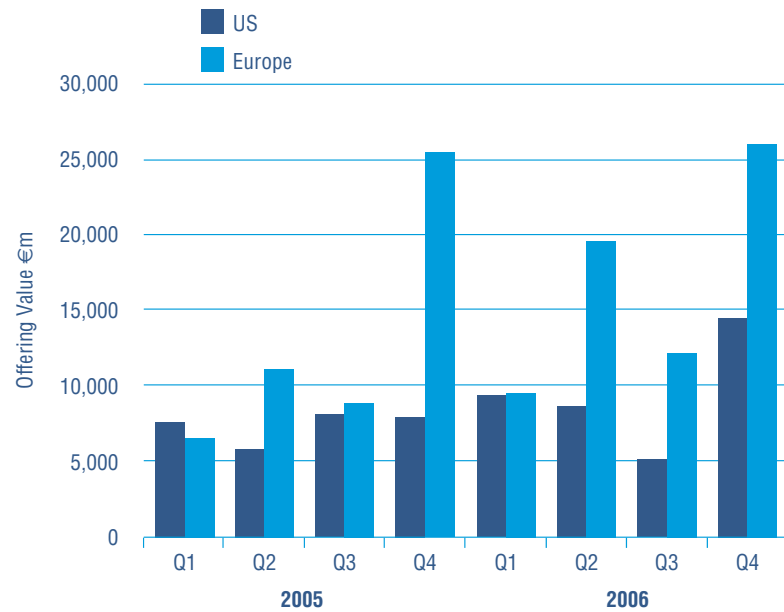
# Comparison with the US

After a slowdown in 2005, the US exchanges enjoyed an increase in IPO activity in 2006. The total number of IPOs in the US increased from 205 in 2005 to 217 in 2006. The total offering value also grew by 31% from €27.5bn in 2005 to €36.1bn in 2006.

## IPOs and offering value



## US v Europe quarter on quarter



# Comparison with the US

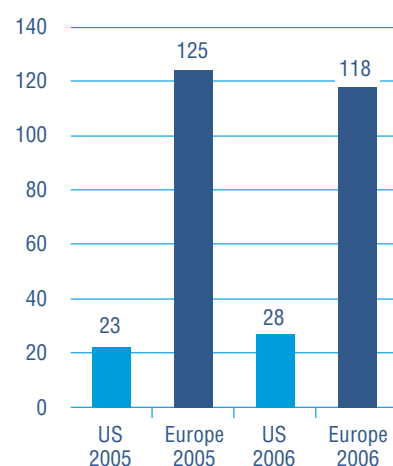
Stock Exchange	IPOs 2006	Offering value (€m) 2006	IPOs 2005	Offering value (€m) 2005
<b>Europe total</b>	<b>653</b>	<b>65,390</b>	<b>598</b>	<b>51,617</b>
Nasdaq	140	13,798	132	10,554
NYSE	64	21,371	61	16,540
AMEX	13	960	12	390
<b>Total</b>	<b>217</b>	<b>36,129</b>	<b>205</b>	<b>27,484</b>

The European exchanges continue to outperform their US counterparts in both volume of IPO activity as well as the amounts of new money raised. While the average offering value in the US is higher, the volume of transactions in Europe results in European IPOs raising 81% more than US IPOs in 2006. If we restate the European figures as stated on page 17 to include investment company IPOs and restate the US figures similarly, the European total offering value becomes €87bn compared to US total offering value of €40bn.

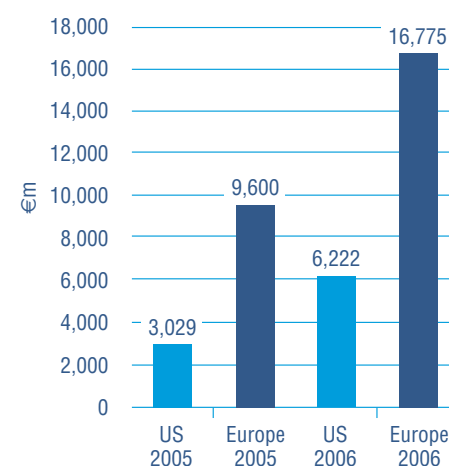
The top three largest US IPOs took place on NYSE. The largest of these was Mastercard, which raised €1.9bn; followed by Owens Corning which raised €1.3bn; and Spirit Aerosystems which raised €1.1bn.

The US exchanges attracted 28 international IPOs which raised €6.2bn in 2006. There were seven IPOs from China, three from Greece, two each from Argentina, Bermuda, Canada and Israel and one each from Brazil, Germany, India, Ireland, South Korea, Mexico, Russia, UK, Singapore and Taiwan. This compares to the 118 international IPOs raising €16.8bn in Europe, illustrating that Europe remains the preferred destination for international IPOs.

**International IPOs by number Europe v US**



**International IPOs by offering value Europe v US**



# Comparison with Greater China

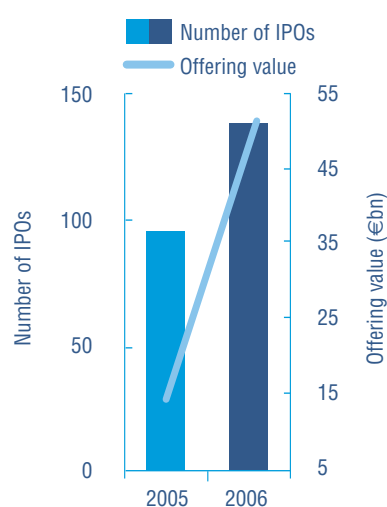
The 'Greater China' region comprises Hong Kong (Main Board plus GEM); Shanghai (A plus B); Shenzhen (A plus B); and Taiwan.

In 2006, the number of IPOs in Greater China increased by 47% from 94 in 2005 to 138 in 2006. The total offering value increased from €17.5bn in 2005 to €47.6bn in 2006; this represents a growth of 172%.

Many large Chinese companies raised funds in Hong Kong during 2006, continuing the trend established in 2005 and leading to a significant increase in the total offering value to a record high of €34.0bn. This was mainly driven by the listing of the Industrial and Commercial Bank of China and the Bank of China (respectively the largest and the second largest banks in China) on the Hong Kong Stock Exchange, which accounted for €21.6bn of the total offering value. The listing of Industrial and Commercial Bank of China also marked the first successful concurrent dual listing on the Hong Kong and Shanghai Stock Exchanges.

The Chinese government's year long suspension of fund raising activities on Shanghai and Shenzhen stock exchanges was lifted in mid 2006 and the activity soared towards the end of the year as issuers were finally able to complete their IPOs.

## IPOs and Offering Value



Stock Exchange	IPOs 2006	Offering value (€m) 2006	IPOs 2005	Offering value (€m) 2005
<b>Europe total</b>	<b>653</b>	<b>65,390</b>	<b>598</b>	<b>51,617</b>
Hong Kong	62	34,012	67	16,869
Shanghai	13	11,359	3	281
Shenzhen	52	1,638	12	286
Taiwan	11	595	12	96
<b>Total</b>	<b>138</b>	<b>47,604</b>	<b>94</b>	<b>17,532</b>

# Developments in European Capital Market Regulation

James Anderson, PwC Director, London Capital Markets Group

With the Transparency Directive due to be effective in member states in January 2007, the implementation of the EU Commissions Financial Services Action Plan is nearly complete. The next few years should therefore see a period of consolidation and refinement in the capital markets space.

## Transparency

The Transparency Directive is a minimum harmonisation directive and supersedes the existing Interim reporting and Major Shareholdings Directives. As well as setting out periodic financial reporting requirements it also deals with major shareholding disclosures and dissemination and storage of regulated information. The directive introduces a requirement for issuer responsibility statements in both annual and half-yearly reports and also a new requirement for the production of Interim Management Statements (IMS). IMS are narrative statements required on a quarterly basis that must explain the effect of material events and transactions as well as the financial position and performance of the issuer during the period.

2006 has seen some fine tuning of existing legislation, firstly on the issue of equivalence and secondly in the area of complex financial histories.

## Equivalence

Under the Transparency Directive, the Prospectus Directive and Prospectus Regulation there is a presumption that all financial information will be presented in accordance with IFRS as adopted by the EU for listed companies. When the directives and regulation were being negotiated, and in response to market pressures, provisions were included allowing non-EU incorporated companies to use either IFRS, as adopted in the EU, or an equivalent GAAP. Precisely what is meant by "an equivalent GAAP" was not specified in the legislation.

With the publication of regulation 1787/2006 in the Official Journal, the Commission has now officially delayed the assessment of equivalence requirements until 2009 – when the SEC has said it will be in a position to take a view on the acceptability of IFRS on a stand alone basis without the need for reconciliation with US GAAP. This regulation amends and extends the transitional provisions contained within the Prospectus Regulation for a further period of two years to allow time for discussion and for countries to progress convergence of national standards with IFRS.

## Complex financial histories

Recognising the importance of ensuring that the financial history presented in a prospectus appropriately reflects the substance of an issuer's operations, the European Commission brought forward an amendment to the Prospectus Directive implementing Regulation (809/2004) which should take effect in early 2007. The new law defines two new terms, namely a 'complex financial history' and a 'significant financial commitment', which if applicable will require an issuer to consider including additional historical financial information to that of its own, in a prospectus.

# About IPO Watch Europe

IPO Watch Europe surveys all new primary market listings on Europe's principal stock markets and market segments (including exchanges in the EU member states plus Switzerland and Norway) on a quarterly basis. Investment-related companies' listings, movements between markets on the same exchange, re-admissions, reverse takeovers and greenshoe offerings are excluded. The IPO Watch Europe – Review of the year 2006 collates data from the quarterly surveys conducted between 1 January and 31 December 2006 capturing new market listings based on their listing date.

With effect from the first quarter of 2007, our definition of "IPO" will be amended to include investment-related companies, however we will continue to exclude movements between markets on the same exchange, re-admissions, reverse takeovers and greenshoe offerings.

IPO Watch Europe – Review of the year 2006 was compiled by

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

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

The figures stated herein for Oslo Børs differ from those stated in our quarterly IPO Watch Europe press releases, as Oslo Børs has revised its data for the full year.

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

# London Capital Markets Group



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

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

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