IPO Watch Europe

Review of the year 2005

PricewaterhouseCoopers

Contents

Foreword

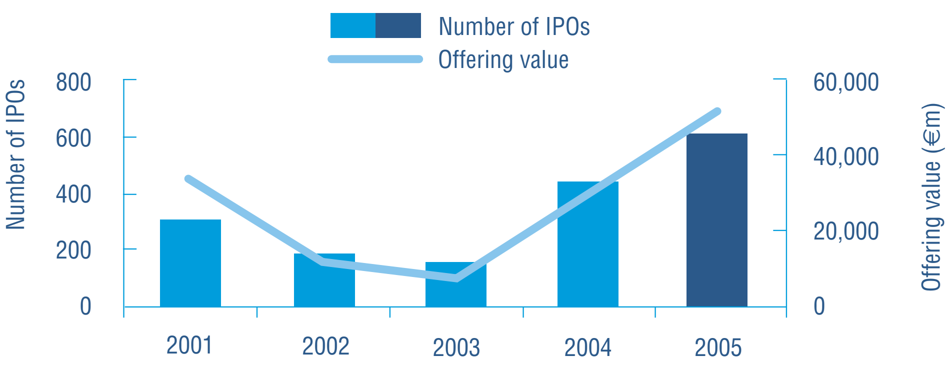
Welcome to the IPO Watch Europe review of the year 2005, the PricewaterhouseCoopers survey that tracks volume and value of IPOs around Europe. 2005 has been a record year for European IPO activity in terms of international offerings, number of IPOs and total offering value.

Despite concerns relating to the introduction of new European capital markets regulations in 2005, Europe took the implementation of the Prospectus Directive from July 2005 in its stride and saw a surge of IPO activity in both volume and value terms. The number of European IPOs increased by 39% from 433 in 2004 to 603 in 2005. This increase reinforces the upward trend which commenced in 2004 after the slump in activity experienced in 2002 and 2003. Furthermore, new money raised in 2005 of €51bn represents almost double the amount raised in 2004(€28bn).

The increase in money raised in Europe was largely driven by two factors: Firstly Euronext saw a number of large French privatisations led by Electricité de France (which raised €7.0bn and was the largest IPO in Europe since our survey started) and Gaz de France (which raised €3.5bn); and secondly there was substantial international activity on the European markets with international IPOs raising €9.6bn, accounting for 19% of total money raised in Europe. As a result, for the first time since the launch of PricewaterhouseCoopers IPO Watch survey in 2001, Europe raised more new money from IPOs than the US and also attracted more international IPOs than the US exchanges.

The increase in European IPO activity was driven by the continued success of AIM, London's exchange-regulated smaller companies' market, which accounted for 52% of total European IPOs in the year. Recognising the success of the AIM model, the European markets opened up a host of new exchange-regulated markets this year, including Alternext (Euronext), IEX (Ireland) and Entry Standard (Deutsche Börse). Furthermore, both London and Luxembourg opened up exchange-regulated markets primarily targeted at bond and GDR issues in the form of the Professional Securities Market ("PSM") and EuroMTF respectively.

IPOs and offering value



London was the exchange with both the largest number of IPOs and the highest total offering value. Despite the French privatisations boosting the offering value on Euronext, the success of London in attracting international IPOs (raising €7.4bn) and IPOs from other European countries (€3.2bn) together with the high activity levels on both the Main and AIM markets, resulted in London moving up from the second largest exchange in terms of offering value in 2004 to the largest in 2005. In terms of activity, London continued to be the largest market, however its market share dropped to 59% in 2005 from 70% in 2004.

2005 saw further developments in the implications of the Sarbanes-Oxley Act passed by the US congress in 2002. It is apparent from the performance of the IPO market in 2005 that the Sarbanes-Oxley Act has influenced the decisions of many non-US companies, which seemed reluctant to subject themselves to the increased regulation in the US and opted instead to head to IPO in Europe. In 2005 the European exchanges attracted 126 international IPOs which raised €9.6bn compared with 23 international IPOs on the US exchanges raising €3.0bn.

As predicted last year, the improving pipeline of upcoming IPOs observed in late 2004 translated into high market activity in 2005. Such activity continued throughout the year unabated by the implementation of regulatory changes.

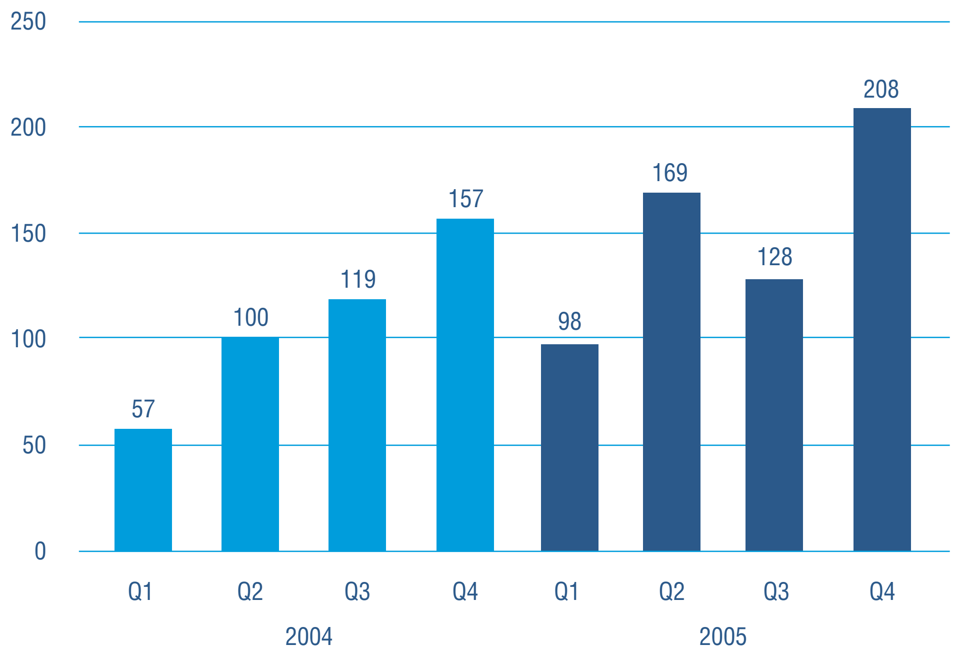
Looking forward to 2006, there is economic uncertainty particularly around high oil prices and other factors which can impact on the IPO market. However, provided that no negative economic factors emerge, there is no reason why IPO markets should not continue to thrive. With the continued need for capital from emerging markets economies such as Russia, China and India, Europe should continue to be popular destination for international IPOs.

Tom Troubridge, Head of the London Capital Markets Group

European IPOs by quarter

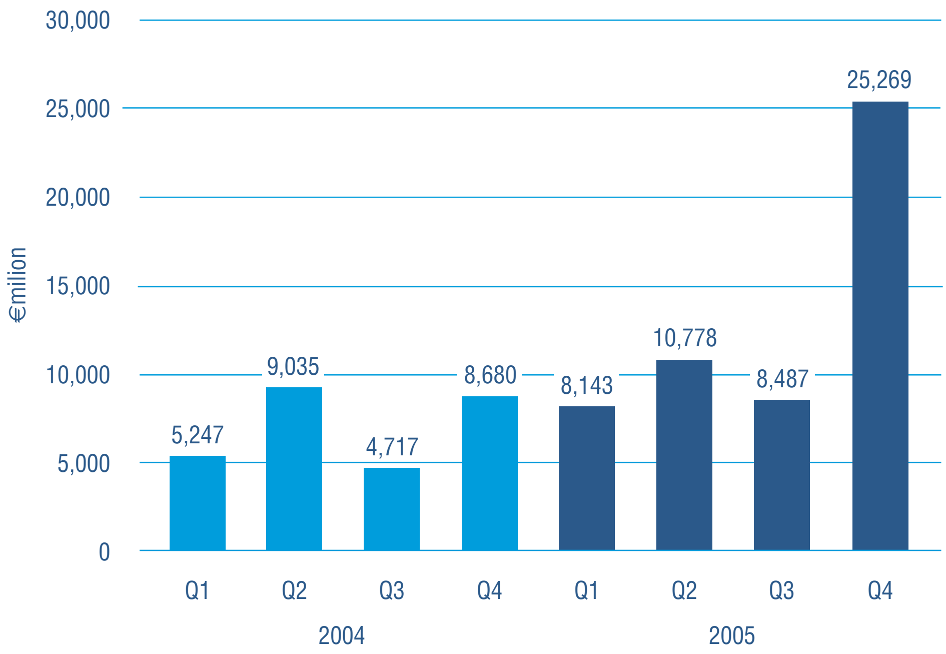
There has been an increase in the number of IPOs in each quarter of 2005 as compared with the same quarter in 2004. The implementation of the Prospectus Directive across Europe from 1 July 2005 provided an added incentive to complete deals in the first half of the year and also contributed to a more cautious approach in quarter three of 2005. Except for this fluctuation, the overall trend within 2005 matches that experienced in 2004 but at a higher activity level. The final quarter of 2005 was a record quarter with the highest number of IPOs for any quarter since 2001 (the first year covered by our survey); clearly indicating that Europe has taken the regulatory changes in its stride. Furthermore, the average number of IPOs per quarter increased from 108 in 2004 to 151 in 2005.

Number of IPOs



The offering value of IPOs has increased significantly compared to 2004. The offering value in the final quarter of 2005 is a record for any quarter since we began our survey in 2001, and represents nearly three times the offering value in the same period in 2004. This peak is even more remarkable given the strong pipeline that remains. The average offering value per IPO (excluding introductions) was €99m in 2005 as compared to €77m in 2004. Even excluding the top ten IPOs each year, the "normalised" average offering value per IPO has increased from €39m in 2004 to €64m in 2005, indicating that the general trend for IPOs is towards a higher offering value.

Offering value of IPOs



IPOs by Stock Exchange

IPOs per exchange

	IPOs 2005	Offering value (€m) 2005	IPOs 2004	Offering value (€m) 2004
London	354 (2,3,4)	18,588 (2,3,4)	305 (5,6,7)	8,309 (5,6,7)
Euronext	65	16,319	48	8,486
Deutsche Börse	43	3,593	10	1,818
Borsa Italiana / Mercato Expandi	15	2,400	8	2,481
Swiss Stock Exchange	10	2,137	4	408
Luxembourg	31	2,075	8	380
Warsaw Stock Exchange	35 (1)	1,740 (1)	36	2,988
Oslo Børs	30	1,391	2	292
Wiener Börse	7 (1)	1,162 (1)	1	7
Copenhagen Stock Exchange	3	766	2 (7)	- (7)
Stockholm	8	392	5	90
Madrid Exchange	1	157	3	2,415
Athens Stock Exchange	2	29	2	5
Ireland	3 (2,3,4)	12 (2,3,4)	2 (5,6)	681 (5,6)
Europe Total	**603**	**50,677**	**433**	**27,679**

(1) SkyEurope dual listing (Warsaw Stock Exchange and Wiener Börse) raising €71m

(2) Irish Estate plc dual listing (London (AIM) and Ireland (IEX)) raising €nil

(3) Newcourt Group Plc dual listing (London (AIM) and Ireland (IEX)) raising €13m

(4) Lapp Plats dual listing (London (AIM) and Ireland (IEX))raising €nil

(5) C&C Group dual listing (London (Main) and Ireland (Main)) raising €385m

(6) Eircom dual listing (London (Main) and Ireland (Main)) raising €296m

(7) Group 4 Securicor and Falck dual listing (London (Main) and Copenhagen) raising €nil

European exchanges welcomed 603 IPOs in 2005, up by 39% from 433 in 2004. The total offering value grew by 83%, from €27.7bn in 2004 to €50.7bn in 2005. The total offering value in Europe in 2005 was boosted by a small number of high-value IPOs, particularly French privatisations, with Electricité de France and Gaz de France jointly contributing €10.5bn or 21% of the total offering value.

Although, London's market share by number of IPOs has decreased in 2005 to 59% from 70% in 2004, London still leads the European capital markets with 354 IPOs in 2005. The offering value in London increased to €18.6bn in 2005 from €8.3bn in 2004. London was host to the third largest IPO of the year, Partygaming which raised €1.4bn.

Martin Graham, Director of Market Services and Head of AIM, LSE

"The number of international listings on both the Main Market and AIM in 2005 highlights our position as the world's capital market. With a healthy pipeline

of companies expressing an interest in a London listing, we look forward to welcoming many more in 2006."

"The number of IPOs clearly demonstrates the strength of the London markets. The Main Market enjoyed the highest number of IPOs since 2000 and AIM had its most successful year since its launch in 1995, both in terms of total money raised and number of new issues."

Euronext was the second largest European market in both number and offering value terms. Euronext's market share by number remained stable at 11% in both 2004 and 2005. The average offering value per IPO excluding introductions was €340m compared to €61m on London reflecting the small number of high value IPOs on Euronext, including the two largest of IPOs of 2005, Electricité de France and Gaz de France.

The Deutsche Börse was the third most active exchange in 2005 by volume and in value terms. Its 43 IPOs raised €3.6bn of new money in 2005. This represents a significant increase on the previous year when 10 IPOs generated €1.8bn in offering value. Deutsche Börse was host to the sixth largest IPO of 2005, namely that of the media & entertainment company, Premiere AG, which raised over €1.0bn.

Rainer Riess, Managing Director of Stock Market Business Development, Deutsche Börse

"IPO activity is expected to strongly increase across all market segments in 2006 in Germany. With the introduction of the Entry Standard as part of the Open Market, Deutsche Börse has extended its primary market offering especially for small and medium-sized companies. The new market segment provides a flexible and cost-efficient way of accessing the capital market with fewer formal requirements than the EU-regulated Prime and General Standard."

The fourth most active exchange in volume terms was Warsaw which saw 35 IPOs in 2005, raising €1.7bn. The IPO of PGNIG was responsible for €681m of the total offering value. PGNIG was the second largest ever IPO to take place on the Warsaw Stock Exchange; the largest being the bank PKO BP which raised €1.8bn in 2004.

The Borsa Italiana had 15 IPOs in 2005, up from eight in 2004, however, the total offering value decreased slightly from €2.5bn in 2004 to €2.4bn in 2005. The IPO of the optical manufacturer Safilo Group raised €686m or 29% of total offering value in 2005.

The Swiss Stock Exchange saw 10 IPOs in 2005, compared with four in the previous year. Also, offering value increased substantially from €408m in 2004 to €2.1bn in 2005. The largest IPO on the Swiss Stock Exchange was that of EFG International, a Swiss bank, which was also the 10th largest IPO of 2005 in Europe, raising €893m.

The Oslo Børs saw a significant turnaround in 2005, the number of IPOs increased to 30 from just two in 2004. The offering value was up from €292m in 2004 to €1.4bn in 2005. The largest IPO was that of the Norwegian transport company Bergesen, which raised €539m and accounted for 39% of the offering value.

Similarly, IPO activity on Luxembourg has increased. The number of IPOs increased from eight in 2004 to 31 in 2005. The increase was also reflected in the offering value which was up from €380m in 2004 to €2.1bn in 2005. Luxembourg continues to be a very popular destination for international (particularly Indian) companies' GDRs.

European exchanges attracted 126 international IPOs in 2005 raising €9.6bn. Indian, Australian and Israeli companies dominated with 32, 16 and 14 IPOs respectively. 90 of the 126 overseas IPOs took place in London (72 on AIM, 16 on the Main market and two on PSM), and raised €7.4m.

EU-Regulated and Exchange-Regulated Markets

IPOs per exchange

	IPOs 2005	Offering value (€m) 2005	IPOs 2004	Offering value (€m) 2004
EU-Regulated				
Euronext (Main)	26	16,168	42 (5,6,7)	8,474
London (Main)	41	12,521	32	4,775 (5,6,7)
Deutsche Börse	19	3,515	5	1,818
Borsa Italiana / Mercato Expandi	15	2,400	8	2,481
Swiss Stock Exchange	10	2,137	4	408
Warsaw Stock Exchange	35 (1)	1,740 (1)	36	2,988
Luxembourg	18	1,459	8	380
Oslo Børs	30	1,391	2	292
Wiener Börse	7 (1)	1,162 (1)	1	7
Copenhagen Stock Exchange	3	766	2 (7)	- (7)
Stockholm	8	392	5	90
Madrid Exchange	1	157	3	2,415
Athens Stock Exchange	2	29	2	5
Ireland (Main)	-	-	2 (5,6)	681 (5,6)
EU-regulated sub-total	**214**	**43,766**	**149**	**24,133**
Exchange-Regulated				
London (AIM)	311 (2,3,4)	6,011 (2,3,4)	273	3,534
London (PSM)	2	56	-	-
Luxembourg (EuroMTF)	13	616	-	-
Euronext (Alternext)	14	83	-	-
Euronext (Marche Libre)	25	68	6	12
Deutsche Börse (Open Market/Freiverkehr)	20	51	5	-
Deutsche Börse (Entry Standard)	4	27	-	-
Ireland (IEX)	3 (2,3,4)	12 (2,3,4)	-	-
Exchange-regulated sub-total	**389**	**6,911**	**284**	**3,546**
Europe Total	**603**	**50,677**	**433**	**27,679**

(1) SkyEurope dual listing (Warsaw Stock Exchange and Wiener Börse) raising €71m

(2) Irish Estate plc dual listing (London (AIM) and Ireland (IEX)) raising €nil

(3) Newcourt Group Plc dual listing (London (AIM) and Ireland (IEX)) raising €13m

(4) Lapp Plats dual listing (London (AIM) and Ireland (IEX))raising €nil

(5) C&C Group dual listing (London (Main) and Ireland (Main)) raising €385m

(6) Eircom dual listing (London (Main) and Ireland (Main)) raising €296m

(7) Group 4 Securicor and Falck dual listing (London (Main) and Copenhagen) raising €nil

EU-regulated markets had 214 IPOs in total raising €43.8bn in 2005. There was a 44% increase in the volume of IPOs and an 80% increase in the offering value of EU-regulated IPOs in 2005. Euronext generated the highest amount of new money raised on EU-regulated markets, €16.2bn; followed by London and Deutsche Börse with €12.5bn and €3.5bn respectively. In terms of the number of transactions, London had the most activity while Euronext experienced a significant reduction compared to 2004.

With regard to exchange-regulated markets, activity continued to be dominated by AIM, with many of the markets launching during the year. In volume terms, AIM had an 80% market share of all IPOs on exchange-regulated markets. AIM also accounted for 87% of new money raised on exchange-regulated markets.

The newly established EuroMTF was the second largest exchange-regulated market in terms of offering value, generating €616m of new money raised on the Luxembourg stock exchange. The Marche Libre segment of Euronext was the second most active exchange-regulated market with 25 IPOs in 2005, compared with six in the previous year.

Martine Charbonnier, Executive Director Listing & Issuers, Euronext

"In 2005, listings on Euronext's main market, Eurolist, raised more capital than those on any other equivalent listed market in Europe for the second year running – a performance that confirms both the vibrancy of our market model and the depth of trading. There can be no doubt that our comprehensive offering, which now includes a market designed especially for small and mid-size companies, Alternext, positions us to attract companies of all sizes and will enable Euronext to take full advantage of the healthy demand for listings anticipated in 2006."

Major IPOs in 2005

Ten largest (ranked by money raised) IPOs

2005

Company	Money raised €m	Exchange listed on	Sector
Electricité de France	7000.0	Euronext	Electricity
Gaz de France	3481.9	Euronext	Oil & Gas
PartyGaming	1356.4	London	Leisure & Hotels
Telenet Group Holding	1060.0	Euronext	Media & Entertainment
Sistema JSFC	1040.5	London	Telecommunication
Premiere AG	1024.8	Deutsche Börse	Media & Entertainment
RHM	984.9	London	Food Producers & Processors
Kazakhmys	970.9	London	Metals
Raiffeisen International Bank	968.5	Wiener Börse	Banks
EFG International	893.0	Swiss Stock Exchange	Banks
Total	**18,781**		

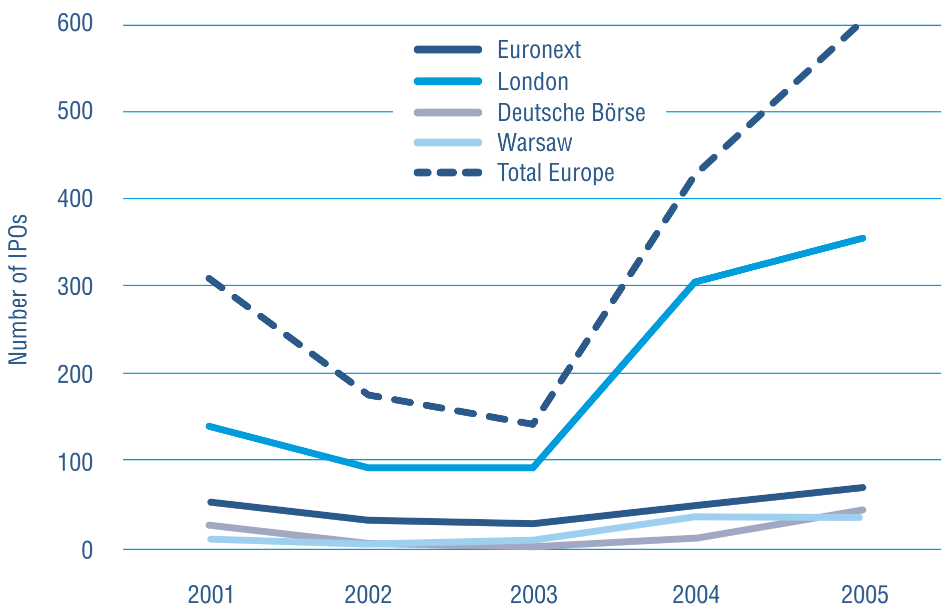
2004

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

In 2005 there were six IPOs raising over €1bn compared to eight in 2004. However the total new money raised by the top ten IPOs was up by 33% from €14.2bn in 2004 to €18.8bn in 2005. London's Main market was home to four of the top ten IPOs in 2005 compared with only one in 2004. The top ten in 2005 included two large French government privatisations which were the main drivers behind the high offering value at Euronext.

Number of IPOs in the last 5 years

Number of IPOs over past 5 years



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

The graph commences after the Dot.Com boom of 2000 when the European exchanges were experiencing a dramatic decrease in the number of IPOs, 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 into 2005. Most particularly this took place on AIM in London, while an overall increase in activity across most European exchanges was experienced in 2005.

Wieslaw Rozlucki, President of the Warsaw Stock Exchange

"The strong performance of the Warsaw Stock Exchange can be partly attributed to EU membership.

Poland's entry to the EU has triggered a surge in IPOs. Many Polish companies have undergone restructuring in recent years in order to become more competitive and ready for the EU market.

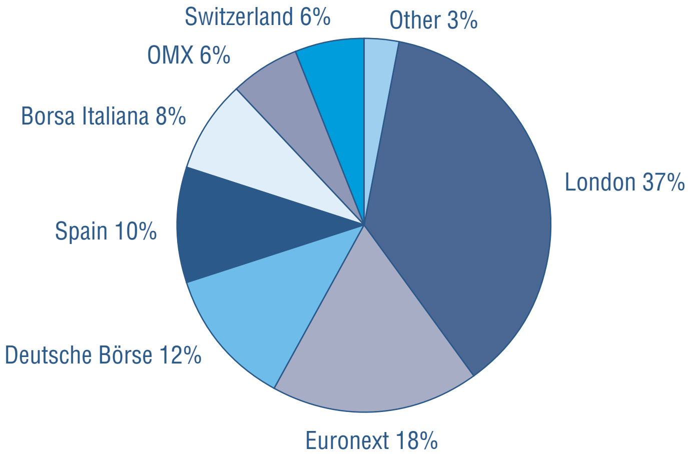
Raising capital is not the only reason why companies carry out IPOs in Poland. Because of high regulatory standards on the WSE, once they join, they also gain credibility, trust of stakeholders and recognition for their brands. The high regulatory standards, contrary to what one might think, therefore encourage entities to enter the stock market.

There was no specific sector dominating IPOs in 2005, which is a sign of the strength of the Polish economy.

After such a successful period, it might be difficult to sustain the same level of activity on the Warsaw Stock Exchange. However we are cautiously optimistic about 2006 and we estimate that there will be approximately 20 IPOs in forthcoming year. The entry to the EU is a 'one-off' event, we cannot sustain the economic benefit we enjoyed on achieving membership. However, the Polish economy is expected to remain strong which should help to maintain market confidence."

Consolidation of the European Markets – Where is the liquidity?

Value of equity trading 2005 (total trading is €12,637bn)

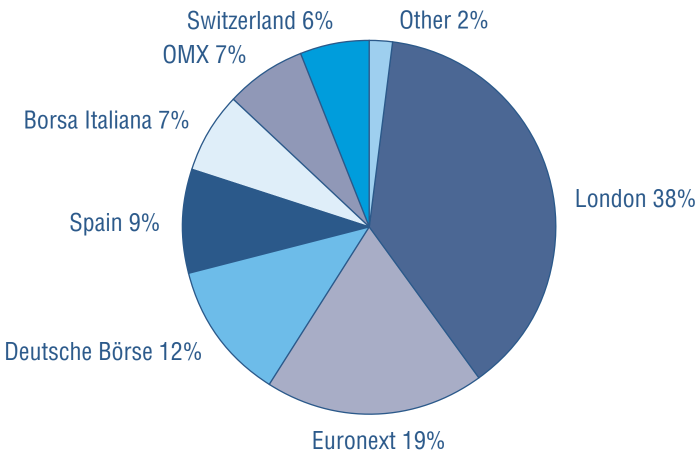


Note:
1) No data available for individual exchanges within OMX from WFE; OMX Exchange: includes Copenhagen, Helsinki, Stockholm, Tallinn, Riga and Vilnius Stock Exchanges
2) No data available for individual exchanges within Spain from WFE; Spain as presented Madrid, Barcelona, Bilbao and Valencia stock exchanges, MF Mercados Financieros, Iberclear and BME Consulting.

Source: WFE

The total value of equity traded as set out opposite shows that relative proportions of trading have remained broadly constant for the major exchanges, with London and Euronext together continuing to account for well over half of the total in each year. The overall value of equity traded has increased by 18%, from €10,684bn in 2004 to €12,637bn in 2005.

Value of equity trading 2004 (total trading is €10,684bn)

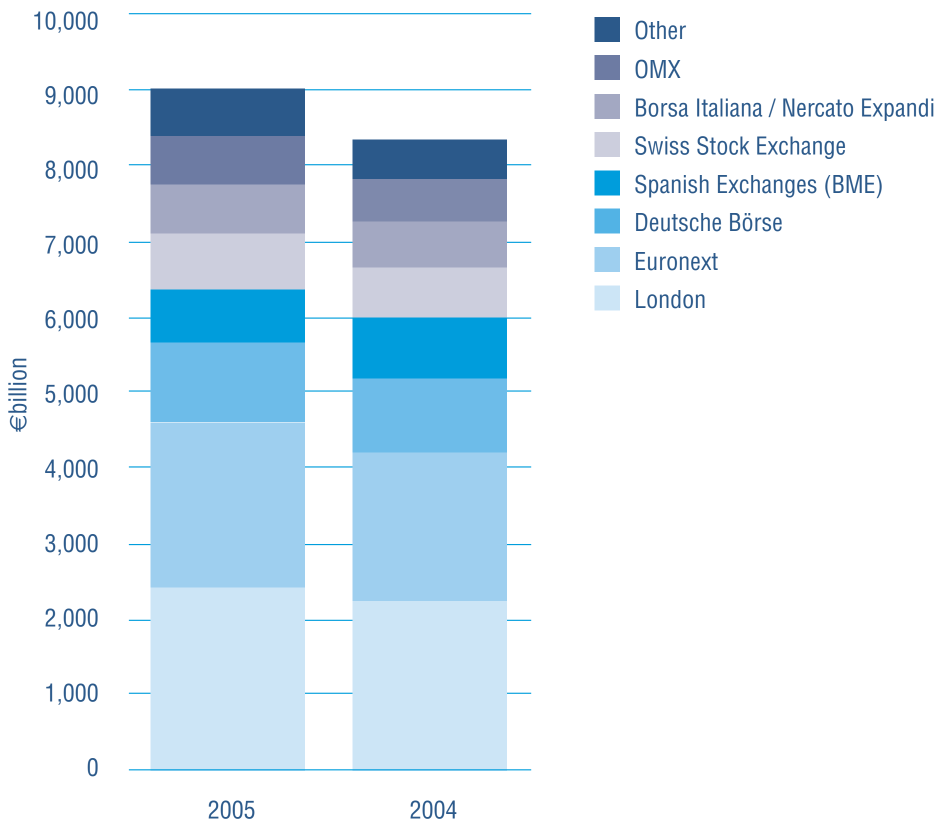


Note:
1) No data available for individual exchanges within OMX from WFE; OMX Exchange: includes Copenhagen, Helsinki, Stockholm, Tallinn, Riga and Vilnius Stock Exchanges
2) No data available for individual exchanges within Spain from WFE; Spain as presented Madrid, Barcelona, Bilbao and Valencia stock exchanges, MF Mercados Financieros, Iberclear and BME Consulting.

Source: WFE

Consolidation of the European Markets – Where is the value?

Market capitalisation of exchanges



Note:

1) No data available for individual exchanges within OMX from WFE; OMX Exchange: includes Copenhagen, Helsinki, Stockholm, Tallinn, Riga and Vilnius Stock Exchanges
2) No data available for individual exchanges within Spain from WFE; Spain as presented Madrid, Barcelona, Bilbao and Valencia stock exchanges, MF Mercados Financieros, Iberclear and BME Consulting.

Source: WFE

Market capitalisation of the European exchanges increased by 9%; from €8,229bn in 2004 to €9,002bn in 2005. The Swiss Stock Exchange has experienced the highest increase (13%) this was followed by Euronext with 11% and OMX with 10%. Euronext's market capitalisation has increased from €1,962bn in 2004 to €2,175bn in 2005. London saw an increase of 9% in its market capitalisation, from €2,263bn in 2004 to €2,457bn in 2005.

IPOs by sector

Sector	IPOs 2005	Movement in the table	IPOs 2004
Mining	**54**	***+2***	**35**
Oil & Gas	**50**	***+5***	**23**
Speciality & Other Finance	**50**	***-2***	**54**
Software & Computer Services	**46**	**-**	**33**
Pharmaceuticals & Biotechnology	**38**	**-**	**26**
Media & Entertainment	32		25
Electronic & Electrical Equipment	30		18
Support Services	27		40
Telecommunication Services	27		21
Engineering & Machinery	25		9
Leisure & Hotels	25		15
Real Estate	25		18
Food Producers & Processors	17		10
Chemicals	15		6
Transport	15		14
Banks	13		4
Construction & Building Materials	12		12
Electricity	12		3
Information Technology Hardware	12		6
General Retailers	11		9
Internet	9		5
Metals	9		1
Health	8		6
Household Goods & Textiles	7		8
Automobiles & Parts	6		5
Beverages	6		5
Insurance	6		4
Medical Equipment	6		8
Publishing & Printing	4		5
Utilities	4		2
Aerospace & Defence	1		2
Packaging	1		1
Total	**603**		**433**

The top five sectors which experienced the most IPO activity in 2005 were: the mining sector with 54 IPOs; the oil & gas and speciality & other finance sectors with 50 IPOs each; software & computer services with 46 IPOs; and pharmaceuticals & biotechnology with 38 IPOs.

The mining sector saw a 54% increase in the number of IPOs. Of the 54 IPOs raising €497m, 53 raising €329m, were on AIM.

Jason Burkitt, PwC Director, Mining Specialist

"The admission of 53 new mining companies to AIM was indicative of the increased global investor appetite for commodities and further cements mining as one of the most important market sectors on AIM.

Surging commodity prices and the void created by cut backs in exploration programmes by the majors have created buoyant conditions within the junior sector. While there was a significant increase in the funds raised on AIM in 2005, average deal size remained below £10m.

Consistent with the existing market composition, approximately half of the entrants are headquartered in the UK. While there are exceptions, many IPOs appear destined to fund early stage exploration projects in a diverse range of countries around the globe, including regions generally considered to be higher risk".

The number of IPOs in the oil & gas sector has increased by 117% in 2005.

Paul Rew, PwC Partner, UK Energy & Utilities Leader

"The largest oil & gas IPO by money raised was for Gaz de France as part of its privatisation. The increase in number of IPOs to 50, 31 of which were on AIM, mainly reflected the potential attractiveness of the sector given the high oil and gas prices prevailing. London is favoured because of relative expertise in the sector and because the US regulatory burden is a deterrent to listing there."

The speciality & other finance sector, has seen a decline of 7% in the number of IPOs in 2005.

Richard Weaver, PwC Partner, London Capital Markets Group

"The speciality and other finance sector saw another strong performance in 2005 with 50 IPOs compared to 54 in the previous year. Although London continued to be the dominant Exchange, there was significantly increased activity from continental Europe, most notably the Deutche Börse which saw eight IPOs during the year. London also continued to dominate capital raising with substantial tranches of money raised on the Main market IPOs of IG Group and Queens Walk Investment; and Energy Xxi Acquisition and International Metal Enterprises on AIM."

The fourth most active sector, software & computer services, saw a 39% increase in IPOs.

Terry Hopcoft, PwC Partner, European Software and IT Services Sector Leader

"The number of IPOs in the Software & Computer Services sector continued to grow in 2005 in parallel with record levels of M&A activity in the sector. The significant activity levels reflect the continuing upturn in interest in the sector, at this most interesting phase in the development of the wider technology industry, fuelled by technological convergence and industry consolidation. With the London Main market remaining beyond the range of most European software businesses (Micro Focus was the first Main market IPO for some years), the main driver of activity has been the growing interest in the AIM market – 23 IPOs in the sector in 2005 – as an attractive exit strategy for entrepreneurs and fast growth venture capital backed companies in the sector, and this is expected to continue through 2006."

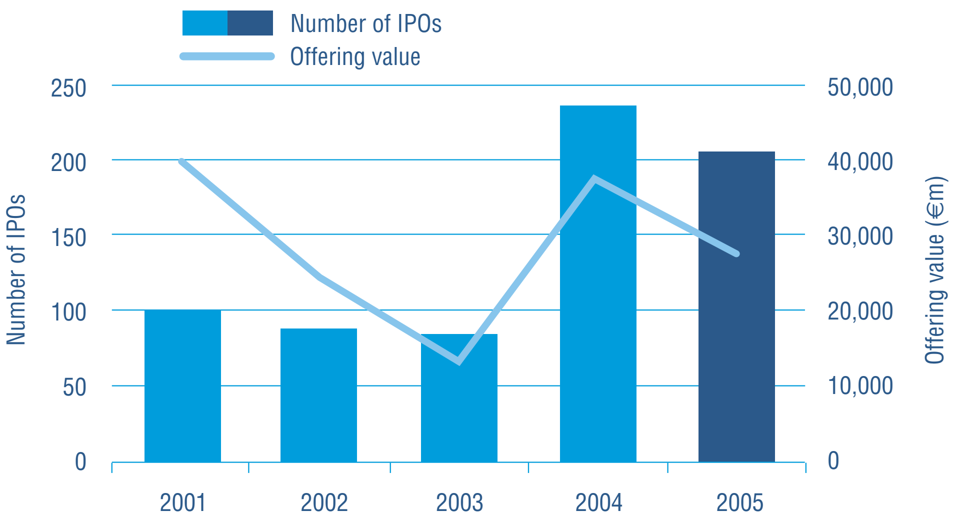
There were 46% more IPOs from pharmaceuticals & biotechnology companies in 2005, the number of IPOs increased from 26 in 2004 to 38 in 2005.

Clifford Tompsett, PwC Partner, London Capital Markets Group

"After a slow recovery in 2004, which continued into the early part of 2005, the market for Pharmaceuticals & Biotechnology issues showed a significant increase in the last six months of the year. In particular, there was a renewal in IPO activity on Euronext and the other Continental European exchanges following several years of drought. The favourable market conditions for biotech were also influenced by transactions with larger pharmaceutical companies indicating potential value in the sector."

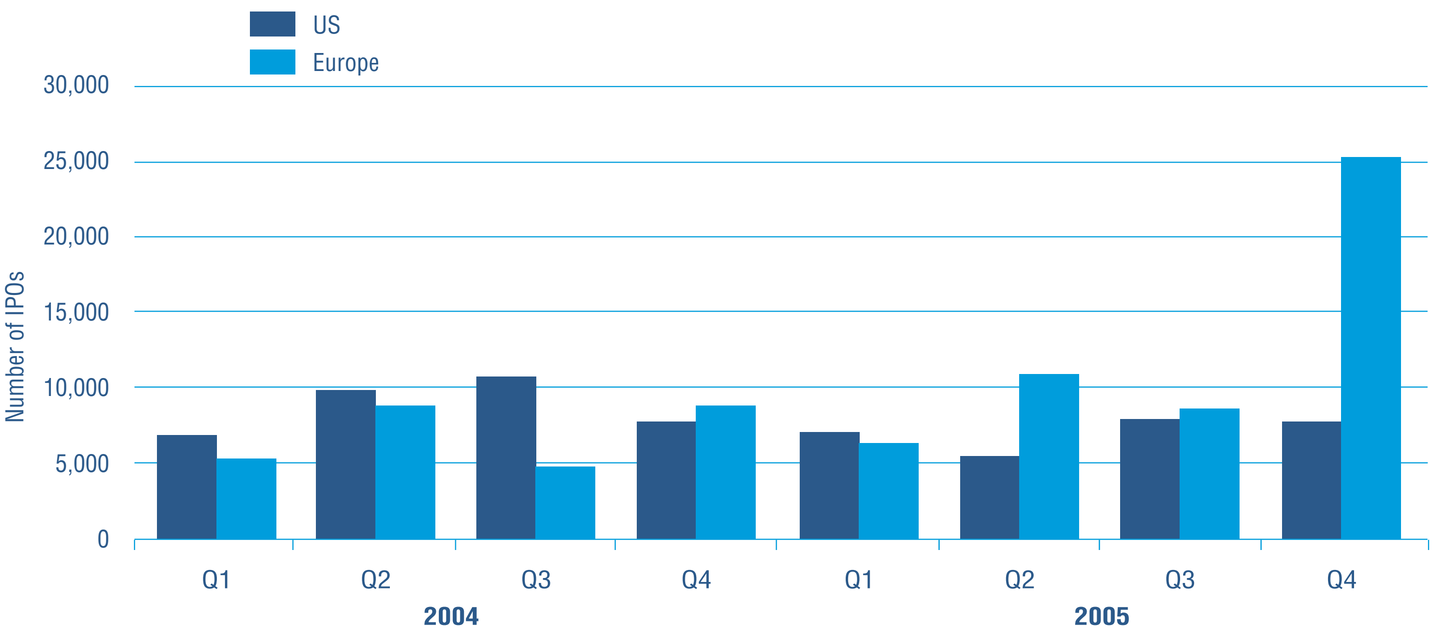
Comparison with the US

IPOs and offering value



After a strong performance in 2004, the US exchanges experienced a slowdown in IPO activity. The number of IPOs dropped from 236 in 2004 to 205 in 2005. Also, the offering value decreased by €10bn from €37bn in 2004 to €27bn in 2005.

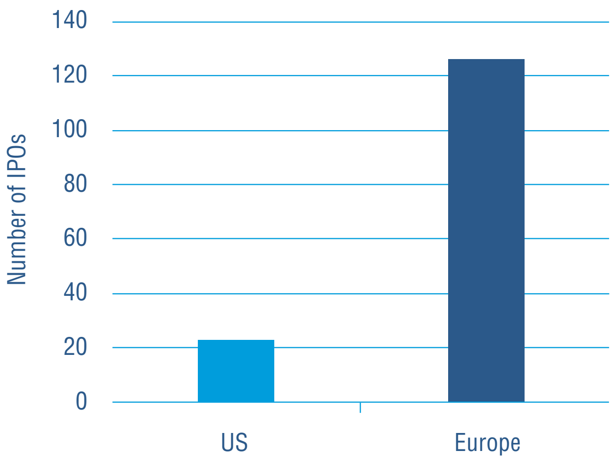
US & Europe quarter on quarter



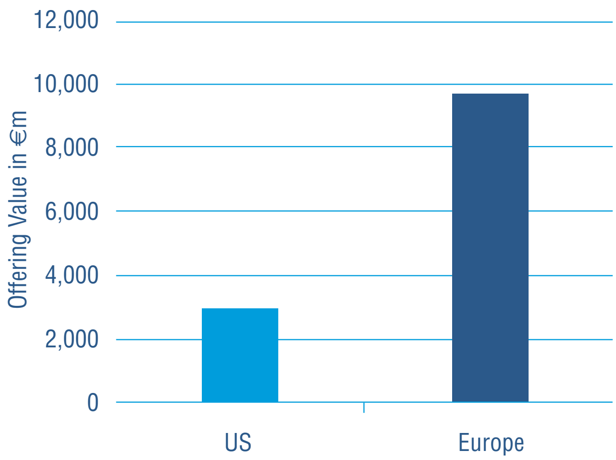
Stock Exchange	IPOs 2005	Offering value (€m) 2005	IPOs 2004	Offering value (€m) 2004
Europe total	**603**	**50,677**	**433**	**27,679**
Nasdaq	132	10,554	170	15,806
NYSE	61	16,540	56	21,121
AMEX	12	390	10	616
Total	**205**	**27,484**	**236**	**37,543**

As we have seen in each year since our survey was launched in 2001, the European exchanges saw more IPOs in volume terms than the US exchanges. However, for the first time since our survey was launched the European capital markets have outperformed the US in value terms. There were 603 European IPOs raising over €50bn in 2005. The 205 IPOs on the US exchanges raised €27bn in 2005, compared with over €37bn in the previous year.

Overseas IPOs in 2005



Overseas IPOs – Offering Value in 2005



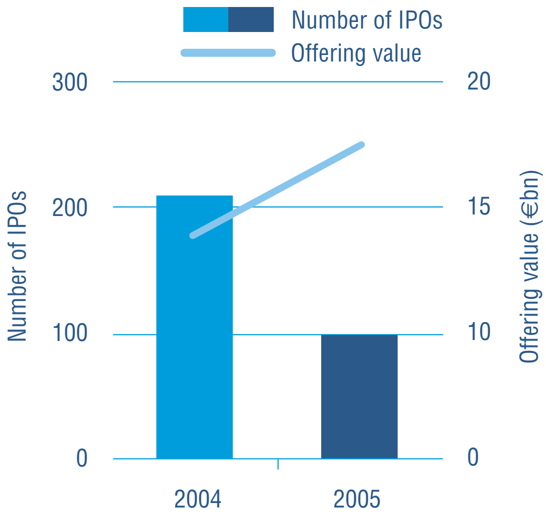
The increased regulatory scrutiny in the US is being reflected in a lower number of international IPOs. 23 overseas companies chose US exchanges as the destination for their IPOs, raising €3.0bn in 2005. On the other hand, the European exchanges attracted 126 overseas IPOs which raised €9.6bn; including 13 US companies.

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 2005, the number of IPOs in Greater China decreased significantly compared with 2004 as a result of the suspension of new share issuance in Shanghai from April 2005. This was done to effect China’s plan to list currently non-tradable state-owned shares in an orderly manner (at present a substantial portion of shares of listed companies are state-owned, non-tradable and not listed). The overall funds raised however increased due to continued interest from mainland China companies in the Hong Kong markets. The largest IPO was by the state-owned China Construction Bank (raising €7.4bn on Hong Kong) followed by the Bank of Communications (which raised €1.77bn on Hong Kong).

IPOs and Offering Value



Stock Exchange	IPOs 2005	Offering value (€bn) 2005	IPOs 2004	Offering value (€bn) 2004
Europe total	**603**	**50.68**	**433**	**27.68**
Hong Kong	67	17.09	70	10.04
Shanghai	3	0.28	61	2.38
Shenzhen	12	0.29	39	1.13
Taiwan	12	0.10	38	0.24
Total	**94**	**17.76**	**208**	**13.79**

Developments in European Capital Market Regulation

2005 saw the implementation of two important planks in the EU's Financial Services Action Plan by member states, namely the Prospectus Directive and the Market Abuse Directive. These represent key elements in reducing the barriers to pan-EU securities offerings.

The Prospectus Directive provides a common, and maximum, standard for the disclosures necessary when an issuer seeks admission for trading of its securities, both on IPO and for further issues exceeding 10% of existing issued capital, or where an issuer makes an offer of its securities to the public. A prospectus can be used across the EU through being approved in an issuer's home member state and then granted a "passport".

The Market Abuse Directive provides a common base for disclosure for issuers of both inside information and of management's dealings in their securities. Member states are allowed to impose more stringent requirements should they so choose.

Now that these Directives have been implemented the challenges of practical and consistent implementation come to the fore. Markets and investors across the EU have to be confident that they can rely on prospectuses that have been passported. It is particularly important that regulators across the EU work together towards ensuring that consistent interpretation and application of the rules is followed.

Two main issues remain outstanding as regards IPOs: Firstly, the disclosures required where an issuer has a "complex financial history", although any requirements will most likely reflect current best market practices. Second, is the question of the "equivalence" of accounting standards other than IFRS for non-EU issuers. Whilst acknowledging that the question is as much political as technical, it is to be hoped that clarity will be provided during 2006.

Another directive, being implemented in 2006, is the Take-over Directive. This provides for some consistency in the operation of take-over bids in the EU. However, certain key provisions such as those dealing with frustrating actions or multiple voting structures may be opted out of by member states.

Finally, the detailed implementing provisions of the Transparency Directive are being finalised. This directive should be implemented early in 2007. As member states will be allowed to impose additional, "super equivalent", requirements issuers will need to be alert to the potential implications.

Sarbanes-Oxley Act

"Companies, management, their gatekeepers, and above all, their directors, must look beyond simple compliance with the letter of the new laws and regulations in a check-the-box manner. They must redefine corporate governance with practices that go beyond mere adherence to the new rules and demonstrate ethics, integrity, honesty and transparency."

William H. Donaldson, Chairman of the Securities and Exchange Commission (SEC) March 16, 2005

When the Sarbanes-Oxley Act was signed into law in July 2002, few understood the magnitude of the impact that this Act would have on corporate governance, financial disclosure, and public accounting practices, on the increase in the responsibilities of management of public companies and their boards, as well as on the resources of companies, their auditors and other stakeholders. Section 302 requires CEOs and CFOs of public companies to certify financial statements, while Section 404 requires US public companies defined as accelerated filers (with fiscal years ending on or after November 15, 2004) and non-accelerated filers (with fiscal years ending on or after July 15, 2007) and their auditors to attest to the effectiveness of their internal controls over financial reporting. All foreign private issuers ("FPI's") that file their annual reports on Form 20-F or Form 40-F that meet the definition of an accelerated filer must comply with the requirements of Section 404 for fiscal years ending on or after July 15, 2006.

Although accelerated filer status does not impact the due date of Form 20-F or Form 40-F, the SEC's definition of an accelerated filer does not distinguish between foreign and domestic issuers.

Since the corporate scandals that resulted in the creation of the Act, more and more companies, public and private, have begun programs to enhance their corporate governance activities. Such programs enable companies to improve their operational and financial performance as well as to distinguish themselves from their competitors. In creating this opportunity to gain a competitive edge, companies have discovered that best practices include dealing with the Act's requirements as a sustainable recurring process embedded within the organisation, and providing transparent and timely information on the implementation to the markets, even if results are adverse. Companies have also come to the realisation that such disclosures will help investors react appropriately to the information by understanding the issue and the company's plan of action.

The first year of implementation of the Act's requirements saw a tremendous strain on the resources of companies as well as their auditors. More often than not, companies and their auditors had to learn 'on the job' due to the lack of any substantial precedent. However, having worked through a year of implementation, companies – both large and small – are projecting substantial declines in future costs driven primarily by a reduction in the documentation requirements in subsequent years, the benefits of experience including a more focused risk-based approach, and reduced remediation requirements. In many cases, the Act has also provided the catalyst for companies to reduce the backlog of deferred maintenance on existing systems of internal control, significantly increasing the implementation costs associated within the Act, but resulting in long term benefits and improvements to the internal control environment. It is interesting to note that of the Section 404 implementation costs incurred by companies during the first year of adoption, the incremental audit-related costs account for only a minority element of the total.

Potential investors, underwriters and other third parties agree that, overall, the Act is delivering substantial benefits, assisting companies in operating more effectively and efficiently, and enhancing investor protection. In the Sarbanes-Oxley environment, these stakeholders may be more likely to invest in and/or deal with a company that takes the Act's requirements seriously. Sarbanes-Oxley gives IPO candidates a unique opportunity to get it right the first time, and that in itself is a competitive advantage. However, many overseas companies have been deterred by the high cost of the increased regulation. This is indicated by the relatively lower number of international companies choosing the US exchanges as a destination for their IPO when compared with Europe.

London Capital Markets Group

The London Capital Markets Group is part of the Assurance practice of PricewaterhouseCoopers LLP. It comprises a core team of specialists who provide a broad range of services to companies and investment banks in connection with London capital market transactions. These include preparations for becoming a public company, selecting the right market and advisory team, assisting with reviewing accounting policies and GAAP conversion projects, advising on regulatory issues and undertaking financial and business due diligence investigations. The London Capital Markets Group is part of the PricewaterhouseCoopers global network of capital markets specialists. For more information visit www.pwc.com/uk/lcmg

Contacts

Tom Troubridge	+44 (0) 20 7804 4723	tom.troubridge@uk.pwc.com
Richard Weaver	+44 (0) 20 7804 3791	richard.weaver@uk.pwc.com
Clifford Tompsett	+44 (0) 20 7804 4703	clifford.tompsett@uk.pwc.com
Ursula Newton	+44 (0) 20 7212 6308	ursula.newton@uk.pwc.com
Kevin Desmond	+44 (0) 20 7804 2792	kevin.desmond@uk.pwc.com
Steve Dodds	+44 (0) 20 7804 3643	stephen.dodds@uk.pwc.com
Brad Douglas	+44 (0) 20 7804 5270	brad.douglas@uk.pwc.com
David Smailes	+44 (0) 20 7804 4779	david.n.smailes@uk.pwc.com
Richard Spilsbury	+44 (0) 20 7212 3887	richard.j.spilsbury@uk.pwc.com
Meng Fong	+44 (0) 20 7213 4065	meng.fong@uk.pwc.com

About IPO Watch Europe

IPO Watch Europe surveys all new primary market listings on Europe's principal stock markets and market segments (including exchanges in the EU member states plus Switzerland and Norway) on a quarterly basis. Investment-related companies' listings, movements between markets on the same exchange and greenshoe offerings are excluded. The IPO Watch Europe – Review of the year 2005 collates data from the quarterly surveys conducted between 1 January and 31 December 2005 capturing new market listings based on their listing date.

IPO Watch Europe – Review of the year 2005 was compiled by Tom Troubridge, David Smailes, Kinga Lodge, Vhernie Manickavasagar and Stephanie Howel.

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

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

Footnotes

Due to the expansion of the survey to include 'EU-regulated' and 'Exchange-regulated' markets, the 2004 data has been revised and additional markets have been included; however these changes did not impact the general trend in 2004.

PricewaterhouseCoopers (www.pwc.com) provides industry-focused assurance, tax and advisory services for public and private clients. More than 120,000 people in 139 countries connect their thinking, experience and solutions to build public trust and enhance value for clients and their stakeholders.