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The PB Interim Report

privatizationbarometer

Reporting on privatization in the enlarged Europe

Bienvenu, Mr Sarkozy

The PB Interim Report

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What is the PB Interim Report?

Starting from 2007, PB issues two privatization reports per year: *1)* a privatization interim report at the end of the first semester; and *2)* a privatization annual report at the end of the year. These two new publications will replace the format and the structure of the previous semi-annual PB Newsletter, keeping the contents basically unchanged.

The PB Interim Report

The PB Interim Report will cover the first half of the year. The most important deals and trends of the first semester of the year will be regularly commented reporting aggregate data on revenues and transactions and providing updated statistics at the country and sector level.

The PB Annual Report

A comprehensive Annual Report on privatization activity will be issued at the end of the year. It will present a twelve-months summary on the privatization activity in the enlarged Europe; it will hosts contributed articles by top international scholars; and will also report on the PB indexes, a series of indicators which follow the performance of equity investment in privatized companies in the EU.

Rigorous, updated, easily accessible and freely distributed on the web, the PB Reports on privatization are an authoritative source of information and a vehicle for a more informed discussion on the choices and consequences of privatization.

Bernardo Bortolotti

University of Turin and FEEM

Privatization Trends in Europe, 1H2007

Global growth and positive market conditions...

Despite the slowdown of the U.S. economy, the world economy continued to grow rapidly in 1H2007, strongly pushed by buoyant activity in China and India. Europe also played an important role in economic expansion, especially thanks to the unexpectedly strong performance of Germany and, more recently, Italy. The overall positive macroeconomic outlook spilled over to European equity markets, which gained almost 20 percent over the semester.

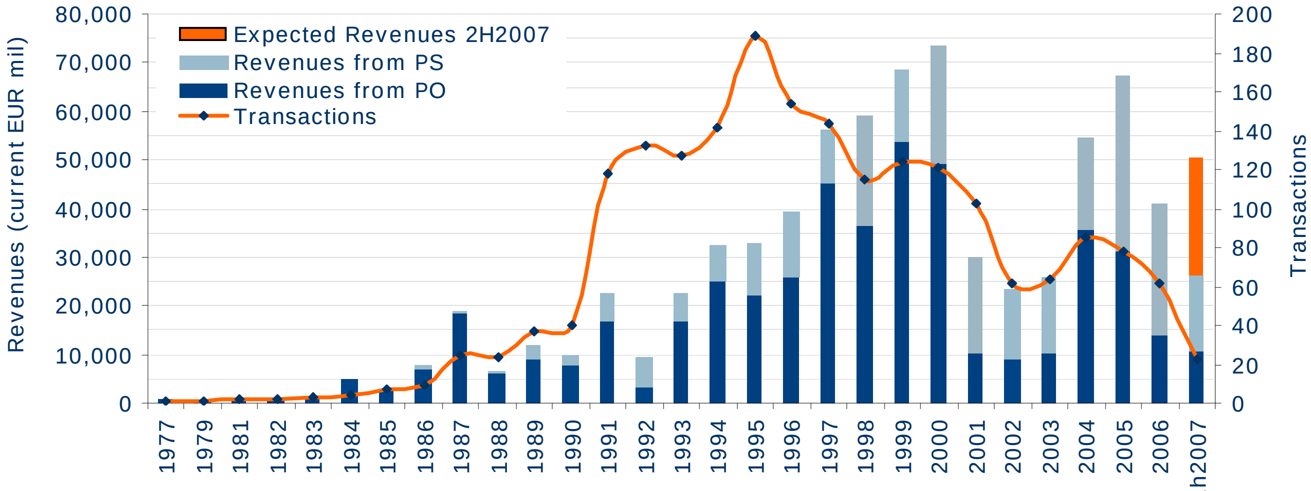
...did not push privatization in Europe

Even if very high prices could be fetched under such market conditions, European governments did not push particularly strong privatizations. In 1H2007, European divestitures yielded €26.3 billion thanks to 23 transactions executed in 10 countries. Although not negligible, the amount raised in the period confirms that Europe has reached a plateau in yearly privatization activity that we correctly forecasted in the range of €40-50 billions per year in last newsletter.

Politics is the key

If one looks at the most recent developments in European politics, one finds these data hardly surprising. First, for most of the semester, Europe anxiously watched the evolution of the electoral race in France which ultimately brought Nicolas Sarkozy to power. Second, European leaders immediately thereafter became engaged in the difficult task of striking an agreement on the controversial European Treaty. Both events, which - as we will see – are somehow intertwined, had important repercussions on the semester's privatization activity.

Figure 1. Privatization in the Enlarged Europe: Total Revenues and Transactions 1977 - 1H2007



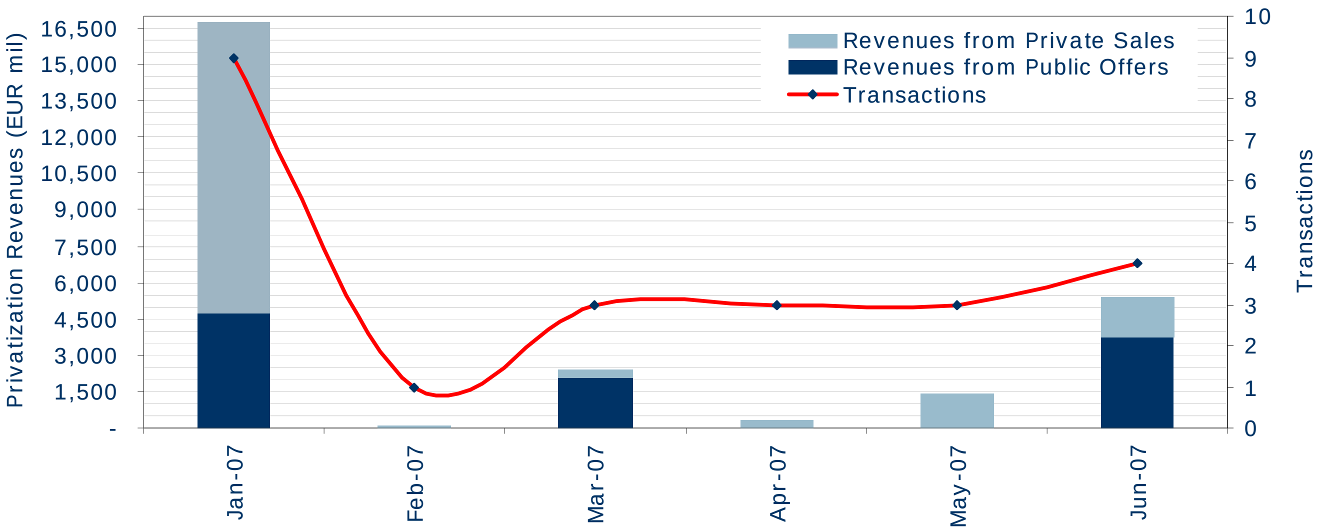
Source: *Privatization Barometer*

Against this background, the highlights of privatization activity of 1H2007 are *(i)* the debut of new French president Nicolas Sarkozy, *(ii)* the deepening of the sectoral shift from utilities to finance and telecommunications, and *(iii)* the retreat of private equity and the consolidation of accelerated deals in secondary issues.

Sarkozy, a market-oriented colbertist?

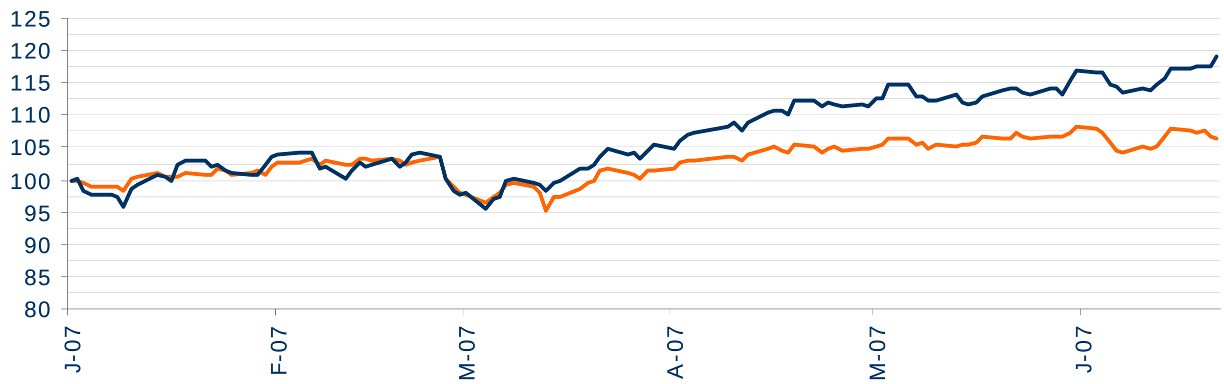
Mr Sarkozy, right after his convincing election victory in May, made his first showing as France's new president at the European Union summit by managing successfully to change the Treaty as he wished. By asking and obtaining the removal of "unrestricted competition" among the paramount policy goals of the EU, he made clear his commitment to counteract the radical reform packages against national champions recently sponsored by the European Commission. This blitz against one of the principles enshrined in the founding treaty has been criticized as an anachronistic drift to mercantilism and protectionism. Yet a "revealed preference" argument suggests that Mr Sarkozy may well believe in strong state intervention, but seems also equally prepared to see the government get out of industry, especially if this contributes to sound public finances. In the few months since taking office, Mr Sarkozy has already placed on the market a sizable stake of France Telecom, and sold France Telecom's holdings in the Dutch mobile operator Orange, raising almost €4 billion. If we add to this amount the value of the sale by Caisse de Depots et Consignations (CDC) of its stake in Caisse Nationale des Caisse d'Epargne (CNCE, a deal initiated in 2006

Figure 2. Total Privatization Revenues and Transactions in the Enlarged Europe, 1H2007



Source: *Privatization Barometer*

Figure 3. Equity Markets in EU25, 1H2007



Source: Elaborations on *Dow Jones STOXX Indices* but accounted for in January 2007), we end up with a French record of almost €11 billion, more than 40 percent of the EU total. The recent announcement of future sales in the energy sector involving state-controlled giants such as Gaz de France and Electricité de France confirm the view that France will remain a fundamental player in the European privatization game.

Utilities still standing at the sideline...

As in 2006, we do not report any significant advancement in privatization in utilities in 1H2007. The overwhelming share of activity is concentrated in the financial industry and in telecommunications, namely sectors which, thanks to effective liberalization, are no longer considered strategic by divesting governments. The two largest sales of the semester (CNCE in France and Sampo Bank in Finland) are found in the banking sector, which overall accounts for half of total proceeds. Privatization in telecommunications has also been pushed strongly during the last semester. We report five sizable deals, involving some of the largest European operators such as France Telecom, TeliaSonera and OTE, yielding 28 percent of the revenues of 1H2007.

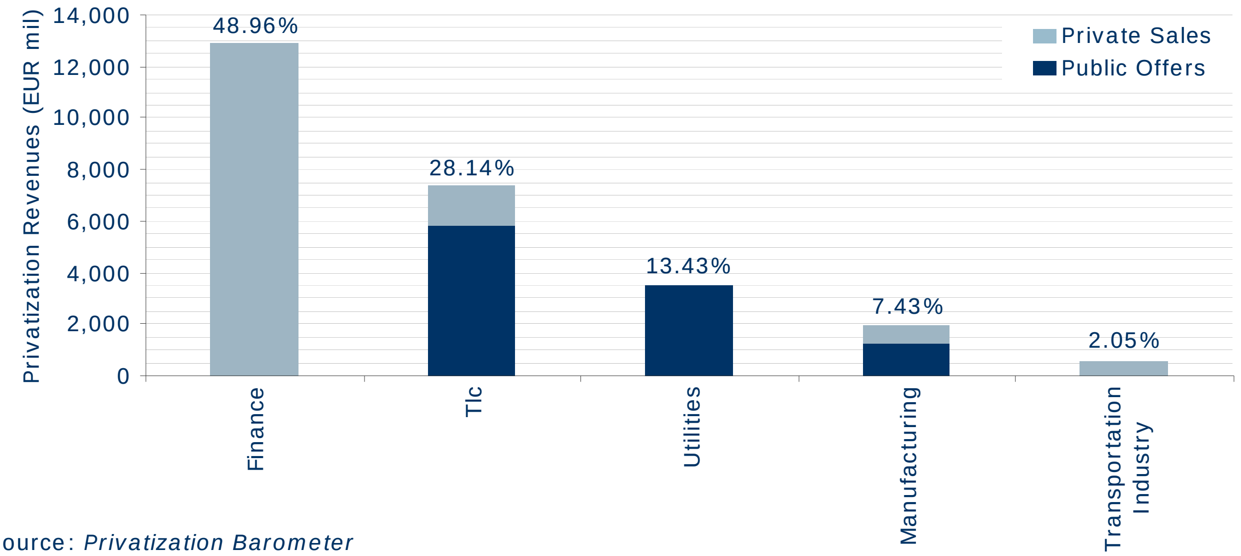
...because the battle on energy policy is still underway

The stalemate of privatization in utilities is certainly a reflection of the controversial debate which is currently underway in Europe. The Brussels Consensus, based on vertical de-integration and competition in upstream and downstream markets, has been fiercely questioned by some of the largest European utilities. And given their immense political clout, it seems unlikely that Brussels can prevail on these issues. With energy producing nations flexing their muscles on the world stage, government of all political stripes are using their national champions either to diversify energy supply or to improve their bargaining positions. Economic patriotism has become the buzzword in European energy circles, and state-controlled utilities a useful tool to implement it. Indeed, the visible hand of the state appears in the most important deals in the sector, either by blocking unwanted takeovers, or by blessing politically inspired cross-border M&As. The open Enel-SUEZ-E.On-Endesa saga provides a revealing example of this new trend.

The debate on supranational golden shares

Very recently, the discussion about economic patriotism has gained a super-national dimension with the recent proposal to establish a European golden share to block foreign takeovers in strategic industries. Whether this proposal will turn into real legislation or will just represent a strategic move to ask for reciprocity is too early to tell. In any case, new sovereign funds from emerging countries

Figure 4. Distribution of Privatization Revenues by Sector, 1H2007



Source: *Privatization Barometer*

such as China and Russia, lured by the prospect of high returns, will soon bang at the door of politically sensitive industries, and this will be a test of the commitment to market opening and financial integration by European policy makers. It is unlikely that Europe will stand the test well.

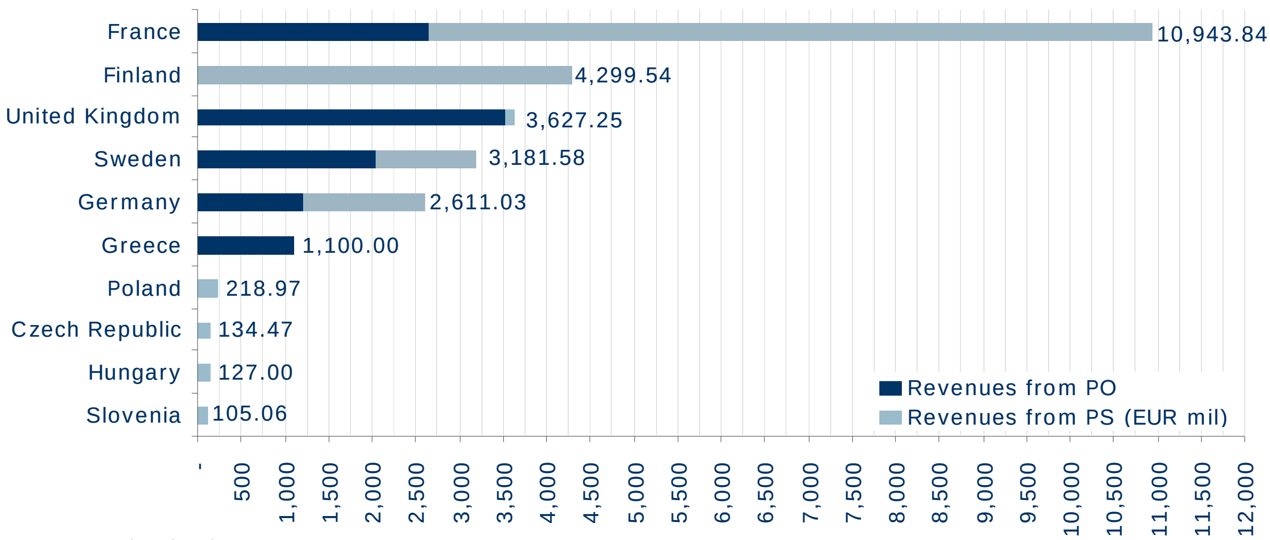
The eclipse of private equity funds

Interestingly, divesting government in 1H2007 reverted back to the classical private sale to strategic industrial investors, rather than to private equity funds. Direct sales account for 78 percent of the deals and 60 percent of the revenues, and in most cases (and most prominently in the CNCE-CDC, Sampo Bank, and Orange Netherlands deals) the typical buyers have been well established companies with large operational synergies with the privatized company. Why private equity funds did not participate in the most recent wave of European privatization is open to debate. High prices and lack of interesting investing opportunities are possible explanations. Another is that higher rank funds (notably Blackstone and Fortress) have been recently engaged in heavily restructuring their shareholder base, either via public listings or private placements. Likely, a strengthened capital structure will allow them to come back strongly in future European state assets sales.

Accelerated transactions rule secondary issuance

After a turbulent 2006, with a deluge of IPOs from emerging markets and a record number of listed companies reverting to private ownership, 1H2007 seems to confirm this global trend. However, the European privatizations are not following the same process. For the first time since the launch of PB in 2004, we do not report a single privatization IPO. Furthermore, all secondary issues take the form of accelerated transactions. This semester marked the full decline in conventional, fully marketed follow-on privatizations, and the spreading of accelerated underwritings to institutional investors. Interestingly, all secondary issues of the semester (involving shares of British Energy, the large UK-based nuclear utility, France Telecom, the Swedish telecom operator TeliaSonera, the German manufacturer Beiersdorf and the Greek OTE) are accelerated bookbuilt offerings (ABO), which thanks to a superior technology, have become the most preferred choice by European public and private issuers. The main drawback of this innovative privatization method is political: retail investors/voters who were the primary stakeholders in the big privatization wave of the 90s are left empty-handed, as returns (if any) now accrue to institutional investors and investment banks.

Figure 5. Distribution of Privatization Revenues by Country, 1H2007



Source: *Privatization Barometer*

Recent privatizations are concentrated in a handful of countries

Another noticeable feature of 1H2007 is the small number of countries involved. We report privatization of sizable scale only in six and four countries of Old and New Europe, respectively. Two Nordic countries such as Finland and Sweden finally entered the stage, raising almost 30 percent of total revenues. The Swedish process warrants attention. After making a fresh start with the sale of an eight percent stake in TeliaSonera, the government has started to prove its commitment to reforming the social model thanks to a sustained privatization policy, which should likely gain momentum in 2H2007.

Povera Italia!

Zero revenues are still reported for one of the great privatization heavyweights of the past: Italy. With the complete failure of the private sale of Alitalia, the Italian government, pressed by powerful entrenched interests and left-wing politicians, has appeared to acquiesce in a slow-motion plane wreck.

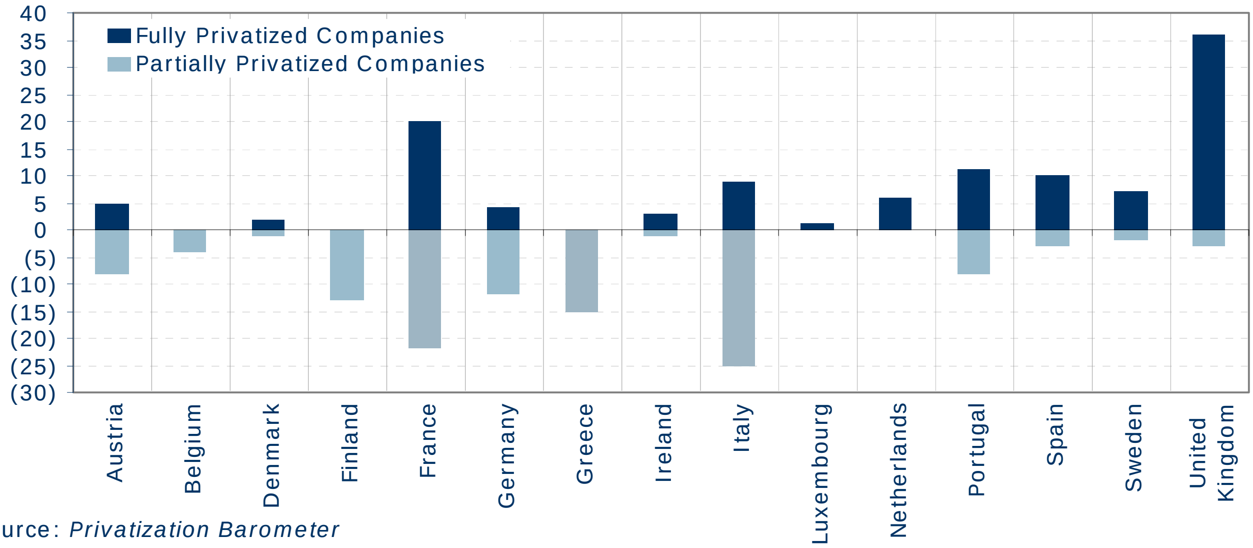
Also New Europe activity is particularly sluggish

In the last PB Newsletter, we underscored the critical situation for economic reform in New Europe. With only two percent of EU privatization revenues raised in the region, our concerns find today support in a rough but illustrative figure. For the first time, privatization activity in accession countries fell short of the 10 percent level which we identified in our previous reports. Only very small deals are reported in Poland, a large country endowed with important state assets, which under the rule of the twins Kaczynski has seemingly abandoned the road to markets, and in the Czech Republic, which does not appear still on the right track to reform after recent political events.

Europe has reached a plateau; action is emerging countries such as China and Russia

To conclude, the most recent data support the view that privatization in Europe has reached equilibrium, based on private ownership and state control of politically sensitive sectors. Present and future policy in countries where privatization is less advanced will aim to fine tune the corporate governance of state-owned firms and to converge to this model, maybe pushing more strongly private ownership in competitive industries such as banking and telecommunications. This trend is at odds with the spectacular changes which are taking place in the rest of the world, and particularly in the emerging countries such as China and Russia, the engines of today global growth. This disconnect is visible in the scale of activity, which is reaching and unprecedented level in those countries, and in methods, with gigantic IPOs of state corporations floated also in major international markets, and attracting as investors the most aggressive private equity funds.

Figure 6. Number of Fully vs Partially Privatized Companies in Old Europe, 2007



Source: *Privatization Barometer*

Whether privatization outside Europe will end up in a similar separation of ownership and control is too early to tell. At any rate, successful reformers in emerging countries will certainly take stock of previous experiences to understand the proper role of governments as shareholders in firms. European divestitures will thus remain a point of reference. But today action is elsewhere, and the Privatization Barometer is committed to covering these new and exciting trends.

William L. Megginson

University of Oklahoma

Major Deals of 1H2007

Global privatization features...

It has been many years since the total value of privatizations globally has approached $150 billion during a twelve-month period, but the combined value of the first half of 2007 ($73.04 billion, €54.10 billion) and the nearly identical value for the second half of 2006 ($73.65 billion, €56.65 billion) in fact reached $146.69 billion (€108.66 billion), the highest level since 2000. Also reminiscent of the glory days of 1997-2000 was the fact that the huge 2H2006-1H2007 total was accounted for by a relatively small number of extremely large share issue privatizations (SIPs), especially initial public offerings (IPOs). There were three truly enormous SIPs (larger than $10 billion) during 2H2006, and four very large SIPs (of at least $5 billion) during 1H2007. The current period thus continues the trend of steadily rising privatization sales that began after proceeds hit a decade low in 1H2003.

...and recent developments of the process

However, the most recent two semesters—and especially 1H2007—differs fundamentally from 1997-2000 in that a substantial majority of the proceeds from privatizations sales, and all of the very large SIPs, occurred outside of the European Union. China again raised more from SIPs, €13.04 billion ($17.6 billion), than did all EU governments combined (€10.55 billion, $14.24 billion) during the January-June 2007 period, though the total value of EU transactions (€26.35 billion, $34.75 billion) was larger. For once, however, China did not raise the most proceeds from privatization sales during 1H2007; that honor belongs to the Russian government, which raised no less than €13.56 billion ($18.30 billion) from a mere three sales. These included the largest transaction of 1H2007, the February domestic offering of **Sberbank** shares, which raised €6.52 billion ($8.80 billion). Besides Russia and China, however, the only major non-EU deal last semester was the May IPO of a 25 percent stake in Turkey's **Halkbank**, which raised €1.37 billion ($1.85 billion)

Sales in the European Union during 1H2007

EU continuing trends

There were ten large privatization sales, raising at least $500 million, in the European Union during 1H2007, and these continued three patterns that have emerged in recent years. First, private sales accounted for half of these ten deals, including the two largest, and for 58 percent of the €24.93 billion ($33.34 billion) proceeds. All told, eighteen of the 23 transactions executed in the European Union during 1H2007 were private sales, and these accounted for 60 percent of the total value raised. The second key continuing trend is that a majority (in this case all five) of SIPs were sold using accelerated underwriting techniques, wherein the government auctions off a block of shares to investment banks, which then place the shares directly with institutional investors. Accelerated transactions can be completed within 48 hours (often overnight), and have proven wildly popular with all types of stock sellers, including privatizing governments, because ATs allow issuers to sell shares quickly, at high prices, and with surprisingly little market impact. Thirdly, two of the ten large sales (including the second largest) were indirect privatizations by state-owned enterprises rather than by the government itself. In contrast to previous semesters, however, private equity investors did not figure prominently in any of the ten largest EU privatizations of 1H2007.

France accounts for 40 percent of 1H2007 EU total revenues...

raised in the financial sector...

The largest EU privatization during 1H2007 represented two of the above-mentioned trends. In January 2007, Caisse des Depots et Consignations (CDC), the French state's banking arm, completed the direct sale of its 35 percent holdings in the capital of **Caisse Nationale des Caisses d'Epargne** (CNCE), the central institution of French savings bank group Caisses d'Epargne, by selling the shares back to CNCE. Though CDC and CNCE had been partners in French banking for a century and a half, the sale was relatively non-controversial, in part because it raised no less than €6.99 billion ($2.26 billion) for the French state. The January transaction was merely the completion of this deal, since €5.5 of the €7.0 billion total price had been paid in late 2006.

...and in the telecommunications

The French government executed two other large privatizations during 1H2007, again cementing its position as the EU's pre-eminent divestor of state assets. In what was widely perceived as an early signal of the new Sarkozy government's economic policy, the state sold an additional five percent of its holdings in **France Telecom** through an accelerated bookbuilt offering at the end of June that raised €2.65 billion ($3.58 billion). While the French state did well by this sale, the investment banks that bought the shares did not; they were only able to place 40 percent of the block with institutional investors during the first day, and by the end of the first week about a quarter of the shares remained unsold. This sale reduced the state's holdings in France Telecom to 27.5 percent. The third French divestment of 1H2007 was an indirect privatization, by France Telecom, of its holdings in **Orange Netherlands** to Deutsche Telekom in early June. This asset sale raised €1.30 billion ($1.76 billion), and propelled Deutsche Telekom into second place in the Dutch cellular phone market.

Table 1. Deals, 1H2007

Date	Company Name	Nation	Sector	% for Sale	Value of Transaction (€ mil)	* Direct / Indirect Privatization	Method of Sale
01/30/07	Caisse Nationale de Caisses d'Epargne (CDC)	France	Finance & Real Estate Industry	35.00	6,993.87	Direct	Private Sale
01/02/07	Sampo Bank (Sampo)	Finland	Finance & Real Estate Industry	100.00	3,880.94	Indirect	Private Sale
01/06/07	British Energy	United Kingdom	Utilities	28.00	3,537.68	Direct	Accelerated Transaction (AT)
06/26/07	France Telecom	France	Telecommunications	5.00	2,650.00	Direct	Accelerated Transaction (AT)
03/05/07	TeliaSonera	Sweden	Telecommunications	8.00	2,048.46	Direct	Accelerated Transaction (AT)
07/06/07	Orange Netherlands (France Telecom)	France	Telecommunications	100.00	1,300.00	Indirect	Private Sale
01/17/07	Beiersdorf AG	Germany	Manufacturing	11.11	1,212.87	Direct	Accelerated Transaction (AT)
05/10/07	Centrum Kompaniet i Stockholm AB	Sweden	Finance & Real Estate Industry	100.00	1,133.12	Direct	Private Sale
06/28/07	OTE - Hellenic Telecom Organization	Greece	Telecommunications	10.70	1,100.00	Direct	Accelerated Transaction (AT)
01/11/07	Hessen-Property Portfolio	Germany	Finance & Real Estate Industry	100.00	759.84	Direct	Private Sale
03/21/07	Fraport AG	Germany	Transportation Industry	6.56	322.35	Direct	Private Sale
06/06/07	Ya.com (Deutsche Telecom)	Germany	Telecommunications	100.00	315.97	Indirect	Private Sale
04/27/07	Outokumpu Technology (Outokumpu)	Finland	Manufacturing	12.00	218.29	Indirect	Private Sale
05/24/07	Kemira Grow How	Finland	Manufacturing	30.05	200.31	Direct	Private Sale
04/27/07	Malev	Hungary	Transportation Industry	99.95	127.00	Direct	Private Sale
01/04/07	Aero Vodochody as	Czech Republic	Manufacturing	100.00	106.37	Direct	Private Sale
01/03/07	Slovenska Industrija Jekla - SIJ	Slovenia	Finance & Real Estate Industry	55.35	105.06	Direct	Private Sale
01/05/07	Exeter & Devon International Airport Ltd	United Kingdom	Transportation Industry	100.00	89.57	Direct	Private Sale
05/31/07	Pfleiderer Prospan SA	Poland	Manufacturing	43.15	84.52	Direct	Private Sale
03/16/07	Polskie Zaklady Lotnicze - PZL Mielec	Poland	Manufacturing	100.00	60.11	Direct	Private Sale
02/03/07	CMC Zawiercie SA	Poland	Manufacturing	26.80	45.70	Direct	Private Sale
01/16/07	Zaklady Azotowe Pulawy	Poland	Manufacturing	9.66	28.64	Direct	Private Sale
04/18/07	Komercni uverova pojistovna (EGAP)	Czech Republic	Finance & Real Estate Industry	66.00	28.10	Indirect	Private Sale
Total	**23 Transactions**				**26,348.77**		

* Direct Privatizations refer to the sale of direct holdings by the central or local governments, in combination with holdings by companies or entities fully owned by the government. Indirect Privatizations include spin-offs and transfer of shares from government owned companies. Parenteses report the Parent/Seller Company name.
Source : *Privatization Barometer*

Finland completes the second largest transaction of the semester...

The second largest EU privatization of 1H2007 was the private sale of Finland's **Sampo Bank** to Denmark's Danske Bank for €3.88 billion ($1.76 billion) in January. Sampo started life as the state-owned Postipankki, which in 1998 merged with Finland's Export Credit Service (Suomen Ventiluotto). Sampo Bank itself was formed in 2004 after an investment company and then an insurance firm were added to the group. Danske Bank funded its purchase of Sampo in part through a €1.90 billion ($2.57 billion) share offering, executed in November 2006.

Sweden accounted for one of Europe's final two large privatizations executed through private sale during 1H2007, while Germany accounted for the other. May saw the direct privatization of 100 percent of **Centrum Kompaniet I Stockholm AB** by the Swedish government, in a deal that raised €1.13 billion ($1.53 billion), while the German government sold its entire stake in Hessen-Property Portfolio for €760 million ($1.03 billion) in January.

Accelerated transactions dominate European share issue privatizations

...while the UK stands-out with the only privatization involving the utilities

Although the two largest EU privatizations of 1H2007 were private sales, the third, fourth, fifth, seventh and ninth largest sales were all SIPs executed through accelerated underwritings. The largest of these was in many ways the most interesting and historically distinctive. This was the January disposal by Britain's Nuclear Liabilities Fund Limited (NLF) of 450 million of the shares it held in **British Energy**, which raised €3.54 billion ($4.78 billion). This stake was equal to 28 percent of the nuclear plant operator's total capital, and the sale dropped the Treasury's stake to 36 percent. The government had effectively renationalized British Energy in 2002 to rescue it from insolvency, but its subsequent operating and stock price performance had been remarkably positive. The market's reaction to the NLF disposal was also positive, with British Energy's shares rising by 2 percent on the news.

Sweden is fourth in the country ranking ...

The second largest SIP of 1H2007 was the aforementioned sale of a 5 percent stake in France Telecom at the end of June. The third largest SIP, the March sale of an 8 percent stake in **TeliaSonera** through an accelerated underwriting, was also the first major privatization transaction by Sweden's new Center-Right government. This sale raised €2.05 billion ($2.77 billion) for the government, but was greeted with disappointment by investors—who took the sale as a sign that the government had been unable to find an attractive trade buyer for its entire TeliaSonera stake. Announcement of the sale caused the stock price to fall by 6 percent. After the SIP, the Swedish government retained 37.3 percent of TeliaSonera, while the Finnish government held 13.7 percent.

...and Germany follows

The January SIP of an 11.11 stake in **Beiersdorf AG** by the Land (regional government) of Hamburg, which raised €1.21 billion ($2.77 billion), had an ironic twist. The Land had acquired this stake in 2003 in order to keep the maker of Nivea beauty cream from being acquired by America's Procter and Gamble Company. With the Americans safely dispatched and the company performing well, the Land disposed of its holdings through an accelerated underwriting, which resulted in a small (1 percent) drop in Beiersdorf's stock price when it was announced.

The Greek government surprises with the sale of OTE shares

Perhaps presaging rising capital market privatization activity in Europe during the second half of 2007, the first semester closed with a surprising sale by the Greek government of a 10.7 percent stake in **Hellenic Telecom (OTE)**, which raised €1.10 billion ($2.77 billion). The government had been trying to find a trade buyer for OTE, so the SIP via an accelerated underwriting was received as news that this had failed but that OTE might be open for a takeover—so the stock rose by 6.5 percent on the news. The sale reduced the Greek government's stake to 28.0 percent.

Sales outside of Europe during 1H2007

Non-EU privatizations prevailed during 1H2007

As noted in the introduction, 1H2007 differed from the privatization Glory Years of 1997-2000 in that slightly over half (52 percent) of all privatization proceeds resulted from sales outside of the European Union. Two countries, Russia and China, accounted for eight of the nine large transactions, and all but one of these was a SIP. There is another important, and financially intriguing, difference between today's increasingly non-Western privatization scene and that of the late-1990s. Whereas SIPs have traditionally been pure secondary offerings of existing shares held by divesting governments, all seven of the Chinese and Russian SIPs were pure primary offers that raised capital for the issuing firms, and only reduced government ownership indirectly by increasing the number of shares outstanding. Turkey's **Halkbank** offering—which was sold principally to international institutional investors—was the only pure secondary SIP, and this was widely viewed as the first step in the Turkish government's plan to completely divest its ownership in this bank, which was founded in 1938. Investor response to the offer was quite positive, with the share price rising 11.3 percent during the first day's trading.

Russia is heavily privatizing its banking sector...

The two largest non-EU privatizations of 1H2007 were both executed by Russian state-owned enterprises. Russia's largest savings bank, **Sberbank**, raised €6.52 billion ($8.80 billion) in a February domestic rights offering which was that nation's second largest share issue ever (behind the 2006 Rosneft IPO that raised €8.00 billion). Though successful, Sberbank managers were actually hoping to sell as much as €8.9 billion in new stock, and the shares were offered at a 4 percent discount to the market price before the offering—yet the offering price was still set at $3,398 (€2,517) per share! The Russian Central Bank, which controlled the bank with a 63.7 percent pre-offer ownership stake, subscribed to 34 percent of the offer and thus retained voting control afterwards. Three months after Sberbank, Russia's second largest bank, **Vneshtorgbank (VTB)**, executed an IPO of global depositary receipts in London and ordinary shares in Moscow that raised €5.93 billion ($8.00 billion). The sale represented 22.5 percent of Sberbank's expanded capital, and is the world's largest share offering of 2007 thus far. The shares closed 5.6 percent above the offering price on the first day of trading. The final large Russian privatization of 1H2007 was the June asset sale of part of the power generator OGK-5 by the parent company, **United Energy Systems (UES)**, to Italy's Enel for €1.11 billion ($1.50 billion). Russia is selling off up to $100 billion worth of its power sector this year in order to raise the capital needed to restructure UES. Control of the sector, however, will remain firmly in Russian hands.

...and partly energy

The last five large privatizations of 1H 2007 were all Chinese SIPs. Four of these were executed by financial institutions, and four of the five were IPOs of A-shares on the Shanghai Stock Exchange that followed earlier H-share IPOs in Hong Kong. The fifth (Aluminum Corporation of China, or Chalco) was a true IPO of shares on both the Hong Kong and Shanghai markets. All were primary offerings that were massively over-subscribed, leading to first day returns between 38.4 percent (Ping An Insurance) and 180 percent (Chalco).

China fans global IPO fever!

The Chinese IPO hit parade began in January with the sale of 1billion Renmimbi-denominated A-shares in the mid-sized lender, **Industrial Bank**, that raised €1.52 billion ($2.05 billion), and generated a first day return of 38.8 percent. This offering attracted a record 1.16 trillion yuan (€111 billion, $150 billion) in total subscriptions. Next up, in February, was a €3.70 billion ($5.0 billion) offering by **Ping An Insurance** company, China's second largest insurer. This sale was equivalent to 15.66 percent of Ping An's expanded share capital, and yielded a very attractive paper profit for HSBC on the 16.7 percent stake it purchased only the year before. The third and fourth offerings were launched in April. First came the **Aluminum Corporation of China (Chalco)** with a mixed A- and H-share offering that raised €748 million ($1.01 billion). After the new shares more than tripled during the first day's trading—and closed up 180 percent—Chalco had a market capitalization almost equal to that of Alcoa, the world's aluminum company and a firm several times larger than Chalco. April closed with the largest Chinese SIP of 1H2007, the **China Citic Bank** €4.37 billion ($5.90 billion) offering of new shares. These new shares closed the first day of trading at a 96 percent premium to the offering price—and at a level 102 percent more expensive than Citic's H shares trading in Hong Kong. The final large Chinese offering of 1H2007 was the €2.44 billion ($3.30 billion) **Bank of Communications** IPO, launched in May. This offering yielded a 71 percent first day return to purchasers of shares, and was another very profitable investment for HSBC, which purchased a 19 percent stake in 2006.

Selected News

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BELGIUM

2007-01-16 - **Belgian Regional Airports Eye Privatization**

BRUSSELS (Dow Jones)-- Two airports in Belgium's Wallonia region may be privatized after interest in their acquisition by 20 groups of investors, Belgian daily L'Echo reports. Belgian and international investors including Spanish infrastructure group Abertis have expressed an interest in buying into **Gosselies** and **Bierset** airports, the paper says. The regional government has not yet decided whether it will back the airports' privatization.

2007-06-25 - **MARKET TALK: Investors Be Wary Of Speculative Belgacom Buys**

[Dow Jones]--Investors should be wary of buying **Belgacom** shares on speculation of a government share selloff, says KBC Securities. Analyst cites uncertain timing of any potential government selloff and a "so far unclear" form for the sale to take - sale of government stake could come as a stock market placement, a trade sale to a partner or to private equity. Analyst also warns that mounting antitrust pressures from the European Union could make Belgacom "less interesting for any acquirer and might lead to important restructurings," which could lead to the government to hold onto its shares.

CZECH REPUBLIC

2007-02-20 - **Czech Minister: Budget Gap Leads To More Privatizations**

PRAGUE (Dow Jones)--The Czech government should prepare for privatization this year **Prague International Airport**, **Czech Airlines**, **Czech Post**, and potentially **Czech Railways**, newspaper Hospodarske Noviny reports. The wave of potential government sell offs is needed to cover a 30 billion koruna ($1.41 billion) fiscal budget gap, Martin Riman, minister of industry and trade, tells the paper. The Czech government is considering other privatizations as well. In the report, Riman reiterates government plans to sell roughly 7% of majority state-owned power company **CEZ AS** on the stock market, and he said selling brewer **Budejovicky Budvar NP** is also possible.

2007-03-19 - **Czech Government Approves Float Of 7% Stake In Power Company CEZ**

PRAGUE (Dow Jones)--The Czech cabinet agreed to sell a 7% stake from its 68% holdings in electricity company **CEZ AS** by floating the shares, Prime Minister Mirek Topolanek said at a press conference. The state would like to raise about 31 billion koruna ($1.48 billion) through the sale of its 7% stake in CEZ, though the government's decision does not address who will buy the shares. "I won't give information about (CEZ buying back the shares)," Topolanek said. He added that no conditions would be placed on who buys the stock. Earlier the government said it planned to sell the minority stake directly to CEZ. CEZ officials said Monday they would be ready to buy back some or all of the state-held shares. Martin Riman, the Minister of Industry and Trade, Monday said that it is likely that several different buyers will step forward. "There is enormous interest for CEZ shares among investors, even theoretically, it's unlikely they shares would be bought by one investor," Riman said. The government's sale of CZK31 billion, or more than EUR1 billion, in CEZ shares will add more than 20 average days worth of trade volumes to the pool of traded stock, pulling the stock price down, said Tibor Bokor, analyst at Wood & Co. in Prague. "Selling via the stock exchange will definitely depress the stock's price," Bokor said. "They definitely will need to find buyers." Analysts say that for now the company's share price may remain buoyant thanks to positive sentiment in the region, but the price will fall when the government shares hit the market. "The government has to offer the stock at least a 5% discount to the market price in order to sell such a big volume of shares," said Petr Novak, analyst at Atlantik Financial Markets in Prague. "CEZ won't be the only player buying the stake, other financial investors are very interested to buy if the stock is offered at a discount," Novak said. Asked whether the sale will be carried out on the Prague Stock Exchange, as the government earlier proposed, Prime Minister Topolanek only said: "It will be on the capital markets this year." The cash-strapped government will use proceeds from the sale to shore up the state-run road infrastructure fund. "The cabinet doesn't count on generating anything more than the CZK31 billion," Topolanek said. CEZ is the largest central European company by market capitalization, which stands at about EUR24.8 billion. The company is traded on the Prague and Warsaw stock exchanges. At the cabinet press conference, Finance Minister Miroslav Kalousek said no specific date was planned for the sale of the shares, but added that the sale would take place this year. The sale of a minority stake via the stock markets won't put the country's energy security at risk, said Martin Riman, Minister of Industry and Trade. After the sale, the government will hold more than 61% of the power company.

2007-06-13 - **Czech Govt To Sell 100% Prague Airport In 2008**

PRAGUE (Dow Jones)--The Czech government will sell its full 100% stake in the **Prague International Airport** next year, newspaper Hospodarske Noviny reported citing the deputy minister of transportation. Deputy Minister Jiri Hodac said that the sale of the profit-making airport should bring as much as 70 billion koruna ($3.26 billion) to state coffers to fund highway construction and maintenance. The paper cites Hodac as saying that before privatization can take place, the airport must buy land adjacent to the airport for a second runway. The airport has been in negotiations for the land for almost two years.

DENMARK

2007-01-11 - **Citigroup, Morgan Stanley To Manage DONG IPO**

STOCKHOLM (Dow Jones)--Citigroup Inc. and Morgan Stanley have been appointed to manage the flotation of Danish utility **DONG A/S** on behalf of the Danish government, according to a report on Web site Financial News Online, citing news agency Bloomberg. The report said the Danish government appointed the banks to run DONG's initial public offering, which could raise as much as EUR2.4 billion. The Danish government said a press release would be issued at 1530 GMT but declined to comment further.

FRANCE

2007-05-29 - Aeroports de Paris CEO: Not In Privatization Talks

PARIS (Dow Jones)--French airport operator **Aeroports de Paris** isn't in talks about a possible privatization and isn't planning any talks, Chief Executive Pierre Graff told shareholders at the company's annual general meeting. Answering a shareholder's written question about French construction company Vinci's interest in Aeroport de Paris after recent comments by Vinci's chief executive, Graff said "no study, no contact with a view to the company's privatization is taking or has taken place." During Vinci's annual meeting May 10, Chief Executive Xavier Huillard said Vinci could consider taking a stake in French airport operator Aeroports de Paris SA as ADP's operations are fully in line with Vinci's activities. "When the time comes, we would be interested in a partnership," with ADP though Vinci "doesn't necessarily plan to own 100%" of the company, Huillard said. "The company cannot be privatized without a law," Graff added. According to the current French law, the French state must keep a majority stake in Aeroports de Paris even if it sells shares. In June 2006, when Aeroports de Paris was floated on the Paris Stock Exchange, the French state lowered its stake to 68% from 100%. By December 2006, only one shareholder, an investment fund, said it had increased its stake above the 1% threshold, Graff also said, without naming the investment fund. Currently, 29.2% of Aeroports de Paris' capital has been floated.

2007-06-24 - French Finance Ministry: No Significant Government Stake Cut In EDF

PARIS (Dow Jones)--The French state has no plans to "significantly reduce" its holding in domestic power giant **Electricite de France SA**, the newly appointed Finance Minister Christine Lagarde says in an interview published by Le Journal du Dimanche. Shares in EDF recently surged 3.8% on speculation the French state may sell part of its 87.3% stake. "Concerning EDF, the holding of the state, which represents 87%, there's no intention to reduce it significantly," Lagarde said. Speculation that the French state could sell part of its stake was especially strong following the election of president Nicolas Sarkozy, who is thought to be in favor of the company's privatization. Asked about the stalled merger between Gaz de France and Suez SA and a reduction of the government's stake in nuclear engineering company Areva, Lagarde said she would soon discuss those dossiers with Sarkozy and Prime Minister Francois Fillon.

2007-06-27 - French Government: Options Remain Open On GdF-Suez

PARIS (Dow Jones)--The French government said that all options remain open for the future of the stalled merger plan between French-Belgian utilities company Suez and French State-owned natural gas group **Gaz de France**. The comments follow an article published in French daily newspaper Le Figaro that said, without citing sources, that the government has once again turned its attention to the proposed tie-up. The report prompted a revival of talk in the market and boosted the two companies' share prices. French Finance Minister Christine Lagarde said that no decision has yet been made on the merger between GdF and Suez. The French government is "still studying all options," Lagarde told journalists after the cabinet meeting. Government spokesman Laurent Wauquiez added that there is "no acceleration" in discussions on the merger and warned against "rumors that run on the market." The press report, however, renewed investors' hopes the deal might finally be reached. The merger of Suez with GdF "could be announced soon," French stock broker Cheuvreux said in a note. The French government could give its green light to the merger very soon considering that alternative scenarios aren't possible, Cheuvreux added. On July 1, the French energy market, as part of a European Union-wide measure, will be liberalized, paving the way for the possible privatization of GdF. The privatization of GdF is a prerequisite to any merger with a private company. A court ruling in December postponed the possibility of a privatization of GdF until the July 1 liberalization of the energy market. Meanwhile, French elections ushered in a new government, introducing uncertainty during the handover about whether the new government would allow the merger to take place. During the presidential campaign, now French President Nicolas Sarkozy had suggested that other options could be examined, such as a tie-up with a gas producer such as Algeria's state-owned Sonatrach. In May, French Prime Minister Francois Fillon had said the deal was back on France's political agenda and that there was rationale for the planned merger. However, he said that "other options" would be examined "by the end of June or beginning of July." However, even if the government opts to proceed with the GdF-Suez merger, the terms of the share offer remain in dispute. In February 2006, the two companies announced a merger under which Suez shareholders would receive one GdF share for each Suez share owned, after receiving a EUR1-a-share special dividend. The share-swap plan is meant to ensure the French government has a 34% blocking-minority stake in the new entity in exchange for its 80.2% stake in GdF. Some analysts expect the special dividend for Suez shareholders to be increased, as Suez shares are trading at a premium to GdF shares. Suez Chairman Gerard Mestrallet reiterated to shareholders during the group's annual shareholder meeting in May that although the planned tie-up is the "best possible option for Suez...terms will have to be fair." At least two-thirds of Suez shareholders must approve the merger during an extraordinary meeting. Mestrallet also said in June that Suez's stake increase in Spanish gas distributor Gas Natural SDG SA was relevant to Suez' development projects and that it made the planned merger with GdF "even more attractive" as it was the sign of an industrial strategy with an aim to give the merged group a larger European dimension.

GERMANY

2007-03-13 - **German Ministry Drafts Bill To Partly Privatize Deutsche Bahn**

BERLIN (Dow Jones)--The German government plans a partial privatization of the country's railway operator **Deutsche Bahn AG**, according to a draft bill. The bill, drawn up by Transport Minister Wolfgang Tiefensee, foresees the company keeping ownership of both track network and the transport business and to be privatized in its current form. Chancellor Angela Merkel plans to privatize Deutsche Bahn by 2009 though the government would keep more than 50% of the company. The federal government will supply up to EUR2.5 billion in annual maintenance costs for Deutsche Bahn's 34,000-kilometer track network during the first 15 years, according to the draft bill. The bill has been sent to the other ministries to give their opinion on the plan. A final draft bill is planned by March 31. A spokeswoman for the Economics Ministry said it had received the draft "and will examine it carefully." In the past, there has been disagreement within Merkel's ruling grand coalition on how to privatize Deutsche Bahn, with the conservative parties pressing for more competition and more independence of the track network.

2007-04-17 - **Hamburg Harbor IPO Worth Around EUR850 Million**

HAMBURG (Dow Jones)--The planned initial public offering for the harbor and logistics company owned by the German port city of Hamburg is worth around EUR850 million, people familiar with the situation told Dow Jones Newswires. The IPO of **Hamburger Hafen and Logistik AG**, or **HHLA**, is scheduled for October, the people said. Earlier Thursday, City of Hamburg said it mandated JP Morgan and Citigroup to lead the consortium that will prepare the IPO. Hamburg plans to sell a 30% stake of ordinary shares to fund the fast growth of the port.

2007-05-24 - **Germany's RAG Confirms IPO Plan For Spring 2008**

FRANKFURT (Dow Jones)--German mining, chemicals and real estate group **RAG AG** confirmed its plans to float the company in spring 2008. "We continued the positive performance reported for 2006, providing a sound operational basis for the initial public offering," Chief Executive Werner Mueller said in a statement. The Essen-based company reported first-quarter net profit of EUR246 million, up from EUR119 million a year earlier. Sales were up 1.0% to EUR3.75 billion while earnings before interest and taxes, or EBIT, rose 21% to EUR425 million. Regarding 2007, Mueller said, "We will not be able to maintain growth rates at the first-quarter level, however we are predicting a continuation of the good sales and EBIT trends in fiscal 2007."

2007-05-25 - **RheinEnergie To Buy 16.1% Stake In MVV Energie From Mannheim**

FRANKFURT (Dow Jones)--RheinEnergie AG is set to purchase a 16.1% stake in **MVV Energie AG** from the City of Mannheim for around EUR300 million. The Steering Committee of the City of Mannheim resolved to recommend to the City Council that 16.1 % of the shares indirectly held in MVV Energie by the City be sold to RheinEnergie AG, and that an agreement concerning the further strategic development of MVV Energie AG and permanently safeguarding the influence of the City of Mannheim on MVV Energie be concluded with RheinEnergie. The purchase price is expected to amount to around EUR300 million. At an extraordinary session to be held on 12 June 2007, the Mannheim City Council is scheduled to decide on the sale of shares to RheinEnergie AG. The City of Mannheim currently indirectly owns around 66.20% of the shares in MVV Energie AG via its shareholdings in MVV GmbH and MVV Verkehr AG.

2007-06-10 - **North Rhine-Westphalia wants to sell WestLB stake to foreign investor**

FRANKFURT (Thomson Financial) - The German federal state of North Rhine-Westphalia prefers to sell its 38 pct stake in **WestLB** to a foreign investor, Helmut Linssen, the state's finance minister, told Boersen-Zeitung. 'North Rhine-Westphalia has close relations with Holland, Belgium, Luxembourg and France,' Linssen said in an interview that appeared in Saturday's edition. 'Enhancing such an axis would certainly be a positive side-effect.' Linssen said the state is in no hurry to sell the stake, but that it could do so before the end of the current legislative period in 2010. He did not name any potential buyers.

2007-07-20 - **German Minister Expects OK For Deutsche Bahn Privatization**

FRANKFURT (Dow Jones)--German transport minister Wolfgang Tiefensee said he expects the privatization of **Deutsche Bahn** to be approved by the

German cabinet. Tiefensee said he expects a privatization to take place by the end of 2008, but not early in the year. Tiefensee said he expects the draft law to be approved by the cabinet next week, as planned. He said Deutsche Bahn Chief Executive Hartmut Mehdorn's statement that a partial privatisation may take place in spring 2008 is very ambitious. "I think we will place a minority stake during 2008," he added. Tiefensee didn't want to specify the size of the planned privatization stake. Mehdorn had said 25% to 30% may be privatized initially. Tiefensee emphasized investors won't receive a share in Deutsche Bahn's route network, which will remain fully in government hands. Tiefensee said the government is however aiming for the company to enter partnerships with private companies and investors, allowing it to continue to finance modern trains, to maintain the route network and to win market shares in Europe. He left open whether the government prefers an IPO or a sale to private investors, and wouldn't say how proceeds from the privatization would be divided up between the government and Deutsche Bahn. Tiefensee stressed the route network will continue to appear in Deutsche Bahn's balance sheet, and said the government will remain the owner of the route network for an initial 15 years. The German Bundestag will then decide about further proceedings, he said.

GREECE

2007-07-11 - **Greek Finance Ministry: Privatization Program "Essentially Complete"**

ATHENS (AP)--Greece's conservative government has "essentially completed" the privatization program it started after taking power in 2004, the finance minister said. George Alogoskoufis' comments raised speculation Prime Minister Costas Karamanlis' conservative government will call general elections in the fall and not when his term expires in March 2008. "The government's priority since March 2004 was to implement an effective privatization program," Alogoskoufis said. "We believe this program has been completed successfully." The government said it had raised more than EUR500 million through selling a 20% stake in the Greek Postal Savings Bank. Last month, the sale of a 10.7% stake in Hellenic Telecommunications Organization (OTE) fetched EUR1.1 billion. Alogoskoufis said the government could still complete privatization plans for casinos at Mount Parnitha, near Athens, and on the western holiday island of Corfu, but ruled out the sale of other state assets in 2007. "We have essentially completed our privatization program for this year, there are no other initiatives expected," he said. "There is the possibility of privatizing the casinos but I'm not sure there will be enough time - but regardless of this, we have essentially achieved out targets." The conservatives have consistently led opinion polls since defeating the long-governing Socialists in 2004. But they dropped to just a 0.4-point lead in one survey last month, hurt by a pension investment scandal that prompted the labor minister's resignation and an overhaul of pension fund investment rules. Alogoskoufis also said Greece was committed to honoring an informal agreement among nations that use the euro to eliminate their budget deficits by 2010 - but said "additional steps" were needed to tackle the country's huge public debt, estimated at 104% of gross domestic product. "We have achieved great success in reducing the budget deficit, from 7.9% of gross domestic product in 2004 to (a projected) 2.4 of GDP this year," he said. "But Greece has a very high public debt...we must take additional steps to deal with this big problem that we have inherited from the past." He refused to comment on reported treasury plans for spending cuts, citing the need to review upcoming state revenue data.

HUNGARY

2007-02-22 - **Hungary's State Health Fund To Become a Private Company**

BUDAPEST (Dow Jones)--Hungary's government is planning to turn the state-owned health insurance fund **Orszagos Egeszsegbiztositasi Penztar**, or **OEP**, into a privately-owned shareholders' company, national daily Nepszabadsag reports. In the initial phase, the state would be the only shareholder but the company could be privatized later on, the paper says, quoting an unpublished government proposal. The government will decide later this year whether to launch a system of multiple health insurance providers or to stick to the single insurer model. The transformation of OEP will take place regardless which model will be introduced, the paper says.

2007-03-01 - **Hungary To Buy 60% AKA Stake From Bouygues, Strabag**

BUDAPEST (Dow Jones)--The Hungarian government plans to exercise its option to buy the 60% it doesn't already own in highway management company **Alfold Kocesszios Autopalya Zrt**., national daily Nepszabadsag reports. The main holders of those outstanding shares are France's Bouygues S.A., which holds a 17.6% stake, and Germany's Strabag AG, which has 25%. Both companies are reluctant to support the deal, Nepszabadsag reports. The transaction will be carried out by state-owned highway management company AAK Zrt. AAK's option for the purchase, which Nepszabadsag estimates at about 21 billion ($108.8 million), expires in 2009. A condition of the transaction is that the government will assume AKA's debts. Hungary plans to sell AKA after gaining a 100% stake in it and privatize **AAK** via the stock exchange in 2008, the paper adds.

2007-05-16 - **Hungary To Ease Privatization Of Several State Companies**

BUDAPEST (Dow Jones)-- Hungary will remove or reduce its "permanent ownership" rights in several state companies if the parliament approves a bill later this year on transforming state asset management. Under the current privatization act, the government has permanent ownership stakes in several companies it has regarded as unfit for privatization for certain reasons such as national interest. Under the proposal, Hungary will reduce its permanent ownership stake in the post office **Magyar Posta Zrt**. to 75% from the current 100%, opening up the possibility of a partial privatization of postal services. The state would also fully lift its permanent ownership right in gaming firm **Szerencsejatek Zrt**. It would lift its permanent ownership right to a 25% -plus-one vote stake in highway management company **Allami Autopalya Kezelo Zrt**., or **AAK**, and also in airport company **Budapest Airport Zrt**., in which German construction company Hochtief AG bought a 75% stake for EUR1.9 billion earlier this month. The 99% permanent state-owned stake in electricity wholesaler **Magyar Villamos Muvek Zrt**., or **MVM**, would be reduced to 75% plus one vote. The state would remove its permanent right to a 99% stake in wine trader **Tokaj Kereskedohaz** and a 75% stake in sports asset management company **Sportletesitemenyek Vallalat Zrt**. The state's 25% plus-one-vote permanent stake would be removed in textbook publisher **Nemzeti Tankonyvkiado** and also in porcelain ware manufacturer **Herendi Porcelanmanufaktura**. The heavily indebted state railways **Magyar Allamvasutak Zrt.** will remain in full state ownership and the state's 50% stake in railway firm Gyor-Sopron-Ebenfurti Vasuttarsasag will remain unchanged.

Forestry companies will continue to be 100%-owned by the state. Permanent state ownership of several research firms and institutions, public interest companies, waterworks and defense companies will also cease under the proposal.

2007-05-29 - **Hungarian MAV Calls 2-Round Tender To Sell Rail Cargo**

BUDAPEST (Dow Jones)--Hungary's state-owned railways company **Magyar Allamvasutak Zrt**., or **MAV**, called a two-round open tender to sell its cargo arm, MAV Cargo Zrt. Indicative bids for MAV's 100% stake in MAV Cargo is due by July 23. Binding bids are due by Oct. 19. Via the privatization of MAV Cargo, MAV targets to maximize the sale price it can get for the company, improve the company's operating efficiency and competitiveness, to develop the railway freight transport business, and also to improve the work conditions and commitment of MAV Cargo employees. The privatization adviser on the sale is CA-IB Tokepiaci Tanacsado Zrt. and Boston Consulting Group Kft. CA-IB is part of the Central European investment banking unit of UniCredit SpA (UC.MI). The buyer is to pay the purchase price in a lump sum. MAV reserves the right to offer 1,476,656 MAV Cargo shares to the freight company's employees under a preferential scheme. The buyer will be required to also buy the shares sold to the employees, MAV said in a bid invitation published in several daily papers. MAV Cargo made a pretax profit of 2.8 billion forints ($15.1 million) last year on revenue of HUF93 billion. The company shipped 47 metric tons of freight last year. MAV Cargo's registered equity is HUF29.53 billion.

2007-06-26 - **Hungarian Lawmakers OK List Of State Companies To Be Sold**

BUDAPEST (Dow Jones)--Hungarian lawmakers approved a bill that specifies the list of companies still in state hands to be sold fully or partially. Contrary to earlier plans, state gaming company Szerencsejatek Zrt., public storage firm Concordia Kozraktar Zrt., research institute Kopint-Datorg, horse-breeding companies Nemzeti Menesbirtok Kft. and Mezohegyesi Allami Menes Lotenyeszto Kft., and radioactive waste management firm Radioaktiv Hulladekokat Kezelo Kht. will remain in state ownership. The bill permits the sale of a 25% stake in electricity wholesaler **MVM Zrt**. and the post office **Magyar Posta Zrt.** It also allows the sale of textbook publisher **Nemzeti Tankonyvkiado**, sports facilities manager **Sportletesitmenyek Vallalat**, state highway company AAK and porcelain manufacturer **Herendi Porcelanmanufaktura**, among other firms. Hungary has a limited number of companies still owned by the government as the country privatized most of its state assets over the past 15 years.

ITALY

2007-05-18 - **Italian Shipbuilder Fincantieri IPO Seen in Spring 08**

MILAN (Dow Jones)--State-controlled shipbuilder **Fincantieri SpA** is to list on the Milan Stock Exchange by spring 2008, Italian daily Corriere della Sera reports Friday. Fincantieri, which makes cruise ships, ferries, naval vessels and large private yachts, is expected to float up to 49% of the company in an initial public offering, the newspaper says. Unions said they will protest against the listing.

2007-07-26 - **Italy Finance Ministry: No Decision Yet On Alitalia Course Of Action**

ROME (Dow Jones)--Italy's Finance Minister Tommaso Padoa-Schioppa said the government hasn't yet taken a decision on what to do with the state's 49.9% stake in troubled airline **Alitalia SpA** following Tuesday's collapse of a seven-month attempt to auction it off to the highest bidder. The minister's comment came at the start of a presentation on prospects for loss-making Alitalia before a parliamentary committee. "Alitalia can be sold either through direct, private talks (with bidders) or through another auction," the minister said. "It won't be liquidated, there are no judicial or economic grounds to do so." Hit by stiff competition from low-cost carriers, high operating and fuel costs and persistent labor strikes, Alitalia is losing between EUR1 million and EUR2 million per day. But last month the company said it has sufficient financial resources on tap to keep its planes in the air for at least 12 months. In a thinly veiled reference to comments last week by another government minister suggesting the airline be sold to anyone who wants it, "including the Eskimos," Padoa-Schioppa said "Alitalia will only be sold to a party which will be a strategic investor." In Milan, Alitalia investors were reassured by Padoa-Schioppa's comments ruling out liquidation, and the confirmation that though the government is undecided on how to sell the company it still will do so, traders said. Alitalia's net debt is over EUR1 billion. Though the government opted to stage an auction that started last December, the minister conceded Thursday that he believes some major airlines may well have been interested in Alitalia if a sale had been conducted in private talks. After ruling out a number of expressions of interest in the process, the government was left in the spring with three potential bidders: privately held Air One, Italy's second-biggest airline by passenger numbers; private equity firm TPG Inc.; and Russian carrier OAO Aeroflot Russian Airlines. Each was backed by a major Italian bank. But TPG and Aeroflot both dropped out by June citing terms and conditions in the sale that wouldn't have allowed them a free hand in restructuring the company. The auction finally collapsed July 24 when Air One took the same action for the same reason. Thursday Padoa-Schioppa said he had been taken by surprise by the decision by Air One, then viewed as the most likely future owner of Alitalia, to pull out. "During informal contacts (with Air One) there was no indication they were unhappy with the sale conditions," Padoa-Schioppa said. Like TPG and Aeroflot, Air One has confirmed since the end of the auction that it might still be interested in submitting a binding bid for Alitalia, provided conditions attached to the sale are changed. Shrugging off criticisms from lawmakers over the government's apparent indecision, Padoa-Schioppa said: "The motivation to privatize the company is fully intact, in fact, it's perhaps even stronger." The minister said officials in his department are now exploring how to loosen some of the terms and conditions attached to the failed auction process "so as to give the process more flexibility". Among terms attached to the failed auction, potential bidders would have been required to guarantee the airline would retain its "Italian character" for a number of years, and pledge to retain certain staffing levels. Alitalia's board met July 20 to explore possibilities for a new business plan, but was obliged to schedule another meeting given the continuing uncertainty on its future ownership. It originally called another meeting for July 27, but then postponed the meeting until August 1 to allow for yet more consultation time. "The (previous) sale conditions were too stringent, we have to lower barriers," Padoa-Schioppa conceded Thursday. "The situation remains fluid, we're absolutely not in a conclusive phase," the minister said, indicating Alitalia's management and investors may have some time to wait before any decisions are taken.

2007-07-30 - **Italy Finance Ministry: Government Can't Hold Private Sale Of Alitalia**

ROME (Dow Jones)--Italy's Finance Minister, Tommaso Padoa-Schioppa, ruled out a private sale of the financially troubled state-controlled airline Alitalia SpA, as the country's Audit Court wouldn't allow it, he was quoted as saying by Italian news agency ANSA. Though no decision had been made, the government was debating last week whether to proceed with a private sale or set up a new auction for the state's 49.9% stake in Alitalia. A plan to privatize the carrier, through an auction, collapsed July 17 as all the contenders gradually pulled out of the race, saying conditions set by the government were too stringent. Padoa-Schioppa also excluded resorting to a government-appointed administration on Alitalia as the company is not technically bankrupt, the agency added. That would then leave only one option left to sell Alitalia: call a new auction process, with less rigid conditions, says ANSA.

POLAND

2007-03-19 - **Polish Deputy Treasury Min Sees IPO Of Consol Power Companies In 2007**

WARSAW (Dow Jones)--Shares of Polish consolidated power company **Grupa Centrum** are likely to be sold in an initial public offering this year, Deputy Treasury Minister Michal Krupinski said. Grupa Centrum will be formally created within the next few weeks and consist of electricity distributor Grupa Enea, power generator Elektrownia Kozienice and coal mining company Kopalnia Bogdanka. A minority stake in Grupa Centrum will be offered to investors but Krupinski did not reveal the size of offering. "It will be an issue worth several billions of zlotys," he told reporters. The government plans to reshape the mostly state-owned power sector by forming four consolidated groups that will consist of power generators, electricity distributors and possibly coal mining companies. Krupinski said that the public offering of the largest power group, **Polska Grupa Energetyczna**, which will be formed from Poland's biggest power generator BOT, power generator Dolna Odra and the assets of Polish power grid company Polskie Sieci Energetyczne, would be held in 2008.

2007-06-17 - **Polish Govt Plans Part-Privatization Of Mining Industry**

WARSAW (Dow Jones)--Poland is planning a partial privatization of its coal mining sector, opening the way for local and foreign investors to acquire minority stakes in the country's seam mining operations for the first time, the Economy Ministry said. The Economy Ministry last week completed a new long-term strategy for the sector. Subject to cabinet approval of the plans, state-owned mining companies will be able to float on the Warsaw Stock Exchange in the next two years, to raise funds for investment. Joint ventures and sales of state-owned mines would also be permitted for the first time. The cash-starved mining sector needs an estimated 20 billion zloty ($7.07 billion) in investment by 2015 to remain competitive, Krzysztof Tchorzewski, Poland's deputy economy minister in charge of industry, told Dow Jones Newswires. "These expenditures can be financed by bank loans, but only if coal companies raise part of the funds on the market via IPOs," Tchorzewski said. He didn't specify what proportion of the country's coal-mining assets it plans to sell. The government has previously been opposed to any privatization of the coal mining industry, and the strategy reversal signals Poland's readiness to modernize industry to ensure the strong economic growth it has enjoyed since joining the E.U. in 2004 continues. Poland has Europe's largest and the world's ninth-biggest mining industry, and has significantly more coal underground than the 9 billion tons that are currently estimated to be economically recoverable," said Nigel Yaxley, an independent U.K.-based mining industry consultant. The new strategy will also allow some state-owned coal companies to seek investment partners. In addition, some state-held mining assets could be sold to local or foreign investors. Poland's largest coal-mining holding company by revenue, Kompania Weglowa SA, plans to sell its unprofitable **Silesia coal mine**, which has an estimated 100 million tons of reserves after previously being retired. Silesia requires an estimated PLN400 million to PLN500 million of investment to restart mining of new layers, company spokesman Zbigniew Madej said. Kompania Weglowa plans to announce a tender to sell Silesia in mid-July, after it receives an independent evaluation of the mine, Madej said. Potential bidders include Scotland's Gibson Group, Arcelor Mittal (MT), a Swiss-led consortium, and NWR, he said. Privatization of the coal mining sector has until now had little support in Poland, either from politicians or the public. Employment security in particular has been a sticking point, given the huge role trade unions and specifically miners had in overthrowing the communist regime in Poland. But over the last decade, the number of employees in the sector has been reduced to around 118,400 from 430,000 employees in the 1990s, according to the Polish Economy Ministry. That has been crucial to paving the way for private investors to enter the sector without fear of labor-union reprisals. The shake-up in the mining sector also highlights pressure on Poland's power generation sector to modernize, as 50% of Polish power plants don't meet E.U. emissions standards and will have to be replaced.

PORTUGAL

2007-05-14 - **Portuguese government confirms further privatisation of EDP in 2007**

LISBON (Thomson Financial) - The Portuguese finance ministry confirmed that it stil plans to privatise part of its stake in **EDP Energias de Portugal** SA in 2007, but declined to comment on the model for privatisation, according to a spokesman at the finance ministry. The spokesman did not provide any further detains on the privatisation. Weekly Expresso reported that the government has not yet decided on the model for the privatisation. There are still doubts about whether the government will float additional share capital or will try to put together a core shareholder group made up of Portuguese investors, the paper added. Portuguese state holding company Parpublica owns a stake of about 20.5 pct in EDP, while state-owned bank Caixa Geral de Depositos holds about 5 pct.

2007-05-29 - **Energias De Portugal Could List Renewables Unit In '08 -CEO**

LISBON (Dow Jones)--Portuguese utility **Energias de Portugal SA** (EDP) is considering listing its renewable energy unit **Novas Energias do Ocidente**, or **NEO**, although it is unlikley to happen before 2008, EdP Chief Executive Antonio Mexia said. Mexia, who was speaking on the sidelines of a renewable energy conference, said: "We were the first ones to consider that (listing its renewable energies unit)...but we're now focused in consolidating our most recent acquisitions and it doesn't make sense to do it before 2008." In March, EdP announced it would acquire Horizon Wind Energy LLC from Goldman Sachs Group Inc. (GS) for more than $2 billion plus debt, creating a global renewable-energy player with more than 3,800 megawatts of wind-power generation in operation by the end of 2007, EdP said at the time. The Horizon deal will rank EdP as the world's 4th biggest wind-power producer after U.S. company FPL Energy, part of FPL Group Inc. (FPL), and Spanish companies Iberdrola SA (IBE.MC) and Acciona SA (ANA.MC), EdP said. Analysts see renewable energies as EdP's main growth driver and the company sees an increase of average capital expenditure per megawatt to EUR1.3 million by 2010 in renewable energies.

2007-06-25 - **Portugal Regulator OKs IPO Of Up To 15% Of REN, Listing Of 49%**

LISBON (Dow Jones)--Portugal's market regulator Comissao do Mercado de Valores Mobiliarios, or CMVM, Saturday said it has approved the prospectus for the initial public offering of up to 15% of energy-grid operator **Redes Energeticas Nacionais**, or **REN**. Of this 15%, 10% is being sold by the Portuguese state and 5% by utility Energias de Portugal SA (EDP). The operation was initially slated to float up to 19% of REN's equity. The CMVM's statement didn't comment on the 15% figure. In addition to this offering, REN is itself placing directly shares representing 9% of its equity. The regulator said it has also approved the listing of 49% of REN's share capital on Euronext Lisbon from July 10. The operation represents the first phase of the grid operator's privatization and paves the way for a broader restructuring of the country's energy sector. The Portuguese government Thursday approved an indicative price range of EUR2.35-EUR2.75 per share for REN, valuing the company at between EUR1.25 billion and EUR1.47 billion. The final price will be set July 9. The subscription period for the IPO runs from June 25 to July 6. Lead-managers are Millennium investment banking and Caixa Banco de Investimento, with Banco Espirito Santo, Banco BPI, Banif, Credit Suisse and UBS also participating.

2007-07-19 - **Portugal Could Sell Further Stakes In EDP Or Galp**

LISBON (Dow Jones)--The Portuguese government could decide to go ahead with a new privatization phase of utility **EDP-Energias de Portugal SA** or oil and gas company **Galp Energia SGPS SA**, Diario Economico reports, citing treasury and finance secretary of state Carlos Costa Pina. The government, which has a 25% stake in EDP and 7% in Galp, must obtain some EUR675 million to fulfill its target to raise EUR2.4 billion from the sale of various state-held assets through 2007. Privatizations of paper company Inapa, airline TAP and airport operator ANA are scheduled to happen in 2008 or 2009.

SLOVENIA

2007-02-05 - **Slovenia Plans To Launch Sale of State Telecommunication company in June (SEENEws)**

LJUBLJANA (Slovenia)--Slovenia plans to call a tender for the sale of 39% of its telecoms company Telekom Slovenije in the first half of this year, most probably in June, the Economy Ministry said. "We expect that an international tender for the sale of the state stake in Telekom Slovenije will be called in June and the whole procedure is expected to be completed by the end of 2007," the ministry said in a statement. The ministry said that it would make a due diligence in the company before calling the tender. Last year the ministry said it planned to call the tender for the sale of the stake in the telecoms company in April and choose four bidders to examine the company more closely, to conduct due diligence and set the price. Slovenia's centre-right government adopted last May a plan for the privatisation of the fixed-line and wireless services telecoms company. The plan calls for the sale of up to 39% to a strategic investor and at least 10% are to be offered to Slovenian citizens. The government, which owns 74% of Telekom Slovenije directly and indirectly, will keep a stake of 25% plus one share in the company. The sale of Telekom Slovenije is part of government plans to speed up the privatisation of key sectors of the economy. Slovenia, a member of the European Union since 2004, still controls major companies in the telecoms, banking, insurance and steel making sectors. Telekom Slovenije floated 100% of its equity capital on the Ljubljana Stock Exchange in October as a first step in its privatisation.

2007-05-11 - **NKBM Shares on Stock Exchange until Summer (Eastbusiness.org)**

Slovenian Finance Minister Andrej Bajuk revealed the Nova **Kreditna Banka Maribor** (**NKBM**) privatisation details. The bank would be privatised in two phases, selling 49 per cent of the shares in the first phase to selected investors and private entities, while the rest of the shares would be put on hold until the next phase. Looking in long-term period, the bank would finally keep the 25-per-cent stake in the bank. However, speaking about the biggest Slovenian bank, Nova Ljubljanska Banka (NLB), the government remains stubborn. We would keep 50 per cent of the shares, Bajuk said. The first phase is expected to start until summer this year and it should last until the end of November. As possible buyers, three insurance companies were already mentioned- Zavarovalnica Maribor, Tilia and Pozavarovalnica Sava.

SWEDEN

2007-03-14 - **Sweden Open To Selling Off Absolut Brand Separately**

STOCKHOLM (Dow Jones)--Sweden is open to the idea of selling off **Absolut vodka** separately from its brand owner V&S Vin & Sprit, Mats Odell, the minister responsible for Sweden's state-asset sales, says to Swedish business daily Dagens Industri Wednesday. "It is certainly possible to split off Absolut," the minister said. "No one knows whether Vin & Sprit is worth more as a whole than the sum of its parts." Sweden is looking to sell 150 billion Swedish krona ($21.3 billion) in state assets and has put its stake in six companies, including wholly owned alcohol maker Vin & Sprit, on the trading block. V&S Vin & Sprit's brand Absolut Vodka is drawing interest worldwide from potential buyers.

2007-06-20 - **Swedish Parliament OKs Sale Of Six State-owned Companies**

STOCKHOLM (AP)--The Swedish parliament on Wednesday approved the center-right government's plans to sell off state assets in six major companies, including the maker of Absolut vodka. The 349-seat assembly backed the measure in a 146-121 vote, with the remaining lawmakers abstaining or absent. The companies are telecommunications operator TeliaSonera AB, Nordea AB, OMX AB, Vasakronan AB, mortgage company SBAB and liquor group Vin & Sprit AB, which produces Absolut. In the vote, 13 lawmakers abstained and 69 were absent. The decision, which was expected, gives the government the go ahead to sell its stakes in the three listed companies - TeliaSonera AB, Nordea and OMX - and the three unlisted companies will also be put up for sale. The government's total stake in the six companies is worth 250 billion kronor ($35.64 billion), which will be used to pay off the national debt.

THE NETHERLANDS

2007-04-11 - **Four Bidders Left For Dutch Connexxion**

AMSTERDAM (Dow Jones)--There are four bidders left for state-owned Dutch public transport company **Connexxion**, Het Financieele Dagblad reports. Still in the running, according to the paper, are a combination of Dutch Rabobank subsidiary Rabo Capital and Dutch private equity firm Gilde Investment Management; FirstGroup PLC of the U.K., Deutsche Bahn and Transdev of France. The Dutch government officially put Connexxion up for sale in 2006. It is selling a majority stake through a so-called controlled auction. Credit Suisse is advising the Dutch government on the sale, while the management of Connexxion is being advised by the corporate finance department of ABN Amro Holding NV on the sale process. Connexxion is the biggest bus operator in The Netherlands with an estimated market share of 30%, followed by Arriva PLC which has about a 21% share of the market.

UNITED KINGDOM

2007-03-10 - **4 US Firms On Shortlist Of UK Nuclear Site Bidders**

LONDON (Dow Jones)--NM Rothschild has drawn up a shortlist of bidders for Britain's **Magnox** nuclear sites that include four U.S. companies but none from the U.K., the Daily Telegraph reported. The sale of the sites and the tendering of the clean-up project is part of the U.K. government's drive to privatize Britain's nuclear industry. The four U.S. bidders selected for the final round include Jacobs, Fluor, CH2M Hill and EnergySolutions. Buying the 10 Magnox sites, which include Sizewall in Suffolk and Hinkley Point in Somerset, will cost around GBP80 million, the Telegraph reported, citing unnamed analysts. According to the Telegraph, the successful bidder will receive a dowry of two or three years' work cleaning up those Magnox plants that are being decommissioned. Only a handful of Magnox sites are still operational and all will be decommissioned in the next few years.

2007-07-15 - **UK Government To Auction Stake In UKAEA's Cleanup Arm**

LONDON (Dow Jones)--The U.K. government plans to auction a minority stake in the nuclear decommissioning division of its state-owned **UK Atomic Energy Authority**, or **UKAEA**. The auction is expected to raise GBP400 million and will only involve the nuclear cleanup arm of UKAEA, which manages cleanup of civil nuclear research sites such as Dounreay, The Independent reports without citing sources. UKAEA's U.K. nuclear research division - which participates in an international nuclear fusion project - will remain in government hands,. The government plans to appoint a bank for the sale in early autumn. Likely buyers include U.K. services company AMEC PLC, and U.S. engineering firms CH2M Hill Cos. Ltd., Bechtel Group Inc. and Flour Corp. , the newspaper reports. The U.K.'s government's Nuclear Decommissioning Authority expects to sell the remaining shares in UKAEA's cleanup arm once a new five-year contract to decommission the Dounreay site has been awarded in 2009. UKAEA hopes to beat other bidders for the contract, valued at GBP1.5 billion, since it is already the incumbent operator at Dounreay. "If all goes to plan, the sale of a minority stake would be followed by a sale of the whole business once the Dounreay contract has been awarded, hopefully to us," Norman Harrison, UKAEA's CEO said.

2007-07-15 - UK Government To Sell Stake In BNFL's Military Research Company

LONDON (Dow Jones)--The U.K. government will announce in parliament plans to sell state-owned British Nuclear Fuels PLC's 33% stake in nuclear weapons research company **Atomic Weapons Establishment Management Ltd**., The Sunday Telegraph newspaper reports without citing sources. The move is part of the planned break-up of government-owned British Nuclear Fuels, The Sunday Telegraph reports. Atomic Weapons Establishment Management is a military research facility responsible for ensuring the safety of the U.K.'s nuclear Trident submarine program. It is run by a consortium split equally between BNFL, support services company Serco Group PLC (SRP.LN) and U.S.-based Lockheed Martin Corp.. The latter two would have pre-emption rights to buy BNFL's stake at a market price, should the government decide to sell its stake, the Sunday Telegraph reports. The stake is valued at GBP100 million and investment bank NM Rothschild is expected to handle the sale on behalf of BNFL, the newspaper reports.

Table 1. Announced Deals Old Europe

Date of Announcement	Company Name	Country	Percent for Sale	Method of Sale	Date Expected (as announced)	Rescheduling / Notes
Jul-07	Atomic Weapons Establishment Management Ltd.	UK	33.00	Private Sale	unspecified	
Jun-07	France Télécom	France	5.00	Public Offer	2007	completed
May-07	Novas Energias do Ocidente	Portugal	unspecified	IPO	not before 2008	
May-07	Fincantieri	Italy	up to 49,00	IPO	Spring 2008	
May-07	MVV Energie	Germany	16.10	Private Sale	unspecified	
Jan-07	Gosselies and Bierset Airports	Belgium	unspecified	Private Sale	unspecified	
Jan-07	RAG AG	Germany	unspecified	IPO	2007	postponed to spring 2008
Jan-07	Stadtwerke Leipzig GmbH	Germany	49.00	Private Sale	2007	
Jan-07	WestLB	Germany	38.00	Private Sale	before 2010	
Dec-06	SBAB	Sweden	unspecified	unspecified	by 2008	
Dec-06	Vasakronan	Sweden	unspecified	unspecified	by 2008	
Dec-06	Hamburger Hafen und Logistik AG (HHLA)	Germany	30.00	IPO	Autumn 2007	
Dec-06	Deutsche Telekom	Germany	unspecified	unspecified	2007	through KfW
Dec-06	Deutsche Post	Germany	unspecified	unspecified	2007	through KfW
Dec-06	Thessaloniki Port Authority	Greece	unspecified	unspecified	unspecified	postponed
Nov-06	Sampo Bank	Finland	100.00	Private Sale	2007	completed
Oct-06	Gaz de France	France	unspecified	unspecified	July 2007	
Oct-06	LEG	Germany	100.00	unspecified	by 2008	
Sep-06	Vin & Spirit AB	Sweden	unspecified	unspecified	by 2008	
Sep-06	SAS AB	Sweden	unspecified	unspecified	unspecified	postponed
Sep-06	OMX	Sweden	6.70	unspecified	by 2008	
Sep-06	Nordea Bank	Sweden	19.90	unspecified	by 2008	
Sep-06	TeliaSonera	Sweden	45.30	unspecified	by 2008	completed
Sep-06	Tote (Horserace Totaliser Board)	UK	unspecified	unspecified	unspecified	on hold
Aug-06	Bank of Attica	Greece	19.00	unspecified	2007	postponed
Aug-06	Postal Savings Bank	Greece	20,00*	Public Offer	2007	completed
Aug-06	SAS	Denmark	14.30	unspecified	unspecified	
Jun-06	Alitalia	Italy	up to 39,9	Private Sale	1H2007	
Apr-06	DONG	Denmark	28.00	IPO	1H2005	postponed to 2H 2007
Mar-06	Piraeus Port Authority	Greece	unspecified	Public Offer	2007	postponed
Mar-06	British Nuclear Group	UK	unspecified	Public Offer	September 2007	
Mar-06	Urenco	UK	33.00	Public Offer	unspecified	
Mar-06	Scottish Water	UK	unspecified	Public Offer	unspecified	
Feb-06	REN	Portugal	up to 19	IPO	end of 2006	July 10th
Feb-06	TAP Air Portugal	Portugal	unspecified	unspecified	2007	postponed to 2008/2009
Feb-06	ANA	Portugal	unspecified	unspecified	2007	postponed to 2008/2009
Feb-06	Inapa	Portugal	15.00	unspecified	2006 or 2007	postponed to 2008/2009
Feb-06	OTE	Greece	10,07**	Public Offer	2006	completed
Feb-06	Depa	Greece	unspecified	Public Offer	unspecified	
Jan-06	Connexxion	The Netherlands	66.6	Private Sale	2006	
Jan-06	Mount Parnes Casino	Greece	51.00	IPO	2007	2007
Jan-06	Dagris	France	64.70	Private Sale	2006	ongoing
Jan-06	Agricultural Bank of Greece	Greece	up to 23,8	unspecified	2006	postponed
Dec-05	SEA Milan SpA	Italy	33.00	Public Offer	2006	postponed
Nov-05	Telekom Austria	Austria	up to 25,2	unspecified	after autumn 2006	canceled
Oct-05	Scandlines AG	Denmark & Germany	100.00	Private Sale	2H2006	ongoing
Oct-05	Eni SpA	Italy	10.00	Public Offer	2006	canceled
Oct-05	Enel SpA	Italy	10.00	Public Offer	2006	canceled
Oct-05	Atomic Energy Authority	UK	unspecified	Private Sale	unspecified	
Feb-05	Snam Rete Gas	Italy	up to 30	unspecified	2005	postponed to 2008
Jan-05	Athens Intl. Airport	Greece	up to 55	unspecified	2005	postponed
Jan-05	Deutsche Flugsicherung	Germany	up to 75	unspecified	2005	on hold
Dec-04	Olympic Airlines	Greece	unspecified	Private Sale	2005	postponed
Oct-04	Red Electrica	Spain	10.00	Public Offer	2005	Postponed to 2008
Oct-04	Iberia	Spain	5.30	Private Sale	2005	Postponed to 2008
Oct-04	Endesa	Spain	3.00	Public Offer	2006	Postponed to 2008
Oct-04	TV2	Denmark	51 to 66	Private Sale	1H2005	postponed
Sep-04	Aguas de Portugal	Portugal	up to 49	IPO	2H2005	postponed
Sep-04	Energias de Portugal	Portugal	5.00	Public Offer	2004	Q42007
Jun-04	Deutsche Bahn	Germany	25 to 30	IPO	2006	postponed to 2008

Source: Elaborations on *DowJones, and Privatization Barometer*

* Originally announced as 15,00%

** Originally announced as 20,00%

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