

IPO Process and Listing Recent Experience from the Baltic States

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Situation in Baltic Equity Capital Markets today

- In correlation with fast economic growth, all baltic stock markets have shown excellent returns but in global downturn are suffering heavily from low liquidity as foreign investor interest is extremely low.
- The IPO market has become relatively active in Baltics and has witnessed high level of interest from institutional and retail investors.
- In order to increase the liquidity and awareness of Baltic shares, increasing trend of public offering in all baltic states and dual-listing on the Warsaw stock exchange is emerging .



Index/Equity	01.01.2006	31.03.2008	+/-%
OMX Tallinn	664,08	640,92	-3,49
OMX Nordic 40	1 019,15	1 077,33	5,71

Valuation methodologies

Method	Rationale / Considerations
DCF	<ul style="list-style-type: none"> • Value is derived by discounting free CFs of the company • Discount rate is the company's WACC (weighted average cost of capital)
Trading multiples	<div>EV / EBITDA</div> <ul style="list-style-type: none"> • Multiples are used by equity market investors to assess valuation levels relative to the peer group
	<div>P / E</div> <ul style="list-style-type: none"> • Forward looking EV/EBITDA and P/E are widely used, • especially for a company in clear growth phase
	<div>Others</div> <ul style="list-style-type: none"> • Other multiples (P/Sales, P/FCF) can be used for valuation. Also distinctive features in the investment case itself

Summary Offering Structure/Sample

Selling entities	•Existing shareholders/Company
Offer composition	•secondary sale/primary shares
Issue size	•Minimum 25% of share capital, recommended 30-35%
Issue price	•To be set during open price book building stage
Issue price range	•To be set during valuation and pre-marketing stage
Offering structure	<ul style="list-style-type: none"> •Public offer in all three Baltic countries and Poland <ul style="list-style-type: none"> –Retail offer –Institutional offer •Private institutional offer throughout EU and rule 144 A in US
Restrictions on offering	•Restrictions on offering to US (only to qualified institutional buyers)
Registration	•Securities Commission of the Republic of xxxx (European Passport)
Listing	•Vilnius Stock Exchange and Warsaw Stock Exchange
Depository	•Central Depository of xxxx
Use of proceeds	•Realization of equity value by existing shareholders
Lock-up period	•180 -360 days to shareholders and the company
Over Allotment	•10%, 30 day stabilisation

IPO process: key stages to pricing

Valuation / Equity story

- Initial valuation and development of equity story by company and Hansabankas
- Understanding of value drivers / identifying potential concerns

Research publication

- Equity story presented to research analysts
- Analysts perform equity research; their material is published and distributed to investors; no target price included

Investor education

- Valuation actively communicated to investors by analysts
- Gathering feedback regarding price expectations

Road show/ book building

- Setting the price range
- Management meets investors to communicate equity story and address concerns.
- Crucial process, as few investors will place orders before meeting the management

Pricing & Listing

Hansabank's role

- Advising the Company for dual listing
- Preparation of placement strategy
- Company valuation
- Coordination of due diligence (due diligence would be executed by auditors and lawyers)
- Preparation and registration of information prospectus (together with lawyers)
- Preparation of equity research
- Selection of placement partners ,coordination of their work
- IPO pre-marketing
- Arranging road-show
- Bookbuilding
- Assisting in pricing and allocation of shares
- Settlement
- Listing
- Market making (1-2 years fixed spread and quantity)
- Equity research coverage (2 years quarterly)
- Regular arrangement of meetings with analysts after placement
- Custody services

Hansabank Research and Trading

- Extensive experience of IPOs and private placements in the Baltic region
- Leading market intermediary in Baltic region
 - 20-30% of market turnover in Lithuania
 - 20-25% of market turnover in Latvia
 - >50% of market turnover in Estonia
- Vast majority of foreign investors active in Baltics have security accounts and execute trades via Hansabank
- Official IPO partner of Warsaw Stock Exchange
- Largest asset manager in the Baltic States (pension funds, investment funds, life insurance, private portfolio management)
 - Total funds under management of over EUR 2 bln
- Long term contacts with investors in Finland, Sweden, Denmark, Great Britain, Austria, Germany, Poland and US.
- Largest branch network for distribution among retail investors in Lithuania (also, Latvia and Estonia)
- By far largest Internetbank in all of Eastern Europe Hanza.net
- Regular and well acknowledged Baltic equity research (>20 companies covered)
- Full service range (investment banking, brokerage, custody, settlement, equity research)



Credentials (1)

Selected ECM Transactions



June
2007

City Service is the leading facility management company in Baltics with aggressive growth prospects in Russia. Hansabank was the sole lead manager and bookrunner of first Lithuanian IPO in seven years. The **IPO** size was **€17m** and institutional tranche was oversubscribed by 7x and retail 2x. Public offering was conducted simultaneously in three Baltic countries.



March
2007

AS Ekspress Grupp – largest print media company in Baltic, expanding into Romania. Hansabank Markets was the lead manager for the local **IPO** with total deal size being **€34 m** in March 2007. Oversubscription was 3.3 times in local offering and 6 times in the institutional offering.



October
2006

Olympic Entertainment Group (OEG) is the leading casino entertainment company in the Baltic States and one of the most rapidly expanding companies in Eastern-Europe. Hansabank Markets was the lead manager of OEG **IPO**, which was first time in history commenced in all three baltic countries simultaneously. Only new shares were issued in the amount of **€1.8m**



August
2006

Tallink is a leading provider of high-quality mini-cruise, ro-ro and passenger transport services in the Northern Baltic Sea region. Hansabank Markets was the sole Lead Manager of the **secondary public share offer (SPO)** of 28.3m new shares for existing shareholders. the offering attracted **€94.7m** of new equity capital

Credentials (2)

Selected ECM Transactions



May
2006

AS Eesti Ehitus is one of the leading construction companies in Estonia. Hansabank Markets was a joint lead manager for Estonian public offering in the **IPO** and subsequent listing on Tallinn Stock Exchange. The combined offering size was about **€17m** and 34% of the company.



June
2005

AS Starman is the biggest cable TV provider in Estonia, with dominant market share also in Internet Connection Service and has entered into fixed line phone service as well. Hansabank Markets was a global lead manager for the **IPO** and subsequent listing on Tallinn Stock Exchange, with deal size of about **€12 m** and 30% of the company. No new shares were issued.



June
2005

AS Tallinna Vesi is the monopoly utility company providing fresh water and sewage services in Tallinn and Surrounding areas. Hansabank Markets was a global lead manager for the **IPO** and subsequent listing on Tallinn Stock Exchange, with deal size of about **€55m** and 30% of the equity. No new shares were issued.



February
2005

AS Kalev is the largest and dominant Confectionary and Cookies produces in Estonia. Hansabank Markets did a **secondary placement** for 27.5% of the company through accelerated book building worth **€6.7m**.

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Thank you!

