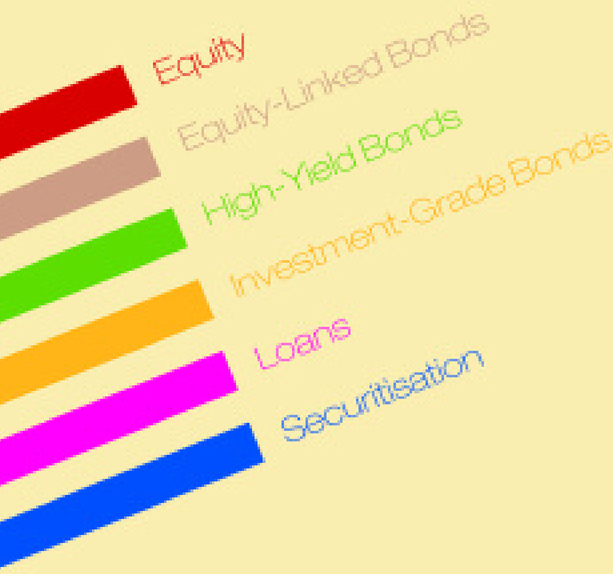
In this special Deals of the Year report, Liz Salecka outlines the key trends in the equity, convertible, loans, investment-grade and high-yield bond and securitisation/ structured finance markets for 2003-04. *The Treasurer*'s expert panel of judges have shortlisted potential winners in each category for their innovation, price-efficiency and exemplification of sound treasury practice.

Deals of the year



2003-04 was a year of mixed experiences for the capital markets. Equity issuance, demand for bank loans and investment grade bond offerings were all down as a result of depressed merger and acquisition activity, and the large number of refinancings arranged last year when corporates sought to take advantage of very favourable market conditions. High-yield bonds and convertibles, nevertheless, held their ground, while securitisation/structured financing saw signs of greater acceptance.

The equity markets were tapped by companies looking to raise money for growth and development or restructure their businesses, with IPOs also witnessing a steady comeback. Meanwhile, convertible issuance remained popular with both issuers and investors. Some deals in this category were up to nine times over-subscribed.

While 2003-04 proved a slow year for investment-grade bonds, high-yield bonds continued to see reasonable levels of activity with several non-investment grade issuers refinancing their debt. The year saw the largest high-yield sterling tranche ever and the largest euro-denominated high-yield offering.

Equity

IPOs take their slice of the cake

Limited M&A activity again dampened issuance in the equity markets during 2003-04, although the markets were tapped by companies looking to refinance their balance sheets or raise money for company restructurings or growth and development. The IPO market also witnessed further steady issuance and demand, with many deals several times over-subscribed.

This was a reflection of investor sentiment which continued to show signs of recovery, despite the hike in oil prices, the geo-political environment – the ongoing threat of terrorism and the war in Iraq – and question marks over a US revival.

In the months ahead, predictions are that rising interest rates are likely to see companies, for the most part, become less willing to issue debt. They may, instead, reduce their gearing and refocus their attention on shareholders.

€3.26bn IPO (March 2004)

Belgacom's €3.26bn IPO was the largest telecom IPO since Orange. It saw the successful exit of the ADSB consortium and generated high levels of demand – the deal was three times over-subscribed.

"Despite the turbulent markets at the time, we managed to complete the largest ever Belgian IPO. We feel the transaction was priced fairly which is still reflected in our current share price. Our performance has only increased since our listing and shows in our recent results," said Christophe Van Nevel, Treasury Director at Belgacom.

Goldman Sachs, Lehman Brothers, Morgan Stanley, UBS

€309.76m Accelerated Bookbuilt Offering (November 2003)

Dixon Group's €309.76m Accelerated Bookbuilt offering of 48.4 million shares in internet company Wanadoo was the third and final trade Dixons made to monetise its holding.

Dixons Group Treasurer Matthew Hurn said: "An early release from the lock up agreement with Wanadoo enabled the shares to be placed on the back of strong performance and without the market anticipating the transaction. There was strong demand for the shares, the placing was over-subscribed and was executed at a very small discount of 2% to the prevailing market price."

Citigroup, Goldman Sachs

€240m Accelerated Bookbuilt Offering (February 2004)

Getronics' €240m Accelerated Bookbuilt offering of primary shares was conducted to repay a €250m subordinated bond due in 2008 – a key step in the company's financial restructuring. The issue closed within four hours and was 2.5 times over-subscribed.

Paul Resing, Corporate Treasurer, said: "This equity issue enabled us to fully redeem an expensive instalment bond and gave us a strong balance sheet. The offer was over-subscribed within a few hours, showing stakeholder confidence."

ABN AMRO Rothschild, ING Investment Banking

€1.5bn IPO (July 2004)

Pages Jaunes' €1.5bn IPO from France Telecom was very well subscribed, despite the deal being launched in an economic climate not particularly favourable to IPOs.

"This was due mainly to the high quality of the group's assets and to the huge welcome that the financial community has given to the Pages Jaunes' 'equity story'," said Michel Datchary, Chief Executive Officer of Pages Jaunes. "The results speak for themselves – an over-subscription of three times at the IPO price."

ABN AMRO Rothschild, BNP Paribas, Calyon, Lehman Brothers, Morgan Stanley

£75m IPO (May 2004)

The IPO of film and TV studio company Pinewood Shepperton was priced at 180p – the top end of the indicative range. The deal broke down as £50m of primary and £25m of secondary stock from private equity backers. The books were covered three times over at the issue price.

"Pinewood Shepperton is a very exciting company and we were delighted that its IPO was so well received by the market, and its subsequent share price performance has recognised the company's future prospects," said David Anderson, who led the IPO at bookrunner Cazenove.

Cazenove

£773m Accelerated Bookbuilt Offering (January 2004)

Tesco's Accelerated Bookbuilt placing of 315 million new shares saw the company raise £773m in funding for the continued development of its four-part growth strategy.

Commenting on the deal, Keith Richardson, Group Treasurer at Tesco, said: "The successful institutional offering of 4.4% of Tesco's share capital was completed within a day to minimise exposure to market volatility. This was the largest equity issue of the first quarter of 2004."

Cazenove, Deutsche Bank

Equity-Linked

ABB

$968m Convertible Issue (June 2004)

The restructuring of ABB's $968m convertible bond was one of the first successful modifications of this nature.

ABB's dollar denominated bonds were originally convertible into ordinary shares of ABB. A unique feature of the modified convertible is that bondholders will receive dollar denominated American Depositary Shares, representing fully paid shares, rather than ordinary shares of ABB, which are denominated in Swiss francs.

Barclays Capital, Citigroup, CSFB

AngloGold Ashanti

$1bn Convertible Bond Issue (February 2004)

Anglogold's $1bn convertible bond was the first international public convertible by a South African listed company. The deal was conducted to refinance maturing debt and pay transaction costs related to the Ashanti Goldfields merger.

The deal generated massive demand and was about 4.2 times over-subscribed when books closed at the less aggressive end of the range. The 60% conversion premium allowed the company to achieve a conversion price well above the all-time high, minimising any potential dilution.

Deutsche Bank, Citigroup

Capitalia Gruppo Bancario

€1.1bn Exchangeable (April 2004)

Capitalia's €1.1bn issue, exchangeable into the shares of Generali, enabled the bank to monetise its entire 3.14% stake in Generali and potentially sold it at a premium to the current market price. The deal was 3.4 times over-subscribed.

"The issue was an outright success in terms of execution, conditions and market impact. In particular, we achieved our goal to obtain low-cost funding by utilising the exchangeable structure which took the market by surprise in a positive manner," said Fabio Gallia, Co-General Manager.

ABN AMRO, CSFB, MCC, Mediobanca

Linde

€500m Convertible (May 2004)

Linde's €500m convertible was launched to finance its buyback of €400m of bonds. The issue was one of the most aggressive placed in 2003, and recorded a 'negative' discount.

Erhard Wehlen, Treasurer, said: "We decided to launch the deal because interest rates were quite favourable and our share price had performed well over the last year and we were able to achieve an implied volatility above both historic and Over the Counter levels. The deal was attractively priced for Linde and well received by investors."

SG Corporate & Investment Banking, Dresdner KW

The strongest link

Activity in equity-linked issuance was underpinned at relatively healthy levels during 2003-04, following on from the flood of transactions witnessed in 2002-03, despite suggestions that this market would level off.

Equity-linked bonds continued to be favoured by both issuers and investors. This is reflected in the fact that some deals were as much as nine times over-subscribed.

2003-04 also saw some innovative structures and pricing in the convertibles category. One deal was launched at a conversion premium of 60%, allowing the company to achieve a conversion price well above the all-time high. Another issue by a Swiss company offered conversion into US$ nominated American Depositary Shares.

élan

$633m Equity and Convertible Offering (October 2003)

Elan's $633m concurrent equity and convertible offering represented an integral part of Elan's recovery plan, re-establishing its access to the capital markets after a prolonged period of restructuring. An aggregate of $2.3bn of demand was generated for the combined transaction with the convertible bond being nine times over-subscribed at the base offering size.

The convertible bond was upsized to $460m from $250m and priced at the bottom of the marked coupon range.

Morgan Stanley

Swiss Re

€670m Convertible (July 2004)

The mandatory convertible security issued by Swiss Re was designed to raise equity without diluting shareholder capital. It was the first mandatory convertible in Europe to achieve maximum equity recognition from Moody's, Standard & Poor's and AM Best.

"This €670m offering was over-subscribed nine times in just three hours, pricing at the low end of the coupon range, with a minimal impact on Swiss Re's share price during execution," said John Frederick Souter, Head of Financial Reporting.

BNP Paribas, Merrill Lynch

High-Yield Bonds

Reaching new heights

2003-04 continued to see good activity in the high-yield bond sector, boosted by the benign credit backdrop and relaxed perceptions of the general economic outlook.

Many non-investment grade issuers took advantage of strong investor demand by continuing to issue fixed and floating rate notes to refinance existing debt. The high-yield bond markets also proved attractive to venture capitalists seeking refinancing, a trend buoyed by high levels of venture capital activity during the year.

Interestingly, of the deals selected for awards in this category for 2004, two claimed to be major firsts – the largest high-yield sterling tranche ever and the largest-ever euro-denominated high-yield offering.

Cognis

€745m Floating Rate Loans and Notes and Fixed Rate Senior Notes (May 2004)

Global speciality chemicals company Cognis raised €745m as part of a three-tier offering in note and loan form to refinance existing debt, repay a vendor loan and fund a dividend to the equity sponsors.

Jochen Gann, Corporate Treasurer, said: "We underwent our three-layer recapitalisation approaching a wide range of different investor groups to achieve attractive terms on our finance instruments: €1.3bn senior debt refinancing, €400m second lien and €345m high yield bond."

Goldman Sachs, JPMorgan

Invensys

£625m High Yield Bond Issue (March 2004)

Invensys launched a £2.7bn refinancing package comprising equity, high yield and bank debt to refinance existing debt. The deal included £625m (net) of 7-year high-yield bonds.

"The refinancing we carried out in February and March has transformed Invensys by underpinning our debt maturities and improving the balance sheet, and has allowed us to concentrate on running the business and meeting customers' needs, rather than meeting financing deadlines," said Group Treasurer Will Spinney.

Deutsche Bank

ntl:

£811m Fixed and Floating Rate Senior Notes (April 2004)

NTL was the first major European cable company to emerge from a restructuring and visit the capital markets after a challenging time. The deal comprised four tranches including a £375m tranche at 9.75% – the largest high-yield sterling tranche ever. NTL also entered into a new £2.4bn secured credit facility.

"The high yield notes offering was an important part of the overall debt restructuring, and enabled the company to reduce its overall cost of debt, extend maturities and further rationalise the debt structure," said Group Treasurer Daniel Jefferies.

Deutsche Bank, Goldman Sachs, CSFB, Morgan Stanley

SEAT Pagine Gialle

€1.3bn of Senior Notes (April 2004)

SEAT Pagine Gialle's issue of €1.3bn of senior notes, due 2014, was the largest-ever euro-denominated high-yield offering. It was part of a wider financing arrangement initiated by the company to finance an acquisition; funds were also raised via a senior secured credit facility and subordinated bridge loan.

The deal was nearly three times over-subscribed, upsized from €1.15m and priced at the low end of price-talk.

CSFB, BNP Paribas, Barclays Capital, RBS

SGL Carbon Group

€270m High Yield Bond (January 2004)

SGL Carbon issued €270m of senior notes as part of a larger refinancing comprising senior secured credit, a syndicated loan and a rights issue. The placement was completed earlier than scheduled and the tranche, originally earmarked for the US, was not required.

"The aim of this comprehensive transaction was to place the company's balance sheet and finances on a sound footing. The company is now able to focus all its efforts on SGL Carbon achieving a substantial and sustainable improvement in its operating result in the coming years," said a spokesperson for SGL Carbon.

CSFB, Deutsche Bank

TUI

€625m of Senior Notes (April 2004)
€400m FRN (June 2004)

German travel company TUI issued a €625m fixed rate cross-over bond, due 2011, to refinance existing short and medium-term debt, diversify funding sources and extend debt maturity. The bond was distributed to 350 investors in 14 different countries. This was followed in June with a €400m floating rate note, due 2009, issued for the same purposes.

"Following the very successful placement of the cross-bond in May 2004, we were recommended to tap the market again" said a spokesman for the company.

RBS, Commerzbank and WestLB

Investment-Grade Bonds

An issue of size

2003-04 was a slow year for the investment-grade bond market, witnessing the typical decline experienced in new corporate bond supply across markets and currencies. This was due to the high levels of corporate refinancings in 2002-03 to take advantage of low yields and strong demand; limited recovery in M&A activity; and increased focus by corporates on internal cash generation.

A number of blue chip names issued investment-grade bonds – with particularly long tenors – for refinancing purposes. They saw very healthy investor demand well beyond their initial expectations with many deals up to four times over-subscribed. This encouraged many corporates to upsize their original deals.

€1.2bn Fixed and Floating Rate Bond Issue (June 2004)

Cadbury Schweppes launched €600m of 4.25% notes, due June 2009, and a €600m FRN, due June 2007, to refinance existing bank debt and commercial paper. The 5-year tranche was upsized from an initial €500m while the 3-year FRN was upsized from €300m.

"Having visited the sterling and dollar markets in 2003, we were keen to launch a successful inaugural euro issue," said Director of Treasury Tim Owen. "Demand for the 3-year FRN was well above expectations and we were pleased to see other issuers follow us into this market shortly afterwards."

ABN AMRO, BNP Paribas, Dresdner Kleinwort Wasserstein

£250m Bond Issue (December 2003)

Transport Company First Group issued 6.125% bonds, due 2019, to reduce dependency on banks, lengthen the life of its debt portfolio and achieve good covenants and pricing.

Ian Weldon, Group Treasury and Tax Director, said: "The first objective was surpassed when the deal size was increased from £200m to £250m in response to strong investor demand, and the second by pushing the maturity out to 15 years.

"To improve pricing, the launch was timed to exploit favourable market conditions, specifically from gilt redemptions in early December."

Cazenove, HSBC, RBS

$1bn Global Bond Issue (November 2003)

ICI Wilmington executed a $1bn global offering in two tranches to refinance existing debt, establish its name and credit history with US investors and take advantage of favourable market conditions.

The deal comprised a $500m tranche, due in 2008, and a $500m tranche, due in 2013, and followed a two-day targeted roadshow. It generated an order book of more than $4bn from 167 accounts during the marketing period.

"Last year was a difficult year for us, but the pricing and appetite we saw was fantastic," said David Blackwood, Group Treasurer at ICI.

Citigroup, Barclays, UBS

£200m Bond Issue (November 2003)

The longest-dated outstanding tobacco sector deal in the European bond markets by five years, Imperial Tobacco's £200m offering, due 2018, witnessed strong demand from investors. A book in excess of £350m was built in the first hour of marketing; the book closed within 24 hours, 3.5 times over-subscribed.

John Jones, Group Treasurer at Imperial Tobacco, said: "The maturity, price and speed of execution all appealed and it was very pleasing to see so much demand from sterling investors so quickly."

HSBC

£400m Bond Issue (March 2004)

Marks & Spencer became the first UK company to turn to the capital markets specifically for pension fund deficit funding. The £400m bond issue, due 2014, was more than four times over-subscribed and priced at the tight end of initial price talk. The 'pension fund deficit' story was well received by both investors and the media.

"The £400m bond tax-efficiently replaced an off-balance sheet pension deficit liability with a direct obligation of the sponsoring company," said Sue Harris, Group Treasurer.

HSBC, Morgan Stanley

€750m Eurobond (March 2004)

Rolls-Royce issued a 4.5% eurobond, due 2011, following a full European roadshow which marked its return to the eurobond market after four years. Orders came to €2.5bn, making this issue three times over-subscribed.

"This was a great deal in a market depleted of new issuance....we were delighted with the investor response and speed of execution," said Alan Semple, Deputy Group Treasurer at Rolls-Royce. "This issue strengthens our financial position and re-establishes our footprint in the market."

BNP Paribas, Citigroup, JPMorgan

Loans

€4.5bn Syndicated Facility (July 2004)

Spain's second largest telecoms group Auna launched a €4.5bn syndicated facility, due 2010, comprising a €3.5bn, 6-year amortising term loan and a €1bn 6.5-year revolving credit. The transaction was conducted to consolidate all existing group debt as part of Auna's major corporate restructuring plan. It represented one of the largest structured telecoms transactions in 2004.

Although there was targeted syndication to a limited number of entities, the transaction was substantially over-subscribed.

ABN AMRO, RBS

£900m Financing (June 2004)

Grainger Trust, the UK's largest quoted residential property investor, tapped the markets for a £900m financing, comprising a £475m, 5-year revolving credit facility, a £225m 5-year term loan and a £200m 7-10 year loan.

Finance Director Andrew Cunningham said: "Our new financing arrangements not only provide us with cheaper funding at extended maturities but give us far greater operational flexibility to match our business requirements. The increased headroom will support the group's ambitious growth model."

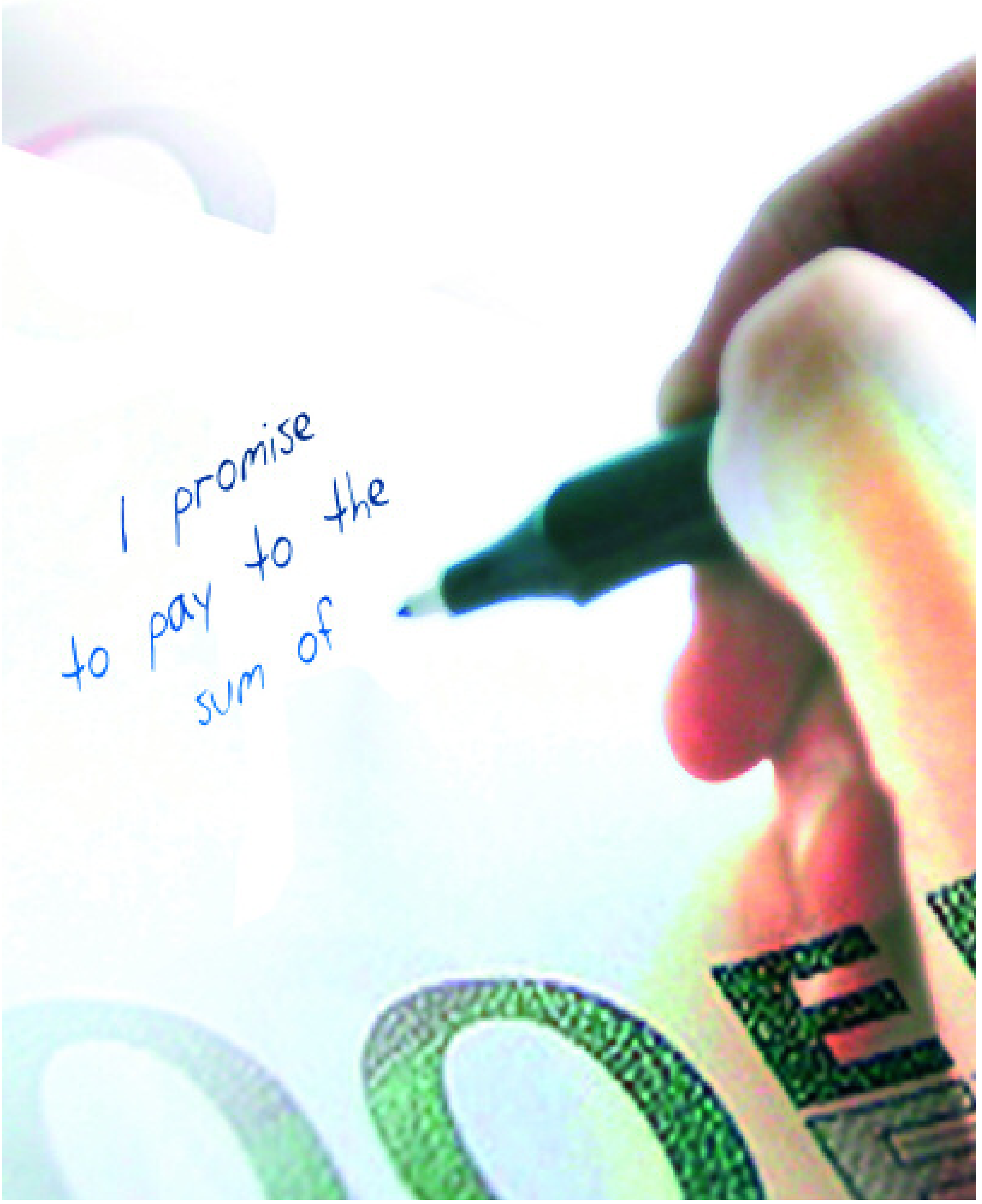
Barclays Capital, Lloyds TSB, RBS

Loans enter a new term

Limited M&A activity during 2003-04 reduced corporate lending significantly, bringing favourable pricing, longer tenors, reduced fees and relaxed covenants.

In the UK, loan volumes fell by 8%, putting transaction numbers at an eight-year low. However, there was more activity on the continent, particularly in France where syndicated loan volumes rose by 41% and in Germany (71%). This growth happened despite convergence in pricing between Continental Europe and the UK.

The trend on the continent was away from bi-lateral facilities towards syndicated facilities with smaller bank commitments to individual borrowers. Loan refinancings in the UK have involved greater individual commitments from banks.



£900m RCF (December 2003)

Great Universal Stores signed a new £900m, 5-year committed revolving credit facility to refinance existing debt and borrowing facilities due to mature in 2004.

"GUS decided to self-arrange in order to exercise control, believing that we had a strong group of supportive banks and helpful market conditions. The process worked well and we were pleased with the outcome in terms of pricing and documentation," said Peter Blythe, Director of Finance.

Self-arranged

€1.4bn Syndicated Bank Loan (June 2004)

Pernod Ricard put in place a new, multi-currency €1.4bn syndicated bank loan, maturing in five years' time. The facility was arranged to enable Pernod Ricard to repay the balance of its Seagram acquisition loan that it contracted in 2001. It also brought more favourable financing conditions including a reduction in the margin from 0.55% to 0.225-0.275% and the removal of constraints and guarantees of the previous loan.

"These refinancing conditions reflect the very strong financial position enjoyed by Pernod Ricard," said a company spokesperson.

BNP Paribas, Calyon, JPMorgan, SG Corporate Investment Banking

€4.5bn RCF (April 2004)

French utility company Suez launched a 5-year, revolving credit facility for use as a liquidity backstop facility and general corporate purposes. The arrangement replaced all existing syndicated facilities including a €2.5bn facility signed in June 2003. The latter was conducted at a significantly higher margin.

The transaction was heavily over-subscribed – and was increased from an initial €4bn.

Citigroup, BNP Paribas, Calyon, RBS

VAILLANT HEPWORTH GROUP

€625m Loan and RCF Facility (June 2004)

Vaillant's €625m, 5-year term loan and revolving credit facility was arranged to refinance €830m of leveraged acquisition facilities .

"The innovative structure comprising €325m of term loan and €300m of RCF allows us to minimise our negative arbitrage as well as providing flexible facilities for corporate acquisitions. The speed with which the MLAs managed to execute the deal, the 100% hit rate and the 60% over-subscription, while still achieving a competitive margin, are all indicators of a successful deal for us," said Group Finance Director, John Foldes.

Commerzbank Securities, HSBC, RBS

Securitisation & Structured Finance

AA

£1.3bn Financing (September 2004)

The AA's £1.3bn deal comprising £900m of senior debt facilities and £400m in mezzanine facilities was launched to finance the CVC and Permira-led buy-out of the AA. The mezzanine facility is the largest mezzanine loan yet raised in the European market.

The senior debt facility is in four tranches ranging from seven years to nine years. The mezzanine facility runs for ten years.

Barclays Capital

FIFA

$250m equivalent Structured Financing (October 2003)

The Federal Internationale de Football Association (FIFA) used the structured finance market to mitigate the financial risk of potential cancellation of the 2006 Football World Cup. The $250m equivalent multi-currency transaction was conducted in several tranches and rated.

"The transfer of the risk of the cancellation of the 2006 World Cup to the capital markets represents a highly innovative transaction structure that is a significant development in the securitisation market," said a spokesman for FIFA.

CSFB

Moving into the mainstream

Securitisation and structured finance continued to see growing acceptance as financing techniques in 2003-04, providing many corporates with the opportunity they wanted to diversify their sources of funding.

Non-mortgage backed issuance grew to €55.5bn in Europe during the first half of 2004 – 56% up on the same period one year ago. The main types of assets favoured for securitisation included trade receivables, whole company, vendor finance, future flows and property.

The activity reflected not only corporates' recognition of the lower costs, and decreased levels of complexity associated with securitisations, but also improved investor perceptions of such transactions. The year 2003-04 witnessed a number of innovative deals; traditional users such as pub chains continued to demonstrate their interest in the market.

Gazprom

$1.25bn Structured Bond Offering (July 2004)

Gazprom, the world's largest natural gas producer, issued a $1.25bn structured bond under a $4bn structured export notes programme. The deal saw very high demand with the order book reaching $6bn, and the size of the issue was increased from its original $1bn.

The deal is secured by future export receivables generated under long-term contracts. It was the first-ever future flow receivables transaction from Eastern Europe.

Merrill Lynch, ABN Amro, Morgan Stanley

ISPA

€5bn Financing (January 2004)

ISPA High Speed Railway's €5bn issue was part of a programme to fund private capital investment in Italy's new high-speed railway network. The high-speed railway project is part of a segregated balance sheet which supports the issuance of the programme.

The deal included a €1bn issue, maturing in 2014, which was 3.8 times over-subscribed; a €750m issue, due 2019, which was 2.2 times over-subscribed; and a €3.25bn issue which was 1.18 times over-subscribed.

Morgan Stanley

Mitchells & Butlers

£1.9bn Securitisation (November 2003)

Mitchells & Butlers securitised 1,942 pubs owned by Mitchells & Butlers Retail Ltd. The transaction was conducted to achieve optimal capital structure for the business following the demerger from Six Continents.

Group Treasurer Andrew Vaughan said: "The securitisation provided Mitchells & Butler with a cost-effective, long-term financing structure whilst ensuring the required flexibility to pursue future strategy in the interests of shareholders and bondholders."

RBS, Citigroup

Tube Lines

€2.1bn Financing (May 2004)

Tube Lines' €2.1bn investment grade offering was one of the largest corporate infrastructure transactions in sterling and was cited as a revolutionary deal in the Private Finance Initiative bond market. It offered upfront equity release to shareholders and diversified the investor base through the marketing of unwrapped PFI bonds.

"The refinancing was extremely complex and called for innovative solutions to be developed by the team in order to structure the transaction to secure the best value as a capital markets transaction," said Steve Hurrell, Director of Finance.

Goldman Sachs, SG Corporate Investment Banking