

CEE M&A Barometer

Ernst & Young's M&A Barometer is a summary and analysis of publicly disclosed information.

M&A activity and data includes private to private transactions and excludes:

- ▶ Majority shareholder further acquisition of minority interest,
- ▶ Real estate transactions,
- ▶ Capital market transactions
- ▶ Acquisitions of licenses,
- ▶ Joint venture agreements,
- ▶ Greenfield investments,
- ▶ Privatizations.

Introduction

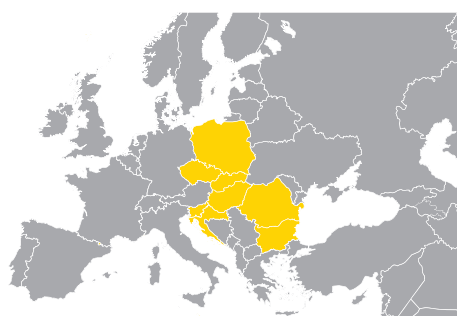
In our Mergers & Acquisitions (M&A) Barometer we analyze the prevailing trend in 8 Central and Eastern European countries (ie Bulgaria, Croatia, the Czech Republic, Hungary, Poland, Romania, Slovakia and Slovenia). Although the countries under examination vary in size, background and economic growth, they all share the common denominator of decreased M&A activity in volume in each country. In total CEE volume in 2010 decreased 22% against a 45% drop in value. This result is in line with our Ernst & Young Capital Confidence Barometer where findings have noted a decrease in M&A activity in 2010 with 38% of respondents actively seeking M&A opportunities in April 2010, but dropping to 25% in the October update.

[http://www.ey.com/Publication/vwLUAssets/Looking_for_Growth/\\$FILE/Looking%20for%20growth.pdf](http://www.ey.com/Publication/vwLUAssets/Looking_for_Growth/$FILE/Looking%20for%20growth.pdf)

More specifically we observed a majority in domestic transactions of 51% of all deals. Also noteworthy is the fact that transactions were dominated by strategic investors and the most active target industry was Manufacturing while in terms of value the largest transactions occurred in pharmaceuticals and health care, telecom and media and real estate.

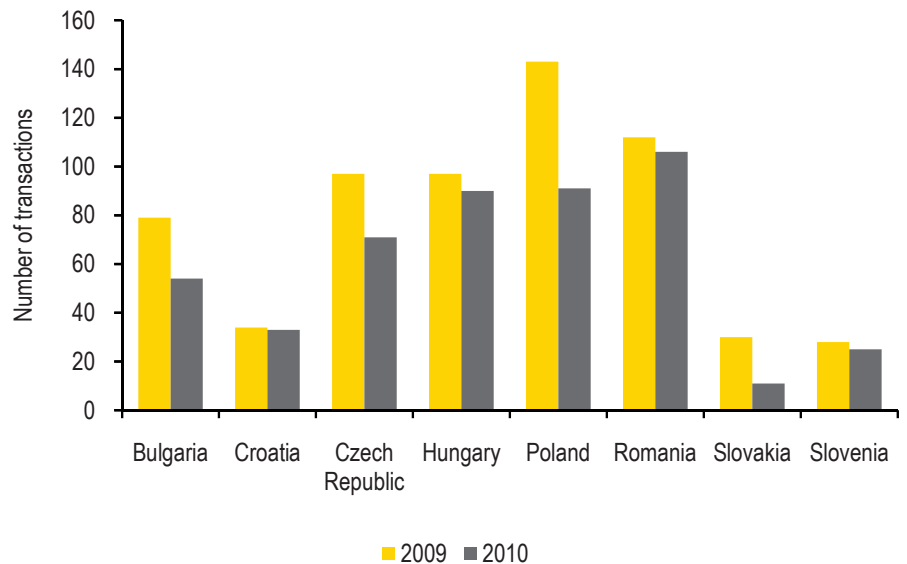
Highlights - CEE 2010

- ▶ Top 3 countries by number of transactions: Romania, Poland, Hungary
- ▶ Number of closed transactions: 481
- ▶ Estimated market size: USD 13.2bn
- ▶ Top three most active industries in CEE (by volume):
 1. Manufacturing (58 deals)
 2. Services (52 deals)
 3. Telecom and media (48 deals)
- ▶ Top three most active industries in CEE (by value):
 1. Manufacturing
 2. Telecom and media
 3. Pharmaceuticals and health care
- ▶ Average deal size of deals over USD 100m: USD 211m
- ▶ Average deal size of deals below USD 100m: USD 14.2m
- ▶ Number of deals over USD 100m, as % of total deal volume: 5.2%
- ▶ Disclosure rate of transaction value related financial information: 48.1%



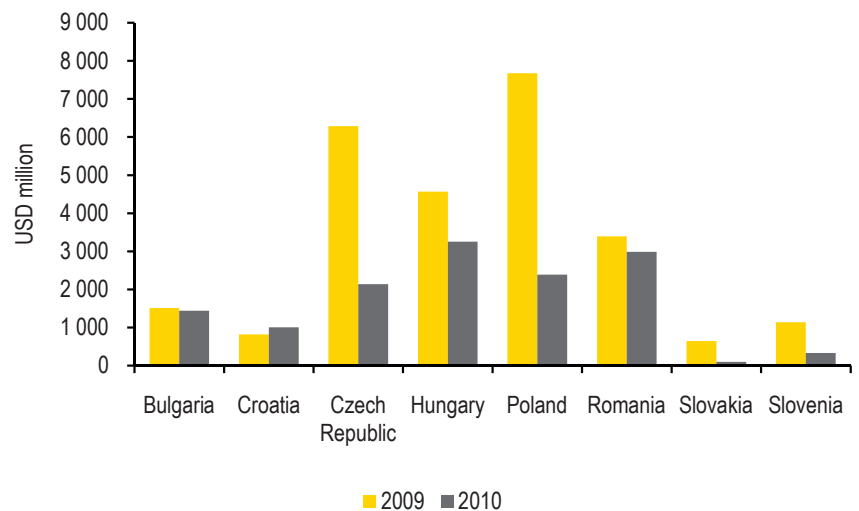
Number of M&A transactions in CEE

- ▶ Romania became the most active country in terms of deal number in 2010 closing 106 transactions during the respective period. It was followed by Poland and Hungary closing 91 and 90 deals respectively.
- ▶ Number of transactions decreased in all countries from 620 deals in 2009 to 481 in 2010.



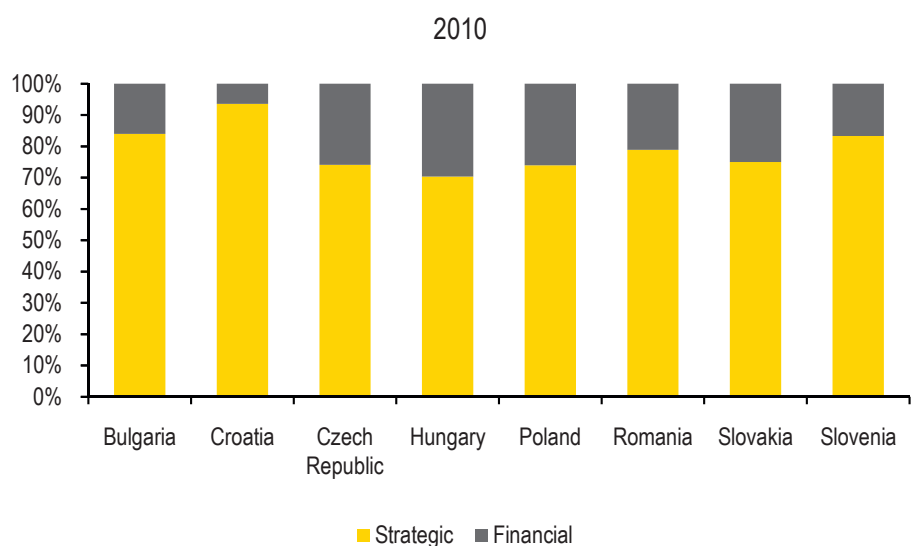
Estimated transactions value of the market

- ▶ In terms of total estimated transaction value in CEE at 13.2bn, Hungary ranked first with an estimated value of USD 3.2 billion and followed by Romania (USD 3bn) and Poland (USD 2.4bn)
- ▶ Total value was half in 2010 compared to 2009 as the number of deals with a value over USD 100 million has decreased from 38 in 2009 to 25 in 2010.



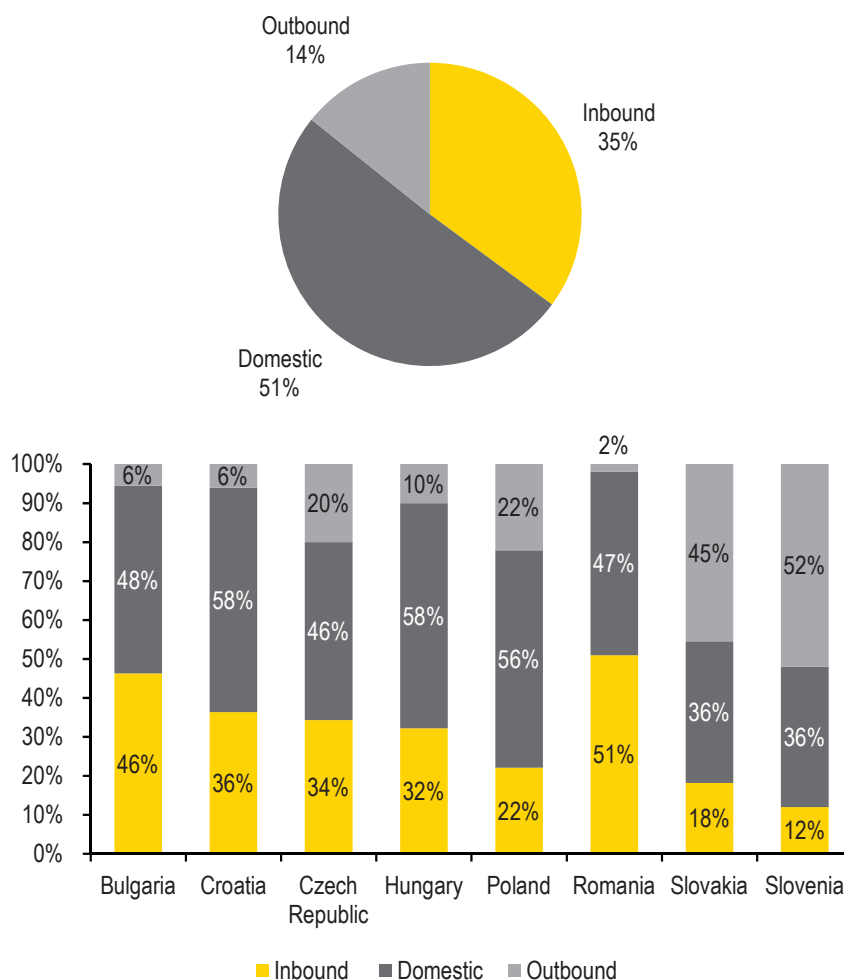
Investor population - Strategic and financial

- ▶ The vast majority of deals were transacted by strategic investors in all countries.
- ▶ Share of financial investors is the highest in Hungary followed by Poland, Czech Republic and Slovakia.



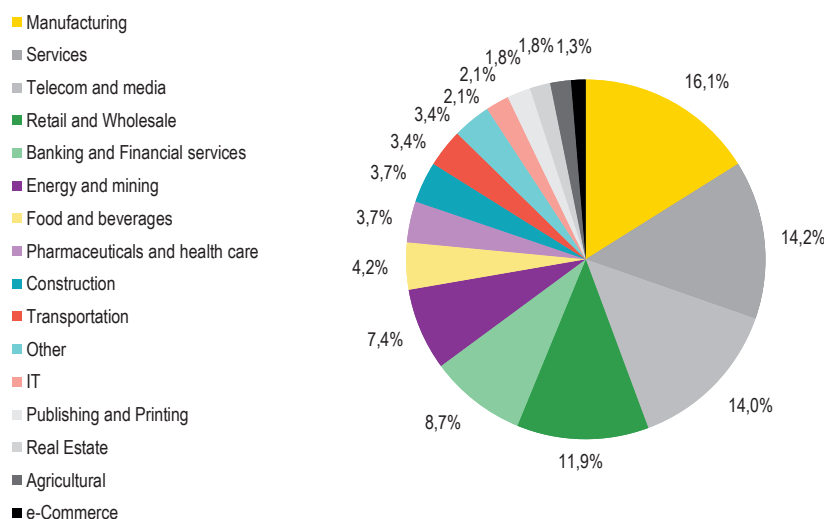
Direction of transactions

- ▶ The CEE transaction market was dominated by domestic investors in 2010 (51% of total number of deals) which represents a 3% increase comparing to results in 2009.
- ▶ Domestic transactions were most popular in Poland, Czech Republic, Hungary and in Croatia whilst the level of outbound transactions was relatively low from these countries.
- ▶ Poland had the most number of transactions and proportionally with the countries the share of outbound transactions was the highest in Slovenia and in Slovakia.
- ▶ Share of inbound transactions was the highest in Romania while the level of outbound deals was the lowest in the region.
- ▶ Transacting within the region the most active were Slovakia, Croatia, Hungary, Czech Republic and Romania.



Sector analysis

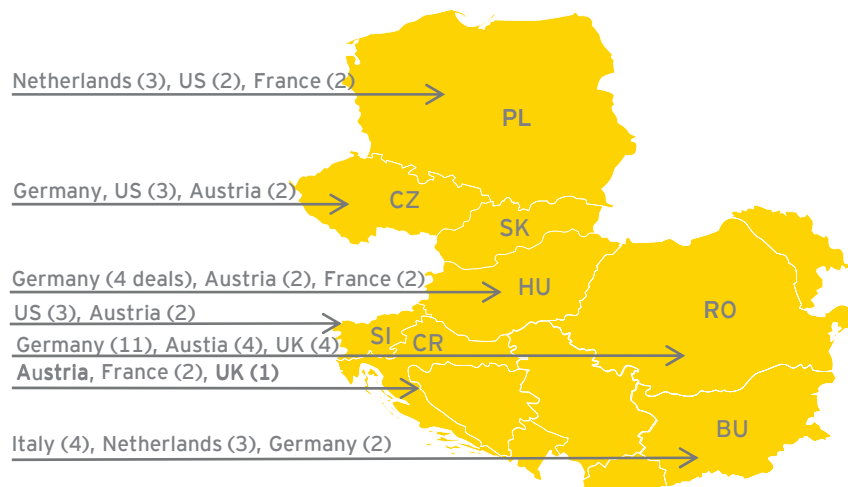
- ▶ The manufacturing sector was the most active target industry (by number of transactions), accounting for 58 deals in 2010. This was followed by services, and telecom and media
- ▶ In terms of value, the largest transactions occurred in the pharmaceuticals and health care sector, in telecom and media and real estate industry.
- ▶ Each country had its own favoured industry. However manufacturing, services and telecom and media ranked first in most countries.
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Target country	Industry
Bulgaria	Telecom and media
Croatia	Services
Czech Republic	Manufacturing
Hungary	Telecom and media
Poland	Manufacturing
Romania	Retail and wholesale
Slovakia	Telecom and media
Slovenia	Services

Foreign interest

- ▶ Although there were fewer foreign inbound deals compared to domestic deals, in terms of origin of foreign capital invested in CEE by M&A transactions, Western European investors continued to be in majority in 2010.
- ▶ Germany was the most active Western European investor in the region in 2010 closing 21 deals followed by France (13) and the USA (12).



Ten largest transactions in CEE in 2010 (USDm)

Target company	Country of target	Buyer	Country of buyer	Value
Preglem SA	Switzerland	Richter Gedeon Nyrt	Hungary	442,01
Aralik HPP, Hamzali HPP	Turkey	Energo-pro a.s.	Czech Republic	405,90
Balkan News Corporation	Bulgaria	Central European Media Ent.	Czech Republic	400,00
Suoftec Light Metal Products Ltd	Hungary	Otto Fuchs KG	Germany	392,00
Europolis Invest	Romania	CA Immo International	Austria	362,83
Droga Kolinska	Slovenia	Atlantic Grupa	Croatia	333,04
Grünenthal GmbH	Germany	Richter Gedeon Nyrt	Hungary	314,66
Invitel International Hungary	Hungary	Turk Telekom	Turkey	263,58
Masterlease	Poland	Abris Capital Partners	Poland	240,76
Ruch	Poland	Lurena Investments	Netherlands	180,32

M&A maturity index

The M&A maturity index provides a high-level summary of risks and opportunities for M&A transactions in 175 countries around the world. The concept behind the index is that the more mature a country, the greater propensity for, or ease of doing M&A deals. Where there are risks, there are however opportunities. www.mandamaturity.com

Country	Position
Czech Republic	25
Slovenia	31
Poland	34
Hungary	36
Slovakia	39
Croatia	46
Romania	60
Bulgaria	n.a.

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Contacts

Bulgaria
Diana Nikolaeva
diana.nikolaeva@bg.ey.com

Croatia, Slovenia, Hungary
Margaret Dezse
margaret.dezse@hu.ey.com

Czech Republic, Slovakia
Vladislav Severa
vladislav.severa@cz.ey.com

Petra Wendelova
petra.wendelova@cz.ey.com

Romania
Cornelia Bumbacea
cornelia.bumbacea@ro.ey.com

Poland
Brendan O'Mahony
brendan.o'mahony@pl.ey.com

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