M&A activities in CEE/SEE in 2010 – Waiting for the next growth phase

4th annual snapshot report

Zagreb, September 2011

Roland Berger Strategy Consultants

For the fourth time in a row, Roland Berger is analyzing the regional M&A activities in CEE/SEE

Overview of previous annual snapshot studies

2007

2008

2009

2010

PURPOSE:

- Create **transparency** on deal volume and trends in the region
- **Benchmark countries**, their attractiveness as target and their attractiveness as acquirer in their ambition **for regional leadership**
- **Derive recommendations** for businesses and policy makers

Source: www.rolandberger.hr

Roland Berger
Strategy Consultants

M&A activities globally and in Europe are stagnating on low level since 2009

Study results – Executive summary (1/2)

OVERALL

> Shift towards emerging markets: in 2010, the global M&A value reached USD 1,894 bn and stagnated with a slight overall growth of 2.5%. While the value decreased in Europe by -15% and in North America by -8%, it grew by 48% in the rest of the world
> European M&A value is constantly decreasing since 2007 and is with EUR 369 bn at around one third of the 2007 value. CEE makes up for around 10% of total European M&A value which is the highest percentage ever
> Within Private Equity, 52% of the global value is accomplished by North America as acquirer nation. Europe is number two with 30%. The total global PE value (acquirer nation) amounts to EUR 256 bn
> European Private Equity deal value more than doubled in 2010 and reached 24.7% of overall European deal value, which is almost at all time heights which were reached in 2005/2006
> Stabilization of pricing in M&A markets since 2009

CEE

> M&A activities in CEE by value had their peek in 2007 and after two years of decline are rising in 2010 again
> It can be said that CEE as acquiring nation is growing at a fast value pace of 16% p.a.
> Deal sizes in CEE have decreased by around two thirds since its peek in 2007 and have lost some value in 2010 as well. Only one 2010 CEE deal is within the top 15 deals of the past decade (Vimpelkom's take over of Kyivstar GSM)
> Russia's dominance: while Russia accounts for 57% of total CEE deal value as a target country over the period of 2000 to 2010, it accounts for 79% of total CEE deal value as an acquirer nation in CEE
> Hand in hand with this finding, most of the investments (i.e. 43%) went into the Energy and Power sector. The industrial sector is growing on importance

The CEE M&A activities are dominated by Russian investors

Study results – Executive summary (2/2)

SEE

> In contrast to CEE, M&A activities in SEE are on a small level and show an unsteady trend close to stagnation

> The own power of SEE as acquirer nation is ongoing weak with very small average deal sizes of EUR 18.7 m in 2010 (in contrast to EUR 58.1 m in CEE in 2010)

> Of the deals concluded in 2010, only two made it into the Top 15 list of biggest deals in the period of 2000 to 2010: Atlantic Grupa's take over of Droga Kolinska and Alfa Finance Holding's acquisition of Alfa Telecom Turkey

> Slovenia is the most active acquirer nation in SEE in the past decade, closely followed by Serbia

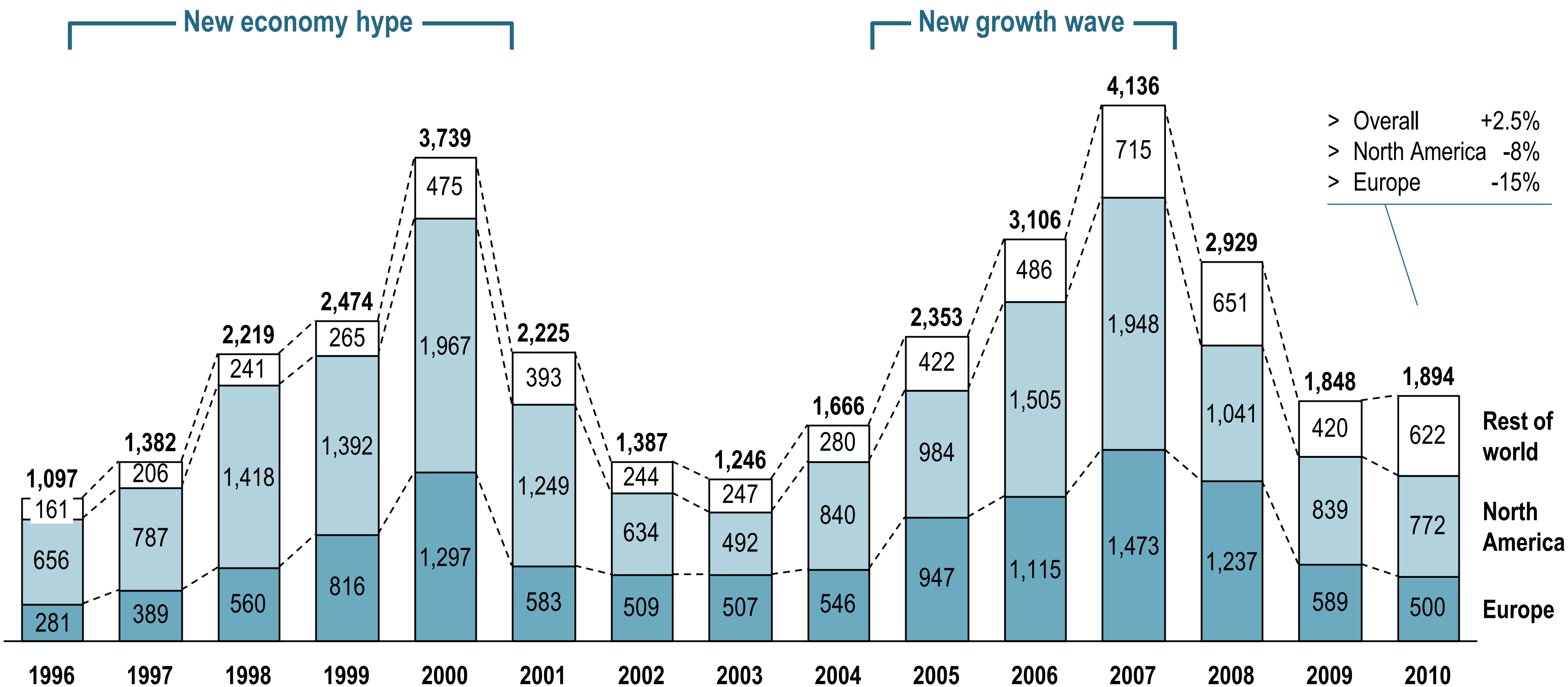
> Media & entertainment as well as Consumer Staples[1)] were the most interesting target industries in SEE in 2010

1) Consumer staples includes Agriculture & Livestock, Food & Beverages, Household and Personal Products, Textiles & Apparel, Tobacco

Roland Berger
Strategy Consultants

The global M&A value reached its all-time high in 2007 – 2009 and 2010 not even the half of the 2007 volume was reached

Global M&A value, 1996-2010[1)] [USD bn]

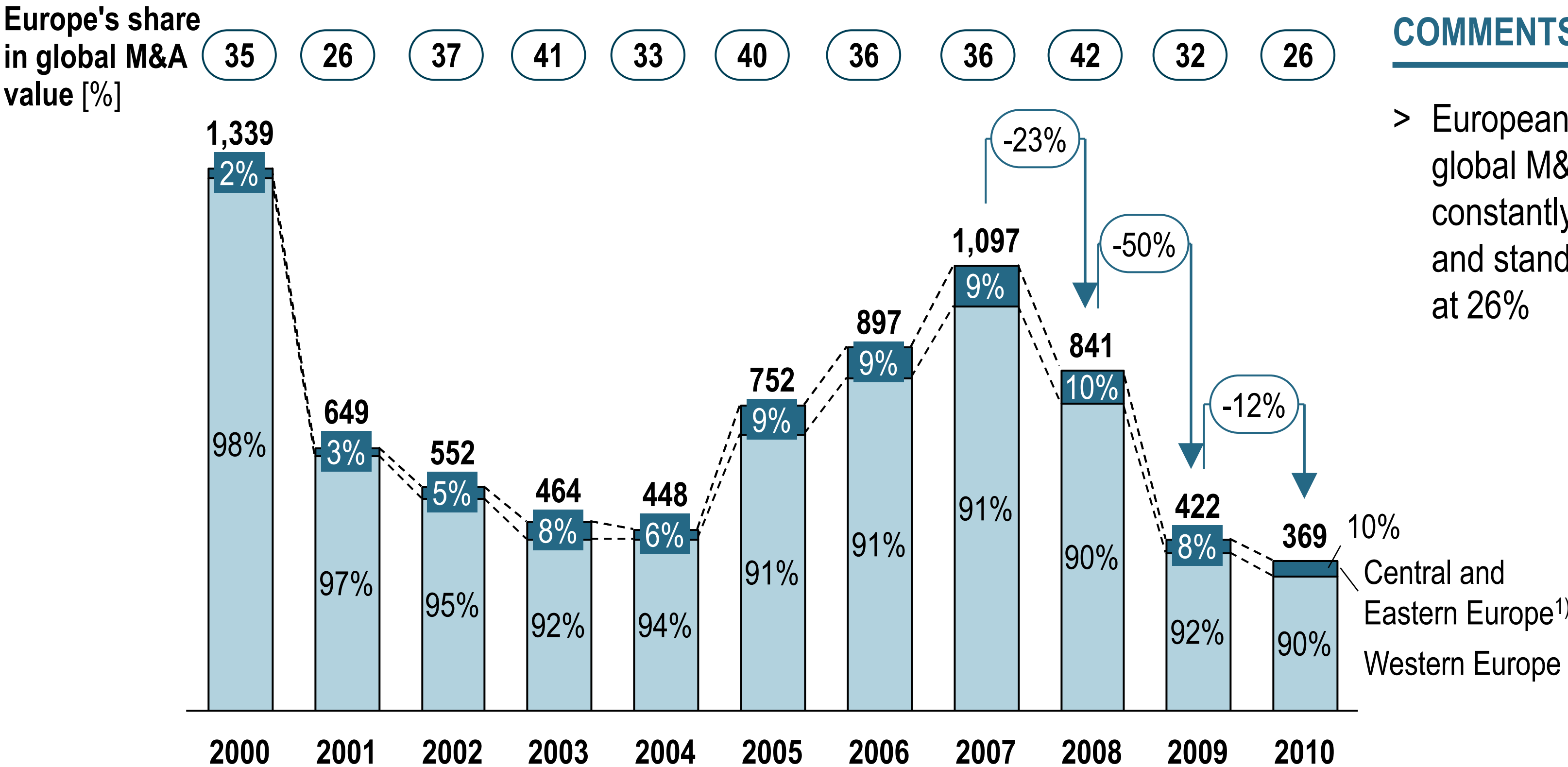


1) Target Nation Region Europe, North America

Roland Berger Strategy Consultants

European M&A value fell by 12% in 2010 and is at one third of the 2007 level – CEE share at 10%

European M&A value[2)], 2000-2010 [EUR bn]



1) Without Austria 2) Target Nation Region Europe

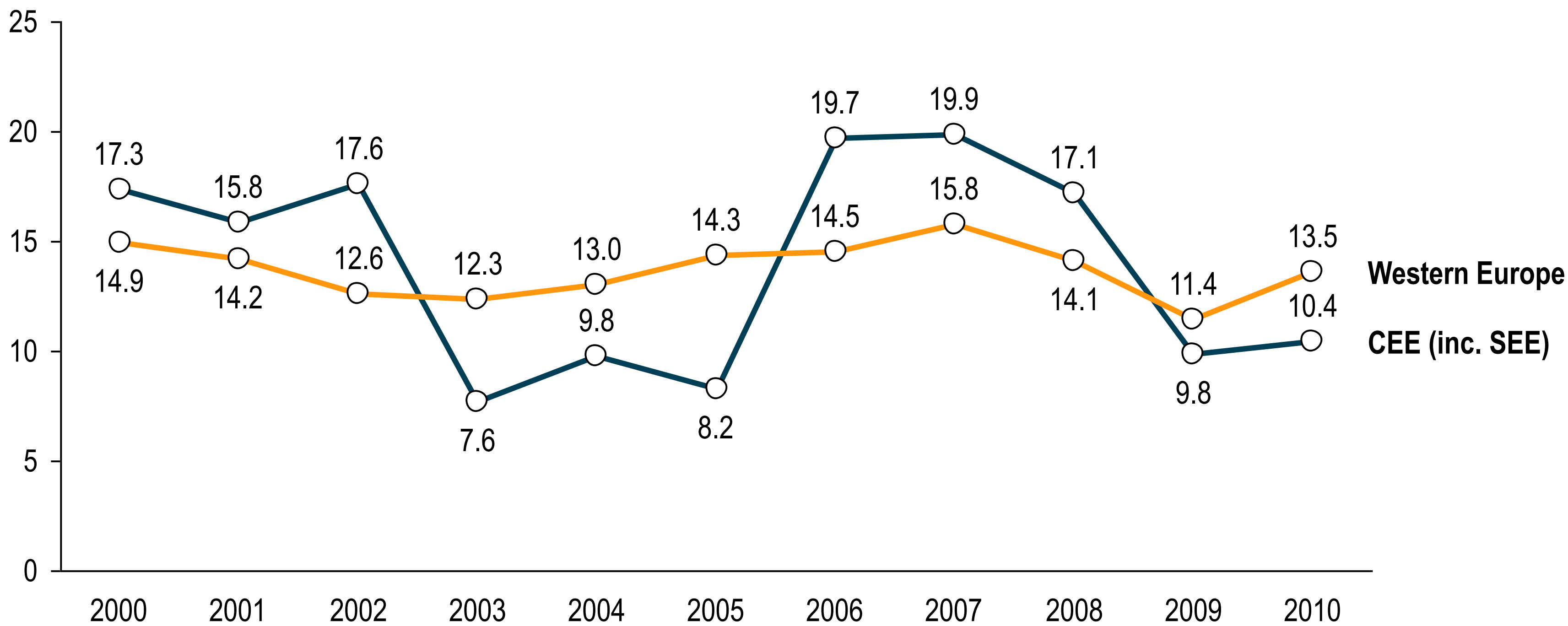
COMMENTS

> European share in global M&A is constantly decreasing and stands currently at 26%

Roland Berger
Strategy Consultants

Stabilization of pricing in M&A markets – Higher multiples in Western Europe than in CEE the last two years

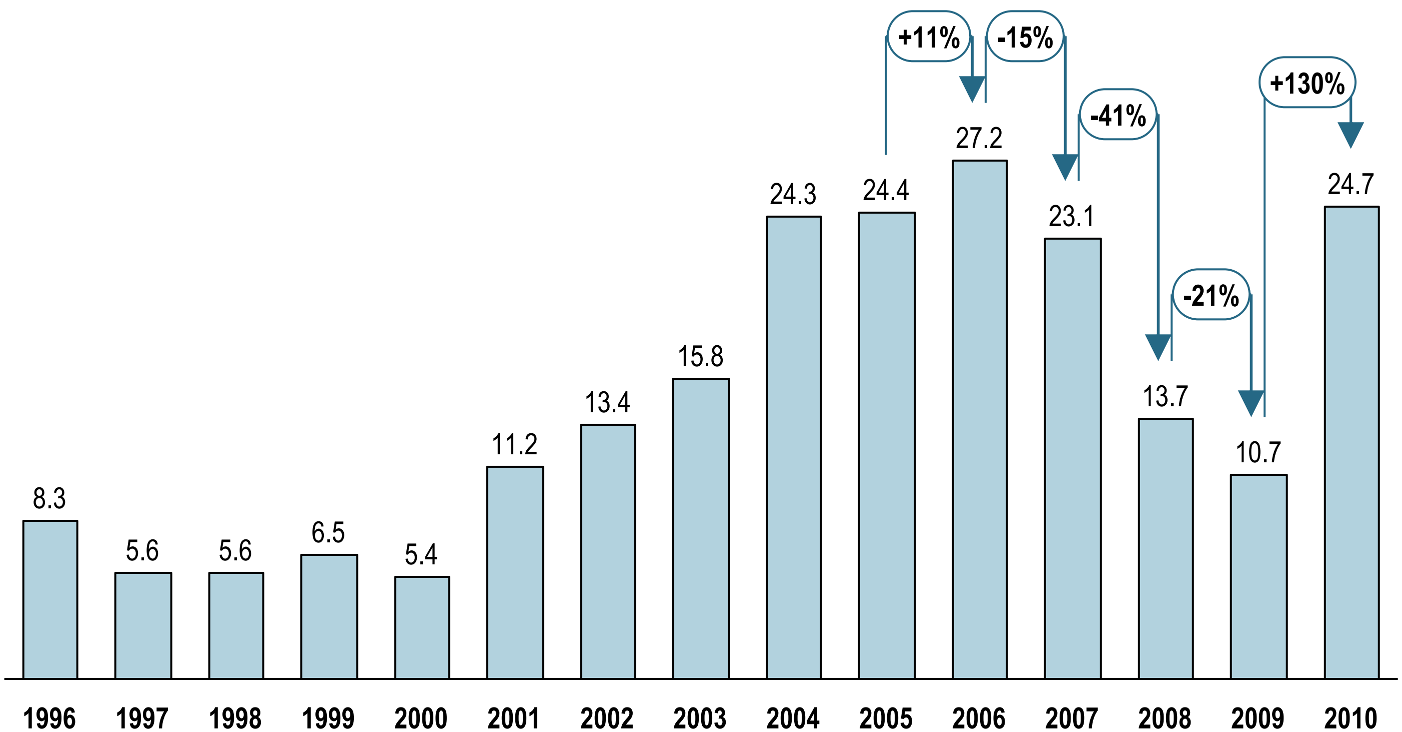
European EV/EBITDA Transaction Multiples [x]



Source: Thomson Financial

Since its peak in 2006, private equity deals in Europe declined strongly in 2007-2009 – 2010 back to the levels before 2005

Private Equity share of global total deal value in Europe[1)], 1996-2010 [%]



1) Target or Acquirer Nation Region Europe, Financial Sponsor involvement

COMMENTS

> Share of PE in Europe deals rose sharply in 2006 and then declined strongly in 2007, 2008 and again in 2009

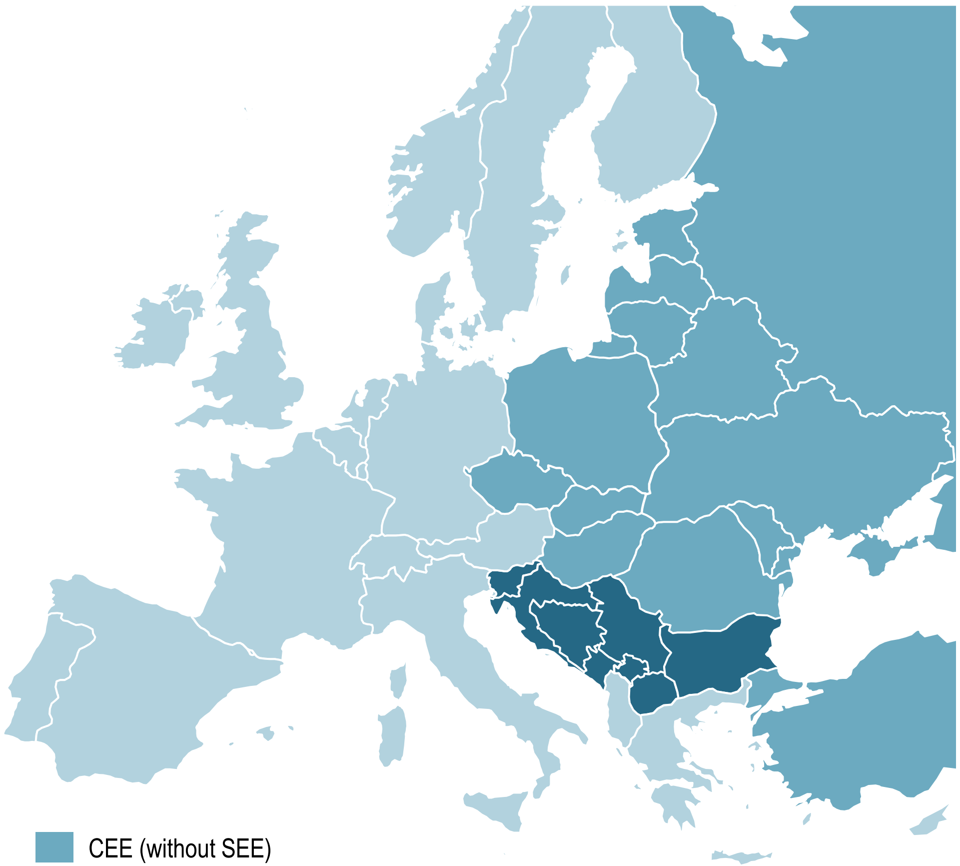
> Private Equity in 2010 reached the level of 2004 and 2005

Source: Thomson One Banker Deals, Roland Berger Strategy Consultants

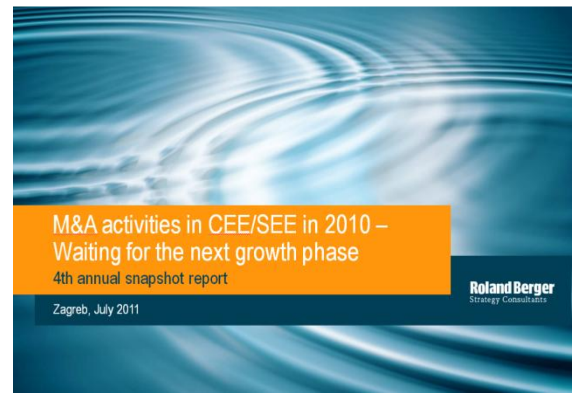
Roland Berger Strategy Consultants

For the following CEE and SEE analyses, the following countries were taken into account

Geographical overview



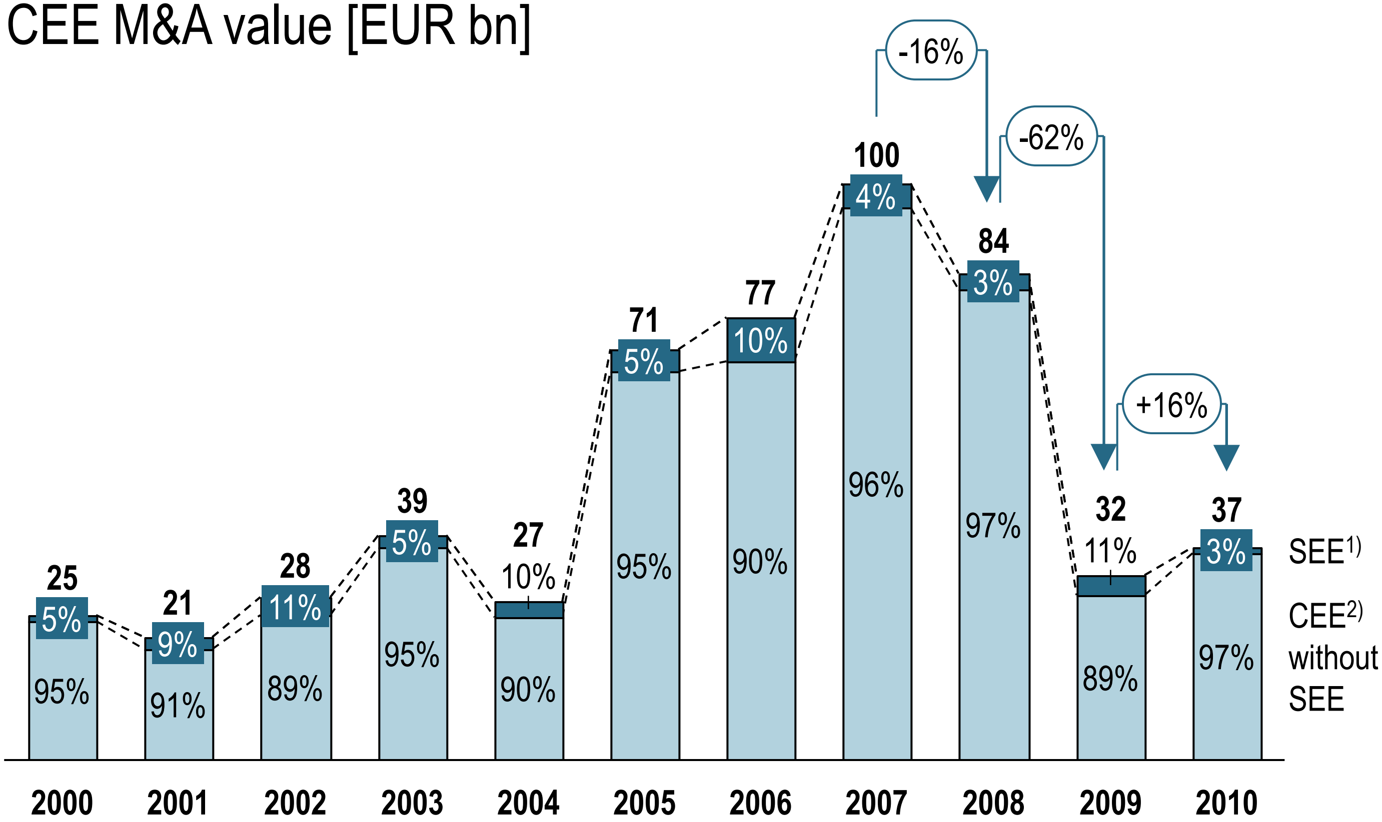
SEE CEE (without SEE)



Roland Berger
Strategy Consultants

M&A activity in CEE has been growing strongly and rebounded in 2008 and 2009, but is up 16% in 2010

CEE M&A value [EUR bn]



COMMENTS

> Value decline in Europe by 12%, but growth in CEE by 16% in 2010

> The volume share of SEE on low level with 3%

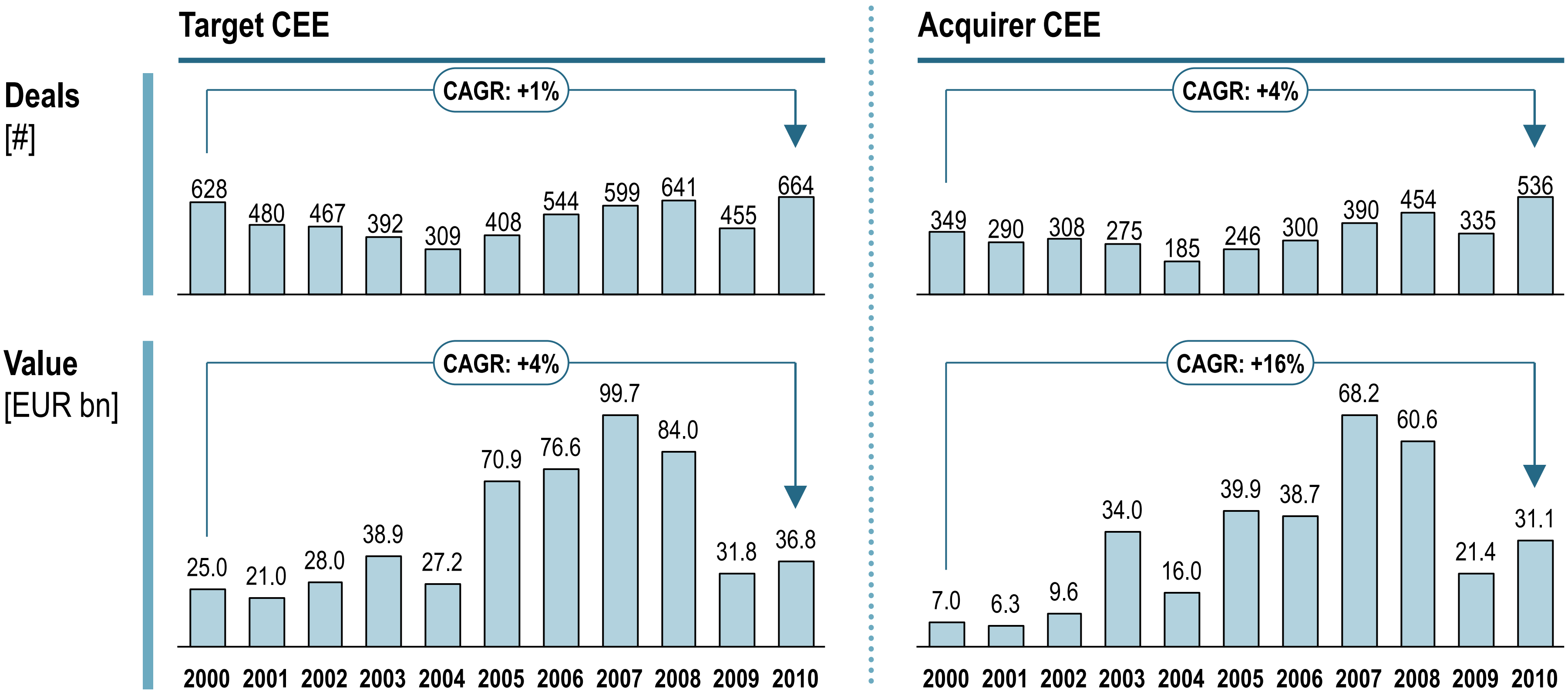
1) SEE comprises Slovenia, Croatia, Serbia, Montenegro, Serbia & Montenegro, Bosnia and Herzegovina, Bulgaria, Yugoslavia and Macedonia
2) CEE includes Russia and Turkey

Source: Thomson One Banker Deals, Roland Berger Strategy Consultants

Roland Berger
Strategy Consultants

M&A activities in CEE had their peak in 2007 and after two years of decline are rising in 2010

M&A activities in CEE[1], 2000-2010



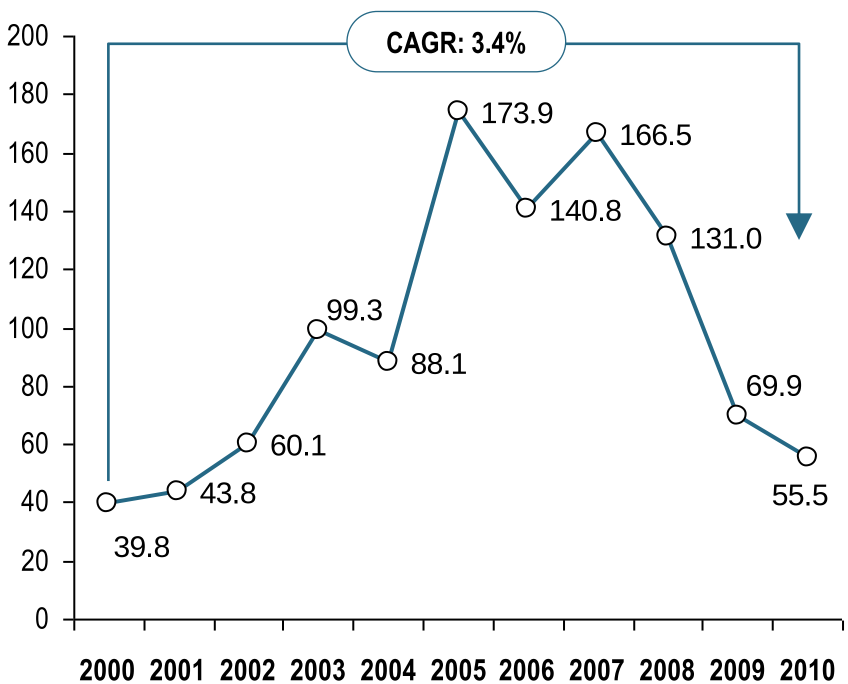
1) CEE with SEE

Roland Berger Strategy Consultants

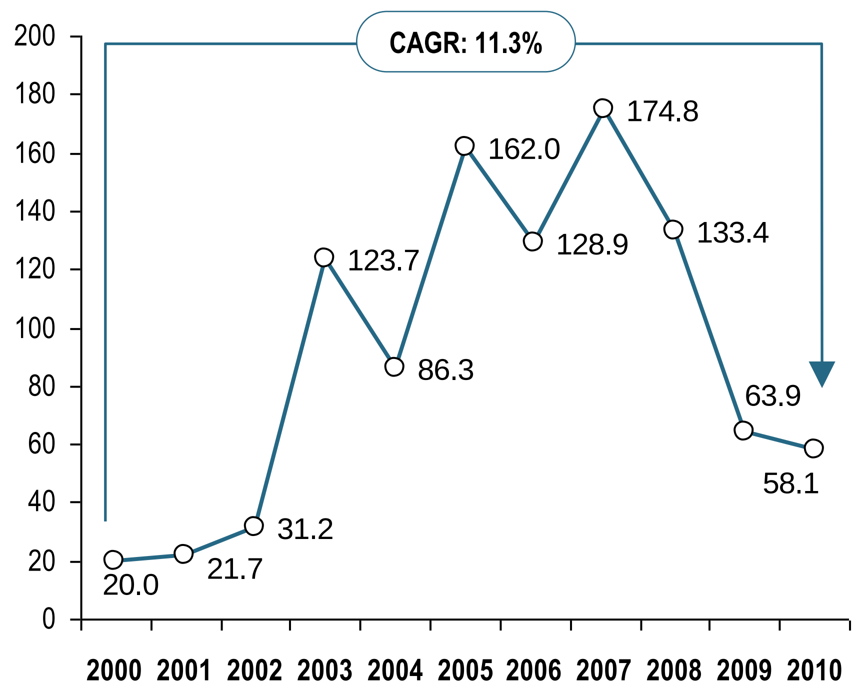
Deal sizes have been growing until 2007, but have been declining the past three years

Average deal sizes in CEE, 2000-2010 [EUR m]

Target CEE, Ø = EUR 97.1 m



Acquirer CEE, Ø = EUR 91.3 m



Source: Thomson One Banker Deals, Roland Berger Strategy Consultants

Roland Berger Strategy Consultants

The two acquisitions of Sibneft have been the largest deals in the last 10 years – Only one big deal in last three years

Target CEE – Top 15 Deals, 2000-2010

Date effective	Target name	Target nation	Acquirer name	Acquirer nation	% of shares acqu.	Value of deal [EUR m]
2003	Sibneft	Russia	Yukosneftegaz	Russia	72	12,401
2005	Sibneft	Russia	Gazprom	Russia	73	10,876
2003	Alfa,Renova-Russian Assets	Russia	BP PLC-Russian Assets	Russia	100	7,084
2004	Yuganskneftegaz	Russia	BaikalFinans Group	Russia	100	7,009
2005	Gazprom	Russia	Rosneftegaz	Russia	11	5,806
2007	NK Rosneft	Russia	RN-Razvitye	Russia	9	5,705
2007	Sakhalin 2 Project	Russia	Gazprom	Russia	50	5,652
2005	Turk Telekomunikasyon AS	Turkey	Oger Telecom Ltd	UAE	55	5,503
2007	Yukossibneft Oil Co-Lot 10	Russia	Neft'-Aktiv	Russia	100	5,027
2007	Yukossibneft Oil Co-Lot 11	Russia	Neft'-Aktiv	Russia	100	4,742
2000	TPSA	Poland	Investor Group	France	35	4,611
2007	OAO Gazprom Neft	Russia	EniNeftegaz	Italy	20	4,363
2005	Kryvorizhstal	Ukraine	Mittal Steel Co NV	Netherlands	93	4,006
2006	TELSIM Mobil Telekomunikasyon	Turkey	Vodafone Group PLC	UK	100	3,817
2010	Kyivstar GSM	Ukraine	Vimpelkom	Russia	100	3,814

Deals in 2010

Source: Thomson One Banker Deals, Roland Berger Strategy Consultants

Roland Berger Strategy Consultants

Russia has been the dominating acquirer country in the CEE for the past years

Acquirer CEE – Top 15 Deals, 2000-2010

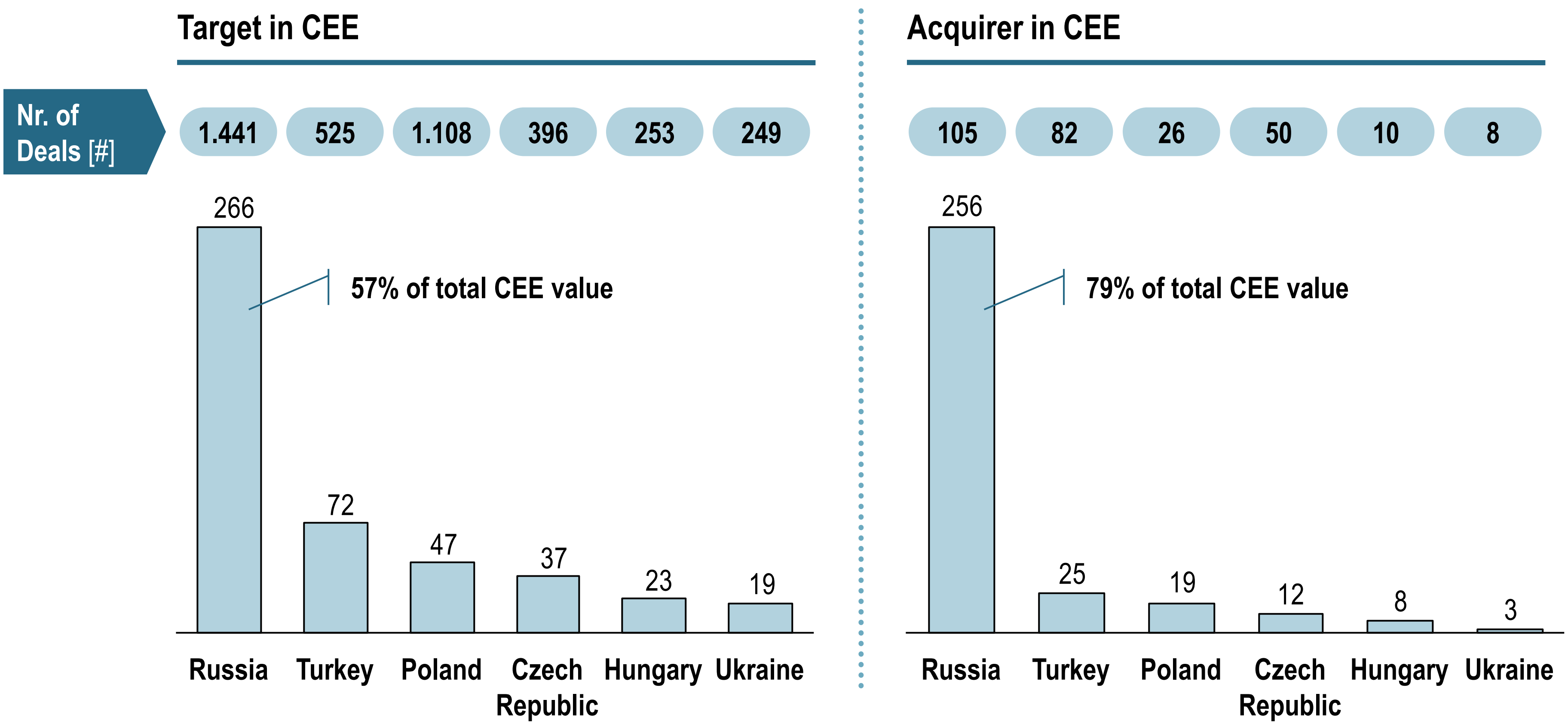
Date effective	Target name	Target nation	Acquirer name	Acquirer nation	% of shares acqu.	Value of deal [EUR m]
2003	Sibneft	Russia	Yukosneftegaz	Russia	72	12,401
2005	Sibneft	Russia	Gazprom	Russia	73	10,876
2003	Alfa,Renova-Russian Assets	Russia	BP PLC-Russian Assets	Russia	100	7,084
2004	Yuganskneftegaz	Russia	BaikalFinans Group	Russia	100	7,009
2005	Gazprom	Russia	Rosneftegaz	Russia	11	5,806
2007	NK Rosneft	Russia	RN-Razvitye	Russia	9	5,705
2007	Sakhalin 2 Project	Russia	Gazprom	Russia	50	5,652
2007	Yukossibneft Oil Co-Lot 10	Russia	Neft'-Aktiv	Russia	100	5,027
2007	Yukossibneft Oil Co-Lot 11	Russia	Neft'-Aktiv	Russia	100	4,742
2007	LionOre Mining Intl Ltd	Canada	GMK Norilsk Nickel	Russia	100	4,378
2010	Kyivstar GSM	Ukraine	Vimpelkom	Russia	100	3,814
2006	Turkiye Petrol Rafinerileri AS	Turkey	Investor Group	Turkey	51	3,376
2009	OAO Gazprom Neft	Russia	Gazprom	Russia	20	3,140
2008	Golden Telecom Inc	Russia	Vimpelkom	Russia	100	2,879
2007	Yukos Oil Co-Certain Assets	Russia	OOO Paran	Russia	100	2,867

Deals in 2010

Source: Thomson One Banker Deals, Roland Berger Strategy Consultants

Russia is by far the most active country in CEE as well on the buyside as on the sellside

Value of deals by most active countries, 2000-2010 [EUR bn]

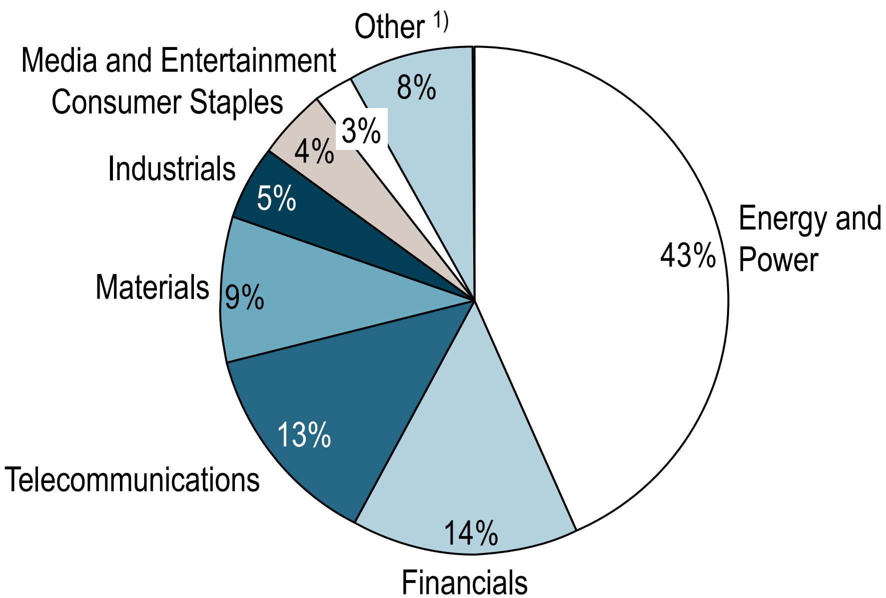


Roland Berger Strategy Consultants

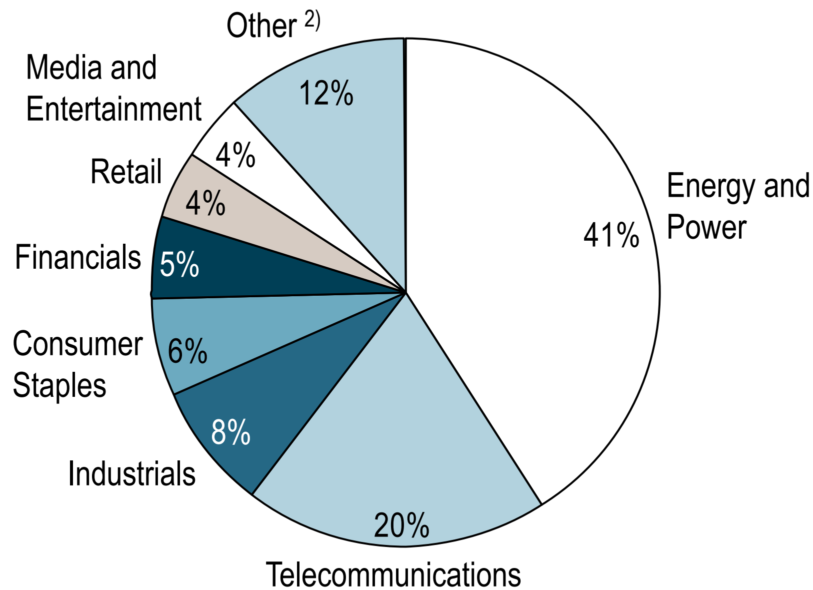
Energy and Power has been the most interesting target industry in CEE

Target CEE Industries 2000-2010 concerning deal value [%]

Target CEE Industries, 2000-2010



Target CEE Industries, 2010



1) Other = Real Estate, Retail, Healthcare, High Technology, Consumer Products & Services, Government and Agencies
2) Other = Materials, Real Estate, Healthcare, High Technology, Consumer Products & Services, Government and Agencies

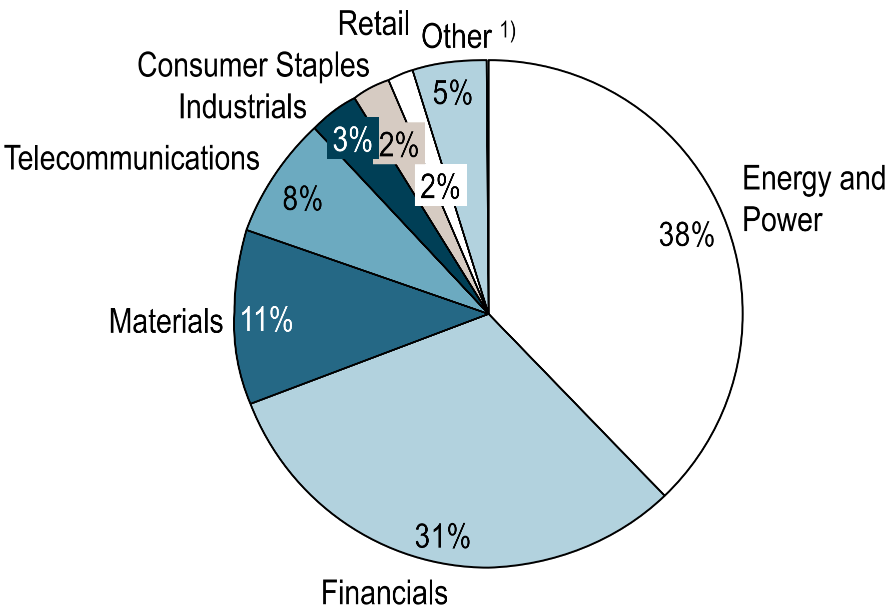
Source: Thomson One Banker Deals, Roland Berger Strategy Consultants

Roland Berger Strategy Consultants

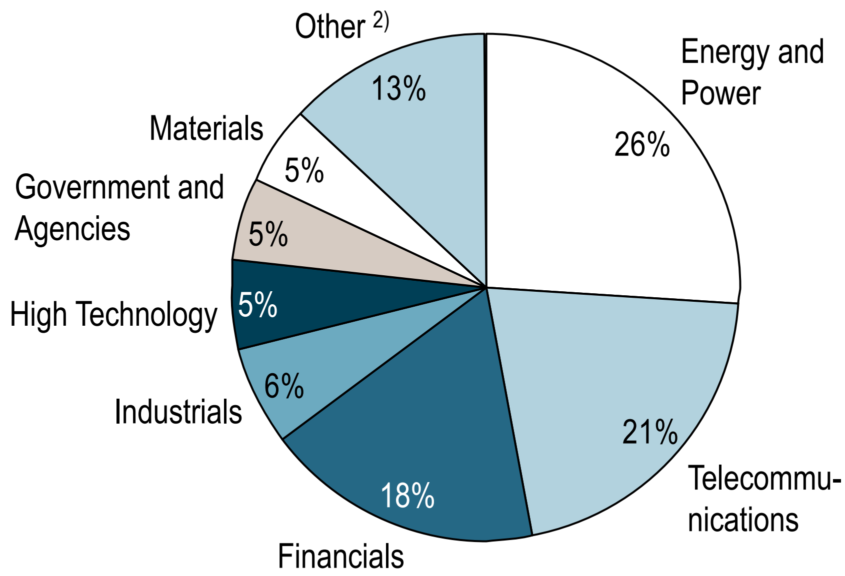
Energy and Financials have been the dominating acquirer industries 2000-2010 – Telecom gained momentum in 2010

Acquirer CEE Industries 2000-2010 concerning deal value [%]

Acquirer CEE Industries, 2000-2010



Acquirer CEE Industries, 2010



1) Other = Real Estate, Healthcare, High Technology, Media & Entertainment, Consumer Products & Services, Government and Agencies
2) Other = Real Estate, Healthcare, Consumer Products & Services, Consumer Staples , Retail, Media &Entertainment

Source: Thomson One Banker Deals, Roland Berger Strategy Consultants

Roland Berger Strategy Consultants

In 2010, Russia was the country with most acquisitions conducted in and the most active acquirer country

Deals by country and year

Target in CEE

Country	2009 #	2009 Value [EUR m]	2010 #	2010 Value [EUR m]	Δ #	Δ Value
Russia	139	16,473.0	239	18,667.5	71.9%	13.3%
Turkey	55	2,685.8	92	5,261.3	67.3%	95.9%
Ukraine	20	213.8	33	4,254.5	65.0%	1,890.4%
Poland	113	2,193.2	147	3,732.4	30.1%	70.2%
Czech Rep.	33	3,069.6	47	1,566.1	42.4%	-49.0%
Hungary	7	2,114.1	12	539.8	71.4%	-74.5%

Acquirer in CEE

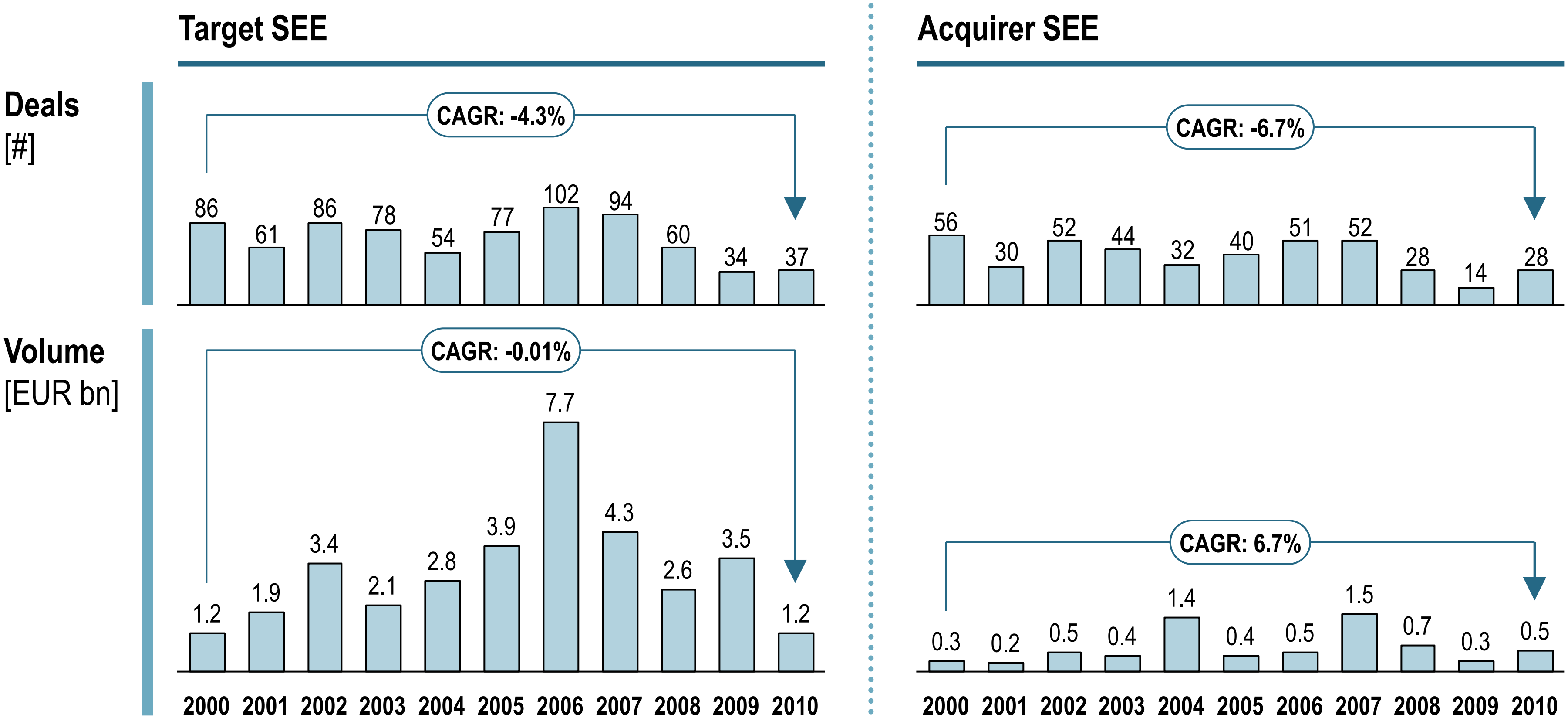
Country	2009 #	2009 Value [EUR m]	2010 #	2010 Value [EUR m]	Δ #	Δ Value
Russia	129	17,650.4	224	22,655.2	73.6%	28.4%
Turkey	36	735.3	68	3,528.7	88.9%	379.9%
Poland	95	948.1	126	2,348.3	32.6%	147.7%
Czech Rep.	22	1,456.8	29	1,278.3	31.8%	-12.3%
Hungary	6	12.3	10	373.7	66.7%	2,938.2%
Romania	7	48.6	12	143.3	71.4%	194.9%

Source: Thomson One Banker Deals, Roland Berger Strategy Consultants

Roland Berger Strategy Consultants

M&A activities in SEE are on a small level and show an unsteady trend close to stagnation

M&A activities in SEE[1)], 2000-2010



1)) SEE comprises Slovenia, Croatia, Serbia, Montenegro, Serbia & Montenegro, Bosnia and Herzegovina, Bulgaria, Yugoslavia and Macedonia

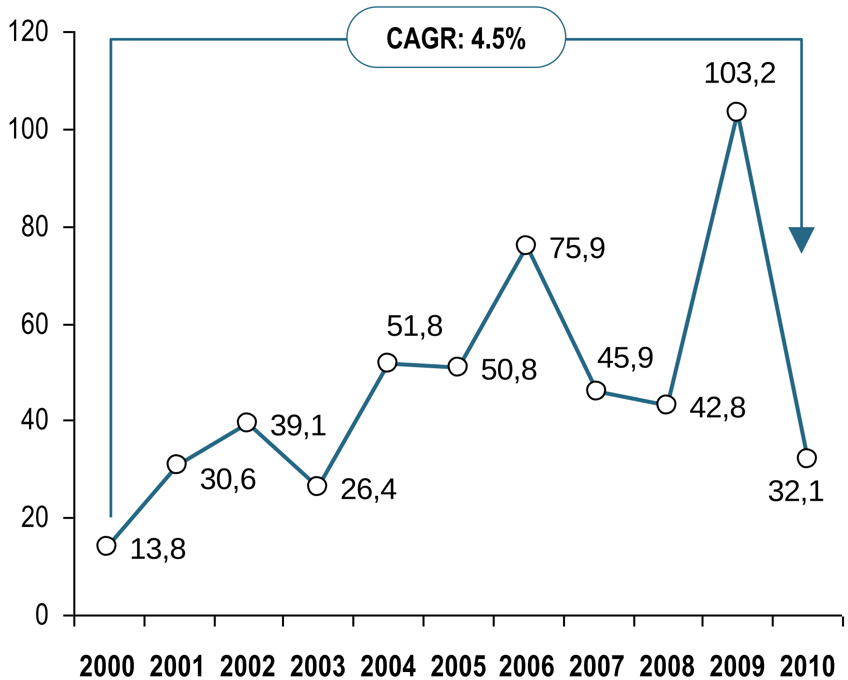
Source: Thomson One Banker Deals, Roland Berger Strategy Consultants

Roland Berger
Strategy Consultants

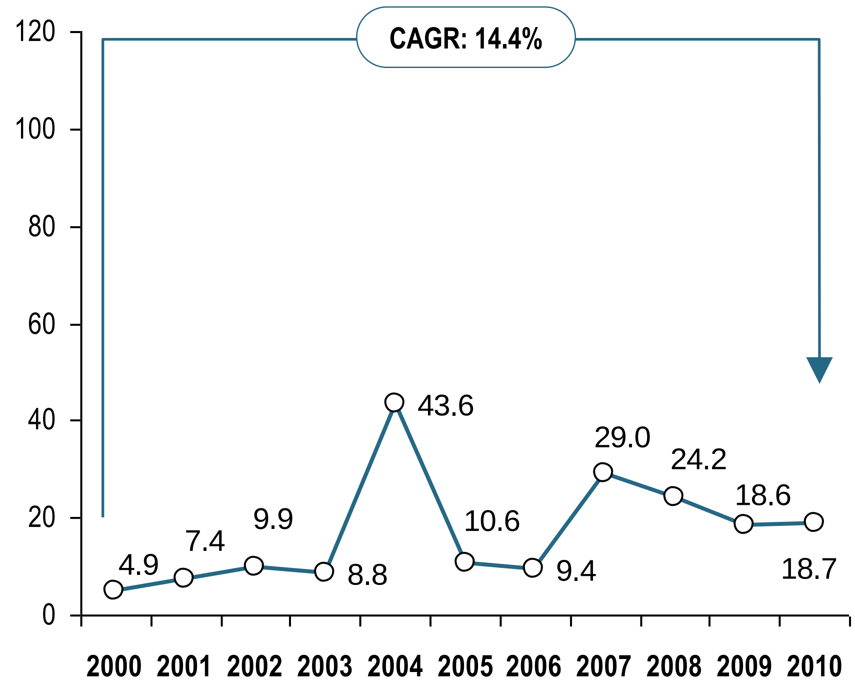
Deal sizes are growing since 2009 with bigger deals from outside of the region and faster growth

Average deal sizes in SEE, 2000-2010 [EUR m]

Target SEE, Ø = EUR 46.6 m



Acquirer SEE, Ø = EUR 16.8 m



Source: Thomson One Banker Deals, Roland Berger Strategy Consultants

Roland Berger
Strategy Consultants

The Private Equity acquisition of Anheuser Busch has been the largest deal in SEE – Telecom is the main target industry

Target SEE – Top 15 Deals, 2000-2010

Date effective	Target name	Target nation	Acquirer name	Acquirer nation	% of shares acqu.	Value of deal [EUR m]
2009	Anheuser-Busch Inbev-Central	Bulgaria	CVC Capital Partners Ltd	UK	100	2,029
2006	PLIVA dd	Croatia	Barr Pharmaceuticals Inc	United States	92	1,910
2005	MobilTel AG	Bulgaria	Telekom Austria AG	Austria	100	1,620
2006	Mobi63	Serbia&Mont.	Telenor ASA	Norway	100	1,514
2004	MobilTel AG	Bulgaria	BidCo AD	Bulgaria	40	1,200
2007	Bulgarian Telecommunications	Bulgaria	AIG Global Investment Corp	United States	65	1,088
2006	HVB Splitska Banka dd	Croatia	Societe Generale SA	France	100	1,000
2002	Lek(Slovenia)	Slovenia	Novartis AG	Switzerland	99	866
2007	Telekom Srpske	Bosnia	Telekom Srbija Ad	Serbia	65	646
2008	Nova Televisia	Bulgaria	Modern Times Group MTG AB	Sweden	100	620
2001	Hrvatske Telekomunikacije dd	Croatia	Deutsche Telekom AG	Germany	16	539
2006	Hemofarm AD	Serbia	STADA Arzneimittel AG	Germany	100	467
2002	Zagrebacka Banka dd	Croatia	Investor Group	Italy	59	454
2003	INA Industrija Nafte dd	Croatia	MOL	Hungary	25	446
2002	Nova Ljubljanska Banka dd	Slovenia	KBC Bank	Belgium	34	435

Source: Thomson One Banker Deals, Roland Berger Strategy Consultants

Roland Berger Strategy Consultants

The volume of the acquisition of MobilTel is nearly twice the value of the second largest deal Telekom Srpske

Acquirer SEE – Top 15 Deals, 2000-2010

Date effective	Target name	Target nation	Acquirer name	Acquirer nation	% of shares acqu.	Value of deal [EUR m]
2004	MobilTel AG	Bulgaria	BidCo AD	Bulgaria	40	1,200
2007	Telekom Srpske	Bosnia	Telekom Srbija Ad	Serbia	65	646
2010	Droga Kolinska dd	Slovenia	Atlantic Grupa dd	Croatia	100	243
2002	Sobel USA Inc(Sobel BV)	United States	PLIVA dd	Croatia	100	225
2007	Landmark Property Bulgaria JSC	Bulgaria	Bridgecorp JSC	Bulgaria	–	210
2003	Telekom Srbija	Serbia&Mont.	PTT Srbija	Serbia	29	195
2009	OTE MTS Holding BV	Greece	Telekom Slovenije dd	Slovenia	100	190
2006	Rodic M&B Co d.o.o	Slovenia	Poslovni sistem Mercator dd	Slovenia	76	175
2008	International CG-Real Estate	Serbia	NBGP Properties	Serbia	100	149
2008	Genex-hotel,office building	Serbia	Investor Group	Serbia	100	148
2008	ATAG Europe BV	Netherlands	Gorenje dd	Slovenia	100	130
2008	Lerma BV	Bulgaria	Heitman European Property	Bulgaria	100	102
2001	Zlatni Pyasatsi(Bulgaria)	Bulgaria	Zlatni	Bulgaria	–	101
2010	Alfa Telecom Turkey Ltd	Turkey	Alfa Finance Holding AD	Bulgaria	62	79
2008	Diners Club Italia Srl	Italy	Findale Enterprises	Slovenia	100	76

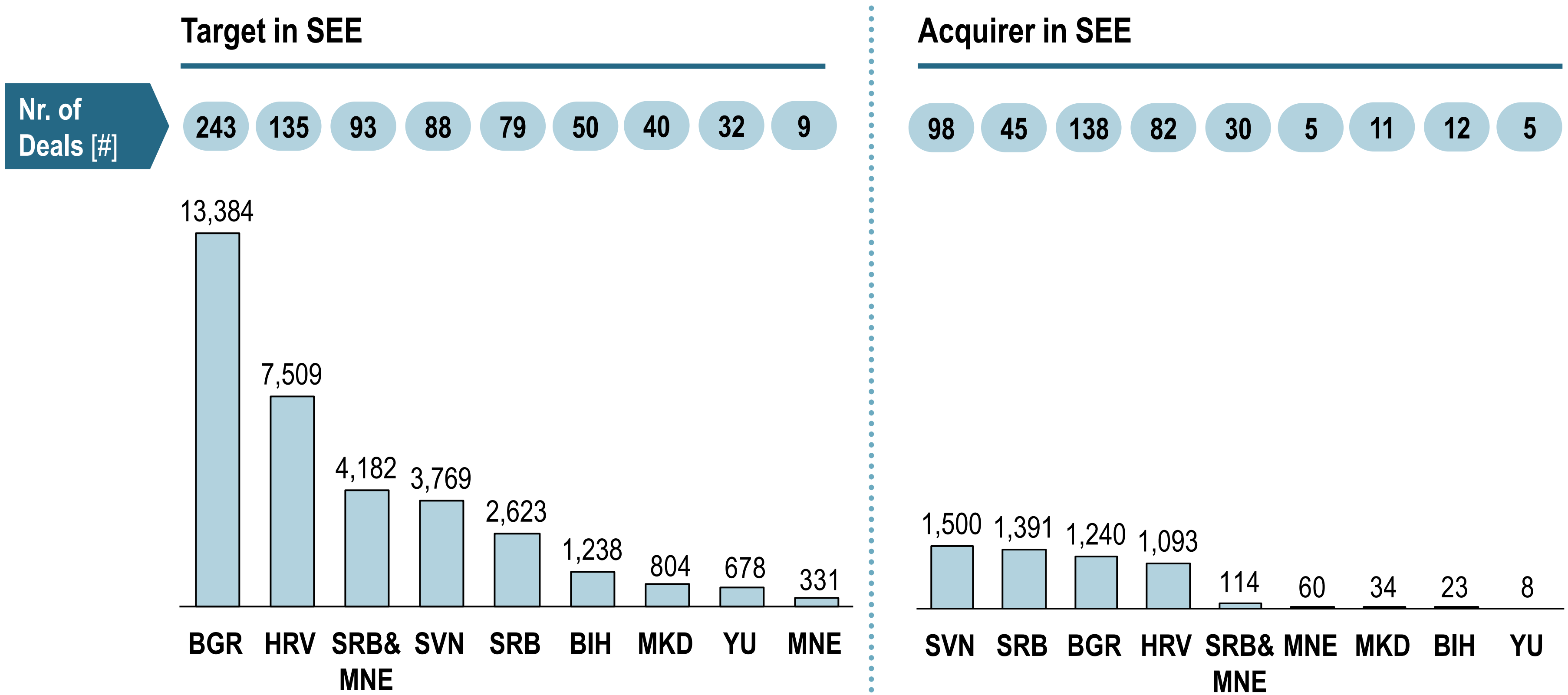
Deals in 2010

Source: Thomson One Banker Deals, Roland Berger Strategy Consultants

Roland Berger Strategy Consultants

The most interesting target in SEE was Bulgaria – Slovenia, Serbia and Bulgaria & Croatia have been the leading acquirers

Value of deals by country, 2000-2010 [EUR m]



Info: In this statistic Serbia & Montenegro are shown as stand alone columns

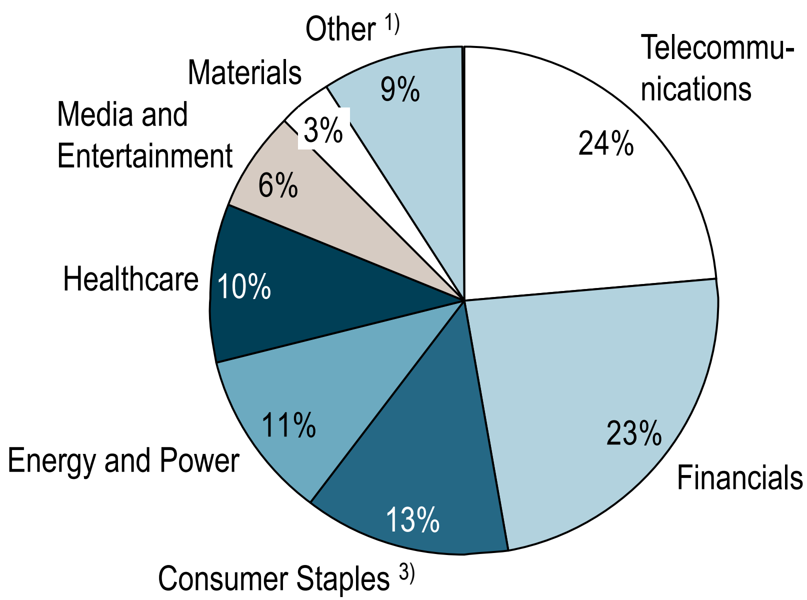
Source: Thomson One Banker Deals, Roland Berger Strategy Consultants

Roland Berger
Strategy Consultants

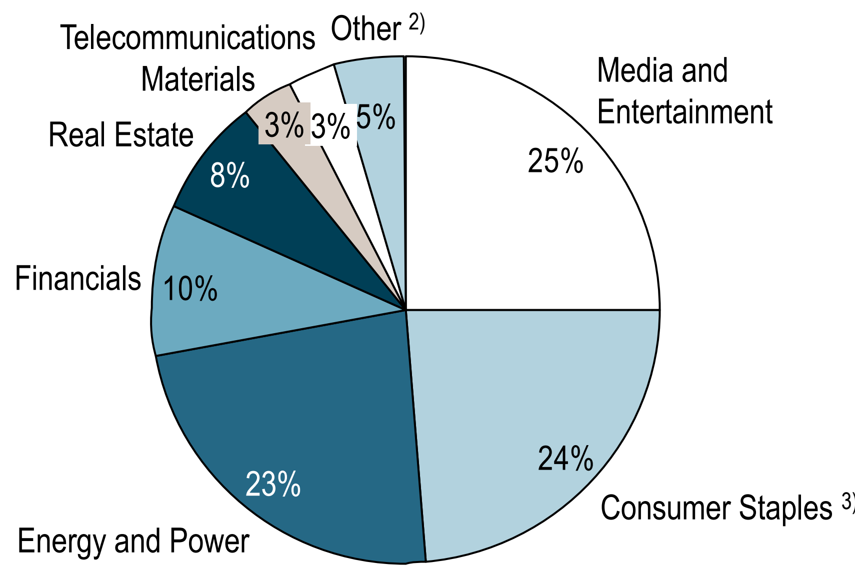
Media and Consumer staples have been the most interesting target industry in SEE 2010 – Telecom and Financials over time

Target SEE industries 2000-2010 concerning deal value [%]

Target SEE industries, 2000-2010



Target SEE industries, 2010



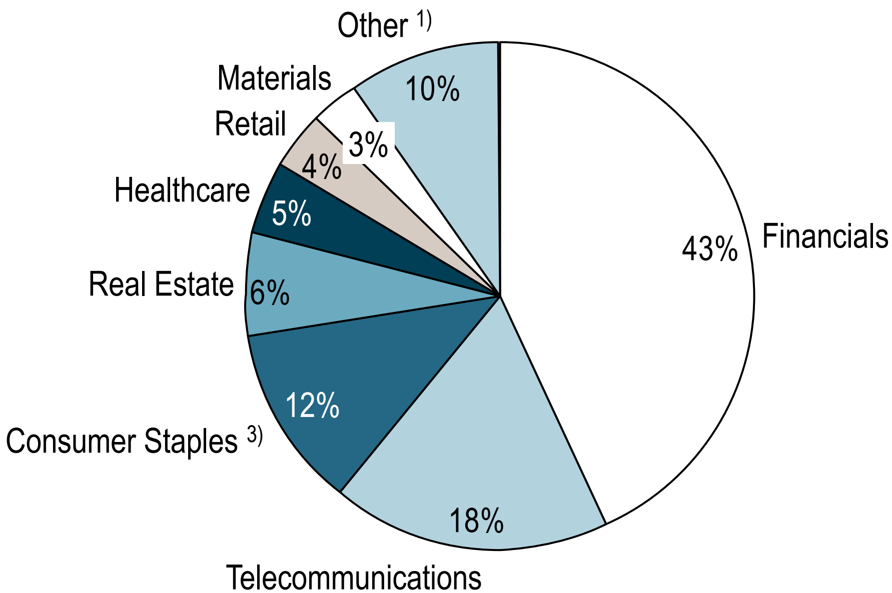
1) Other = Real Estate, Retail, High Technology, Consumer Products & Services, Government and Agencies, Industrials
2) Other = Retail, Industrials, Consumer Products & Services, High Technology
3) Consumer staples includes Agriculture & Livestock, Food & Beverages, Household and Personal Products, Textiles & Apparel, Tobacco

Source: Thomson One Banker Deals, Roland Berger Strategy Consultants

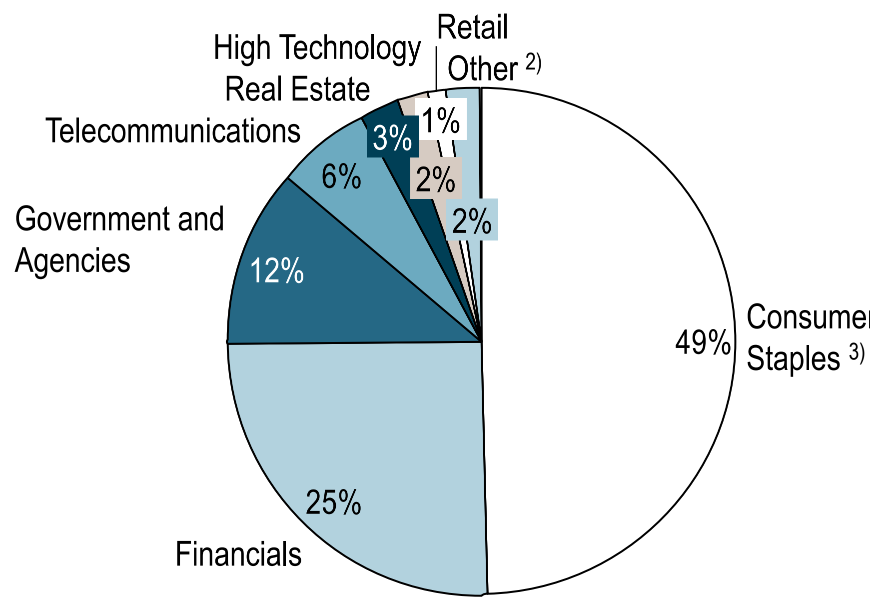
Time elapsed 2000-2010, Financials has been the leading acquirer industry – 2010 Consumer Staples dominates

Acquirer SEE Industries 2000-2010 concerning deal value [%]

Acquirer SEE industries, 2000-2010



Acquirer SEE industries, 2010



1) Other = High Technology, Energy & Power, Media & Entertainment, Consumer Products & Services, Government and Agencies, Industrials
2) Other = Industrials, Consumer Products & Services, Energy & Power, Materials
3) Consumer staples includes Agriculture & Livestock, Food & Beverages, Household and Personal Products, Textiles & Apparel, Tobacco

Source: Thomson One Banker Deals, Roland Berger Strategy Consultants

Roland Berger Strategy Consultants

In 2010, Bulgaria was the country with most acquisitions conducted in, Croatia was the most active acquirer country

Deals by country and year

Target in SEE

Country	2009 #	2009 Value [EUR m]	2010 #	2010 Value [EUR m]	Δ #	Δ Value
Bulgaria	14	2,363.9	11	600.8	-21.4%	-74.6%
Croatia	3	11.8	18	280.1	500.0%	2,273.7%
Slovenia	2	152.3	2	248.1	0.0%	62.9%
Macedonia	1	2.4	2	41.1	100.0%	1,612.5%
Serbia	8	591.6	4	18.5	-50.0%	-96.9%
Montenegro	1	253.7	-	-	-	-%

Acquirer in SEE

Country	2009 #	2009 Value [EUR m]	2010 #	2010 Value [EUR m]	Δ #	Δ Value
Croatia	11	9.6	15	403.1	36.4%	4,099.0%
Bulgaria	13	53.2	9	100.9	-30.8%	89.7%
Slovenia	10	192.3	2	14.5	-80.0%	-92.5%
Serbia	3	4.7	2	5.5	-33.3%	17.0%

Source: Thomson One Banker Deals, Roland Berger Strategy Consultants

Roland Berger
Strategy Consultants

Creating **impact**

Roland Berger
Strategy Consultants