

Central and South Eastern Europe - M&A Barometer 2013

EY's M&A Barometer is a summary and analysis of publicly disclosed information accumulated from reputable databases, such as DealWatch and Zephyr.

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

- Acquisitions of minority stakes below 15%
- Majority shareholder's further acquisition of a minority interest
- Real estate transactions (except when the target and/or buyer was a real estate company or real estate fund)
- Capital market transactions (except for transactions that resulted in a change of control)
- Acquisitions of licenses
- Joint venture agreements
- Greenfield investments
- IPOs
- Privatizations
- Multi-country deals (the value of these deals was ignored in each country, but the number was counted-in)
- Internal reorganizations

Introduction

In our Mergers & Acquisitions (M&A) Barometer we analyze the prevailing trend in 11 Central and South Eastern European (CSE) countries (Bulgaria, Croatia, Czech Republic, Greece, Hungary, Poland, Romania, Serbia, Slovakia, Slovenia and Turkey). Although the countries under review vary in size, background and economic growth, most of them have experienced an increased M&A activity in terms of volume in 2013 compared to 2012, while the M&A market has shown a decrease in only 4 countries. The total volume in CSE increased by 32.4%, however a 5.7% decline in estimated value can be observed in 2013 compared to 2012.

More specifically, we observed a majority of domestic transactions - 52% of all deals. Also noteworthy is the fact that transactions were dominated by strategic investors, and the most active target industry was Services while in terms of value the largest transactions occurred in the Telecom & Media, Banking & Financial services and Energy & Mining sectors.

Highlights - 2013

- Top 3 countries by number of transactions: Turkey, Bulgaria, Poland
- Number of closed transactions: 1,467
- Estimated market size: USD 39.4bn
- Top three most active industries in CSE (by volume):
 1. Services (176 deals)
 2. Manufacturing (175 deals)
 3. IT (167 deals)
- Top three most active industries in CSE (by average deal value):
 1. Telecom & Media (USD 245m)
 2. Banking & Financial services (USD 196m)
 3. Energy & Mining (USD 163m)
- Average deal size of deals over USD 100m: USD 439.6m
- Average deal size of deals below USD 100m: USD 14.0m
- Number of deals over USD 100m, as % of total deal volume: 3.3%
- Disclosure rate of transaction value or deal size: 32.5%*

*Applying this disclosure rate we estimated the total transaction value of the M&A market for each country.

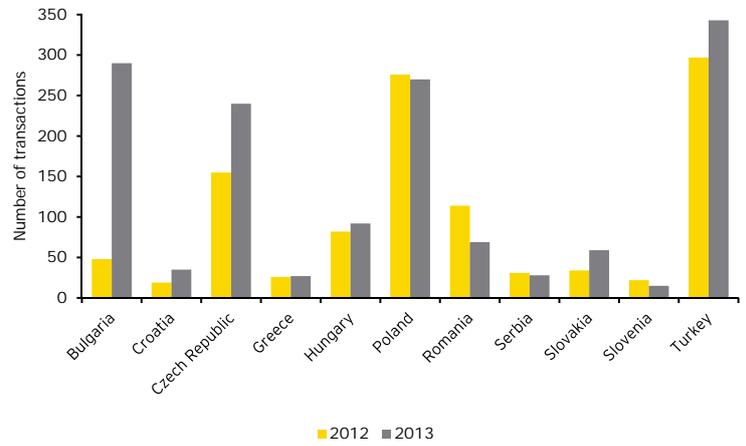


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Number of M&A transactions in CSE

Turkey was the most active country in terms of deal volume in 2013, closing 343 transactions during the respective period. It was followed by Bulgaria and Poland closing 290 and 270 deals respectively.

The total number of transactions increased in the region from 1,108 deals in 2012 to 1,467 in 2013 representing a 32.4% growth year on year. Also, the M&A market had shown an increase from 2012 to 2013 in most countries, based on the number of transactions, except for Romania, Poland, Serbia and Slovenia.



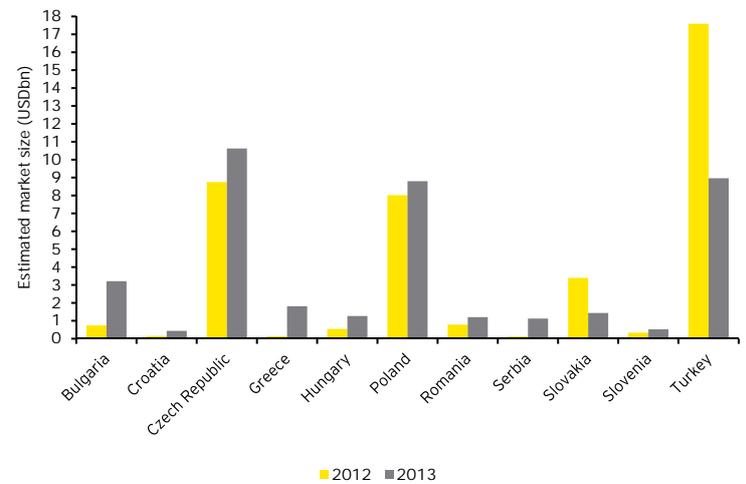
Estimated transactions value of the market

The total 2013 estimated transaction value in CSE market was USD 39.4bn, down 5.7% from the previous year.

This decline can mainly be attributed to a USD 6.8bn drop in Turkey's estimated market value due to the lack of similar mega-transactions appearing in 2012, while in most of the countries the estimated transaction values increased from 2012 to 2013.

The Czech Republic ranked first with an estimated value of USD 10.6bn, followed by Turkey (USD 9bn) and Poland (USD 8.8bn).

The significant increase in Greece, Bulgaria and Hungary is mainly due to the increase in the number of transactions with a value over USD 100m.

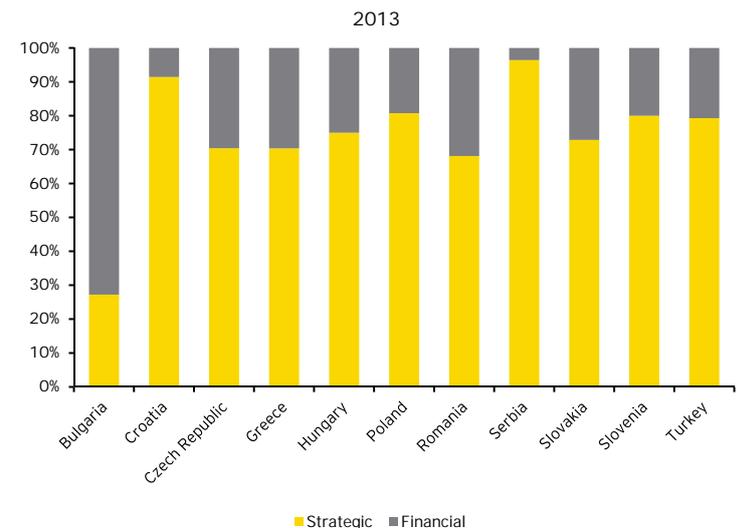


Investor population – Strategic and financial

The vast majority of deals were closed by strategic investors in all countries, except for Bulgaria, resulting in an overall proportion of 67% in the region.

The share of financial investors was the highest in Bulgaria, followed by Romania, the Czech Republic and Greece.

The share of financial investors in Bulgaria increased due to the significant increase in the number of transactions executed by private individuals in 2013.



Direction of transactions

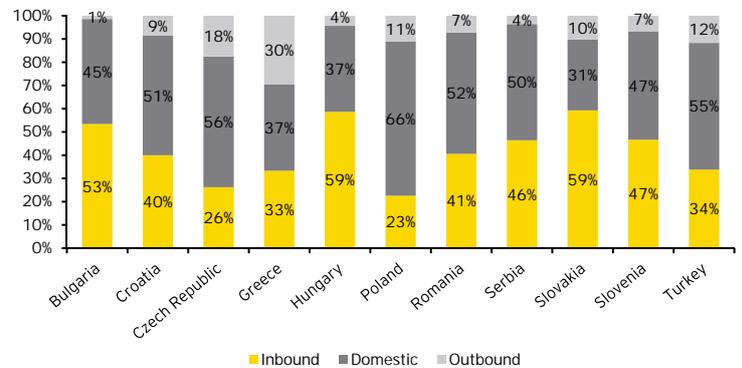
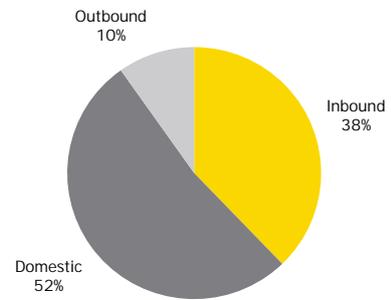
The CSE transaction market was once again dominated by domestic transactions in 2013 (52% of the total number of deals) which represents a 1% point decrease compared to 2012, while outbound transactions remained at the same level as in 2012.

Domestic transactions were most popular in Poland, in the Czech Republic and Turkey.

Turkey had the most number of outbound transactions (40 deals) - followed by Poland (30) and the Czech Republic (21). The proportional share of outbound transactions was the highest in Greece, the Czech Republic and Turkey.

The proportional share of inbound transactions was the highest in Hungary and Slovakia, followed by Bulgaria and Slovenia.

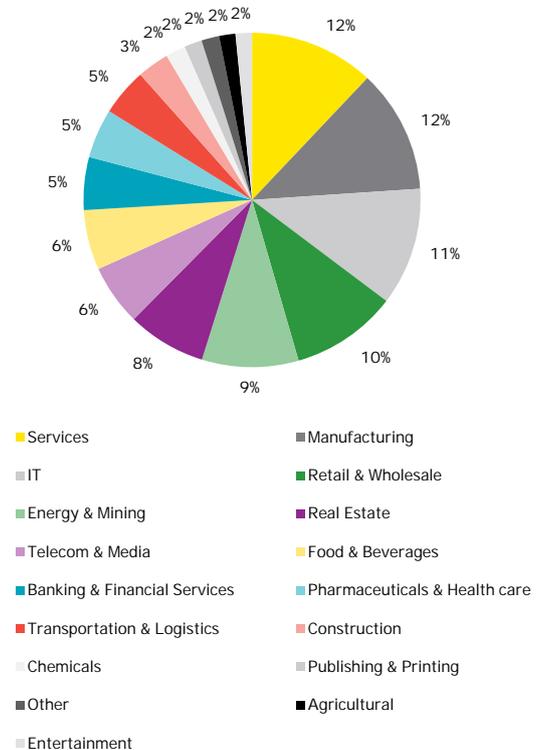
The most active in transacting within the region was the Czech Republic (20) in 2013.



Sector analysis

The Services sector was the most active target industry (by number of transactions), accounting for 176 deals in 2013. This was followed by Manufacturing and IT.

In terms of value, the largest transactions occurred in the Telecom & Media, Banking & Financial services and Energy & Mining sectors.



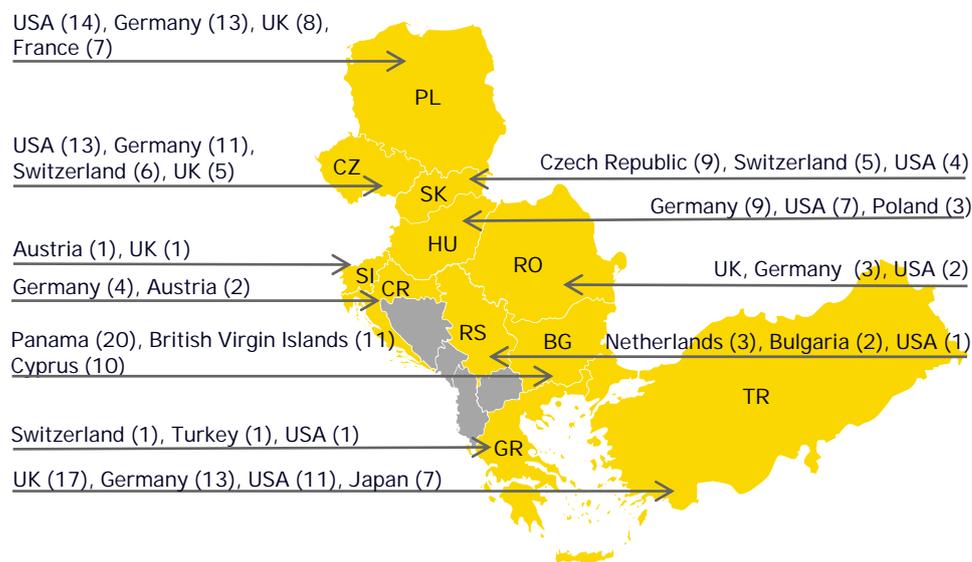
Each country had its own favored industry, however Manufacturing ranked first in most countries.

Target Country	Industry
Bulgaria	Retail & Wholesale
Croatia	Services
Czech Republic	Real Estate
Greece	Banking & Financial services
Hungary	IT
Poland	Manufacturing
Romania	Energy & Mining
Serbia	Services
Slovakia	Manufacturing
Slovenia	Manufacturing
Turkey	IT

Foreign interest

Although there were fewer foreign inbound deals compared to domestic deals, in terms of the origin of foreign capital invested in CSE by M&A transactions, Western European and non-European investors continued to lead against CSE countries in 2013.

Germany was the most active in 2013, closing 61 deals in the region followed by the United States (59) and the UK (37).



Ten largest transactions in CSE in 2013 (USDm)

Target company	Country of target	Buyer	Country of buyer	Value
Telefonica Czech Republic a.s.	Czech Republic	PPF	Czech Republic	3,275
Net4gas s.r.o.	Czech Republic	Allianz Capital Partners, Borealis infrastructure Inc.	Germany, Canada	2,124
Bank Gospodarki Żywnościowej SA*	Poland	BNP Paribas SA	France	1,380
Emitel sp. z o.o.	Poland	Alinda Capital Partners LLC	USA	1,100
SBB d.o.o.	Serbia	Kohlberg Kravis Roberts & Company	USA	1,000
Power-One assets in Slovakia	Slovakia	ABB Group	Switzerland	1,000
Yapı Kredi Sigorta	Turkey	Allianz SE	Germany	913
Nordea Bank Polska SA	Poland	PKO BP SA	Poland	824
Cosmo Bulgaria Mobile ead	Bulgaria	Telenor ASA	Norway	717
Follie (travel retail business)	Greece	Dufry ag	Switzerland	703

*The deal is subject to the approval of the Polish Financial Supervision Authority

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