

# Central European

## Private Equity Confidence Survey



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# Introduction

Welcome to the latest Deloitte Central Europe Private Equity Confidence Survey.

In the past 6 months funds have cashed in on higher exit multiples. We now expect that to turn to more of a buying focus. This is confirmed by the findings of our survey as the focus on new investments is reaching its all time high. We are already seeing evidence of this with recent work Deloitte has done for and is currently discussing with private equity.

We expect interest in Central European private equity to continue to grow strongly and we are gearing up our Mergers & Acquisitions Transaction Services team to become the advisor of choice to private equity in Central Europe.

2006 was a great year for Private Equity in Central Europe. I hope you all had a good rest over Christmas and have an even more successful 2007!

**Garret Byrne**

Partner  
M&A Transaction Services Leader  
Deloitte Central Europe

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# Overview

## Key findings

- Buying at low multiples and selling higher is no longer enough – adding value is now a necessary element
- Continuing optimism regarding economic performance
- Previous focus on new investments only strengthened
- Significant buying dominates investors' activities

## Taking public companies private

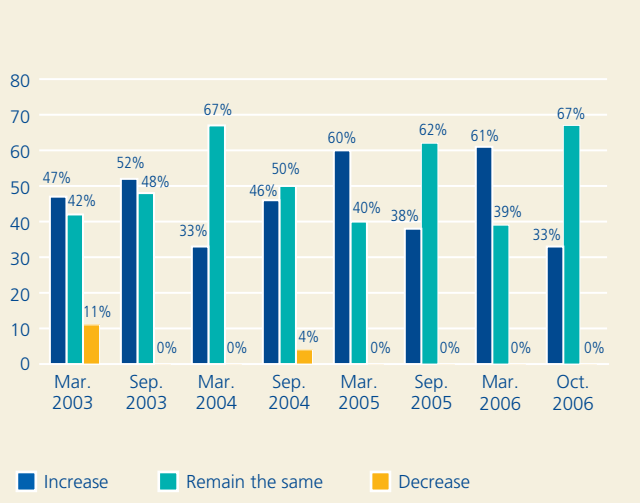
The Central European market is maturing - something which can be further seen in the increase in number of management buyouts and the introduction of taking-public companies private.

BorsodChem (Hungarian-listed polymer producer) is currently being taken private by Permira. Press reports from November 2006 valued BorsodChem equity at EUR 847m and enterprise value at 1,056m. In Poland, Oaktree Capital Management launched a successful offer to increase its stake in Polmos Lublin SA, the distillery company, and are now delisting it. The deal valued equity of Polmos at EUR 47m. Deloitte supported both these transactions.

## Debt finance

The leverage available for private equity deals has advanced rapidly in the last three years and offerings are now close to those in more mature markets with keen competition for larger deals.

For this period, I expect the availability of debt finance to:

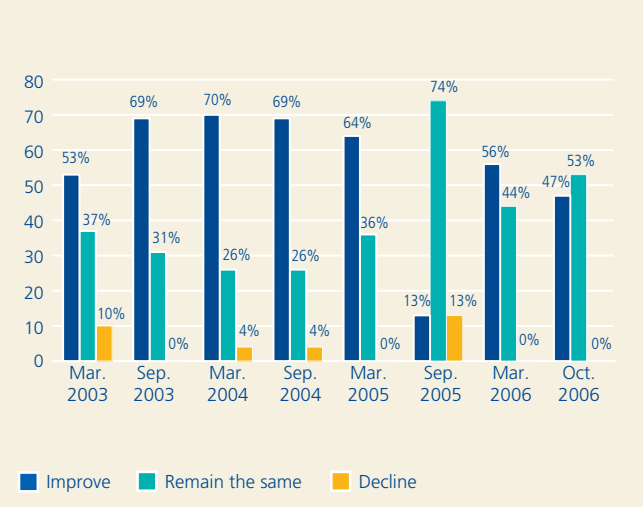


## Results

### Economic climate

Short-term expectations by private equity professionals confirm medium and long-term forecasts for improving economic activity in Central Europe. Countries of the reviewed region should outperform old EU member states.

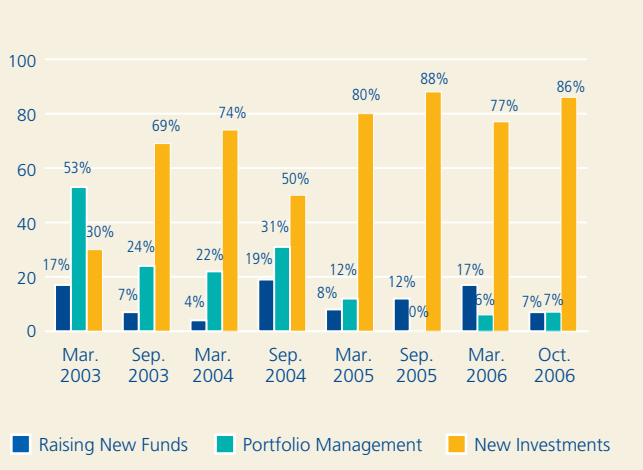
For this period, I expect the overall economic climate to:



### Investors' focus

After successful fundraising and many exits in 2006, the focus is now on new investments.

For this period, I expect to spend the majority of my time focusing on:



**Size of transactions**

Expectations regarding the size of transactions are more balanced as the year saw several big deals in 2006 - as was stated in our summer survey.

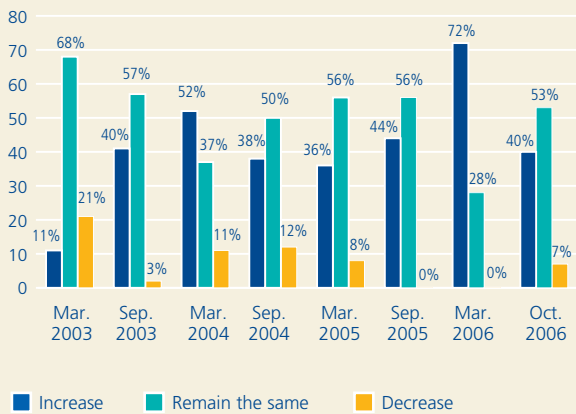
**Entries:**

- BorsodChem Rt. EUR 1,065m
- Radiokomunikace, a.s. EUR 1,190m

**Exits:**

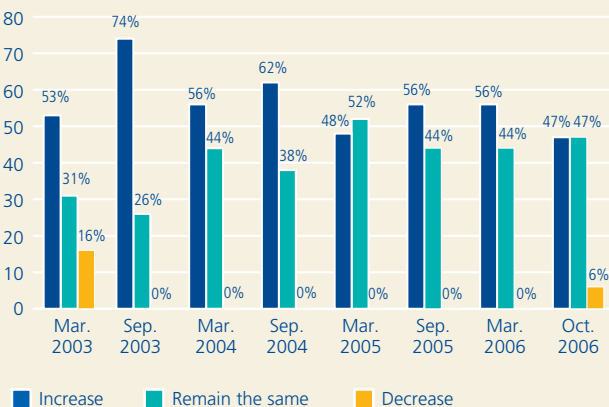
- Karneval EUR 323m
- Kablo Elektro EUR 112m

**For this period, I expect the average size of transactions to:**



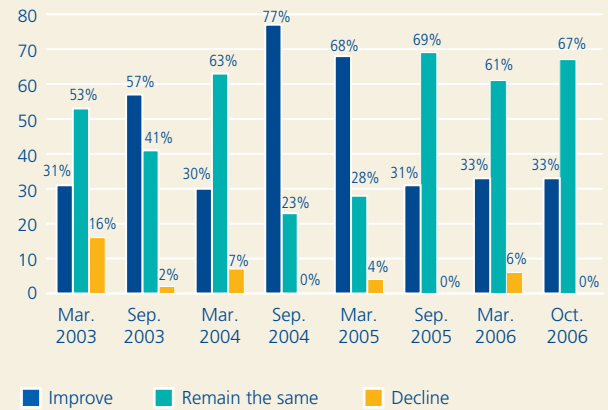
**Market activity**

**For this period, I expect the overall market activity to:**



**Investments efficiency**

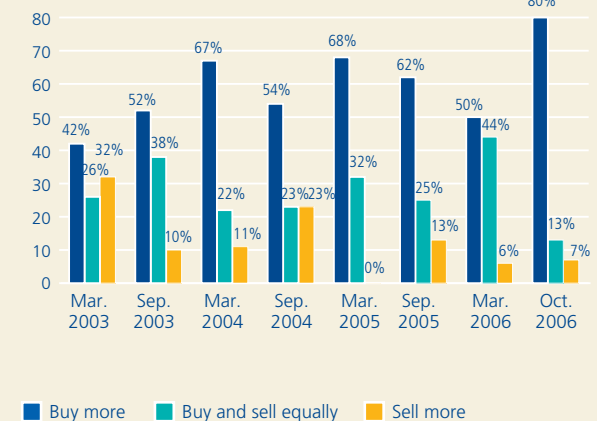
**For this period, I expect the efficiency of my financial investments to:**



**Investors' activities**

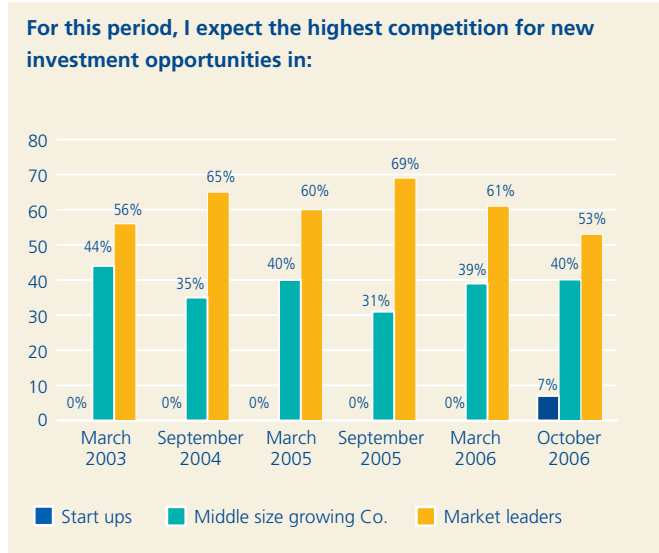
Due to success in raising new funds in 2006 and as new funds enter Central Europe, the region should experience strong activity in private equity. Expectations are clearly indicating a focus on buying new investments.

**For this period, I expect to:**



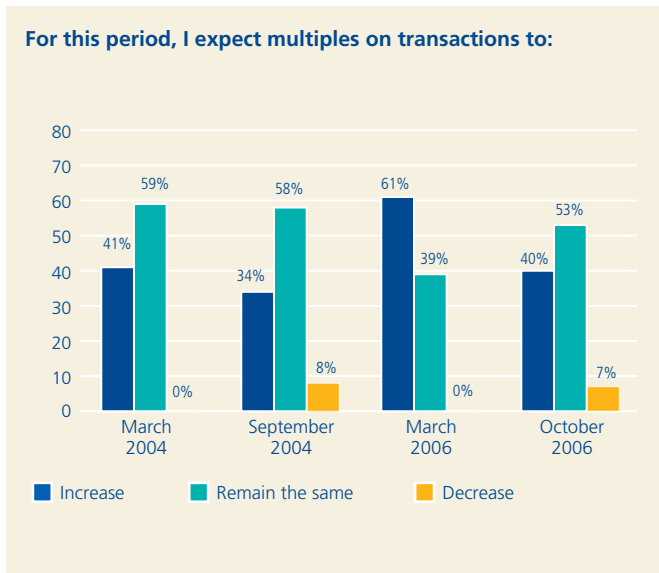
**New investments competition**

The prevailing focus on market leaders as targets confirms a trend of bigger funds and deals in Central Europe. Given this, we expect more tender-driven transactions.



**Transaction entry multiples**

The growing economy still supports positive expectations regarding transaction entry multiples.



**Forensic Due Diligence**

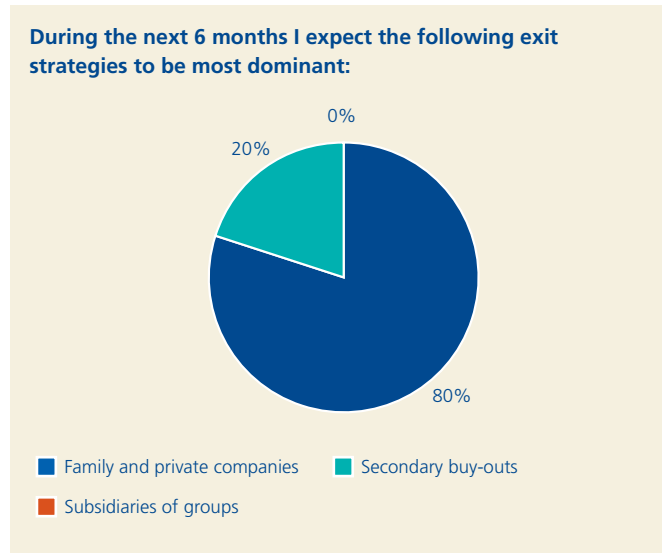
In response to increased business risks, many companies consider safeguarding their future interests by conducting a type of due diligence over and above that which solely addresses the potential business partner’s or target’s financial condition prior to an investment, namely, Forensic Due Diligence. FDD includes an assessment of the risks attached to the country and sector of investment. Many companies often neglect to check important issues such as a target company’s political and/or criminal affiliations and public reputation and thus fail to address their potential exposure to them as investors.

Forensic Due Diligence takes a thorough look at the background, track record, and reputation of the investment target and related individuals and now forms a vital part of the due diligence process for investors entering new markets.

To discuss this area please contact Alexander Nagy in our Prague office (tel. +420 246 042 187, email: [alnagy@deloittece.com](mailto:alnagy@deloittece.com)).

**Investment opportunities**

Carve-outs do not seem to attract private equity investors and remain the domain of strategic investors.



Significant Exits

Company	Seller	Buyer	Date	Value	Stake	Description
Dominet SA	Merrill Lynch Global Private Equity	Fortis NV	October 06	not available	100%	Netherlands based financial services company, has agreed to acquire Polish bank holding company. Merrill Lynch held 49.9% stake and 50.1% is owned by Mr and Ms Cacek. Bank has 806 employees.
CCS Ceska spolecnost pro platebni karty, a.s.	Advent International Corp.	FleetCor Inc.	October 06	not available	100%	FleetCor acquired CCS in cash and shares deal as Advent exited its investment from October 2005.
Kablo Elektro, a.s.	J&T Finance Groups, a.s.	nkt cables group GmbH	September 06	EUR 112m	100%	Denmark industrial holding company acquired through its subsidiary manufacturer of power cables from Slovakia based financial services group.
Dom Finansowy QS	Innova Capital	Syigma Bank Polska	August 06	not available	100%	Financial broker based in Gdansk (Poland) was acquired in August 2006. In 2005 it provided credit worth of EUR 168.6m.
Crnogorska Komercijalna Banka	DEG / Netherlands development finance company	OTP Bank Rt.	August 06	EUR 105m	100%	Listed Hungarian commercial bank acquired Montenegro based bank. Sellers were Dutch financial organization and German government finance and consulting corporation focusing on transition countries.
Slovalco, a.s.	European Bank for Reconstruction and Development (EBRD)	Hydro Aluminium, a.s.	August 06	EUR 22m	35%	Norwegian aluminium producer exercised its option to increase its stake in Slovakian company. EBRD and Hydro entered the company in 1991 by purchasing stakes of 10% each.
Svoboda Press, a.s.	Argus Capital Partners	Euro-Druckservice AG	August 06	not available	100%	Svoboda Press is Czech based publishing house with turnover of EUR 64.5m and 400 employees.
Karneval Media, s.r.o.	Mid Europa Partners / Baring Private Equity Partners / EMP Europe	Liberty Global Inc (UPC)	August 06	EUR 323m	100%	US based cable company acquired second largest Czech cable operator with intention to merge it with its own subsidiary (market leading UPC). Proceeds from transaction represent 7.7 times Mid Europa original investment and 4.4 times follow up investment.
Metropolis Media	Innova Capital / Capital International	Europlakat International Werbegesellschaft mbH	June 06	EUR 43m	100%	Private equity funds exited their investment in Slovenia based media group. Metropolis is top 2 provider of outdoor advertising in republics of former Yugoslavia such as Slovenia, Croatia, Serbia and Montenegro.
Sanitas Inc.	Mayfield Fund	Teesland	June 06	not available	100%	US based fund exited provider of rental services to warehousing and sold it to international warehousing services provider.
Motoractive / Domenia Credit / Estima Finance	Romanian American Enterprise Fund (RAEF) / DEG / EBRD	GE Capital Bank Ltd.	May 06	EUR 140m	100%	US bank acquired 100% stake from private equity and other institutional investors (e.g. World Bank vehicle). Acquired companies carry business in consumer finance industry (leasing, mortgages and consumer finance respectively).
Emax SA	BBI Capital SA	ComputerLand SA	May 06	EUR 44m	36%	Polish IT solutions provider acquired 65% of voting rights with its stake offering EUR 37 per share. Deal values entire share capital at EUR 101m.

## Central European - Private Equity Confidence Survey

### Fund raising

Company	Fund	Value	Status	Time	Description
Krokus Private Equity	Nova Polonia Natexis II	EUR 52m	first closing	November 06	New fund with target of EUR 75m is being raised by Krokus. Investors include Natexis Private Equity and EBRD. Fund will target Polish mid market firms in manufacturing, services, transportation, construction and other sectors.
NBGI Private Equity	new fund	EUR 600m	raising	November 06	Greek private equity firm is raising new fund for buy-outs in Southeast Europe.
Innova Capital	Innova/4 LP	EUR 225m	closed	November 06	Launched in October 2005 with original target of EUR 175m, fund was closed in November with hard cap.
Istithmar	acquisition budget	EUR 7bl.	available	October 06	Investment agency of government of Dubai is looking for acquisitions in Europe and North America, especially in media and manufacturing.
Argus Capital Partners	new fund	EUR 213m	raising	September 06	First closing was held at December 2005 at EUR 164m. Final closing of this second fund of Argus is expected later this year (original target was set at EUR 200m).
ALPHA Associates	ALPHA CEE II	EUR 109m	first closing	August 06	Second and final closing of the fund with target size of EUR 300m is expected by the end of the year. Intended countries of interest are new member states and second round accession countries.
Vienna Capital partners	funds available	EUR 500m	available	July 06	Vienna Capital Partners announced that it has EUR 500m ready for investments in Hungary and Poland.
Palamon Capital Partners	Palamon European Equity II	EUR 670m	final closing	July 06	Funds with original target size between EUR 600m and EUR 650m is intended for mid market investments in Europe. Focus of the fund will be on EUR 10-80m investments in services sector.



Major investments

Company	PE House	Period	Value	Stake	Description
Radiokomunikace, a.s.	Mid Europa Partners, Lehman Brothers Private Equity, Al Bateen Investment Company	November 2006	EUR 1,190m	100%	A consortium of international investors acquired dominant market player in Czech telecommunications market. The deal included 39.23% shares of T-Mobile, market leader in mobile telecommunications services.
BorsodChem rt.	Permira	November 06	EUR 1,056m	100%	Private equity funds are taking private publicly listed hungarian chemical company. Offer is open until December 15, 2006.
Aero Vodochody, a.s.	Penta	October 06	EUR 103m	100%	Czech based military and civilian aircraft manufacturer was acquired by Oakfield (Penta's portfolio company).
KCW Ultimo	Advent International Corp.	October 06	not available	100%	Ultimo is polish debt purchase and debt collection company with approximately EUR 12m in sales and 400 employees in 2006.
Polmos Lublin SA	Oaktree Capital Management LLC	October 06	EUR 47m	100%	Taking private offer of Oaktree is worth EUR 13.3 per share with premium of 1% over closing share price on October 4, 2006. Polmos is a distillery company.
Standard Profil	Bancroft	September 06	EUR 71m	100%	Bancroft Fund II backed management buy-out of tier-one rubber profile manufacturer for Turkish and European car makers.
Skarbiec Asset Management Holding SA	Enterprise Investors (EI)	September 06	EUR 39m	100%	EI acquired asset management company through its Polish Enterprise Fund V from BRE Bank SA.
SC Macon SA	Enterprise Investors	September 06	EUR 35m	not available	Romanian building materials producer was acquired by Polish Enterprise Fund V. Stakes of management and employees were purchased.
Tatra, a.s.	KBC Investco NV	September 06	EUR 62m	81%	Investment vehicle formed by Alan R. Adams (private investor) and KBC private equity subsidiary acquired heavy duty truck manufacturer from Terex Corp. for USD 79.8m.
Komex	DBG Eastern Europe / 3TS Capital Partners	August 06	not available	majority	Target acquired by Hungarian and Polish private equity funds operates chain of 50 retail stores, offering children clothing.
InterCom	Argus Capital Partners	August 06	not available	not available	Argus Capital acquired through its portfolio company Palace Cinemas 9 multiplexes from Hungarian media company adding 56 screens.
BAN	Amber Trust II	July 06	not available	49%	Finnish-American buy-out firm acquired stake from sole owner Mr Teilans who keeps control over the company. BAN is a Latvian non-life insurer.
Sokolka	Ratos AB	June 06	not available	not available	Swedish private equity house acquired Polish window and door manufacturer through its portfolio company INWIDO AB.
Heidelberger Calcium	Mid Europa Partners	June 06	not available	100%	Private equity fund backed management buyout of Croatian based calcium aluminate cement business. Deal includes acquisition of 92.4% stake in Istra Cement.
Amis	KBC Investco NV / Iris Capital	June 06	not available	100%	Funds backed management buy-out from sole owner Mr A. Zeleznik. Company is Slovenia based telecom company.
ZPA Smart Energy	Kilcullen Partner	May 005	not available	100%	Czech based provider of electrotechnical products and services was acquired from eight individuals.

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