

M&A Barometer Hungary 2011

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

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

- ▶ Acquisitions of minority stakes below 15% (versus 20% , in the previous issues)
- ▶ Majority shareholder's additional acquisition of minority interest,
- ▶ Real estate transactions (except when the target and/or buyer is 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,
- ▶ Internal reorganizations
- ▶ Multi country deals (value of these deals was ignored in each country, but the number was counted in).

Introduction

In line with the majority of countries in Central South- Eastern Europe (11 countries in our review: Bulgaria, Croatia, Czech Republic, Greece, Hungary, Poland, Romania, Serbia, Slovakia, Slovenia and Turkey) the Hungarian Mergers & Acquisitions (M&A) market experienced an increase in 2011 compared to 2010. In fact it was the 4th after Turkey, Poland and Romania in terms of volume of transactions.

Domestic transactions and strategic investors remained in the majority and the most attractive industry was the Services sector. Main investing countries into Hungary were USA and Czech Republic, while Hungarian companies acquiring abroad headed to Romania Slovenia and Poland.

Number of M&A transactions in Hungary

In 2011 111 deals were closed in Hungary which itself represents a 23.3% increase in the number of deals compared to the volume of 90 deals a year ago.

This trend exceeded CSE countries average of 11% volume increase as experienced from 2010 to 2011.

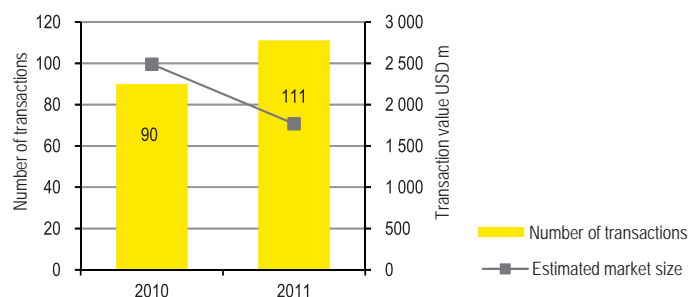
Estimated value of M&A market

Transaction values were disclosed and published in 43% of the deals, a disclosure rate slightly higher than 40% a year ago.

Based on publicly available data, the estimated size of M&A market in Hungary decreased by 29% from USD 2.5bn in 2010 to USD 1.8bn in 2011.

Large value Hungarian deals over USD 100 million decreased from 6 transactions in 2010 to 1 in 2011.

The average deal size of deals with a disclosed deal value below USD 100m was USD 7.7m in 2011 compared to USD 10m in 2010. One attributable factor to the lower deal size is the increase in the volume of Jeremie transactions.



Investor population - Strategic and financial

In 2011 the Hungarian transaction market was dominated by domestic transactions (64% of total number of deals) 2% more than noted in 2010.

The number of outbound transactions remained low, relative to total deal volume during 2011, representing 4% (5 deals) and 10% (9 deals) of total deal volume in 2011 and 2010, respectively. In 2011, MOL has acquired the petrol stations of TUS Oil in Slovenia, E-Star has acquired EETEK Group, Atev Zrt. acquired Romanian peer, Phoenix Farm, while Netrisk acquired asigura.ro in Romania.

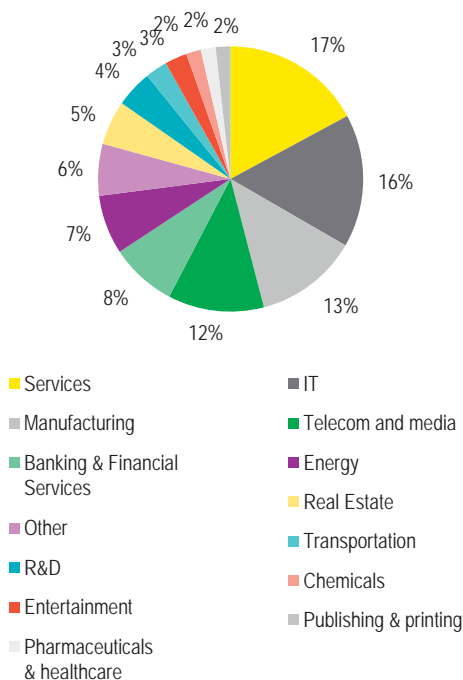
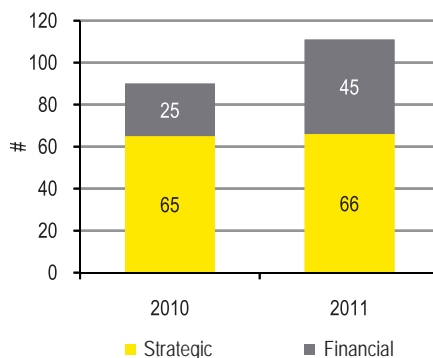
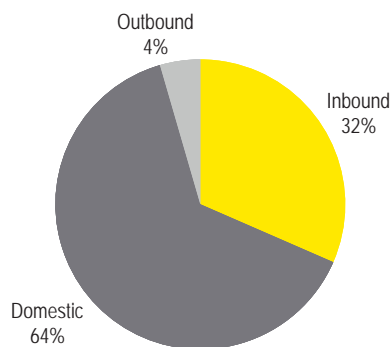
Origination of inbound investments includes USA (6 deals), Czech Republic, and UK (each 4 deals), Germany and Poland (each 3 deals).

Strategic investors dominated the deal market, but the proportion of financial investors increased from 28% in 2010 to 40% in 2011.

Industry sector analysis

In terms of sectors targeted, the Services sector was the most attractive by number of deals accounting for 19 deals in 2011 and 22 in 2010. IT and Manufacturing followed, both increased their shares of the deal market in 2011 compared to previous year.

In terms of deal value, Chemicals sector was the largest in 2011, followed by Banking & Financial Services.



Largest deals involving Hungarian companies 2011 (USDm)

Target	Country of target	Buyer	Country of buyer	Deal value
BorsodChem	Hungary	Wanhua Industrial Group	China	930
Euromedic International*	Hungary	Fresenius Medical Care	Germany	693*
Provimi Pet Food Zrt.**	Hungary (HQ)	Advent International	UK	245**
TUS Oil petrol stations	Slovenia	MOL Nyrt.	Hungary	49.3
Pannunion Nyrt.	Hungary	Sun Capital Partners, Inc.	USA	31
EETEK Group	Poland/Hungary	E-Star Nyrt.	Hungary	29.5
Celebi Ground Handling	Hungary	Celebi Hava Servisi	Turkey	18

* The deal is part of a multi-country transaction, therefore the value is not included in the estimated market size calculation.

** The Hungarian asset and headquarters is only a part of the 5-country deal thus the value is not included in the estimated Hungarian market size calculation

*** The MOL /Surgutneftegas transaction with a value of approx. USD 2,800m is not included as it does not meet our private to private definition for M&A.

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