

Central European

Private Equity Confidence Survey



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Introduction

Welcome to the latest Deloitte Central Europe Private Equity Confidence Survey which we have been running since March 2003.

In this latest issue of our survey we present for the first time a Deloitte Private Equity Confidence index. This index attempts to summarize the overall perception of market activity and the economic environment of private equity investors focused on Central Europe. It is inline with indexes introduced by other Deloitte offices conducting similar surveys throughout the world (e.g. Germany).

Index figures indicate peaking expectations regarding the market which are confirmed by private equity funds activity in the region. Similarly to the record breaking pace of global buyout markets, Central Europe also experienced acquisitions of recognized national brands by private investors in the first half of 2007 (e.g. Oaktree acquisition of Stock).

We expect interest in Central European private equity to continue to grow in 2007 and we are continuing our investment into hiring and developing private equity savvy professionals to serve private equity in Central Europe.

Garret Byrne

Partner

Deloitte Central Europe

M&A Transaction Services Leader

July 2007



Overview

Key findings

- Overall confidence is at an all time high
- Significant focus on new investments continues
- IPO exits are even considered for middle size companies
- Economic climate is expected to continue its recent trends

The rising value of deals is luring new investors to enter the market. In the past six months we saw similar development as on the well established markets in North America and Western Europe as private equity investors acquired national brands which were not considered before. Selected examples are shown below.

Company	Industry	PE Fund	Deal value
Eckes & Stock	Wine and spirits	Oaktree	n/a
ETA	White goods Manufacturer	Benson Oak	n/a
BTC	Telecoms	AIG Capital Partners	EUR 1,080m

PE CE Confidence Index

The Private Equity Central European Confidence index shows continuous growth expectations for the region. As it reaches an all time high, we should expect record breaking deal activity in 2007.



This trend should continue in the following months as other deals are running or being prepared (e.g. sale of GTS; sales of several airports in Central European countries, etc.).

Deloitte Private Equity Confidence index

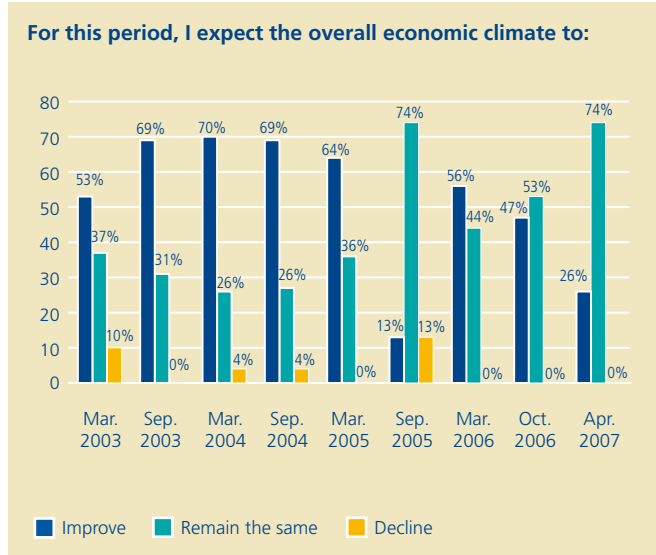
The confidence index is based on answers received from private equity professionals focused on Central Europe. It is composed from answers to the first seven questions of the ten question survey.

For each period, the average answer ratio is computed. This average is compared to the base period, which is Spring 2003.

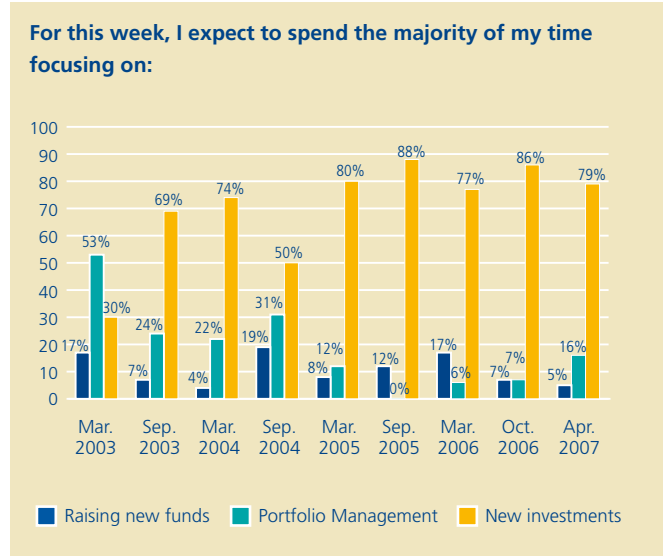


Survey results

Economic climate

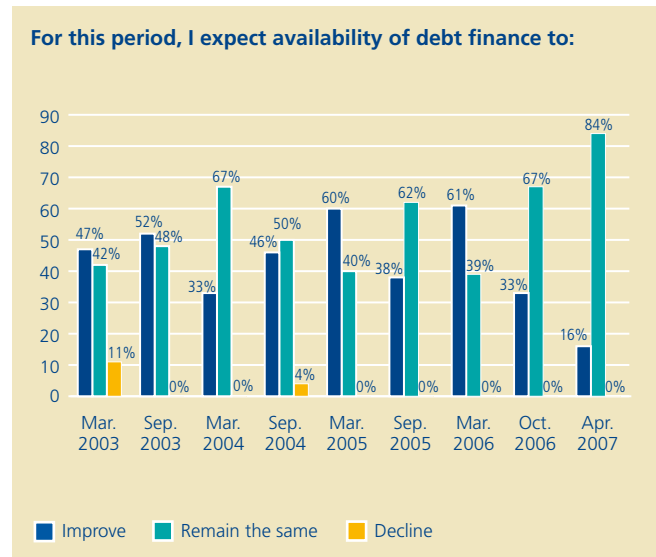


Investors' focus

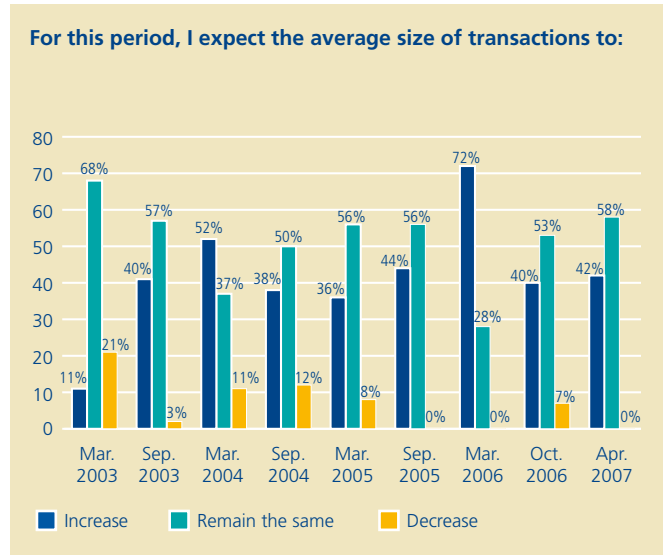


Focus on new investments continues to be the dominant activity of fund managers. This is reflected in deal flow and new entries (as shown in the table at the end of this report).

Debt finance



Size of transactions



Commercial Due Diligence

Over the last twelve months, Deloitte in Central Europe has developed a team focused on Commercial Due Diligence. This team is drawn from our strategic consulting group and specializes in working with Private Equity funds to analyze potential acquisitions in terms of current markets, prospective markets, competitive landscape and strategy. We help our clients gain a deep understanding of market trends and dynamics in a relatively short space of time.

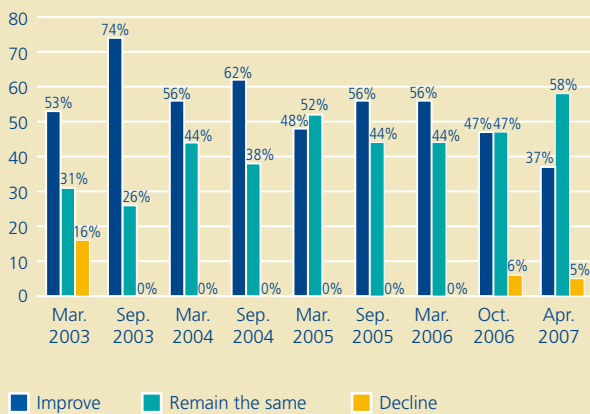
Our commercial due diligence offering is a core part of our value case for private equity.

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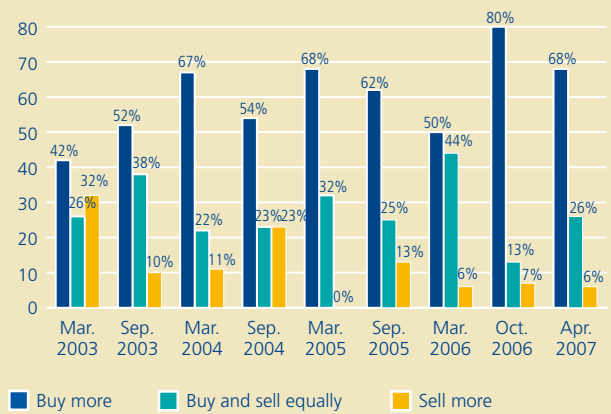
Market activity

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



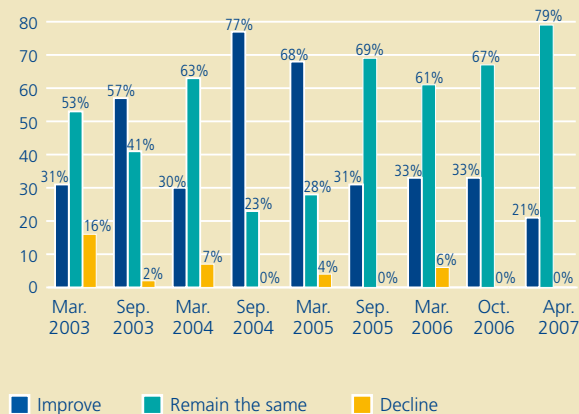
Investors' activities

For this period, I expect to:



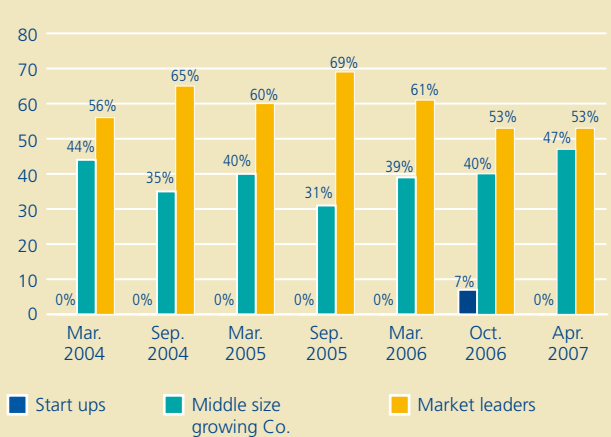
Investments efficiency

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

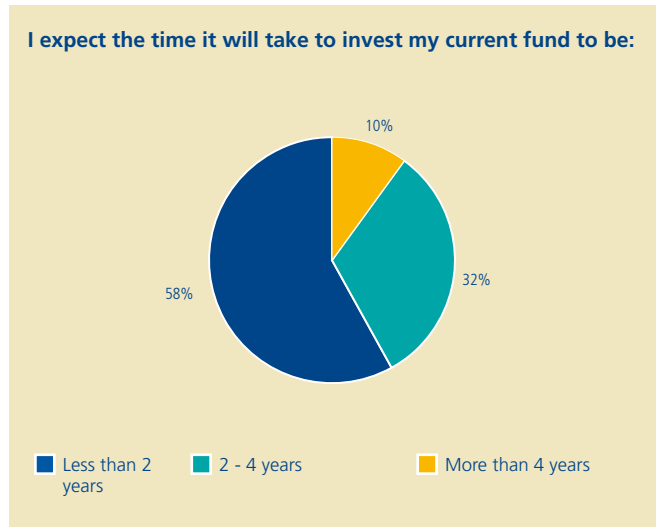


New investments competition

For this period, I expect the highest competition for new investment opportunities in:

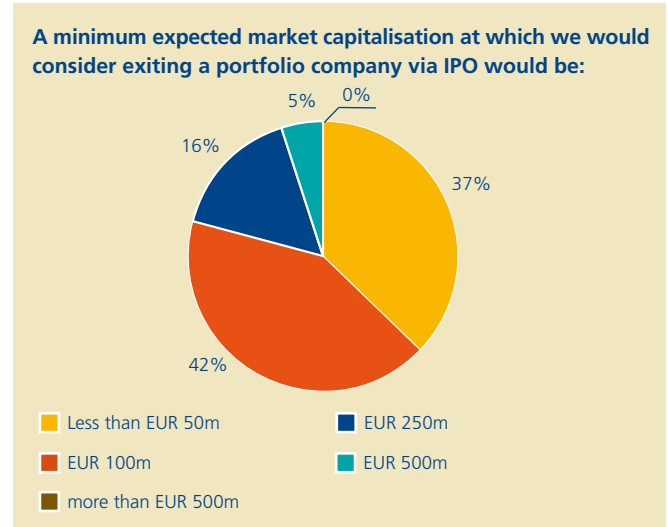


Fund investment cycle



Booming markets enable fund managers to hope for rapid investment of their funds with 58% expecting to be fully invested within 2 years.

IPO exit consideration



IPOs are considered as a potential exit strategy even for smaller and midsize companies as 79% of fund managers believe that they will be able to introduce their portfolio companies to the market with market cap below EUR 100m.

Investments, Exits, Funds and potential sales

Fund raising

Company	Fund	Value	Status	Time	Description
Societe Generale Asset Management Alternative Investments	SGAM Eastern Europe Fund	EUR 156m	closed	June 2007	SGAM closed its new fund focused on Central and Eastern Europe after exceeding original target by EUR 6m.
Mezzanine Management	Accession Mezzanine Capital II	EUR 100m	first closing	March 2007	Mezzanine Management held first closing on its second CEE focused fund. Fund raising started in October 2006.
AIG Capital Partners	New Europe Fund II	EUR 522.5m	closed	March 2007	Second fund was closed above initial cap of EUR 500m. It is a follow up after EUR 321m New Europe Fund.
Argus Capital Partners	Argus Capital Partners II	EUR 262.7m	closed	December 2006	Second fund of Argus Capital Partners exceeded its initial target of EUR 200m and hard cap of EUR 250m.
GED	GED Eastern Fund II	EUR 150m	closed	January 2007	GED closed its second fund EUR 50m above target (according to company). It will focus on Southeastern countries, mainly on Romania and Bulgaria.
KD Private Equity	South Eastern Europe fund	EUR 31m	first closing	January 2007	Fund was launched in spring 2006 and plans its final closing at EUR 70m in summer 2007.
SigmaBleyzer	Southeast European Fund IV	EUR 250m	closed	February 2007	40 limited partners committed capital 25% above the funds target. Fund was launched in August 2005 and will focus on Bulgaria, Romania and Ukraine primarily.

Central European - Private Equity Confidence Survey

Major investments

Company	PE House	Period	Value	Stake	Description
Eckes & Stock GmbH	Oaktree Capital Management	June 2007	n/a	100%	Oaktree acquired alcoholic beverages producer with companies based in Czech Republic, Slovakia, Slovenia, Italy, Austria and USA. Company holds top selling brands in Czech Republic, Italy and Austria.
ETA Hlinsko, a.s.	Benson Oak	June 2007	n/a	100%	Benson Oak, an established private equity investor in Central Europe acquired ETA, Czech electrical goods manufacturer with 1,100 employees.
Zabka Polska SA	Penta Investments, a.s.	May 2007	EUR 131m	100%	Penta acquired Polish convenience stores chain. Seller (AIG Global Investment Group) earned exit multiples of 0.4x revenues and 11x EBITDA.
Grafika Press	KBC Private Equity	May 2007	n/a	n/a	In its first deal in Hungary KBC PE acquired minority share in printing company. KBC PE also provided mezzanine financing for acquisition of Szikra, another printing company.
Bulgarian Telecommunications Company (BTC)	AIG Capital Partners Inc.	May 2007	EUR 1,080m	65%	AIG Capital Partners acquired BTC in auction process from Viva Ventures (investment arm of Advent International). Implied multiples were 3.5x revenues and 10.6x EBITDA.
AAT Group	Argan Capital	May 2007	n/a	n/a	Management of AAT Group backed by Argan Capital acquired the company in MBO. AAT Group distributes security products and systems in Poland.
Carnex AD	Ashmore Investment Management Ltd.	May 2007	EUR 16m	41%	UK based private equity firm invested in Serbian meat producer and increased its stake to almost 92%.
Antenna Hungaria Rt.	TPG; Axa Private Equity; Charterhouse Capital Partners	May 2007	EUR 327m	100%	Telediffusion De France (TDF), the private equity controlled broadcaster, acquired the Hungarian broadcaster from Swisscom. Swisscom paid EUR 236m in 2005 for the company.
SC Digital Cable Systems SA	AIG Capital Partners Inc.	May 2007	EUR 45m	40%	AIG Capital Partners (part of AIG Global Investment Group) acquired 40% stake in MBO of Romanian video re-transmission services provider.
Bank Wspolpracy Europejskiej SA	Innova Capital	May 2007	n/a	81%	Innova/4LP fund of Innova Capital acquired stake in Polish commercial bank.
Grupa Jaan/Nordglass	Enterprise Investors (EI)	April 2007	EUR 82m	100%	EI acquired automotive glass manufacturer and distributor in leveraged buyout with EUR 38m of financing provided by the banks. Entry multiples were 2.2x revenues and 12.6x operating profit.
Keko Varicon dd	Mohar Sattler Investicije dd	March 2007	EUR 7m	100%	Slovenian based private equity firm acquired voltage regulating and equipment manufacturer.
Ardaf	PPF Investments	March 2007	EUR 35m	56%	PPF Investments acquired controlling interest in Romanian based insurance and reinsurance company, increasing its stake to 70.6%. Transaction remains subject to competition council approval.
Komfort	Enterprise Investors (EI)	February 2007	EUR 64m	100%	EI acquired retail division of Komfort Market. Target operates the biggest chain of stores selling rugs, carpets and floorings in Poland. Entry multiples were 0.7x revenues and 12.8x EBITDA.
Cesky Olej (Setuza)	PPF Investments	February 2007	n/a	n/a	PPF Investments through its subsidiary company AB Credit entered into Cesky Olej (controlling owner of Setuza with 90.7% stake) via merger with Campaspol (current owner).
Bite Group, a.s.	MidEuropa Partners	January 2007	EUR 450m	100%	MidEuropa acquired Baltics telecommunications company. Entry multiple was 2.6x revenues.
SIA Trials	Askembla Growth Fund	January 2007	n/a	90%	Swedish private equity fund acquired stake in Latvian meat processing company.
Przedsiębiorstwo Budownictwa Technicznego Hawe	Ventus SA	January 2007	EUR 8.3m	100%	Capital Partners (listed polish investment company) via its subsidiary Ventus SA acquired stake in Polish telecommunications networks company.
PM Zbrojniky	Penta Investments	December 2006	n/a	75%	Czech based Penta acquired stake in Slovakia based meat processing company. Zbrojniky employs 527 people and has revenues of EUR 37m.
GTX Hanex Plastic	Argus Capital Partners II	December 2006	n/a	n/a	Argus Capital backed MBO in which Montluc Holdings sold majority stake to new investors and continues to keep minority stake. GTX Hanex is a Polish producer of PET bottles and films.
Rhodia	Butler Capital Partners	December 2006	n/a	n/a	French private equity company acquired industrial fibers business of Rhodia with operations also in Latvia, Poland and Slovakia.

Major exits

Company	Seller	Buyer	Date	Value	Stake	Description
Baltic Motors Corp.; SIA BM Auto	MVC Capital, Inc.	Inchcape plc.	June 2007	USD 120m	100%	US listed private equity company sold its two Baltic portfolio companies for total consideration of EUR 89m to UK based automotive group. Initial investments were USD 6m in Baltic Motors Corp. (in 2004) and USD 8m in SIA BM (in 2006).
La Fantana	Oresa Ventures	Innova Capital	May 2007	EUR 35m	83%	Swedish private equity company sold its stake in Romanian water-cooler bottling and distribution company to Polish private equity company for approximately EUR 35m.
United Milk Company AD	Global Finance SA; Doverie Capital Plc	Vivartia SA	April 2007	EUR 25.7m	100%	Greek private equity house (Global Finance) and Bulgarian investment company (Doverie) sold Bulgarian dairy products producer to Greek food group in transaction with exit multiples of 1.5x revenues and 25.7x EBITDA on EUR 18m revenues and EUR 1m EBITDA.
PolCard S.A.	Innova Capital	First Data International	March 2007	EUR 61.3m	25%	Innova Capital and GTECH Corp. sold their stakes (25.24% and 74.43% respectively) on cash free debt free basis for an enterprise value of EUR 243m (EUR 61.3m relates to Innova stake).
Elsoe Lakashitel (ELLA Bank)	Royalton Partners	AXA Holdings	March 2007	n/a	100% (including 13% management stake)	Royalton Partners exited their investment after two years.
Agros Nova Sp. z.o.o.	Enterprise Investors (EI)	Sonda SA	February 2007	EUR 64m	60%	EI sold juice and preservers producer to strategic investor. Exit multiples were 2.5x initial investment and implied multiple of 0.5x revenues.
Tisza Chemical Group Plc.	VCP Capital Partners	MOL	February 2007	EUR 149m	32%	VCP Capital Partners exited its investment in Tisza as MOL increased its holding to 76.1%. Implied multiples were 0.5x revenues and 4.6x EBITDA.
Motorpal, a.s.	Rex Invest	Gubera, a.s.	February 2007	n/a	85%	Czech based Rex Invest exited Czech engineering firm focused on automotive sector.
Salgglas	The Riverside Company	CEE Industrial Holdings Ltd.	January 2007	n/a	100%	In its first exit of 2007 US based private equity company realised 19% IRR and 4x initial investment return. Salglas is Hungarian manufacturer of automotive glass products.
Invitel	GMT Communications Partners; MidEuropa Partners	Hungarian Telephone and Cable Corp.	January 2007	EUR 470m	100%	Consortium of private equity houses led by MidEuropa exited the second largest Hungarian fixed line provider with exit multiples of 1.4x revenues and 3.9x EBITDA (financials for last twelve months ending September 2006).
Estonian Railways (ER)	MidEuropa Partners	Republic of Estonia	January 2007	EUR 54m	n/a	MidEuropa portfolio company, Baltic Rail Services, sold 66% stake in ER for consideration of EUR 150m.

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