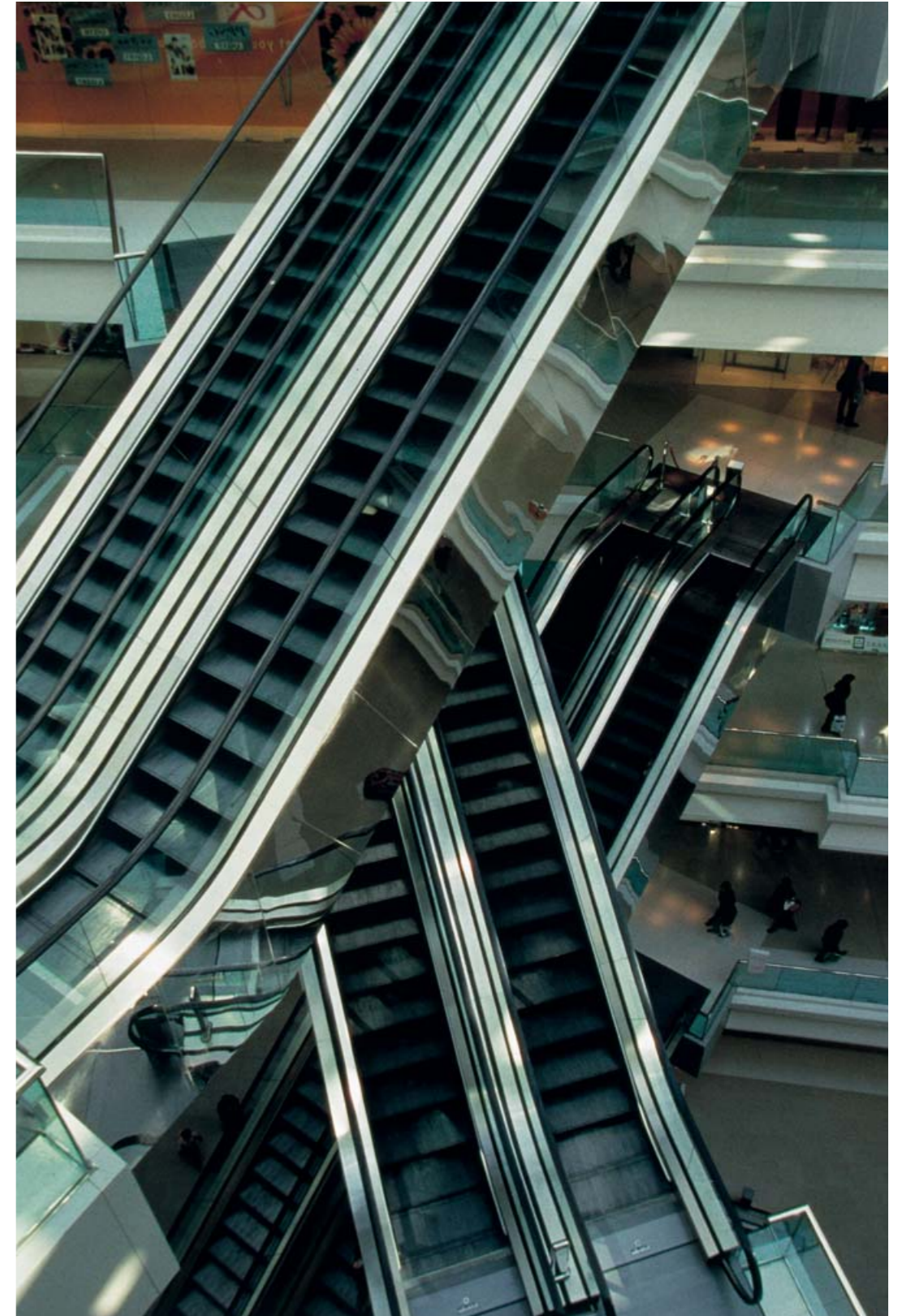


Escalating deals*

CEE/CIS Mergers and Acquisitions Survey 2005





Preface

Welcome to the PricewaterhouseCoopers 2005 CEE/CIS Mergers & Acquisitions Survey aimed at providing an indication of and to cover the key trends in M&A and privatisation activity in the region.

What a tremendous year it has been!

Although global markets had already seen some recovery in 2004, the impact in this region was modest (5% deals and 32% value growth). Just as we experienced at the start of the global “recession” the effect in this region generally lags a year. Thus 2005 (coupled with further global recovery) saw a 50% growth in the number of deals and 75% growth in value of M&A activity. It even reached the high levels of 2000 for Poland, Hungary, and the Czech Republic (all part of our survey since 1997). Once again the region out performed the European markets.

In 2005, we accounted for 1,848 publicly announced, private transactions in ten countries of the CEE/CIS region, including Bulgaria, Croatia, Czech Republic, Hungary, Poland, Romania, Russia, Slovakia, Slovenia and including for the first time the participation of Ukraine in our survey.

Total estimated M&A deal value in the CEE/CIS region was USD 91.2bn. “Mega” deals continue to be a significant factor, 15% of deals were greater than USD 100m, up from 11% in 2004.

In addition to our focus on Mergers & Acquisitions, since 2003 we have analysed privatisations in the surveyed countries. We see a maturing region with 2005 privatisation numbers down, although the value generated by those privatisations considerably increased due to the “mega-privatisations” concluded in the region. Only a handful of countries have further privatisations in store.

It appears that EU accession, pre-accession or openness to Foreign Direct Investment (FDI) has spurred an increasing trend in M&A activity, influenced by global recovery in M&A in the past few years. These positive factors can only ensure further dynamism in transactional activity in the region.

I. Major findings

Escalating M&A market value over USD 90bn

PricewaterhouseCoopers estimates Mergers & Acquisitions in the CEE/CIS region at over USD 90bn based on publicly disclosed private-sector transactions. This level exceeded all expectations, compared to the market estimate of USD 51bn for 2004.

1,848 private-sector deals and 322 privatisations

The ten countries participating in PricewaterhouseCoopers' M&A Survey reported 1,848 private-sector transactions and 322 privatisations in 2005, compared to 2004 figures of 1,235 and 397 respectively.

Rising average and mega deal values

The average disclosed deal value increased from USD 52.1m to USD 71m in 2005, with the average deal size of USD 473.4m among the transactions over USD 100m. In 2005, half of the top ten transaction values were greater than the second largest transaction of 2004.

Most attractive industries

The majority of target companies (53%) operate in the manufacturing, financial services, energy and utilities industries, as well as the food and beverage sector.

Most "expensive" industry sector

The most "expensive" target companies, based on average deal size per industry sector, were in the telecom industry, where the average deal size reached USD 286.5m. This compares with the less expensive target companies operating in the construction industry, with an average deal size of USD 3m. This huge gap obviously reflects the difference in the size and number of companies within these sectors, as well as sector specifics.

Mega-deal privatisations

Although the number of privatisations reported in the region has decreased from 397 in 2004 to 322 in 2005, the value realised on these privatisations was significantly higher. Compared to last year, the value increased by 44%, (excluding Ukraine). Ukraine represented 22% of the total estimated 2005 CEE/CIS privatisation market value, estimated at USD 22.8bn.

Table 1: Quick facts

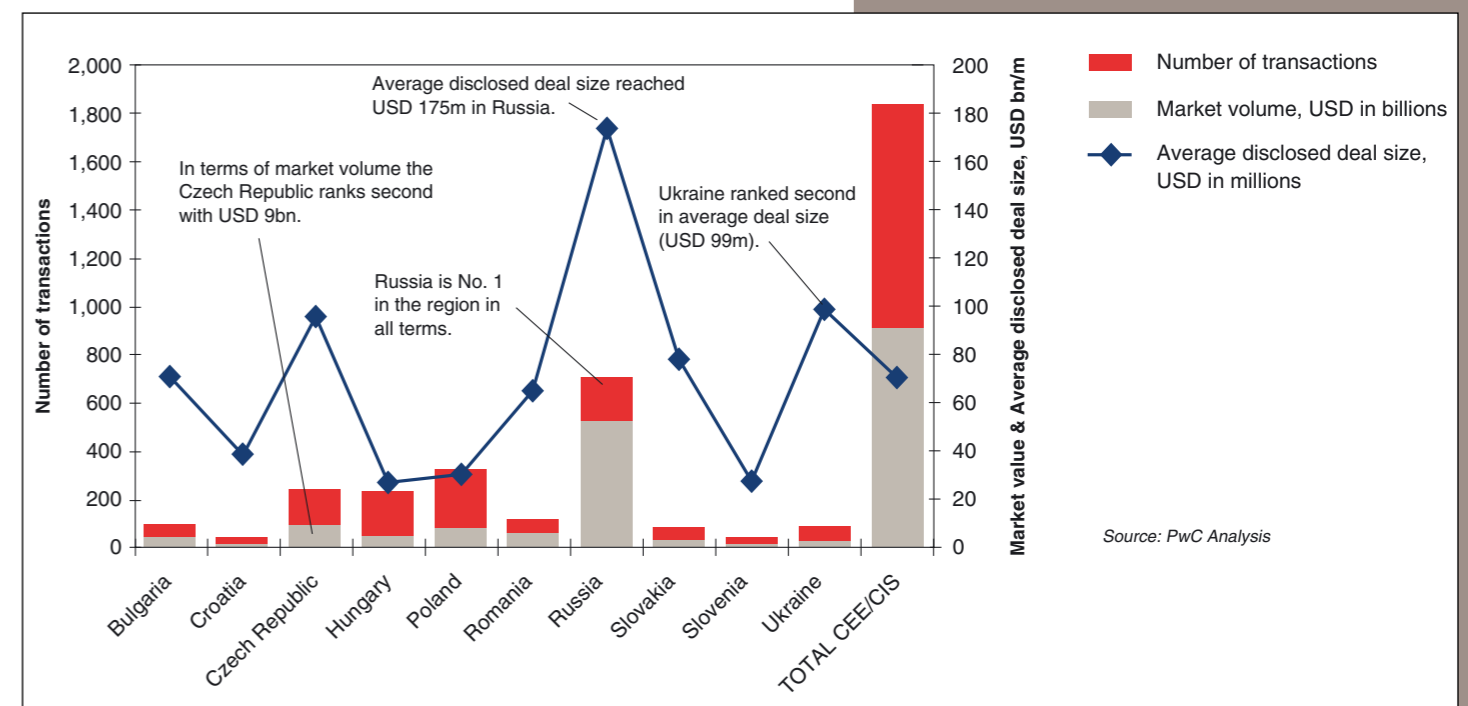
Top 3 countries by number of transactions	Russia, Poland, Czech Republic
Top 3 countries by value	Russia, Czech Republic, Poland
TOP 3 growth countries by volume	Bulgaria, Romania, Hungary
TOP 3 growth countries by value	Bulgaria, Croatia, Romania
TOP 3 investors in the region	United States, Germany, Austria
Average deal size of deals below USD 100m ¹	USD 17million
Proportion of deals below USD 100m ¹	85%
Average deal size of deals over USD 100 m ¹	USD 473.4million
Proportion of deals over USD 100m ¹	15%
Average disclosure rate in the survey	41%
The largest transaction	Gazprom OAO offered USD 13.09bn for a 72.66% stake in the domestic oil and gas firm, Siberian Oil Co OAO
The largest privatisation	Mittal Steel Co acquired the Ukrainian steel manufacturer Kryvorizhstal OAO for USD 4.8bn

¹ based on disclosed deals

II. Market overview

2005 saw a general recovery of the global M&A markets. The entire CEE/CIS region witnessed a dynamic increase in M&A activity in terms of both number and value of deals throughout the year. In the ten countries included in the current survey there were 1,848 transactions closed reaching USD 91.2bn (USD 89bn excluding Ukraine) compared to 1,235 deals worth USD 51bn in 2004. The overall escalating trend was interrupted in 2004 when the growth rate in the total number of transactions dropped to 5% as compared to 10% in 2003. In 2005 the rising trend has returned, with a growth rate in transaction numbers reaching 50%.

Chart 1: M&A activity in CEE/CIS, 2005



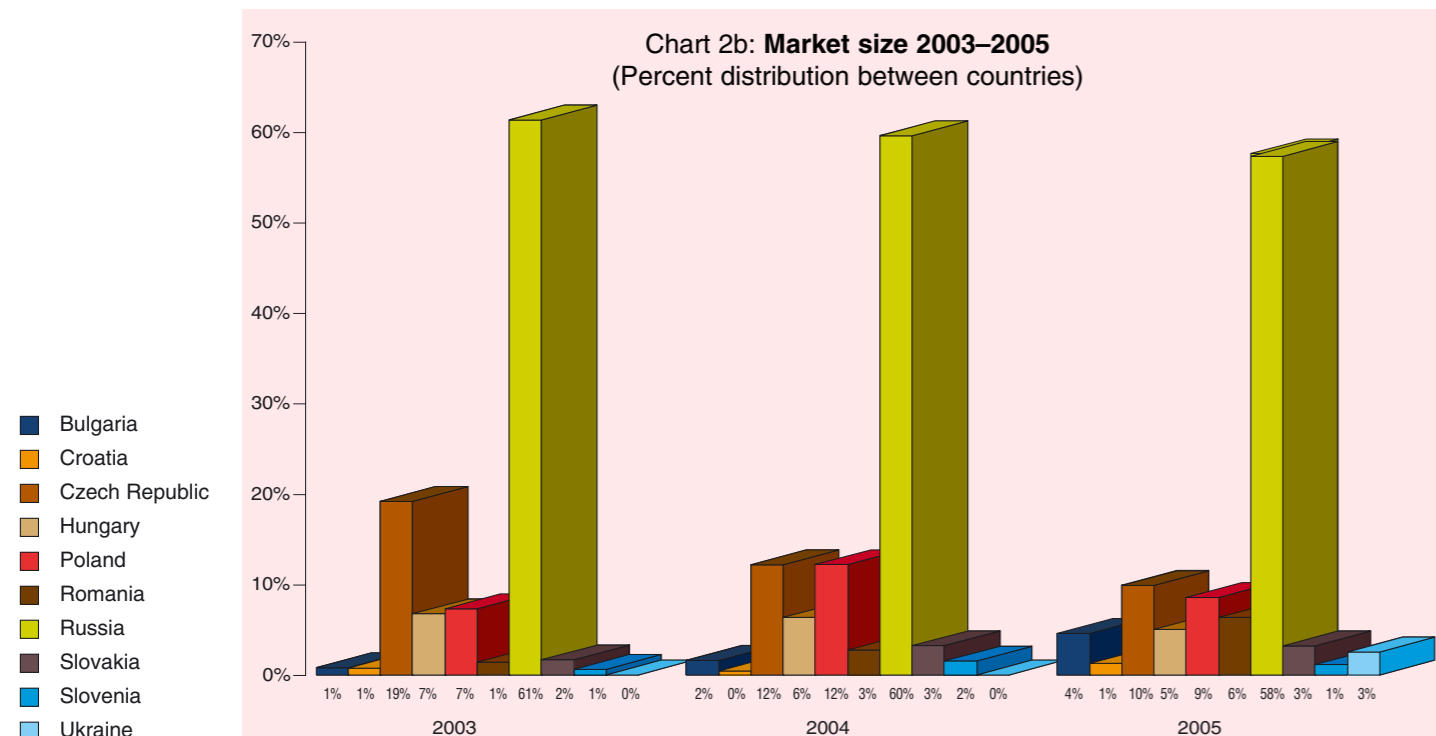
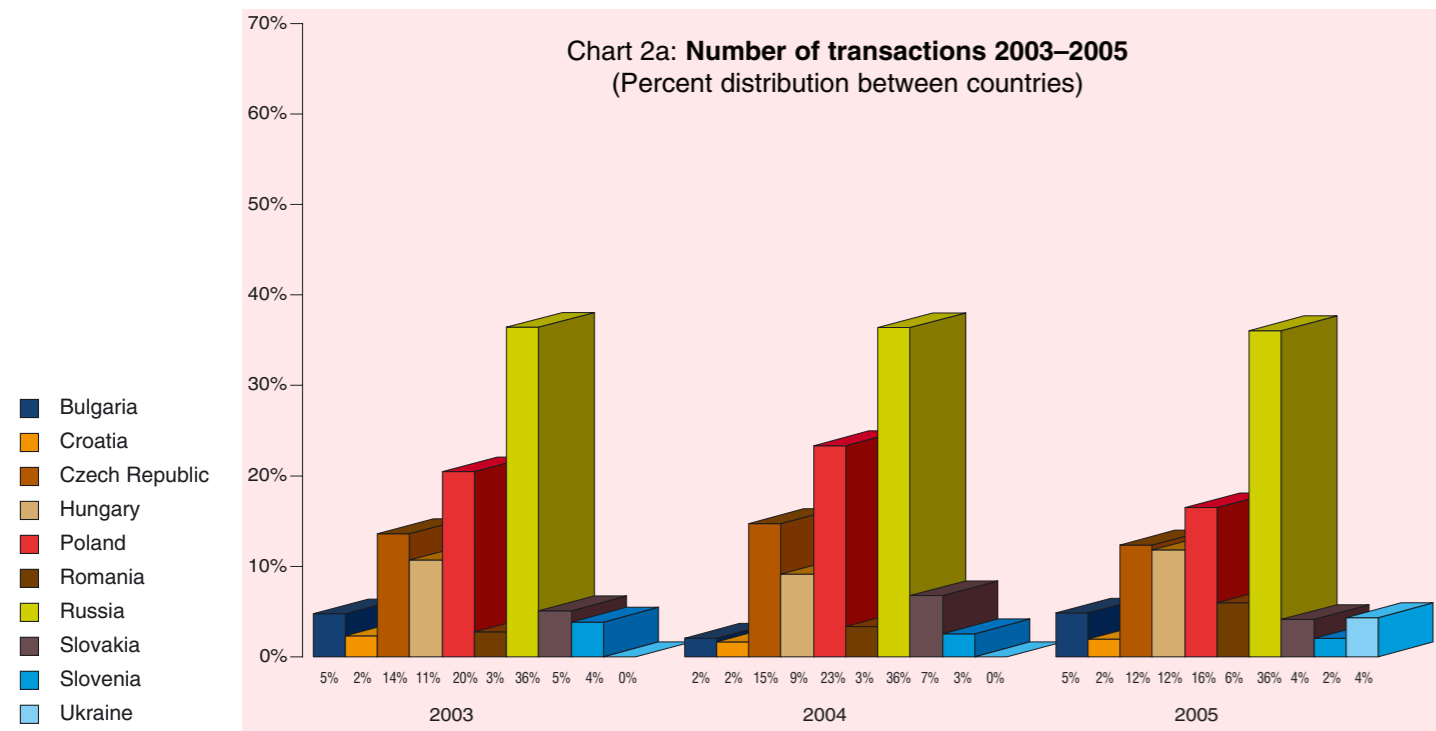
Russia was still the most active market in the region, representing more than half of the total market value. Total regional average disclosed deal size increased to USD 71m in 2005 compared with USD 52m in 2004 and USD 39m in 2003.

There was significant development regarding M&A activity within the CEE/CIS region surveyed. The number of cross-border deals between participating countries was three times higher than in 2004. Furthermore, 56% of all deals were domestic transactions, driven by the Russian domestic M&A market, where this rate was 72%. In contrast, Romanian and Slovakian M&A markets were dominated by inward transactions, 72% and 63% respectively, compared to an average 40% for the entire region.

M&A activity continues to be driven by the manufacturing industry taking a 21% share of the total number of transactions in 2005, however lower than the 2004 share of 24%. The most active sectors included financial services, energy & utilities and food & beverage.



Country details



Of the 10 CEE/CIS countries involved in our survey, **Bulgaria** ranks among the top 3 countries driving CEE M&A market growth. In 2005 the Bulgarian M&A market experienced a robust volume increase reaching USD 3.8bn, a fourfold increase. Similarly, the number of deals closed more than tripled in 2005. However, Bulgaria still comprises a small absolute proportion of the CEE M&A market surveyed, representing 5% of the total number of deals and 4% of the total market size. The total average disclosed deal size was USD 72.2m with the vast majority of transaction values remaining below USD 100m. The Bulgarian M&A market was driven by deals closed in the financial services and manufacturing sectors. The telecom sector also exhibited impressive progress by reaching a total volume of USD 3bn in 2005.

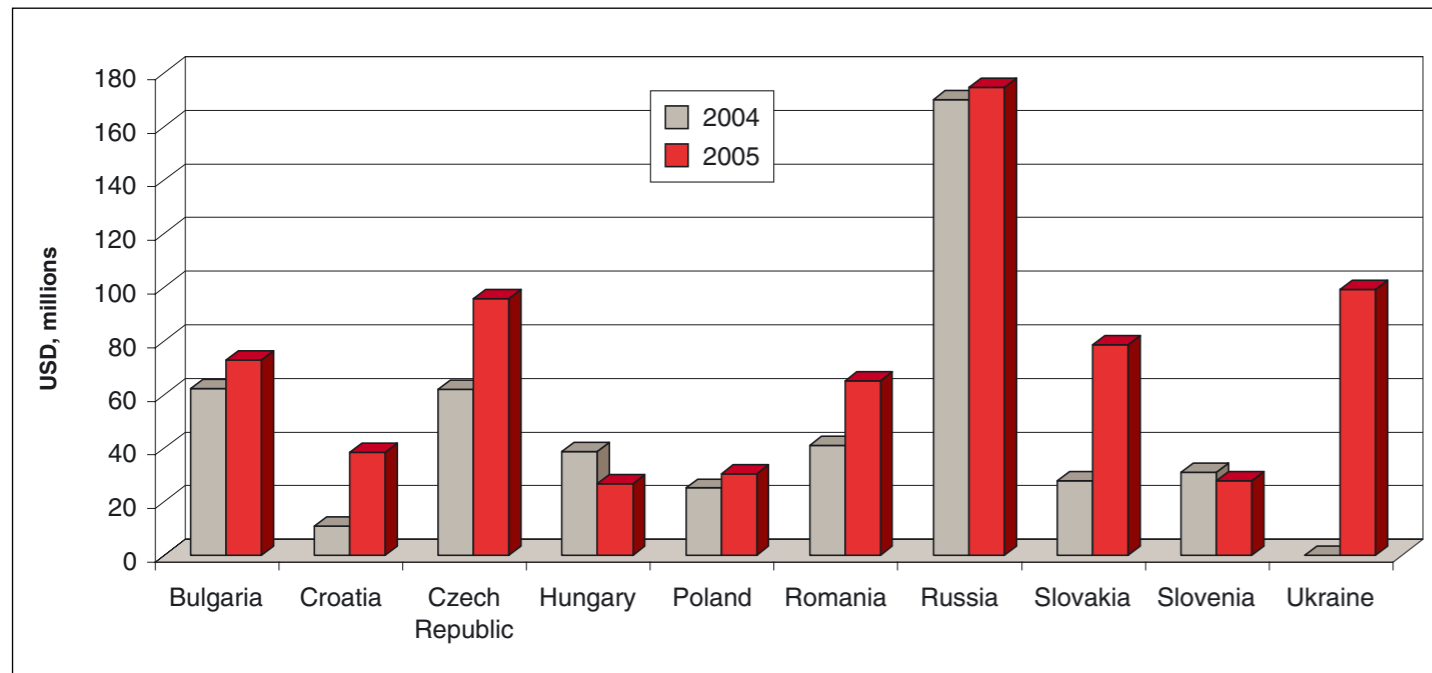
2005 saw similar significant M&A market growth in **Croatia**. Total market volume quintupled during 2005 to USD 1.2bn comprising 38 deals. Croatia (like Slovenia) still represents only 1% of the total regional M&A market volume. Deal sizes are well below USD 100m amounting to an average USD 38.4m in 2005. The market was dominated by domestic deals as well as inward transactions with Hungary and Austria being the most active market players. Acquisitions in services, financial services and manufacturing sectors marked 2005. Eight deals closed in the financial services sector together worth one-third of the total Croatian M&A market value.

In 2005 the **Czech Republic** was the second largest M&A market in the region representing 10% of all transactions, in terms of value, amounting to approximately USD 9bn. Both the number of transactions and market size grew by 31% and 46% respectively, consistent with the progressive growth observed in the Czech market over the past few years. Half of the transactions were realised by inward investors including Germany, United States, Austria and the United Kingdom. The growing trend in total average deal size continued, reaching USD 96m in 2005. This has risen considerably since 2004 (USD 62m) due to a few very sizeable deals. The most active sectors by the number of transactions were manufacturing and food & beverage. Notably telecoms, pharmaceuticals and chemicals have been the largest sectors by deal size. There has been an upturn in Czech outward M&A activity focused mainly towards Slovakia.



In **Hungary** the number of transactions doubled last year to bring about a total market value of USD 4.6bn. Development in the small and medium size domestic market lead to an increase in the number of transactions (231), but a decrease in the total average deal size (USD 27m). Inward investment represented one-third of total transactions in the Hungarian M&A market, with Austria, the United Kingdom and Germany proving to be the most acquisitive investor countries. The growing trend in total deal number was driven by acquisitions in manufacturing, services and IT sectors. The largest proportion of the total market value was represented by the telecom and energy & utilities sectors in inward transactions and by the financial services sector in outward deals.

Chart 3: Disclosed average deal value by country



Poland transactions seem to be on par with the 2004 market levels. Despite a modest 10% increase in number of transactions, it still ranks second in terms of transaction volume with 322 deals in surveyed countries, representing a 9% market share worth USD 7.8bn. The Polish M&A market accounts for the lowest value growth rate in CEE, growing at only 26% versus the CEE/CIS average of 75%. The number of domestic deals still exceeds 50% of the total, but the growing trend of outward transactions continued. Most active inward acquirers were Germany, United States, United Kingdom and the Netherlands (usually special purpose holding companies). The Polish M&A market was active in a broad range of sectors with the manufacturing sector still the most active. The telecom sector represented 21% of market value stake due to the largest Polish transaction worth approximately USD 1.5bn. Further consolidation is expected in the telecom, media and banking sectors.

In 2005 **Romania** almost tripled its total transactions number to 117 with an average deal size of about USD 65.2m. The total market value grew by 313%, compared to 2004, to USD 5.8bn representing 6% of the total CEE market value. Increasing foreign interest was recognised from United States and EU countries, particularly Austria and Greece, while outward transactions were insignificant. Among the most active sectors are manufacturing, food & beverage, services and financial services. The telecom sector represented 62% of the total Romanian market value, with Vodafone (United Kingdom) initiating the largest deal at an estimated value of USD 2.5bn (second largest in the region). EU accession is expected to trigger more private M&A transactions.

Russia remained the most active market in the CEE/CIS region surveyed, with 706 deals closed worth USD 52.5bn. The Russian M&A market size grew by 73% against a 75% regional average growth rate in 2005. Domestic (72%) and inward (19%) transactions represent 91% of the total deals closed. The largest proportion of outward deals was targeted at Ukraine. Most transactions were realised in the manufacturing, financial services and energy & utilities sectors, the latter accounting for 42% of the estimated total Russian market value. In Russia the average private deal transaction size was USD 174.5m in 2005.

In 2005 M&A activity in **Slovakia** grew by 79% to USD 2.9bn despite a slight decrease in the total number of transactions. Slovakia represents one of the smaller M&A markets, having a 3% share in the total CEE market value, similar to Ukraine. Czech and German companies were among the most active inward investors. Manufacturing, financial services and food & beverage sectors were the focus. Deals in the telecom sector reached a significant one-third share of the total Slovakian market value.

In **Slovenia** there were 40 deals closed with a total value of USD 1bn in 2005. Market size has grown by 34% since 2004, currently representing 1% of the regional M&A market. Austria proved to be the most active inward investor. The deals targeted a wide variety of industrial sectors, with manufacturing, financial services and food & beverages leading.

Ukraine was included in our survey in 2005 for the first time. The Ukrainian M&A market closed 85 deals worth USD 2.3bn representing 3% of the total CEE market volume – similar to Slovakia. Total average disclosed deal size of USD 99m reflects the “mega” deals concluded. Most active inward investor companies were from Russia, United States and Austria. The majority of acquisition targets were in the manufacturing, financial services and telecom sectors.



III. The largest transactions

Table 2: Top 10 M&A transactions in the CEE/CIS region in 2005

Ranking	Investor	Target	Investor country	Target country	Approx. Value (USD m)
1.	Gazprom OAO	Siberian Oil Co OAO (Sibneft) (72.66%)	Russian Federation	Russian Federation	13,091
2.	Vodafone	MobiFon S.A. (79%) International B.V.	United Kingdom	Romania	2,500*
3.	Telekom Austria AG	MobilTel EAD (100%)	Austria	Bulgaria	1,969
4.	Investor Group	Mikhailovsky GOK OAO (97%)	Russian Federation	Russian Federation	1,650
5.	Market Purchase	Mobile Telesystem OAO MTS (10.15%)	Russian Federation	Russian Federation	1,530
6.	Telekomunikacja Polska SA (TP SA)	Polska Telefonia Komorkowa Centertel Sp z oo (PTK Centertel) (34%)	Poland	Poland	1,508
7.	Gazprom OAO	AKS Holding OAO (100%)	Russian Federation	Russian Federation	1,386
8.	Telefonica SA	Cesky Telecom (18.3%)	Spain	Czech Republic	1,077
9.	Conoco Philips	Lukoil (2.2%)	United States	Russian Federation	1,062
10.	Raiffeisen Zentralbank Oestereich AG-RZB	Aval Joint Stock Post Pension Bank (93.5%)	Austria	Ukraine	1,028

* The total transaction worth USD 3.5bn, included the takeover of Czech operator Oskar Mobil from Canadian Telesystem International Wireless Group for USD 1bn.

IV. Domestic and cross-border activity

Domestic deals

The ratio of domestic transactions has slightly declined in past years, to 56% in 2005 from 58% in 2004 and 67% in 2003 (in terms of volume). The highest proportion of domestic deals remained in Russia (72%) and Poland (53%). In Hungary domestic deals, 52% in 2005, took a noticeably greater proportion of the total transactions compared to last year (43%).

Countries such as Romania (26%) and Slovakia (22%) had a significantly lower ratio of domestic activity due to strong inflow of foreign capital. As a result, in Slovakia the proportion of M&A activity attributable to domestic companies considerably decreased from 32% in 2004 to 22% in 2005. The same tendency characterised Slovenia, where the domestic activity dropped to 38% in 2005 from 56% in the previous year.

Inward investment

The proportion of inward transactions remained nearly at the same level as in 2004, representing 40% of all transactions in the region (in terms of volume). However, the general improvement in the markets attracted further foreign investors into the region. In 2005, foreign investors acquired stakes in CEE/CIS companies in 737 deals, compared to 480 transactions in 2004. In terms of value, the total disclosed capital invested in regional companies was approximately USD 26.3bn.

In terms of number of inward transactions the most attractive countries were Russia (137), Poland (128) and Czech Republic (127). The second tier includes Romania and Hungary, with 84 and 83 transactions initiated by foreign investors. 76% of all transactions completed by foreign investors in the region targeted these five countries.

In 2005 investors, originating from the United States (12%), Germany (11%), Austria (10%) and United Kingdom (10%) showed the most interest for the companies operating in the CEE/CIS region.

American investors targeted Russian companies in 28 transactions, Polish companies in 17, the Czech Republic in 14 acquisitions. In addition, Romanian, Hungarian, Ukrainian and Bulgarian companies were targets in 23 cases.

British investors noticeably increased their presence in CEE/CIS companies, initiating 10% of acquisitions in 2005 (71 deals), compared to a ratio of 7% (33 deals) in the previous year. 15 out of 71 deals were realised in Hungary, where the United Kingdom was the top investor.

A common trend observed was that companies consider businesses in immediate neighbouring countries as potential key targets and good investment opportunities. There are plenty of examples where cross-border activity is between neighbouring countries. For example, Greek investors were very active in Bulgaria and Romania, while they rarely targeted companies in other countries.

Based on the same consideration, Germany (second largest investor in the region) and Austria (third largest investor) have been among the top investors in the region for a number of years (in terms of number of transactions) due to their relative proximity to the CEE/CIS region, and experience gained through previous mergers and acquisitions. Austrian investors acquired stakes in 16 Hungarian and 11 Czech companies. German bidders targeted 24 Czech, 17 Polish, 10 Hungarian, 8 Russian, 7 Slovakian, 6 Romanian and 4 Bulgarian companies.



Vodafone, UK's mobile operator, took full control over the mobile operator MobiFon-Connex (Romania) and Oskar Mobil (Czech Republic) during the second quarter of 2005.

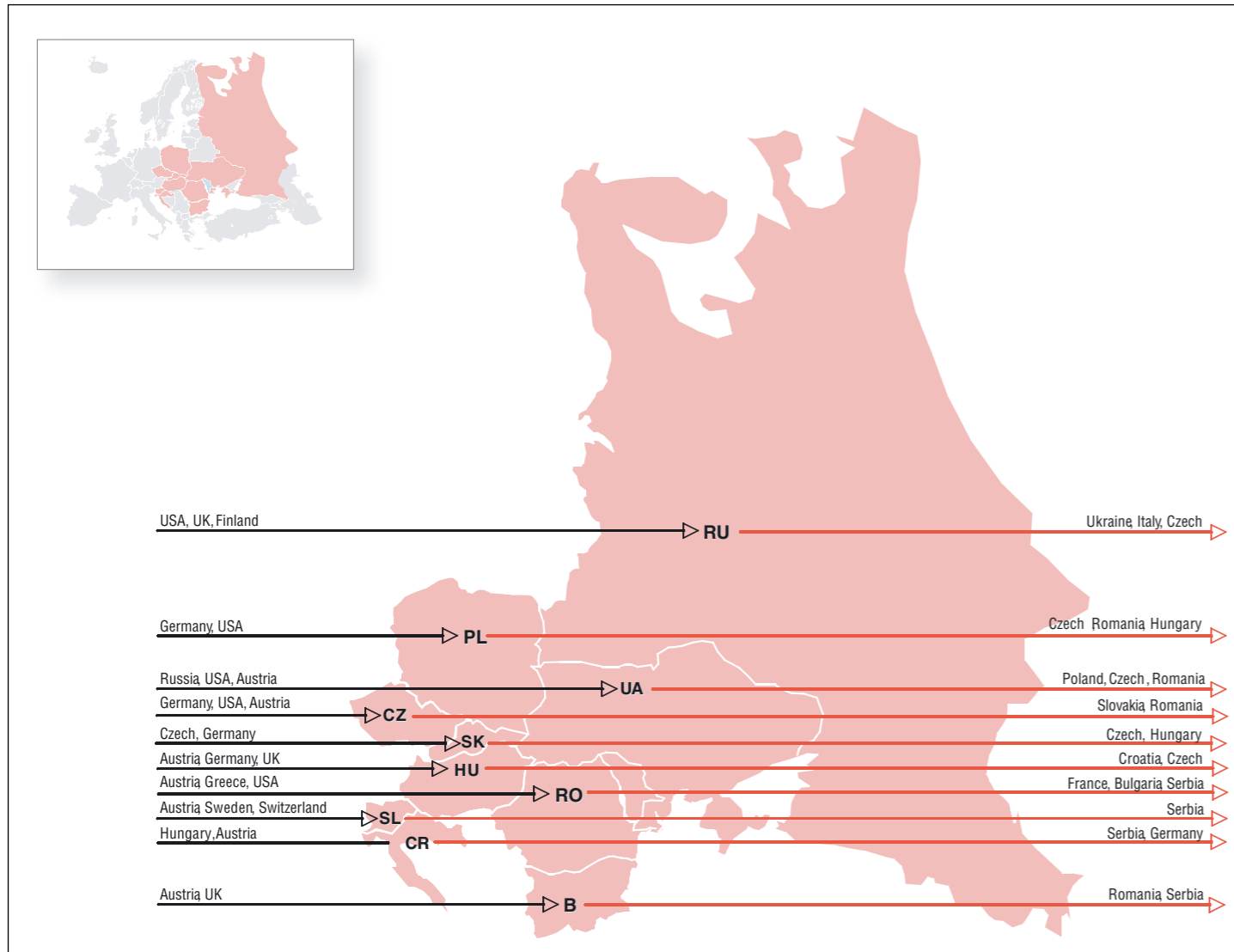
The acquisition of MobiFon-Connex was the biggest deal Romania has seen for 15 years. Vodafone also agreed to the transaction with Oskar's original owner – Canadian Telesystem International Wireless in March 2005. Vodafone paid roughly USD 3.5 bn for both companies. Prior to this transaction, in January 2005, TIW as a minority shareholder in Oskar bought the remaining 72.9% stake from financial investors in exchange for 46 million of its own shares worth approximately USD 510m.



Other interesting country specific issues on cross-border transactions include:

- Half of the acquisitions (6 out of 12) originating from Canada were made in Russia, the remainder in Bulgaria, Poland, and the Czech Republic.
- "Separated" countries, the Czech Republic and Slovakia were each others' top investors. 12 transactions originated from the Czech Republic to Slovakia (most of them related to the food & beverage sector) and 7 transactions vice versa (4 in the energy & utilities sector).
- German investors especially favour Czech targets, where 24 investments were made by German investors in 2005 and 12 deals in 2004. In both years Germany was the top investor in the Czech Republic.
- A much larger number of Swedish companies invested in the region in 2005 than in 2004, 5 deals compared to the 26 deals in 2005.
- French investors favour Romania, the Czech Republic, Russia and Poland.

Inward and outward directions



Outward transactions

In 2005 the total number of outward transactions within the surveyed region almost tripled reaching 187 completed deals compared to 70 in 2004, and representing a 4% share of all deals, a slight increase from the 2004 figure of 3%.

In line with the overall increasing M&A trend, deal breakdown by country shows considerable growth in terms of number of cross border transactions outside the region. With 63 outbound deals closed in 2005, compared to 26 in 2004, Russia remained the most active outbound investor targeting mainly Ukraine (14 deals). Besides neighbouring countries (such as Armenia, Uzbekistan, Latvia or Azerbaijan) and favoured European countries (e.g. Germany, Austria and Italy), Russian companies set a precedent by establishing outward transactions in distant locations including China (1), Australia (2), the United Kingdom (1) and the United States (1).

Moreover, the number of outward transactions noticeably increased in the Czech Republic, Hungary and Poland. Compared to 2004, Czech companies closed three times as many outward deals in 2005 (25), similar to Hungary and Poland with 27 and 24 deals respectively.

CEE/CIS M&A markets are undeniably maturing. Reinforcing the remarkable upward trend detailed above, Bulgaria (7) and Romania (3) also became outward investors from zero disclosed outward M&A activity in 2004.

The Czech Republic, Slovakia, Ukraine and Romania rank sequentially as the most favoured target countries within the CEE/CIS M&A markets, representing 38% of all outward deals in total. Top 10 target countries account for 65% of total outward activity, including also Germany, Serbia, Poland and Croatia.



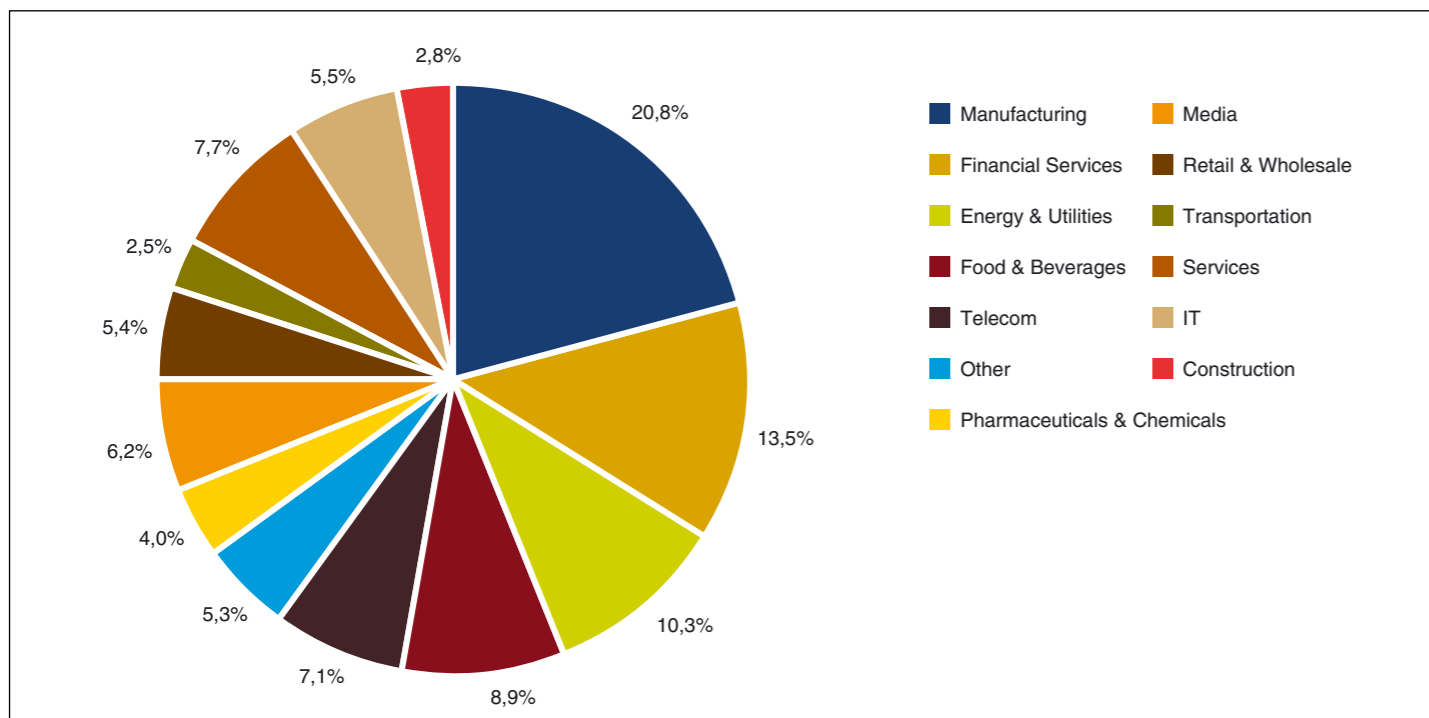
V. Industry sectors

The number of transactions have been consistent within each industry sector for the past few years. The most active sectors were manufacturing with 384 transactions in 2005 (294 in 2004) representing 21% and 24% of the total respectively, financial services (13% in both 2005 and 2004), energy & utilities (10% in 2005, 9% in 2004) and food & beverage (9% in 2005 and 2004). In terms of volume, transactions concluded in the top four industry sectors represented more than 50% of all transactions in 2005. M&A activity was likewise dynamic in the telecom (7% in 2005) and media (6% in 2005) sectors.

The survey revealed a few countries specialised in certain industry sectors. For example, Bulgaria (25%) and Croatia (21%) were especially active in the financial services sector, compared to the regional average (13%). In Hungary the IT sector (13%) received exceptional interest compared to the regional average (5%). The food & beverage sector was the most attractive in Croatia and Romania, accounting for 13% of total transactions in this sector exceeding the CEE/CIS average of 9%. M&A activity in the telecom sector was exceptional in Ukraine at 14% compared to the regional average of 7%.

In terms of value, the largest transactions occurred in the energy & utilities sector (in Russia and Romania), in the telecom sector (in Bulgaria, Czech Republic, Poland, Romania, and Slovakia), and financial services (in Ukraine). However, this data is limited to the transactions where the deal size was publicly announced.

Chart 4: Share of industry sectors (based on number of transactions) in 2005



VI. Key factors affecting transactions

Upward trend continues in global M&A activity throughout 2005

Global M&A markets saw a surge of transactional activity again in 2005. Since markets have been struggling in “developed” countries, M&A in emerging markets is regarded as a major opportunity. Based on data from Mergerstat, European M&A activity in 2005 rose above the total 2004 activity level both in terms of transaction numbers and total deal value. European M&A deal volume increased 7% in 2005. Total deal value rose from USD 636bn to USD 871bn, while average deal size in 2005 reached USD 205m compared to 165m in 2004. Further growth in global M&A is expected in 2006; however analysts tend to be more conservative about the subsequent years.

Promising outlook: increasing activity in EU member states

Three additional surveyed countries are candidates for future admission to the EU, which will drive further interest in the region. The candidate countries – Romania, Croatia and Bulgaria – have already attracted numerous investors. In 2005, the highest growth rate in terms of number of transactions was achieved in Bulgaria with 254%, and Romania ranking second among the surveyed countries with a growth rate of 179%.

Hot industries all over Europe

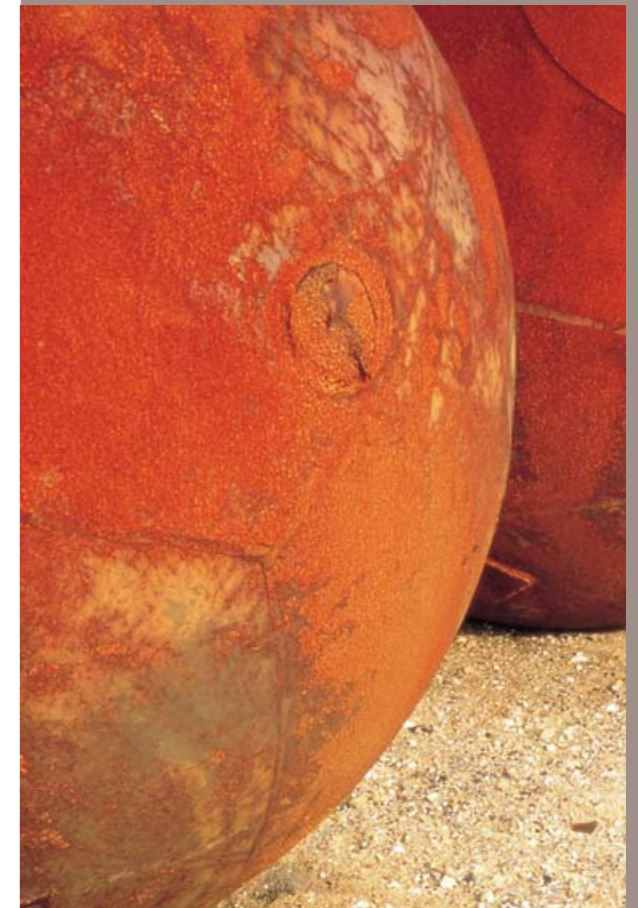
The global markets were mainly excited by the telecoms, media, and energy & utilities sectors, demonstrated by a particularly busy year in 2005. In Europe manufacturing, IT and media were the most active sectors in terms of deal numbers, while telecoms accounted for the largest market share. Our survey showed that CEE/CIS mirrored this activity. There is a positive outlook for increasing M&A activity especially in the CEE/CIS energy & utilities sector.

Successful bidders

Strategic acquirers have returned to the global M&A market and are actively seeking growth opportunities through acquisitions, primarily in new technologies. Financial buyers are providing a major supply of M&A target companies. Furthermore, they continued to be aggressive investors in 2005 due to favourable financing opportunities. Overall, the competitive environment should enable the growing private equity community to be successful in M&A activity.

Focus on Russia continues

Real GDP growth rate in Russia exceeded 7% in 2003-2004. The Russian economy is powered by key oil exports. Although the majority of deals were domestic, foreign investors still seem eager to invest in Russia. From a M&A point of view, Russia experienced a 54% growth in terms of transaction and 73% growth in terms of market value compared to 2004. While previous deals in the Russian energy sector have been significant in terms of value, there will probably be transactions in other sectors as well.

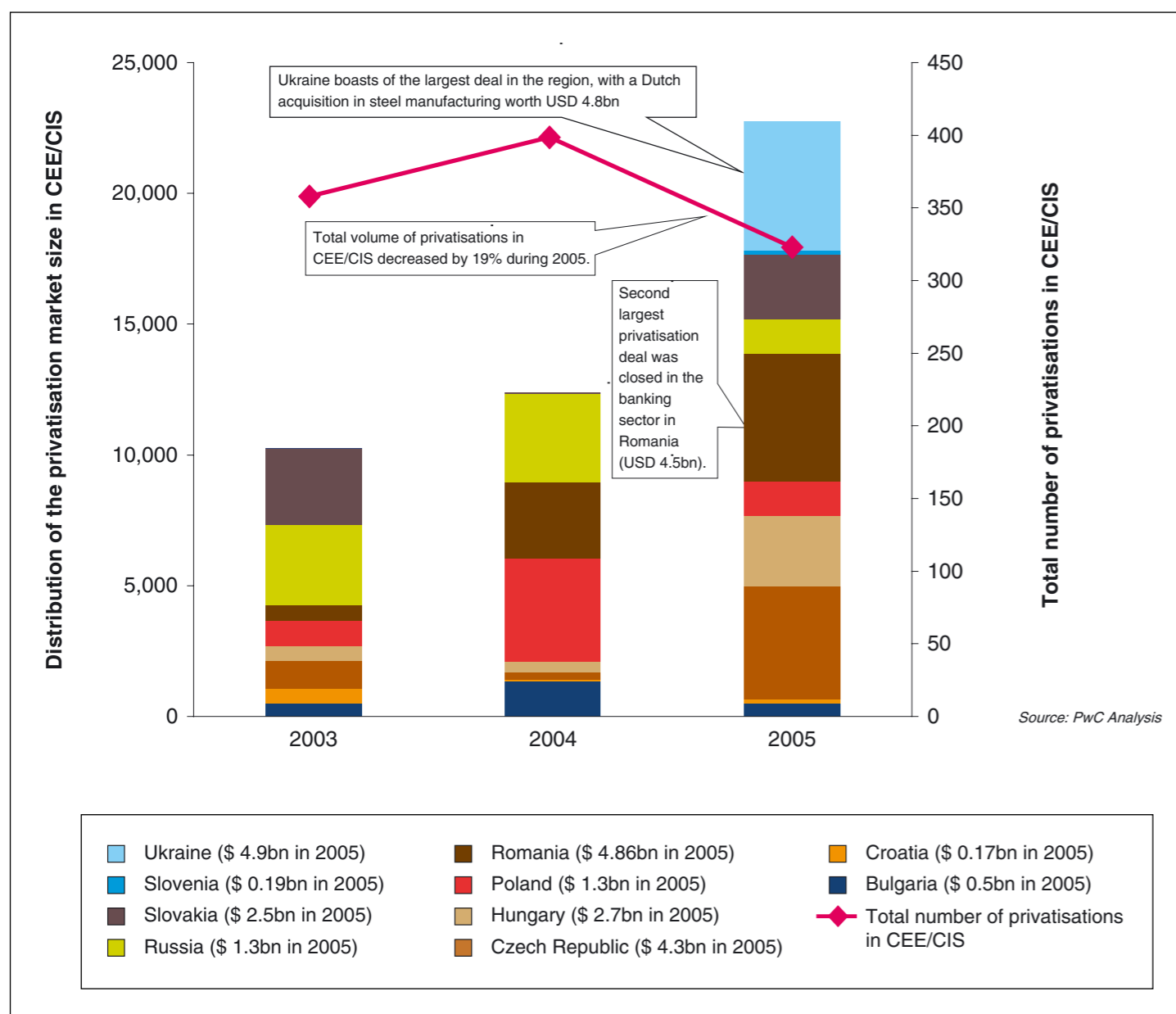


VII. Privatisations

Since 2003 PricewaterhouseCoopers has surveyed privatisation transactions in the region. Privatisation of state-owned companies in the CEE region started in the early 90's and represent a major market niche of a special type of disposal as well as impetus to an M&A market. Even though privatisations were completed in most countries of the region, market size remained respectable in 2005, with the Czech Republic, Hungary and Romania showing considerable growth compared to earlier years.

Privatisations accounted for an estimated market size of USD 22.8bn. This figure represents an 84% increase compared to 2004 (44% excluding Ukraine). Privatisations represent a 25% share of total transactional activity in the CEE/CIS region; this ratio has remained fairly constant over the years. Privatisation spending was the highest in Ukraine (USD 4.9bn), Romania (USD 4.9bn), the Czech Republic (USD 4.3bn) and Hungary (USD 2.7bn).

Chart 5: Total number privatisations 2003-2004 – Volume of privatisations pending by country 2003-2005



Compared to 2004, there was clearly a shift towards larger transactions, since the number of transactions decreased by 19% to 322 (including Ukraine). Poland took the lead with a total of 114 transactions, closely followed by Russia (72), Bulgaria (64) and the Czech Republic (20).

Total average deal size in the ten surveyed countries exhibited substantial growth amounting to USD 275m per transaction (compared to USD 28.4m in the previous year). Within the surveyed countries, Ukraine boasts the largest average deal size with USD 815m, followed by Slovakia and Romania with USD 614m and USD 442m, respectively. The largest individual transactions were generated in Ukraine, Romania, and the Czech Republic.

German, French and Dutch investors (usually special purpose holding companies) lead foreign interest in the region; nevertheless, compared to earlier years where the distribution of foreign countries was proportionate. Among the survey countries, Ukraine (with two acquisitions in Poland) and Czech investors (with one acquisition each in Romania and Slovakia, respectively) were the most active.

Consistent with earlier years, the manufacturing sector was ranked first in the industry breakdown of privatisation activity accounting for 29% of all transactions. The next segment was construction with a 10% share. These figures are largely in line with recent years. Compared to the overall M&A market, the construction sector has a more dominant position as opposed to the lower importance of financial services within privatisations, partially due to the fact that most of the financial institutions were privatised early on.

Table 3: Top 5 privatisations in the CEE/CIS region in 2005

Ranking	Investor	Nationality	Target	Nationality	Business description	Deal Value (USD m)
1.	Mittal Steel Co	Netherlands	Kryvorizhstal OAO	Ukraine	Steel manufacturer	4,792
2.	Erste Bank Austrian Group	Austria	Banca Comerciala Romania (61.88%)	Romania	Commercial bank	4,500
3.	Telefonica SA	Spain	Cesky Telecom as (51.1%)	Czech Republic	Telecommunications services provider	3,542
4.	ENEL SpA*	Italy	Slovenske Elektrarne as (66%)	Slovakia	Generates and distributes electricity	2,445
5.	BAA plc	United Kingdom	Budapest Airport Rt. (BA) (75%)	Hungary	Airport operator	2,276

* The privatisation contract between Enel SpA and Slovenske Elektrarne was signed in 2005, however the transaction will be finalised in early 2006.

Approach

Definitions: In its research PricewaterhouseCoopers tracks publicly disclosed, private-sector transactions in ten countries of the region including Bulgaria, Croatia, the Czech Republic, Hungary, Poland, Romania, Russia, Slovakia, Slovenia and Ukraine. Transactions are counted based on the nationality of the target. In the survey we include joint ventures, split-offs (if they represent 100% of the target's shares) and finance raising. We exclude public offerings of private companies as well as the transfer of ownership between a target and acquirer that are either 100% government-owned or ultimately owned by the same parent at the completion of the transfer. Privatisations are considered a separate entity within M&A activity therefore they are tracked separately.

Romanian Commercial Bank (BCR) represents the largest Romanian bank with approx. 25 % market share. BCR posted a net profit of EUR 202m and its balance sheet reached EUR 9bn in 2005.

The privatisation process for BCR was initially launched in 2002, but no substantial offers were received. Subsequently, the Romanian Government sold 25 percent plus two shares in BCR for USD 222 million (around EURO 180 million) to EBRD and IFC. In June 2005, the Romanian state announced again the sale of a stake between 50% plus one share and 62% in BCR. 11 bidders enrolled in the race for BCR privatisation.

On 21 December 2005, the head office of the state assets agency declared that the winner was Austria's Erste Bank AG, which offered EUR 3.751 bn for 61.88% stake of BCR. The runner-up in the final for BCR was the Banco Comercial Portugues.

"The process was carried out exemplarily and represented the most important privatisation deal in Romania. The Romanian State received about EUR 2.2 bn from the transaction" declared the Romanian Prime Minister.

VIII. PricewaterhouseCoopers – Creating value by connectedthinking*



- **Bulgaria**
Bojidar Neitchev – Corporate Finance and Transaction Services Partner
 +359 2 9355 205 bojidar.neitchev@bg.pwc.com
- **Croatia**
Tanya Rukavina – Territory Senior Partner
 +385 1 6328 834 tanya.rukavina@hr.pwc.com
- **Czech Republic**
Chris Butters – Corporate Finance Partner
 +420 2 5115 1203 chris.butters@cz.pwc.com
Helena Cadanova – Transaction Services Partner
 +420 2 5115 2011 helena.cadanova@cz.pwc.com
- **Hungary**
Margaret Dezse – Corporate Finance Partner
 +36 1 461 9220 margaret.dezse@hu.pwc.com
David Wake – Transaction Services Partner
 +36 1 461 9514 david.wake@hu.pwc.com
- **Poland**
Jolanta Kokosinska – Corporate Finance Partner
 +48 22 523 4656 jolanta.kokosinska@pl.pwc.com
Mike Wilder – Transaction Services Partner
 +48 22 523 4413 mike.wilder@pl.pwc.com
- **Romania**
Emilian Radu – Corporate Finance Partner
 +40 21 202 8610 emilian.radu@ro.pwc.com
Vasile Iuga – Territory Senior Partner
 +40 21 202 8800 vasile.iuga@ro.pwc.com
- **Russia**
Steven Berger – Corporate Finance Partner
 +7 495 967 6325 steven.berger@ru.pwc.com
Anthony Sacca – Transaction Services Partner
 +7 495 967 6433 anthony.sacca@ru.pwc.com
- **Slovakia**
Matt Pottle – Territory Senior Partner
 +421 2 5935 0402 matt.pottle@sk.pwc.com
Helena Cadanova – Transaction Services Partner
 +420 2 5115 2011 helena.cadanova@cz.pwc.com
- **Slovenia**
Francois Mattelaer – Territory Senior Partner
 +386 1 4750 100 francois.d.mattelaer@si.pwc.com
- **Ukraine**
Boris Krasnyansky – Territory Senior Partner
 +380 44 490 6777 boris.krasnyansky@ua.pwc.com
Lad Nilesh – Transaction Services Partner
 + 380 44 490 6777 lad.nilesh@ua.pwc.com

This publication includes information obtained or derived from a variety of publicly available sources. PricewaterhouseCoopers has not sought to establish the reliability of these sources or verified such information. PricewaterhouseCoopers does not give any representation or warranty of any kind (whether express or implied) as to the accuracy or completeness of this publication.