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Emerging Europe M&A Report 2018/19

In cooperation with:

EMIS
In, On and For Emerging Markets

January 2019

League tables

Emerging Europe Legal Advisors for 2018

Company	Number of deals
CMS	**49**
Dentons	40
Cobalt	38
Sorainen	34
Schoenherr	29
DLA Piper	27
Clifford Chance	20
Kinstellar	19
White & Case	18
Wolf Theiss	18

The league tables were generated using the LeagueBoard tool available in EMIS. The criteria used for crediting the advisers for the purpose of the league tables, as well as for summarizing the M&A data presented in this report, include:

— Deal Announcement date: 01 January, 2018 - 31 December, 2018.

— Emerging Europe geographic area, understood as the dominant country of operations of the deal target or the location of its main assets, covers: Albania, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Kosovo, Latvia, Lithuania, Macedonia, Moldova, Montenegro, Poland, Romania, Russia, Serbia, Slovakia, Slovenia, Turkey and Ukraine.

— Deal Value: at least USD 1m; for commercial real estate deals at least USD 5m (Note: Deals with undisclosed value were accounted for as having a value of zero, unless a publicly available market estimate was provided by a third-party, or a deal value could be estimated by EMIS. Such cases are clearly labelled in the report).

— Private equity: the category includes deals with the participation of private equity firms, sovereign and pension funds, investment companies, asset managers, supranational finance institution and large investment banks.

— Exclusions: rumoured or failed deals, ECM deals, convertibles issues, NPL deals, share buybacks, internal restructurings, joint ventures, and employee offers.

The ranking was created based on EMIS deal advisory information available, according to our best knowledge, as of 04 January, 2019. The data can be subject to updates.

Cover image: Chain Bridge in Budapest

Contents

In another robust year of M&A activity fuelled by a number of mega deals, emerging Europe witnessed an increase in overall deal value of 12.5% year on year reaching a total value of EUR 80.5bn in 2018. With 2,093 transactions recorded, deal volume remained virtually flat, down just 0.9% on 2017. Emerging Europe has become a stable market with little fluctuation in deal volume over the last five years. Both M&A deals and greenfield investment continued to spur economic growth across the region.

This report goes beyond merely providing statistics and dissects the developments across the region underlying the numbers.

There is little evidence that widespread political protests or instability deterred investment in emerging Europe in 2018. On the contrary, despite the European Commission voicing concerns about Poland's judicial reform and its impact on the balance of power, the country was one of the year's top performers on deal volume bagging a total of 323 deals. Similarly, Serbia, where thousands have taken to the streets in popular protest against the ruling government, witnessed an all-time record in deal count (up 40 per cent). It has become a market of interest for global financial investors.

The region also remains attractive for greenfield investment by Western European manufacturers who continue to move production to countries in Emerging Europe. Yet, with unemployment rates rapidly dropping and the cost for skilled labour increasing many governments across the region face the challenge of remaining attractive for foreign direct investment. Robotics may be part of the answer: an increase of productivity through a move away from manual labour may keep the region competitive.

Albeit lacking the venture capital infrastructure of London, there are pockets across the region providing fertile breeding ground for tech start-ups. Many of the first generation internet millionaires from the region have become angel investors and they are steadily joined by international VCs and global corporates who have recognised the potential of local start-ups operating in such areas as gaming, AI technology, anti-virus software and search and compare platforms based on complex algorithms.

The global energy revolution offers particular opportunities in emerging Europe. Local investors have invested in conventional power plants and seized the opportunities arising from foreign energy companies disposing of such assets. At the same time, government incentives and a sharp reduction in the cost of solar panels are making renewable energy projects an attractive investment for domestic and foreign investors alike, and a number of countries are experiencing a revived renewables boom.

Time has shown that, uncertainties in emerging Europe may have little impact on the economic performance of the region as a whole. Global developments are the cause of bigger concern. With markets in the region closely tied with some of the larger EU economies more to the West and with the US, any faltering of those economies – due to Brexit or trade wars - may have a knock-on effect.

Provided the global economy remains on track, emerging Europe's strong growth, expanding domestic markets and evolving legal and professional services ecosystems should provide investors with confidence that they can achieve attractive returns on investment in the region and maintain momentum in M&A activity.

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2018 dealmaking in emerging Europe at a glance

Deal value **EUR 80.5bn**

12.5% increase from 2017

Deal volume

0.9% decrease from 2017

Real Estate – most active sector (**432 deals**), up 10.8% from 2017

UK

top foreign investor value (**EUR 9.77bn**)

USA

top foreign investor by volume (**89 deals**)

Russia
highest number of deals (**605**), followed by **Poland** (**323**), **Turkey** (**193**), **Czech Republic** (**188**), **Romania** (**130**)

Telecoms & IT sector

highest total deal value at **EUR 18.18bn**

Private equity

five deals at or above EUR 1bn, increase of total deals by **15%**

Transaction trends – exploring deal activity across emerging Europe in 2018

Strong economic growth across emerging Europe combined with a stable international economy for most of the year created a conducive environment for dealmaking in 2018. One of the questions in 2019, given some of the uncertainty around global trade and growth, is whether current levels of activity can be sustained. A mix of domestic M&A activity and interest from foreign investors saw overall deal numbers slightly lower than last year (down 0.9%), while a handful of megadeals pushed values to EUR 80.5bn, the second highest level in the past five years.

Growth rates in many countries in the region left Western Europe, USA and Japan lagging behind and provided a backdrop that has given companies and investors confidence to look at opportunities in emerging Europe.

For those working in M&A, it was another busy year, though once again not all of the transactions that were expected in the market made it to the finishing line during the period and remain unfinished business, which should provide a pipeline of deals to get 2019 off to a good start.

Countries – leaders and a laggard

Although emerging Europe was once regarded as one market, it is now more generally seen as a collection of diverse countries where size, levels of economic maturity, political structures and the pace of development vary widely. Data from the International Monetary Fund (IMF) showed that Russia was the only country in the region whose GDP growth estimate for 2018 lagged behind the 2.4% estimated for the advanced economies. Poland was the star performer of the larger economies in the region with GDP growth forecast at 4.4%, followed by Hungary and Romania growing at 4%.

If there was concern among investors about a less business friendly political environment in Poland, it was not reflected in the M&A market, where deal numbers held firm, though overall values were down markedly against 2017 when there were three transactions around the EUR 1bn level. Poland was again the second most active market with 323 deals, though the value of deals was down 39% to EUR 6.49bn.

Hungary was one of a number of countries where transaction values were distorted by a series of megadeals in telecoms that had an impact across the region. Overall deal values rose by 70.5% to EUR 4.61bn, six times the level in 2012, though the volume of deals dipped by 22.5%.

Romania was again one of the fastest growing economies, despite a cooling down from the boom years, and it too benefitted from the telecoms sector activity that helped lift deal values to the highest since 2012. Volumes fell by 15% from 2017's peak.

In Ukraine, tensions in the east remained a concern to investors, but a pick-up in growth and the prospect of reforms helped deal volumes continue to climb on the 2017 levels (up 16.7%) and with the help of a trio of EUR 200 million-plus deals values nearly tripled (185.4%).

Activity in Turkey slowed (down 5.4% year on year), reflecting uncertainty following the political upheaval of 2016, but with GDP still strong though slowing, it remains a country of interest to investors. Deal values were the highest since 2012 (up 96%), lifted by a major telecoms deal and the sale of DenizBank to Emirates NBD.

The Czech Republic had yet another stellar year in M&A investment, with an increase in deal numbers (up 6.8%), and total deal value in excess of 5.4bn (up 25.2%). Domestic and cross border deals were up by 13% to 148 and value of deals by 68 per cent to EUR 4.29bn. The market was lifted by telecoms activity and the sale of pharmaceuticals company Zentiva to private equity firm Advent International for EUR 1.9bn.

Solid consumer spending underpinned moderate growth in Croatia where deal values rose strongly after a drop in 2017 and volumes recovered to 2013 levels. The largest deal was a domestic hotel transaction and the second largest the sale of a shopping centre to a UK-South African buyer.

Serbia, Slovakia and Slovenia were rising stars, enjoying strong growth and a busy period for M&A. Serbia saw deal numbers and values jump to record highs, including the sale of a stake in RTB Bor to Zijin Mining of China for EUR 1.3bn, telecoms transactions and the privatisation of Nikola Tesla airport. Slovenia saw volumes and values rise sharply, helped by activity in telecoms and the EUR 347m sale of digital currency exchange Bitstamp to NXMH of Belgium. Slovakia's deal numbers were up by over 28.6% though there were few large transactions.

Bulgaria has enjoyed consistent growth over the past three years, reflected in steady deal volumes, while values have been on the rise since 2015 and in 2018 benefited from large deals in telecoms, finance and energy.

Among the smaller countries, Montenegro saw deal volumes hold steady, but lacked any big deals, while activity in Bosnia and Herzegovina was muted, though it too benefitted from telecoms activity.

Helen Rodwell
Partner, CMS Czech Republic and Slovakia/CEE

M&A activity has been surprisingly buoyant. Markets have reached a size and level of sophistication that makes them more aligned to Western European expectations and standards and that is reflected in interest from international investors including private equity funds and corporates.

The largest economy, Russia, once again enjoyed the highest number of deals (605), but that was 10% down on the previous year and the lowest since this report was first published in 2012, reflecting sluggish growth, estimated at 1.7% by the IMF. Deal values were also down, though still above the low point of 2015. It remained the largest regional investor, but played a smaller role, both in terms of deal value, down 34% to EUR 14.89bn, and by deal volume, down 12% to 533.

Sectors and megadeals

Growing demand for mobile communications, broadband and cable, combined with a wave of consolidation across Europe, saw telecoms and IT catapulted to the top of the

Jacek Siwicki
Chairman of the Board of Directors, President, Enterprise Investors

Strong macroeconomic indices in all countries in the region did not translate into good performance of the capital markets this year. For example, the capitalisation of companies listed on the Warsaw Stock Exchange, by far the largest market in the region, fell by 15% between January and October 2018. In the same period, the number of transactions dropped by 11% and turnover value by 19% (year over year). Despite such unfavourable trends, local stock exchanges remained a reliable exit route. In 2018, Enterprise Investors completed two transactions: a partial exit though an IPO with a dual listing on the WSE and Nasdaq Vilnius and a full exit through a secondary transaction on the Prague Stock Exchange.

table by deal valuation at EUR 18.18bn. There were fewer deals in the sector, but they accounted for four of the region's ten largest deals, led by the purchase of Liberty Global's operations in the region by Vodafone Group of the UK for an estimated EUR 6.07bn. Telenor assets were sold to PPF Group of the Czech Republic for EUR 2.8bn and assets of United Group were sold to BC Partners of the UK for EUR 1.9bn. An exception to the consolidation trend was Turk Telekom where a consortium of Turkish banks took a majority stake for EUR 4.2bn as part of a debt restructuring.

The most active sector was once again real estate and construction, which saw the number of deals rise by 10.8%. It ranked third highest by deal value, though they were down by 27% to EUR 12.3bn. Seven of the 20 biggest property deals in the region were in Poland, including the Wars Sawa Junior shopping centre, bought by Atrium

Graham Conlon
Partner, CMS Kyiv/CEE

Deal activity has been very healthy. If there is a degree of caution it is about what in the world might trigger the next crisis and when it might happen, but as far as the fundamentals of emerging Europe are concerned there are still many reasons to be excited about the region.

European Real Estate of Austria for EUR 301.5m, and two buildings in Warsaw's Gdanksi Business Center bought by Savills of the UK for EUR 200m. Six of the top 20 deals involved UK or US buyers.

Mining was the largest sector by M&A value in 2017 thanks to a string of megadeals, including the sale of a EUR 7.5bn stake in Rosneft to China's CEFC. Without that, it was knocked into second place in 2018, down 27.9% to EUR 12.99bn, though it still accounted for four of the region's 20 largest deals including the sale of a EUR 3.8bn stake in Russia's Rosneft to Qatar.

Manufacturing deals were down 7.5% by volume, and steady on value (down 1.4%), with highlights including the sale of Solaris Bus & Coach in Poland for EUR 300m and the sale of Tatravagonka rail freight wagons in Slovakia for EUR 100m.

Services saw a 28.7% rise in the number of deals, with education and healthcare enjoying a 488% increase value-wise, while wholesale and retail saw transaction count fall 18.6% as the value of deals rose by 9.1%.

Divestments and consolidation by banks, as they reconfigure their holdings in different jurisdictions, helped lift finance sector transactions by 124% in value to EUR 3.55bn albeit on slightly lower transaction volumes than the previous year.

Greenfield

Emerging Europe has become a magnet for manufacturing and service operations. The draw for international investors is no longer simply low-cost facilities and employees, but skills, infrastructure and an increasingly sophisticated ecosystem in the sectors that are expanding.

Krzysztof Krawczyk
Partner, Head of CVC Poland

2018 marked a pronounced heightening of investment thesis by private equity sponsors - the impact of 'digital' on value creation of portfolio companies. It no longer refers only to early stage venture investing, but a number of private equity investments in emerging Europe in 2018 identify digital strategy as an engine of gaining market share or a mitigator of rapidly increasing labour shortages and costs. At the same time 'digital' is obviously a constant source of potential disruption for portfolio companies, adding risk on top of the continued regulatory uncertainties across the region. The region remains a great source of potential investment targets, but these two risk areas will shape the returns of private equity investments in years to come.

Theodoros Giatrakos
Managing Director,
Head of Central and South East Europe Investment Banking, Citi

Another year of robust M&A activity across the region, largely driven by continuing confidence in the economic fundamentals of most national economies, availability of financing and repositioning of global strategic groups. Private equity, whether inbound or intra-regional, continues to spearhead deal flow. For 2019, global markets sentiment and private equity appetite will naturally drive the levels of activity. In a conducive environment, we would expect further consolidation in selected sectors and for the region to show its colours across areas of comparative excellence, predominantly in technology.

The region has become an important centre for automotive companies including Hyundai, Kia and Volkswagen, and continues to attract investment. Jaguar Land Rover in 2018 opened its plant in Nitra, Slovakia, a 300,000 sq metre factory employing 1,500 people, the first phase of which will have capacity to make 150,000 vehicles a year. The second phase of the EUR 1.4bn plant will see another 850 people recruited and by 2020 the workforce will be 2,800. BMW has announced plans to invest EUR 1bn in a new plant in Hungary, near the City of Debrecen, with a capacity of 150,000 vehicles a year, joining Daimler and Audi which already make cars in the country. VW was reported to favour Turkey over Bulgaria and Romania as a potential location for a new factory to make Skoda and Seat models.

Private equity

The private equity sector base in emerging Europe has continued to grow as international firms take an increasing interest. This was reflected in a year of intense activity in 2018 as the number of deals rose by 15% to 307. It was also marked by a 5.9% rise in deal values to EUR 22.6bn, still down on the 2016 peak, but well above the levels seen between 2012 and 2015.

Private equity interest was spread across sectors and countries. Of the 20 largest private equity deals, six were in manufacturing, two in telecoms and IT, two in mining and four in real estate. Six of those deals involved buyers based in the region. Many of the top global private equity funds are now familiar to the region such as the global elite including Goldman Sachs, CVC, KKR, BC Partners, Warburg Pincus and Blackstone.

Foreign vs regional investors

One of the features of 2017 was that China was the largest foreign investor by value, lifted by the CEFC China Energy-Rosneft deal which subsequently fell through as CEFC's global expansion began to unravel amid concerns about its debt levels. As expected, without that to bolster the numbers, China slipped down the league table of biggest foreign investors in 2018, from first to fifth place. It is now firmly established as a major player in the region, whether through one-off investments or projects that form part of the country's One Belt One Road initiative. However, enthusiasm for Chinese investment may be tempered by events at the CEFC conglomerate, including an investigation by Beijing authorities into alleged economic crimes by founder Ye Jianming who spearheaded an investment push into the Czech Republic, ranging from a football club to a brewery. During 2018, China's state-owned CITIC Group agreed to buy CEFC's Czech assets. There was a further blow to confidence in China's international expansion in December when the head of a think tank associated with CEFC China Energy was convicted by a US court of corruption in Africa. The potential tensions and sensitivities around working with Chinese companies have also been highlighted by a warning from the Czech cyber security agency NCISA that hardware and software from Chinese telecom company Huawei posed a security threat – a claim strongly denied by Huawei.

The UK was the largest foreign investor in the region by value, largely because of telecoms deals. In terms of numbers of transactions, it was second to the USA which remained second largest by value.

Paul Drazdil
Head of Corporate Finance Advisory, UniCredit Bank Czech Republic and Slovakia

On the back of a booming economy Central European players have grown larger and more confident. Slowly overcoming initial reservations, they are increasingly fishing in Western ponds targeting sizeable opportunities and reputable investors. For other maturing business owners succession issues rank high. Those who have successfully exited their businesses tend to re-invest their funds through family offices. Approaching the end of a long bull-market, it may not come as a surprise that the recent strong GDP growth rates cannot be upheld and low unemployment rates weigh heavily on further expansion. With cost of debt rising we may see some businesses start repairing their balance sheets in 2019.

Milan Kulich
Director, Advent International

The region continues to provide compelling investment opportunities for Advent and we are excited by what the future holds in store. In the last five years, we have invested in numerous companies across emerging Europe with a combined EV exceeding EUR 2bn. The appeal of the targets within the region is in the variability of sector, geography and nature of these investments. We have been able to benefit first-hand from this with recent investments in the region ranging from pharmaceutical company Zentiva, a carve-out from Sanofi, to the public to private acquisition of private postal group Integer Group in Poland, and the reorganisation of Addiko Bank in the Adriatics.

Close ties with Western Europe hold firm with an increase in the level of deal activity involving Germany, Austria, France, Sweden and Italy. The value of French deals rose, though the value of Austrian deals dropped. Elsewhere, there were big increases in deal value in Qatar, UAE and Japan.

Overall, cross-border deals were up 20.1% by value to EUR 53.4bn, while domestic deals remained stable at EUR 27.1bn. There were 1,015 cross-border transactions, a similar number to the previous year, while domestic deal numbers were down by 4.1%.

Although we continue to see more inbound than outbound activity, a growing number of emerging European companies are broadening their horizons as they grow in size and confidence. Each year sees more companies looking abroad for growth.

Drivers for buyers and sellers

The sound logic for investing in the region is not always matched by the availability of attractive assets. Competition between local players, international funds and corporates means that targets can be hotly contested, pushing up prices.

Despite high valuations, there is still a sense that some vendors are biding their time and an expectation of a wave of succession-related disposals still to come when founders who set up their businesses after the fall of communism decide to retire.

Alexandra Nagle
Managing Partner,
ALANTRA Austria & CEE

Investors, both from outside and within the region, see these markets granularly – the region is not uniform – and critically screen opportunities very systematically. Interest comes from wide ranging and specialised investor classes (strategic, private equity/financial and increasingly active regional family offices). Good assets are sold at solid valuations (though still perceived as better value vs Western levels) with keen purchasers accepting or insuring seller friendly sale terms after a brisk diligence process. This dovetails nicely with entrepreneurs, private equity, or streamlining trade players recognising that this window will not stay open forever, and therefore bringing some truly attractive businesses to the market.

Attractions and obstacles

Emerging Europe's geography as a gateway to Western Europe remains an alluring feature for investors, but fast growing and maturing economies make it an attractive market in its own right.

Its well-educated and skilled workforce is in demand for manufacturing, technology, software and services and many of its cities are gaining a reputation as hubs where entrepreneurs and start-ups can flourish, though there is still a tendency for some of them to seek out more established start-up ecosystems abroad.

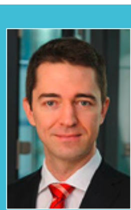
Countries that have successfully attracted investment and jobs are enjoying low levels of unemployment which has brought its own pressures in the form of a squeeze on labour supply, pushing wages higher. It is a problem common to the Czech Republic, Poland and Hungary, among others. Whereas past success was based on a combination of low pay and high skill, the first part of that equation has been eroded. Since increased migration is highly sensitive politically, part of the solution to the labour shortage lies in investment in automation and robotics to increase efficiency and stay ahead of international competition.

The rise of populism in some countries has not been a significant deterrent to investors, but they will be looking for stability in the coming years, particularly in those countries holding elections in 2019 such as Poland and Ukraine.

Outlook

It is now a popular school of thought that an imminent slowdown in emerging European markets is due simply on the basis that they have performed so well for a prolonged period of time. Trepidation founded on this reasoning alone is overblown. Equally, while there are causes for concern with respect to global economic developments and various potential political crises on the radar, it is difficult to make the case that internal or external threats to the region's M&A activity are any higher than they were in comparison with the outset of 2018.

If anything, uncertainty has diminished and stability has increased as the markets continue to mature. With all in perspective, investors have every reason to remain confident about the prospects as we move into 2020, and those who are overly hesitant in this promising economic climate may regret missed opportunities.



Peter Dzurianik
Emerging Markets
M&A Underwriter, AIG

M&A in emerging Europe has transformed from a niche market to a vibrant marketplace, supported by a full range of high quality products and advisory services helping investors to understand the risks and opportunities present in the given business and geography. M&A insurance has become part of the ecosystem. Investors and advisors are well versed in the use of W&I, title to real estate, tax and contingent liability insurance products which are nowadays avidly considered on most mid to large private transactions in the region. The region continues to be a core pillar of our business strategy, and we remain confident about healthy M&A activity throughout 2019.

A warm welcome awaits companies leaving UK after Brexit

***Dora Petranyi**, CMS CEE Managing Director (CMNO), explores the impact of Brexit on emerging Europe.*

Q: How important an issue is Brexit for emerging Europe?

A: Businesses are following the developments with a close eye. Trade associations and chambers of commerce are discussing with their members how best to prepare for what Brexit may bring, but a lot is still unclear. Some governments in the region have started work on transitional legislation to mitigate the impact on daily business, but a lot will depend on the final deal that is agreed. In the absence of clarity on what the future will hold, Brexit has not had any significant impact on deal activity. Actually we see it as something as opportunity for the region in a number of ways.

Q: What are the opportunities for the region coming from Brexit?

A: For those companies that are considering moving production or services from the UK to continental Europe, the region is a logical place to come to. That could be across any sector, automotive, financial services, industrial, manufacturing, telecoms and IT, pharmaceuticals and consumer goods. A number of UK companies that are already present in the region are giving serious consideration to increasing their presence, or moving certain business functions to existing locations in emerging Europe.

Q: What does Emerging Europe offer?

A: EU member countries offer the stability and confidence of relocating operations to a familiar jurisdiction. In a number of regulated industries, being registered in one member country will make it easier to do business across the entire EU. Each country differs to some extent, on tax or regulation for instance, but there is the security of coming under the umbrella of the EU. Emerging Europe has the additional benefit of the low cost of real estate and labour, skilled workers and good transport links.

Q: What preparations are being made?

A: We are seeing UK business come here to explore the opportunities and UK trade organisations, ministries and embassies are extremely active. At the same time, investment agencies from across our region are actively promoting the benefits of moving to their country, and governments have started looking into transitional legislation that will make changes as smooth as possible.

Q: How will relations with the UK change?

A: Last year the UK was the largest investor by value in the region so our relationship with the UK is already important. Many business are invested here for the long term, particularly those that have part of their production base in the region. We believe that our existing ties will get stronger rather than weaken because we can be of mutual assistance to each other.

Q: What are the downsides to Brexit for the region?

A: It is a very complex negotiation and uncertainty still surrounds many of the practical details. Maybe we will see activity slow down because of the uncertainty, but we haven't seen much of that so far. We will have to see how it affects travel and delivery of goods in and out of the UK. The bigger concern is whether this is the start of a prolonged period of disruption for the EU as a whole.

Dora Petranyi
Partner, CMS CEE Managing Director (CMNO)

> We see more opportunities than challenges from Brexit and we think it offers a chance for our region to show off the many advantages it has for investors who may be looking at where they can relocate to from the UK.

Data in focus: key insights

*The head of EMIS' M&A database, **Stefan Stoyanov**, offers further insight on the stories coming out of 2018's M&A data.*

Q: How would you describe 2018 in terms of M&A activity in emerging Europe?

A: M&A dealmaking in emerging Europe stood strong in 2018 despite the back and forth on Brexit negotiations, spreading populist and anti-EU sentiments, and implications of the US-China trade war. Activity dipped just a bit to 2,093 deals in total, while the aggregate value of transactions jumped 12.5% to EUR 80.5bn. The increase in value however was on the back of several enormous telecom deals, while the median price of deals in fact declined slightly from the previous year to EUR 10.7m.

Q: What are the main trends you observed?

A: It is becoming more difficult to discuss trends across emerging Europe. M&A in many of the smaller countries continues to be determined by local factors that can be very random in nature, while political uncertainty in the region keeps growing. Still, it is quite obvious that real estate has dominated the M&A deal flow in recent years, particularly in countries that enjoy good highway connections to the rest of Europe and offer attractive office space in major cities. Deals in the overall real estate and construction category were nearly 11% more, up to 432. Their aggregate worth was only lower than in 2017 because the value of many large transactions was not disclosed, including Atrium Tower, Crown Square, Galeria Malta and Amazon Szczecin in Poland, Explora, Hadovka and Sestka in the Czech Republic, Aupark and BBC5 in Slovakia, Corvin and Nepliget Center in Hungary.

In addition, private equity deals marked a healthy increase for a second year in a row. As the line between traditional private equity firms and other large financial investors is becoming blurred, we prefer to look at the broader category, including sovereign and pension funds, investment companies, supranational finance institutions and large investments banks. Last year deals in this space jumped 15% to 307, the highest number since 2012. Their total value was EUR 22.6bn, with the top transaction being QIA's purchase of an additional 9% stake in Russia's largest oil and gas company Rosneft from Glencore. Other marquee deals included PPF Group buying Telenor's Central and Eastern European assets, Advent International acquiring Czech generic drugs maker Zentiva, and KKR selling the majority stake in South East Europe-focused media company United Group to BC Partners. Within the mid and small-cap private equity segment particularly noticeable were investments in software-driven solutions to industry verticals. Such deals included Mid Europa's investment in Polish digital transformation company intive, MCI Capital's purchase of IAI, a provider of selling system solutions to the accommodation and services sector, as well as Renova Group's acquisition of local Russian IT provider to the mining sector VIST Group.

Lastly, China has firmly established itself as an investment tour de force in the region, despite dropping to fifth position in terms of total money spent in 2018, down 61% to EUR 2.9bn. Chinese investments in 2018, however, were larger on average and better balanced geographically. While in 2017 China's M&A activity was defined by the EUR 7.5bn CEFC-Rosneft deal (which subsequently fell through), this time around there was a good flow of large transactions in countries such as Serbia (RTB Bor), Turkey (Trendyol.com and Meta Nikel), Slovenia (Gorenje) and the Czech Republic (SK Slavia Praha). In light of the One Belt One Road initiative, the prospects are that China's presence on the emerging Europe investment scene will be long-lasting.

Q: Did any sector stand out in particular?

A: The telecom sector was the star performer, with M&A value more than doubling from the previous year at EUR 18.2bn. M&A highlights included the sale of Liberty Global's units in Germany, Romania, Hungary and the Czech Republic to Vodafone for an enterprise value of EUR 18.4bn. The deal is part of Vodafone's push to become the leading next generation network (NGN) owner in Europe. EMIS estimates that the Liberty operations in the latter three countries alone could be worth EUR 6.1bn based on the number of homes connected there. Elsewhere in a similar transaction, Telenor disposed assets in Hungary, Bulgaria, Serbia and Montenegro worth EUR 2.8bn in pursuit of efficiency and simplification of its structure. Balkan-focused cable and media company United Group also changed hands in a deal EMIS estimates at EUR 1.9bn on the assumption of an acquired stake of 70% and considering the size and indebtedness of the operations in the involved countries. In Turkey, 55% of the country's largest operator Turk Telecom fell into the hands of its top lenders after owner Ojer Telekomunikasyon failed to serve a EUR 4.2bn loan facility. The telco will likely end up with a new strategic owner in 2019. Pipelines look good so far for next year, with the likes of Telekom Albania, Russian MegaFon's cell tower unit, and Belarusian Telecommunications Network also up for sale.

Q: Which country was the biggest winner in terms of foreign investments?

A: Serbia stood out from the rest with M&A value surging more than eight times to EUR 5.2bn on the back of strong interest from foreign buyers as diverse as China, UK, USA, France, Ireland and the United Arab Emirates. The year began promisingly with France's Vinci picking the concession for Nikola Tesla airport in Belgrade for a fee of EUR 501m and committing to invest further EUR 732m. In March PPF Group bought Telenor's CEE operations, part of which is Telenor DOO in Serbia, estimated to be worth some EUR 985m. September's United Group deal was of equal magnitude. In the same month China's Zijin Mining Group went all in for Serbia's mining sector, picking majority stakes in local miner RTB Bor and Toronto-listed Nevsun Resources, owner of the Timok copper-gold project. The combined worth of both assets is estimated at EUR 1.9bn. Ongoing EU accession talks and significant pre-accession financial assistance could be reasons for some of Serbia's increase in M&A. More large privatisations are expected next year although it is unlikely that 2018's record values will be reached again.

Q: Why did Russia see a marked drop in dealmaking?

A: Foreign investors and significant transactions in Russia continued to be scarce in most sectors besides oil & gas, chased away by various bans and diverging opinions on the continuation of imposed Western sanctions. Deals were down to 605, the lowest number in more than five years, and their total value slumped 26% to EUR 27.1bn. This year's two largest transactions aside, most M&A was driven by domestic activity. However even that could be declining, as many Russian companies have begun to spend their free cash on buying back own shares instead. Local market analysts have expressed fears that should this become a trend, it could result in a wave of company delistings from the Moscow Exchange, following the examples of Dixi Group, OTCPharm, Chelyabinsk Zinc Plant and Uralkali. The drop in Russia's M&A value will likely continue, as the government has stated it does not plan any large privatisations for the period 2019-2021.

Q: How was the year for M&A in Turkey?

A: The aggregate value of M&A nearly doubled to EUR 14.8bn due to two very large banking deals, while activity remained stable. In order to prevent the lira's slide, the central bank has sharply raised the interest rates. The move will make it more difficult for Turkish businesses that bear hefty debts on their balance sheets to repay them. Some companies may be forced to consider deleverage options (indeed, the largest deal in the country in 2018 was the debt restructuring of Turk Telekom), creating opportunities for foreign investors to enter local businesses at favourable valuations. Still, apart from a few deals with the US, Turkey's major investors tend to be from the Middle East and Asia. Chinese buyers in particular have reportedly been eyeing all sorts of local assets.

Q: What is the outlook for M&A in the region in 2019?

A: Our expectations are modest. Regardless of 2018's positive numbers, in many countries from the emerging Europe region and particularly in South East Europe, M&A is still driven by consolidation, privatisation and random, country-specific, factors. The former will not last forever, while the latter are not guaranteed in each year. An often overlooked danger, perhaps due to the media's obsession with Brexit, is also Italy's solvency. Should Italy face major difficulties in repaying its debt, a chain reaction could trigger spillover effects as severe as the Greek crisis in 2010.

On a brighter note, once the uncertainty around Brexit is resolved, there could be some uptick in M&A as investment plans put on hold are likely to resume. Free capital at private equity and pension funds will not sit idle for long and although the general feeling is that the region might be turning a bit more volatile than before, the challenges will surely also create opportunities for those quick to adapt and with deep pockets.

Stefan Stoyanov
Head of M&A Database, EMIS

Robotics keep key industries at cutting edge of innovation

There is intense debate in emerging Europe about the future impact of robotics, which seems fitting since the word was coined in the region. On the one side there are hopes it will stimulate the economy and create skilled jobs and wealth, but on the other there are fears it will lead to mass unemployment and social disruption.

Derived from a Czech word for forced labour, "robot" in its modern sense was first used in print by Czech writer Karel Capek in 1920. Initially its use was restricted to science fiction, and particularly stories about automated humanoids, but robots have become science fact as reality has caught up with fiction.

Robotics, which takes in mechanical and electrical engineering, computer science and information processing, goes beyond simple automation and applies to machines that can be programmed to carry out a range of functions with some degree of autonomy. Developments in software, such as artificial intelligence (AI) and machine learning, can give robots a cognitive ability that ultimately allows them to "think for themselves".

In practice, robots can do the work previously done by humans, faster, more efficiently, more reliably and more economically, just as previous generations of machinery did thanks to steam power and electrification.

Martin Wodraschke
Partner, CMS Hungary

There are several unsolved legal questions around the digitisation of manufacturing, such as liability issues, data protection, ownership of data, employment and tax. Bearing in mind the importance of manufacturing for the region we need to open the discussion around these topics now.

The automotive industry has been at the vanguard of robotics, first in assembly plants and now in the development of autonomous vehicles. The Czech Republic, Hungary, Poland and Slovakia jointly produce around four million vehicles a year and Slovakia boasts the highest output of cars per head in the world. The creation of jobs has brought down unemployment in these countries, but that in turn has

Helen Rodwell
Partner, CMS Czech Republic and Slovakia/CEE

Robotics is well established in many industries and is part of the thought process of companies and investors when they are looking at deals. The labour shortage in some places will only intensify that.

resulted in a shortage of labour which can potentially deter future greenfield investment. Increasing automation will enable manufacturers to overcome any labour shortage and give plants in the region a competitive advantage over their international rivals.

There are few sectors that have been untouched by robotics and it is now a key tool across manufacturing, logistics, retail, leisure, food processing, agriculture and healthcare, replacing repetitive and mundane tasks. Omron of Japan provides robots to the automotive and food and beverage sectors, for customers including Skoda at Vrchabli in the Czech Republic, while Kuka of Germany supplies robots to industries including building materials. ABB, the Swiss technology group, supplies robots for a wide range of industries, from electronics components manufacturing to polishing acoustic guitars made by traditional Czech producer Furch near Brno.

The application of robotics and AI has been described as the “fourth industrial revolution”. Increased use of robotics in industry and services has enormous implications for society in the 21st Century, both positive and negative. On one side there is the fear that it will push many people out of work with all the social problems that can lead to and on the other the prospect that it will create new highly skilled jobs, some not yet even conceived. The issues are similar to those debated at the advent of the steam age.

Not only are there ethical questions about whether it is right to replace humans in the workplace, but also whether robots should be taxed to reflect the costs of maintaining health and social systems and infrastructure networks.

Just as low wage costs attracted investment a decade or two ago, those sectors with high levels of automation are likely to be attractive in the future, having a potential first mover advantage. In many parts of the region, the low wage market advantage has been eroded by a shortage of labour, which has prompted employers to explore robotics as a means of restoring their advantage in export markets.

Low wage economies, particularly those in the Far East, may have less incentive to invest in robotics and could be left behind as emerging Europe becomes a hub for new technologies, using its well-educated and highly-skilled workforce to take on the roles of designing and supervising the robots.

One of the challenges facing emerging Europe countries is that much of the investment in technology has been driven by western companies, such as Jaguar Land Rover, Google, Amazon and GE. Smaller companies based in the region may lack the funds or access to finance to keep up with developments.

Investment and M&A activity could manifest itself in further greenfield investment by western corporates and the takeover of local companies by companies or financial investors with the financial firepower to spend on robotics. Potential buyers looking at the region will be considering the level of use of robotics and how that might future-proof a business by shifting work eastwards.

As a sign of how seriously issues around robotics and AI are being taken, October 2018 saw the formation of the Hungarian AI Coalition, of state agencies, businesses and universities, to map out a comprehensive AI strategy and study its social and economic effects.

Emerging Europe will have to debate the broader social and economic issues about the growing use of robotics, but in the meantime it has the opportunity to establish itself as a hub for new technologies and their application, not just the science and engineering but also the legal and regulatory frameworks around them.

However, this will require cooperation and cross-fertilisation between countries because many are too small on their own to have an international influence. By working together, on issues such as the regulations around autonomous vehicles, the region could provide the model for the rest of Europe.

Hans Lederer
Counsel, CMS Austria

Technology-driven industries are very IP-focused and this is an area that should be at the forefront of minds when business managers and investors are considering investments or mergers and acquisitions.

Opportunities in infrastructure provide building blocks for growth

Infrastructure across emerging Europe is improving, but it still requires massive capital investment to make up for years of underinvestment. It has become the focus of growing interest from international investors seeking out opportunities not just in traditional sectors such as transport, but also in fast-growing areas such as digital networks and 5G.

Of the 40 jurisdictions covered by the CMS Global Infrastructure Index and ranked by attractiveness for infrastructure investment, six of the top 20 – Czech Republic, Slovakia, Poland, Hungary, Romania, Bulgaria and Turkey – were from the region.

A combination of strong economic growth, a desire to modernise transport and public services and an increasing political will to work with the private sector has created an environment favourable to investment in many countries. EU funding has played a major role in improving infrastructure, but some national and regional governments have been reluctant to give up public ownership and have put in place a challenging regulatory framework that leaves foreign investors cautious.

Transport has strong competition from investors to be involved in greenfield projects, but it is also a maturing asset class for which there is a secondary market, particularly in roads. For investors, the challenge is finding enough attractive targets which has pushed up prices.

Marcin Bejm
Partner, CMS Poland

We are seeing more infrastructure projects and more M&A transactions in the sector across the region. The main focus is on greenfield developments but we are seeing a growing secondary market.

Airlines have been one of the beneficiaries of economic growth, increased trade and rising tourism, but their success has put pressure on airport capacity and prompted governments to examine ways of enlarging and improving these important gateways. One solution is to offer 25 or 30 year concessions to a private sector operator to pay for airside upgrades and new cargo and passenger terminals in return for a share of increased revenues.

One of the biggest airport projects approved in 2018 was Serbia's award of a 25-year concession at Belgrade Nikola Tesla airport to Vinci of France. Slovakia has proposed a public-private partnership at Bratislava airport and Bulgaria has opened a tender for a concession at Sofia airport. However, negotiations can be complex, as illustrated by the cancellation of a tender to run Plovdiv airport.

Some countries have embraced public-private initiatives more enthusiastically than others. Romania in 2018 approved 16 large PPP projects over the next two to four years. They include the expansion of the Bucharest metro line, a high-speed railway between the capital and Craiova, Timisoara and Cluj, and the expansion of Constanta Port.

In contrast, Hungary has been reluctant to engage with PPP and has funded most of its major projects on balance sheet, while Poland has found it more difficult to attract private sector finance because the central government and some of its municipalities have been reluctant to sell or outsource assets. One of the biggest transport transactions in the pipeline is the sale of Macquarie's stake in the Deepsea Container Terminal Gdansk for which it invited bids in August.

There is strong interest in regulated network assets such as electricity, power transmission, gas and water, as well as roads and rail. But in a competitive market, investors are seeking alternatives in telecoms and data and particularly the rise of infratech and innovations such as 5G wireless communications, electric vehicle charging networks and energy storage.

With nearly half of households subscribing to superfast broadband, Romania is an attractive and active market. Romania's Electrogrup, which bought fibre network operator Netcity in 2017, announced in October 2018 its intention to float on

Charles Currier
Partner, CMS UK

There is still strong interest in regulated network assets, but established infrastructure funds are looking more and more at other infrastructure asset classes such as telecoms, fibre and data centres.

Jonathan Dames
Partner, CMS UK

Roads is one area where there is an active secondary market. There is a lot of money out there, but very few assets available which leads to fierce competition for these assets.

the Bucharest Stock Exchange. Meanwhile, Bucharest-based RCS & RDS has been working with Sweden's Ericsson on the introduction of 5G technology in the Digi Mobil network.

Another area, relatively new to the region but seeing increased activity, is social infrastructure around education, healthcare, prisons and housing. Slovakia is building a new prison in Rimavska Sobota through a PPP and Romania's programme of PPP projects includes a multifunctional clinic at the National Infectious Disease Institute and a 1,000-bed hospital at Targu Mures.

By definition, infrastructure investments tend to be large and long term, beyond the timescale of conventional private equity funds and requiring specialist infrastructure funds, pension funds and insurers where there is more of a focus on yield rather than capital growth. France is particularly active through its experience in infrastructure by the likes of Suez and Veolia, while the US, Germany, UK and Australia are active.

China's entry into the region's infrastructure has not been as rapid as expected at the start of the decade. It is still unclear to what extent Chinese companies will be involved in the much anticipated One Belt One Road projects.

Political risk remains an obstacle and uncertainty about the regulatory environment in some countries leaves investors nervous and means those territories have a narrower group of potential investors to draw on than the rest of Europe. Governments need to convince western investors that bureaucracy is being wound back and that there is a political will to engage with private finance.

Despite those potential hurdles, there is room for improvement to critical infrastructure and big opportunities for investors when they can find the right assets. This wave of investment is now creating an increase in M&A activity through privatisations, concessions and secondary deals.

Renewables provide power for an energy revolution

Energy is on the verge of a revolution in emerging Europe. The adoption of renewable power is at different stages in different countries, but it is irreversible and offers a rich source of investment and M&A opportunities in generation and distribution.

It is driven by a mix of emissions targets, incentives, technological advances and market forces as renewables become more competitive against fossil fuels.

The take-up of renewables has been heavily influenced by state support, such as feed-in-tariffs. This is not unique to emerging Europe and follows a pattern that has been seen across the Continent and the UK. Government support for projects, particularly at an early stage is likely to remain important for some time, despite a dramatic reduction in direct financial subsidies worldwide.

Just as quickly as money flows into jurisdictions with a preferential system for rewarding renewables, it can retreat once those artificial mechanisms are withdrawn. This can result in cancelled projects and arbitration cases. Where there is uncertainty, funds can step back and look elsewhere as was the case in the Czech Republic and what the European Commission referred to as "overcompensation" in some of its schemes. Some of that uncertainty has been removed by the use of long-term power purchase agreements (PPAs).

A rapid fall in the cost of solar and wind power has also created a more level playing field in the market, and mitigated the reduction in subsidies. Improvements in efficiency, for utility-sized arrays and rooftop panels, have brought the cost of generating electricity from solar down by more than three quarters since the turn of the decade, while onshore wind electricity costs are down by a quarter over the same period.

Hydro remains an important source of power in those countries fortunate to have favourable topography, such as Croatia where it is the largest source of power. Other alternative fuels are also making a contribution, if on a smaller scale, including biomass, particularly in countries with large agricultural sectors, and waste-to-energy.

Johannes Trenkwalder
Partner, CMS Austria

There are huge opportunities in renewables, in wind and solar, but large parts of the grid are not as good as they should be and require serious investment, which limits the room for a revolution.

Robert Lane
Partner, CMS UK

The sector is being transformed, not just by remarkable developments in renewables, but also by technological developments in storage, which will remove the problems around intermittency, and in the software and hardware needed to create smart grids.

The picture varies across the region. According to the CMS Renewable Energy report in October 2018, renewables account for about 15% of energy in the Czech Republic, which has already met its 2020 target, 7% of electricity consumption in Hungary, around 12% of installed capacity in Poland and 12% of the energy mix in Slovakia. Hungary and Ukraine are currently the intense focus of investment in solar, driving rapid growth in their installed capacity. Romania has seen a boom in wind and solar, which accounted for nearly 12% of power delivered to the grid in May 2017. Helped by its terrain, wind power has grown particularly rapidly, including the largest wind farm in Europe at Fantanele-Cogealac, built by CEZ of the Czech Republic.

There are hurdles to the installation of more renewable generation capacity. Large parts of the transmission and distribution systems require heavy investment to improve connectivity, particularly where wind and solar farms are in remote locations. Another problem is intermittency of supply when clouds roll in or the wind drops, but this can be addressed by energy storage projects which are being driven by advances in battery technology, though there is uncertainty around regulation of storage in some jurisdictions.

Overarching both these issues is the need for "smart grid" systems that can balance demand and supply. ABB of Switzerland is working with Poland's national transmission operator PSE to install state of the art software to modernise the country's grid.

Despite the take-up of renewables, conventionals still have a vital role to play during the transition period. Electric vehicles may be regarded as eco-friendly, but, in the early years at least, they will rely on charging points plugged into a grid that draws part of its power from coal and gas.

Coal remains strategically important in many countries, such as Poland which outlined its commitment to coal when it hosted the UN's 24th Climate Change Conference in Katowice in December. In contrast, Hungary in November announced plans to phase out the use of coal by 2030. Major energy companies have been reassessing their portfolios across Europe, creating potential M&A opportunities. Switzerland's Alpiq is considering the possible sale of two coal-fired plants in the Czech Republic, while Engie of France is exploring selling its German coal plants. This shift in the market is creating opportunities for energy companies based in the region that see value in buying fossil fuel-powered plants that may have a lifespan of 20 years and a useful role to play in stabalising grids when renewable power output fluctuates. Conventional supplies will also be boosted by oil and gas discoveries in the Black Sea which should strengthen energy security in the region and reduce reliance on Russian gas.

The region has a strong legacy of nuclear power which is seeing a resurgence because of its contribution to cutting carbon emissions. It provides more than half the electricity for Hungary, Slovakia and Ukraine, around a third for Bulgaria, the Czech Republic and Slovenia and almost a fifth in Romania. As countries look to extend the lifespan of existing plants or build new ones, the key issue is how to finance projects over four or five decades.

The Czech Republic has been weighing whether to build new reactors or renew an existing plant, but has been unable to agree with state-controlled energy group CEZ on how best to finance such a deal. Hungary went down the route of agreeing a deal with Russia's Rosatom to build two reactors at the Paks atomic plant where work is due to start in 2019. Of the two large countries not to have nuclear, Turkey plans to build three plants while Poland has ambitions to build one.

Demand for renewables is increasing year on year and combined with the need to upgrade the grid, offers huge opportunities for investors. What they need is more certainty that investments made now will not be subject to reversals in policy, which have halted planned projects in the past.

Kostadin Sirleshtov
Partner, CMS Bulgaria

There is a real need to bring in external finance and expertise and in those jurisdictions where investors feel they have confidence in the stability of regulation we are going to see very active markets.

Prosperous Poland: spring, summer or autumn?

Marek Sawicki
Partner, CMS Poland

Confidence in the Polish market is apparent from the continued interest from private equity firms active in the country, which are focused on seemingly secure benefits of 5-7 year investment projects within a relatively healthy economic environment.

Throughout 2018, Poland continued to relish in its stance as a protagonist in emerging Europe investment activity. Notwithstanding a sharp drop in total deal value (down by 38.7%) in the absence of the explosive mega-deal wave witnessed in 2017, deal volume in Poland rose by 12.2%. The key question moving into 2019 remains: how long will the high levels of investment continue? As happens with economic cycles, the longer we observe a boom on the M&A market, the closer we are to the bust. However, with 2018 proving to be yet another consecutive year with high levels of M&A activity, there is no evidence that appetite for new acquisitions is decreasing.

After a longer than usual process of gathering new funds, players from the private equity sector have returned to be very active in making acquisitions in 2018. Although in many cases the financial resources entrusted to private equity funds are lower than in previous years, the valuations of many companies have indeed matured, which should make it possible to maintain the current pace of investment. The stage of development of the Polish market means that the majority of transactions in 2019 will be traditionally in the segment of small and medium-sized enterprises. In 2018, for the first first time we noted increased activity from the long-anticipated generational change in Polish family businesses established in 1989. Decisions about the sale of family enterprises were an important factor driving the M&A market on the part of sellers and this trend is likely to continue in subsequent years. The solid growth in 2018 was also fuelled by companies investing outside of Poland, as exemplified by the 100% acquisition by Grupa Azoty of the German Compo Expert group for EUR 235m from the London investment fund XIO. It was the largest acquisition by a Polish company internationally since the purchase of Quadra FNX by KGHM in 2012. As Polish companies continue to grow, we hope to see more of such M&A transactions.

In 2018, the largest transactions segment was clearly dominated by acquisitions in the financial sector, where we observed the sales of Raiffeisen, Euro Bank, BNP Paribas assets, and traditionally in the real estate sector due to the nature of those assets. As in previous years, we have seen increased interest from Asian markets, in particular South Korea; and most recently from the Middle East (in particular Saudi Arabia) in transactions including Saudia Dairy and Foodstuff Company's acquisition of Polish Milk Producer Mlekoma.

Of particular note was the activity of a relatively new player on the Polish market, the Polish Development Fund (PFR), with its increased involvement in the financing of the expansion of Polish companies into new markets and financing acquisitions of Polish iconic brands such as Pesa, Solaris and mountain cable car operator PKL. The PFR is expected to continue with significant investments in high-profile targets in its politically-backed effort to "re-Polonise" companies over the course of 2019, which is one more factors to consider in the consideration for the local M&A market activity in 2019.

The question that remains open is how far changes in the legal and business environment will affect the M&A market in the long run. Of particular note was the influx of regulations on the Warsaw Stock Exchange, which resulted in stricter disclosure obligations as well as major changes to the accepted methods for pension fund investments; and the introduction of an extensive list of new, complex and ambiguous tax laws, which came into effect in January 2019. While anxiety over such significant regulatory reforms is still visible in business communities, investor concerns over the political climate to act as a deterrent for investment in Poland have now largely subsided.

Blazej Zagorski
Partner, CMS Poland

Following the surge of growth in Polish companies over the recent years, entrepreneurs are being forced to expand more broadly across the European markets, particularly with the intention of extending distribution networks.

Jakub Marcinkowski
Partner, CMS Poland

Over the next 12-15 months we expect to see a smooth path forward for investment opportunities. There is no evidence on the ground that appetite is decreasing, however it may not be possible for the Polish market to maintain its current high levels of activity over the long term.

The freshest and most visible spike of concern voiced by investors, commentators and economists is the condition of global and European economies and economic trends observed on the German market, which is closely linked to the Polish economy. Despite uncertainty regarding the economic future for Europe, concerns over the current high levels of subprime corporate debt and co-dependence on the neighboring economies, Poland - with relatively solid GDP forecasts - continues to be seen as attractive destination for M&A transactions. It should also be recalled that Central and Eastern Europe ceased to be seen as homogeneous area as countries in the region present increasingly different risk and investment profiles. In the event of a global economic slowdown, Poland compares favourably to other advanced economies across Europe. It was the only country in the EU to avoid recession during the 2008 global financial crisis.

The stability and confidence in the Polish market is most clearly reflected in the recent decision of the FTSE Russel Index in September 2018 to upgrade the market status of Poland from an ‘advanced emerging’ to a ‘developed market”. Poland is the first country in the emerging Europe region to achieve this ranking, as well as the first country (since South Korea in 2008) to be upgraded to the highest bracket of market maturity. It would be an overstatement to suggest that the announcement will of itself result in a sudden upsurge of investment or necessarily encourage major new players to be active in the market. Nevertheless it carries significance as a prestigious barometer of the state of the market, and is a clear testament to the increased economic prosperity Poland has enjoyed over previous years. Arguably it also foreshadows a promising future. With the plethora of market considerations put into perspective, this seems more than likely to be the case.

Andrzej Pośniak
Partner, CMS Poland

Solid growth observed on the Polish market is visible in the number of greenfield investments that were made over 2018. Stability and predictability of tax and legal environment will be crucial to maintain current levels of FDI flowing into Poland in 2019.

Private equity round-up

The largest transactions observed in 2017 (including CVC Capital Partners' EUR 1bn private equity-driven takeover of Żabka stores from Mid Europa Partners) confirmed the strength of the Polish private equity market and provided an additional impulse for 2018. There was a noticeable shift in the deal entry/exit value in 2018 as we experienced highest investment in new assets on the Polish market. In 2018 private equity funds were involved in 42 entries with almost double the value of 2017. Private equity investment in Poland reached EUR 1.17bn compared to EUR 602m in 2017, which confirms the attractiveness of the Polish market for private equity investors. At the same time, there were only 19 exits, valued at EUR 418m, in 2018. In the last year private equity funds maintained an increased level of activity with 68 transactions with a total value of EUR 1.697bn. Among the largest M&A with disclosed value, acquisition of intive S.A. by Mid Europa Partners from Enterprise Investors, Centerbridge Partners investment in Robyg and MCI exit from DotPay/eCard were announced.

	2018		2017	
POLAND Private equity deals – entries, exits, and both	**Deals**	**Value, EUR m**	**Deals**	**Value, EUR m**
Entry	42	1,178.9	37	602.5
Entry; exit	7	100.0	10	2,088.0
Exit	19	418.8	17	2,466.1
Total	**68**	**1,697.7**	**64**	**5,156.6**

Rafał Zwierz
Partner, CMS Poland

As prices of public companies become very attractive and more investors, including private equity funds, are looking at potential targets on the Warsaw Stock Exchange. This trend creates new business opportunities, but results in more delistings than IPOs observed in Poland in 2018. In the future, we may expect an increasing number of IPOs once more funds become available on the Polish market as a result of the development of Employee Capital Plans.

Start-up talent is flourishing, but challenge is not to let it slip abroad

Emerging Europe is a hotbed of software and technology start-up talent. Investors across Europe and the US are keen to tap into the potential of entrepreneurs in the region which has a track record of producing some of the world's most innovative companies.

One of the issues the region faces is that although some of that talent stays at home to turn ideas into businesses, there is also a brain drain to the likes of Silicon Valley, London and Berlin.

Many cities in the region provide some of the ingredients necessary to foster a start-up culture. For instance, Bratislava has a population of just over 400,000 yet it ranked third behind Stockholm and London as a home to fast-growing companies in the Inc 5000 Europe list in 2017. It turns out skilled graduates from the likes of the Slovak University of Technology and has a growing network of advisers, accelerators and venture capital providers for early stage investment, though later stage companies may have to look abroad for finance.

Across the region, there is a strong tradition of producing well-educated, smart people with strong skills in IT, technology and the STEM subjects. One of the legacies of the Soviet and socialist era is a network of technical universities that every year deliver thousands of software developers. English, the language of international business, is widely spoken.

But it is not enough to have programming skills. A business needs good ideas, the courage to put them into practice and an eco-system around it to finance and nurture it through those tricky early months and years.

Finance is an area where emerging Europe struggles to compete with London and others. The availability of venture capital and private equity is growing, but they are not as widely accessible as in the West and although there is a growing pool of entrepreneurs looking to invest in the next generation there are simply not as many active angel investors.

A financial ecosystem is evolving through locally based VCs such as Neulogy Ventures and Limerock in Slovakia and has spawned its own start-ups such as Crowdberry. Formed in Bratislava in 2015, Crowdberry provides a "crowdinvesting" platform for private investors to become co-owners in growing companies in Slovakia and the Czech Republic. Many VCs and private equity firms in the UK and US are hesitant to reach out to emerging Europe because they are unfamiliar its legal systems, instead preferring to work in jurisdictions where they feel more comfortable irrespective of where the entrepreneur comes from.

Horea Popescu
Partner, CMS Romania

When it comes to technology start-ups, emerging Europe is definitely a region to watch. The list of major companies that were started in the region or by people from the region is growing consistently and investors are beginning to take notice.

Of course, not all entrepreneurs feel the need to leave their home country, but for some it is the most practical option. London, in particular, has become a magnet for talent from further east. The UK capital has become Europe's leading location for technology start-ups because it has fostered a thriving technology community with access to fundraising at all levels, from seed capital to more mature businesses, backed up by a legal system that is respected around the world.

In the region, larger countries are generally better at producing start-ups, partly because their economies are of a scale that can provide a domestic market for products and services. But you have only to look further north to Estonia, which spawned Skype, now part of Microsoft, and Transfer Wise, now based in London, to see that size is not everything.

Romania's cybersecurity group Bitdefender has been one of the most successful start-ups in the region and one that has stayed close to its roots, as has antivirus software maker AVG in the Czech Republic. Companies that were started by entrepreneurs from the region, but were developed in the West include software company UiPath of Romania, which is now headquartered in New York and Croatian analytics company Memgraph, is based in London.

The influx of international technology giants, such as Adobe, Intel, Microsoft, Google and Amazon, into the region is having a major impact. Recognising the availability of a skilled and low-cost workforce, they have outsourced IT functions to the region and also set up their own funds to make acquisitions and investments, such as Intel Capital, Microsoft's M12 and Google's GV. Their presence encourages talent to stay by creating a market for skilled workers, new products and services, which in turn stimulates start-ups.

Where a start-up culture has developed, it tends to be around cities and towns with a university where there is a focus on technology and science. These become a centre of gravity for start-ups in places such as Bucharest or Cluj-Napoca in Romania, Warsaw and Wroclaw in Poland, and technology clusters such as Osijek in Croatia.

Investors are looking for more than a group of students in a garage with a good idea. They want to see a product that can solve problems. One of the advantages of developing software start-ups is that they do not require a big capital outlay, but sometimes securing the initial investment, no matter how small is the biggest hurdle they have to overcome.

As well as financial backing, they require business and legal support, which is why CMS started its equIP programme, offering legal advice to early stage companies and helping them tap into a network of industry connections. The programme is now being rolled out across the region.

Emerging Europe has a good record of producing technology entrepreneurs, wherever they decide to start up their business. The start-ups of today become the M&A targets of the future. Smartwatch maker Vector was started in Romania and bought by Fitbit in 2017, while in 2018 Porsche bought a 10% stake in Croatian electric hypercar maker Rimac Automobili.

The trends suggest that London and other western cities will continue to be a draw, but the traffic is certainly not all one way and as technology hubs develop in the region it is becoming a more attractive environment for start-ups.

Gregor Famira
Partner, CMS Austria

Start-ups provide young people with an opportunity to do something different and achieve success on their own terms. For some, it makes sense to leave their home country to grow a business, but over time that will change and the pressure to move will decrease.

The start-up scene in CEE at a glance – Champions and Challengers

Skype – the voice and video call service was founded in Estonia. It was bought by eBay for USD 2.6bn in 2005, sold again in 2009 and bought by Microsoft in 2012 for USD 8.5bn. Nearly half its employees are in Estonia.

Bitdefender – the cybersecurity and antivirus software maker was founded in Bucharest in 2001 by CEO Florence Talpes and backed by London private equity firm Vitruvian in 2017. It has more than 500m users worldwide and 1,600 employees.

UiPath – founded in 2005 by Romanian entrepreneurs Daniel Dines and Marius Tirca, it specialises in robotic process automation technology to automate business processes. It is headquartered in New York and has 1,448 employees.

Avast – the online security software was founded in 1988 by Pavel Baudis and Eduard Kucera and in Prague where it is headquartered. In 2016 it bought Czech rival AVG and the enlarged company was listed on the London Stock Exchange in 2018 in a UK GBP 2.4bn IPO.

Prusa Research – the Czech 3D printing company was started in 2009 and ranked number one in the Deloitte Technology Fast 50 Central Europe 2018 report. It now has 220 employees and founder Josef Prusa has said turnover should be EUR 70m for 2018.

Kiwi.com – founded as Skypicker in 2012 by CEO Oliver Dlouhy, the online travel agent is based in Brno, Czech Republic. It ranks second in the Deloitte Technology Fast 50 report and employs 2,000 people worldwide.

***Robert Dagger**, Investment Manager, Beringea, international investor with offices in London and Detroit, talks about the attractiveness of start-ups from the region.*

Q: How well does Beringea know emerging Europe?

A: Beringea has more than 20 investment professionals focused primarily on the UK and the US. However, with $500m under management and a portfolio of 60 companies, our horizons naturally go much wider than these two countries and we see emerging Europe as an interesting region.

Q: How do you view the tech start-up scene in the region?

A: The start-up scene is clustered around key cities rather than individual countries. These cities, such as Bucharest and Warsaw, are now thriving tech hubs. They are where you find the academic centres that produce a lot of technical talent, while key cities also have access to IT infrastructure developed by foreign companies. To build on these strengths, there needs to be greater focus on reducing the barriers facing start-ups, particularly access to finance.

Q: What kind of finance issues hold back start-ups?

A: Compared to other areas of Europe there has tended to be a lack of early-stage capital in the region, as there are fewer angel investors or domestic venture capital firms. This means that raising the first EUR 100,000 can be the greatest challenge facing an entrepreneur. At a later stage, you often find investors from the rest of Europe are more willing to source opportunities across a wider geographic area.

Q: What other issues?

A: The region is earlier in terms of cities developing start-up ecosystems. As a result, it can be hard to find people who have already been through the journey of scaling a business and developed the expertise and experience that comes with it. For example, in London or Berlin, there are substantial pools of people who have been through several start-ups and scale-ups.

Q: Have you made investments in emerging Europe?

A: Beringea has backed entrepreneurs from the region, but we are yet to make our first investment in a business founded and headquartered in Emerging Europe. It is clear that there is an opportunity for investors who are willing to engage with the region – for now, we are still seeing entrepreneurs from the region who have built, or are building, businesses in London.

Q: Why not invest directly in the region?

A: We would not rule it out. However, there are practical challenges to consider when making an investment, namely the legal system and managing our portfolio. First, we need to work in legal frameworks that we understand. Many jurisdictions in the region do not use UK and US law, which would create cost and complexity. Second, we want to work closely with entrepreneurs that we back – the travel involved in attending boards and meetings in the regions could, therefore, prove problematic.

Q: How do you see the start-up outlook?

A: The region has produced many success stories and the momentum is strong. It will encourage others to experiment and attract more investors. These hubs will mature and money always moves to where the opportunities are.

Robert Dagger
Investment Manager,
Beringea

> There is a lot of attractive technical talent coming out of the region. We have backed people from the region, but at this stage for us it makes more sense to do that in London rather than directly in jurisdictions where we are not so familiar with the legal framework.

The Balkans in focus: deal activity hitting new heights

Solid economic growth and political stability contributed to a strong year for M&A activity in the Balkans, particularly in the countries of the former Yugoslavia, which are becoming a magnet for investments.

The World Bank increased its growth forecasts for the Western Balkans and across the region many countries have outpaced their western European counterparts. In addition to the attractions of those countries that are already in the EU, investors have been paying increasing attention to those that aspire to join. At a time when investors may feel nervous about the prospect of a less business friendly political climate in Poland and Hungary, countries to the south offer an appealing alternative.

One of the countries that attracted international interest was Macedonia, where a more EU-friendly government elected in 2017 started the process of renaming it the Republic of North Macedonia. That should help end a decades-long dispute with neighbouring Greece and open the door to membership of the EU and NATO. Although there is still work to be done, it is fostering a more business-friendly regulatory environment and can boast a skilled workforce, which has helped it attract foreign investors including Johnson Matthey of the UK, Deutsche Telecom, Mittal Steel of the Netherlands and Van Hool of Belgium.

Radivoje Petrikić
Partner, CMS Austria/SEE

There is a lot of potential for growth and development in the Balkans which is why it is attracting interest from international investors. The challenge for them is the availability of targets.

Foreign direct investment has been on the rise, with automotive components, information technology, agribusiness, clothing and tourism among the sectors regarded as having strong prospects.

Serbia is also a candidate for EU membership, as is Montenegro, making them more attractive to foreign investors. The growing interest in the countries of the former Yugoslavia is highlighted in the deal activity during 2018 particularly in telecoms, such as the sale of Telenor's mobile operations in Bulgaria, Hungary, Montenegro and Serbia to Czech investment fund PPF for EUR 2.8bn. Meanwhile, private equity group KKR sold Serbia's largest cable and media company United Group, which also operates in Slovenia, Bosnia and Montenegro, to BC Partners.

Opportunities in Serbia are not only limited to telecom assets. The government pressed ahead with plans to sell off state-run companies to help drive growth and relieve pressure on public finances. For instance, it has begun preparations to sell state-owned Komercijalna Banka in 2019 and in August it selected Zijin Mining of China to become a strategic partner in its RTB copper complex.

Opportunities in infrastructure remain a focus for international investors and in spring 2018 Serbia awarded the 25-year concession for Belgrade's Nikola Tesla airport to Vinci of France, marking the first move into south east Europe for the company's airport business.

In Croatia, top-end investments are also driven by the government. In April, the Croatian highway operator Hrvatske Ceste and a Chinese consortium led by China Road and Bridge Consortium signed a US $340m contract to build the first phase of the 2.4 km-long Peljesac bridge. Work on the three year project started in July.

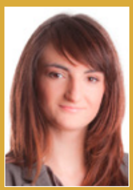
The country's main focus, however, remains tourism. Rovinj-based conglomerate Adris, owner of the Maista tourism group, extended its hotel portfolio by gaining indirect control of hotel operator HUP-Zagreb. City hotels are not as dependent on summer tourism where one of the issues is whether growth can continue at its current frenetic pace.

Hrvoje Bardek
Partner, CMS Croatia

GDP growth is helping the investment climate and I am optimistic about the levels of M&A activity over the next year or so. We see that the demand for hotel investments is on the rise and we expect it to grow in the entire region.

One of the most significant corporate events in the region in the last two years was the near collapse in 2017 of Zagreb-based food group Agrokor, the largest employer in the Balkans with a workforce of 52,000. That could have had disastrous consequences, but during 2018 the company was pulled back from the brink of bankruptcy and many in the market expect it to go through a break-up process in 2019, attracting attention from international buyers.

Traditionally, overseas investment in the Balkans has come from Germany, Austria and the Netherlands, but the mix has become more diversified in recent years. Turkish investors in particular have turned their sights on the region, partly in response to political tensions at home.



Marija Zrno
Partner, CMS Croatia

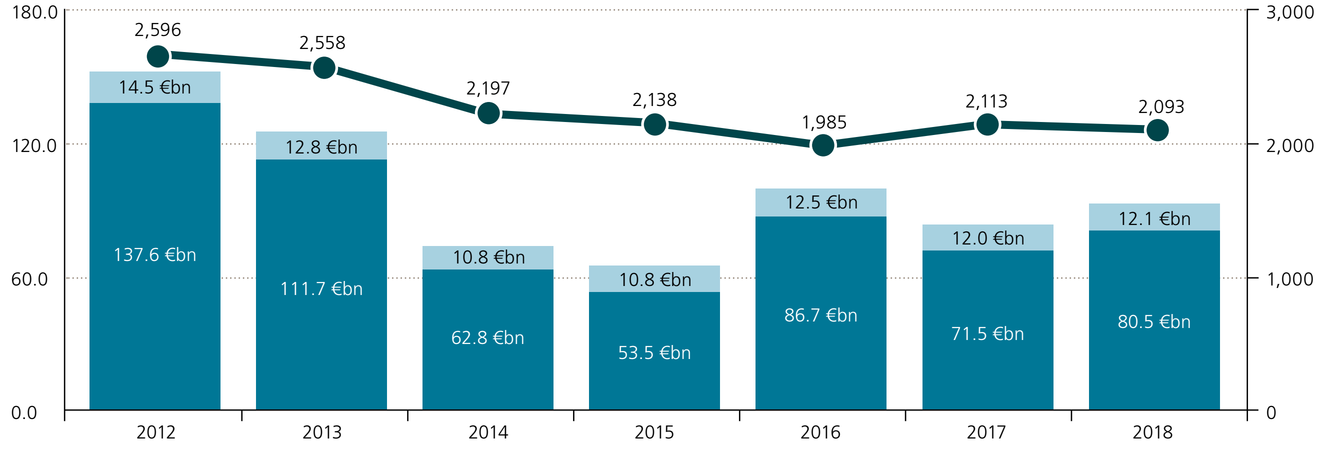
In Croatia, infrastructure investments are traditionally government-driven, but we see a lot of activity on the local government level, especially in the area of gas distribution and water management.

For several years now Chinese investors have been looking at opportunities and at last deals are starting to come through. Although the number of transactions has been relatively small, some of the projects are of a significant size, and we expect volumes and values to increase over time.

Stability remains the key to future of the Balkans and although there are some tensions in Kosovo and Bosnia, we are optimistic about the broader outlook. There is plenty of room for development and unless there is a major international shock, activity in the region should hold steady or even increase.

Appendix 1:
Regional data and top deal lists

Deals by value and volume in emerging Europe



Deal value (€bn, left axis) Est. undisclosed value (€bn, left axis) Deals (right axis)

Number of deals by sector in 2018 – emerging Europe

Real Estate & Construction
432

Manufacturing
285

Telecoms & IT
279

Services
175

Wholesale & Retail
162

Finance & Insurance
149

Food & Beverage
123

Mining (incl. oil & gas)
122

Other
366

Emerging Europe: top 20 deals 2018

Target	Country of Target	Sector	Deal Type	Stake %	Buyer	Country of Buyer	Deal Value (€m)	Value Source ◆
Liberty Global operations in CEE/SEE	Hungary; Czech Republic; Romania	Telecoms & IT	Acquisition	100	Vodafone Group	United Kingdom	6,070.2	3
Turk Telekom	Turkey	Telecoms & IT	Acquisition / Distressed deal	55	Is Bankasi; Garanti Bankasi; Akbank	Turkey	4,161.5	3
Rosneft	Russia	Mining (incl. oil & gas)	Minority stake	9.2	Qatar Investment Authority	Qatar	3,816.9	1
Assets of Telenor in Central and Eastern Europe	Hungary; Bulgaria; Serbia; Montenegro	Telecoms & IT	Acquisition	100	PPF Group	Czech Republic	2,800.0	1
DenizBank	Turkey	Finance & Insurance	Acquisition	99.85	Emirates NBD	UAE	2,581.9	1
Arctic LNG 2	Russia	Mining (incl. oil & gas)	Minority stake	10	Total	France	2,174.4	1
Magnit	Russia	Wholesale & Retail	Minority stake	29.1	VTB Bank	Russia	1,967.8	1
Zentiva	Czech Republic	Manufacturing	Acquisition	100	Advent International	United States	1,919.0	1
United Group	Serbia; Slovenia; Bosnia and Herzegovina; Montenegro	Telecoms & IT	Acquisition	majority	BC Partners Holdings	United Kingdom	1,865.0	3
Donskoy Tabak	Russia	Food & Beverage	Acquisition	100	Japan Tobacco	Japan	1,352.6	1
RTB Bor Group	Serbia	Mining (incl. oil & gas)	Privatisation	63	Zijin Mining Group	China	1,287.4	1
Luminor Bank	Estonia; Latvia; Lithuania	Finance & Insurance	Acquisition	60	The Blackstone Group	United States	1,000.0	1
UN Ro-Ro	Turkey	Transportation & Logistics	Acquisition	98.8	DFDS	Denmark	938.6	1
Magnit	Russia	Wholesale & Retail	Minority stake	11.8	Marathon Group	Russia	867.1	2
AvtoVAZ	Russia	Manufacturing	Debt-for-equity swap	53.5	Rostec; Renault	Russia; France	787.4	1
Media assets of Dogan Holding	Turkey	Media & Publishing	Acquisition	majority	Demiroren Holding	Turkey	777.3	1
Baimskaya copper project	Russia	Mining (incl. oil & gas)	Acquisition	100	KAZ Minerals	Kazakhstan	774.7	1
Core banking operations of Raiffeisen Bank Polska	Poland	Finance & Insurance	Acquisition	100	BNP Paribas	France	770.3	1
Suvorov Plaza	Russia	Real Estate & Construction	Acquisition / Debt-for-equity swap	100	Sberbank	Russia	729.8	2
Novorossiysk Commercial Sea Port (NCSP)	Russia	Transportation & Logistics	Acquisition *	25	Transneft	Russia	653.4	1

◆ Value source – key:

1. Official data
2. Market estimate provided by EMIS and based on publicly available information
3. EMIS Estimate

NOTES:

* Following the deal, Transneft will hold a 60.62% stake in the port

Source: All data provided by EMIS

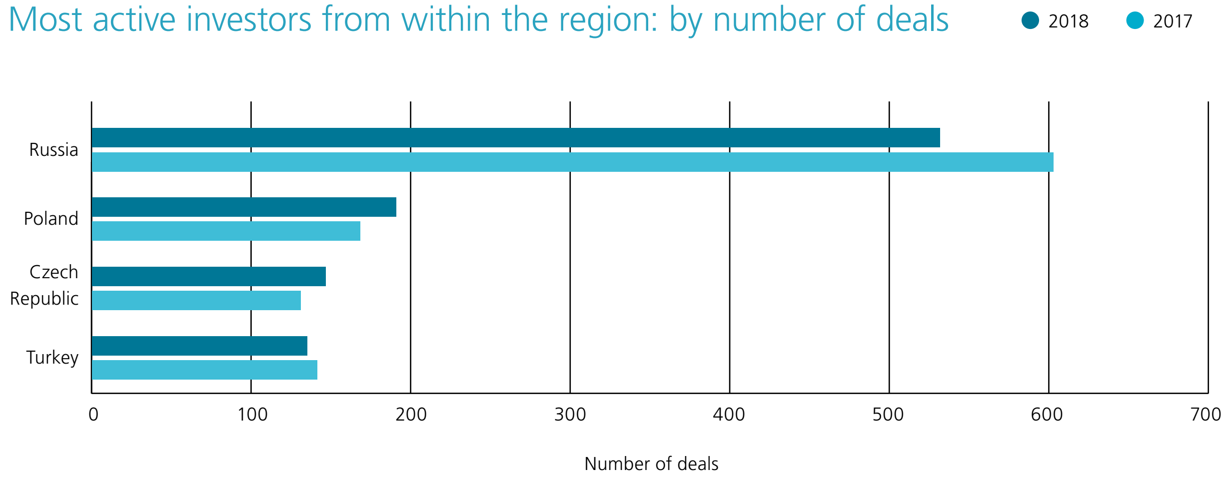
Emerging Europe: inbound investment 2018

Investor country	FY18 Deals	FY17 Deals	%
USA	89	92	-3%
Germany	71	61	16%
UK	68	67	1%
Austria	50	36	39%
France	47	42	12%
Sweden	31	27	15%
Netherlands	31	27	15%
Italy	28	16	75%
Switzerland	26	40	-35%
Finland	18	17	6%

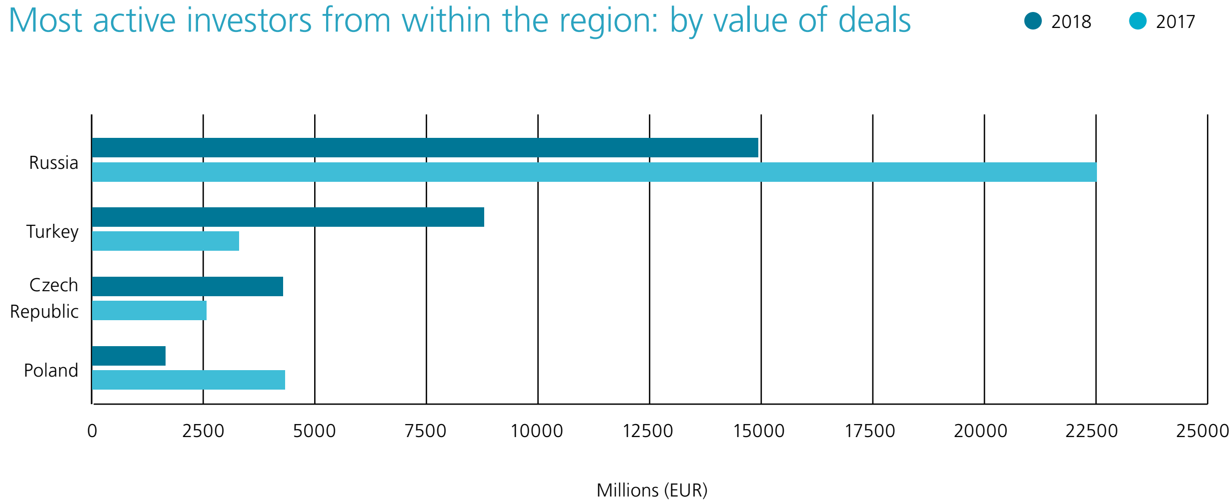
Investor country	FY18 Value, €m	FY17 Value, €m	%
UK	9,774.6	2,191.3	346%
USA	5,125.4	2,956.3	73%
Qatar	3,816.9	43.5	8683%
France	3,785.4	804.6	370%
China	2,986.6	7,726.5	-61%
UAE	2,931.5	1.3	221980%
Germany	1,430.1	1,358.4	5%
Japan	1,365.5	440.8	210%
Austria	1,216.3	2,080.7	-42%
Sweden	1,099.8	371.9	196%

NOTE: Only deals with buyers from a single country were considered for the inbound deal value calculation.

Most active investors from within the region: by number of deals

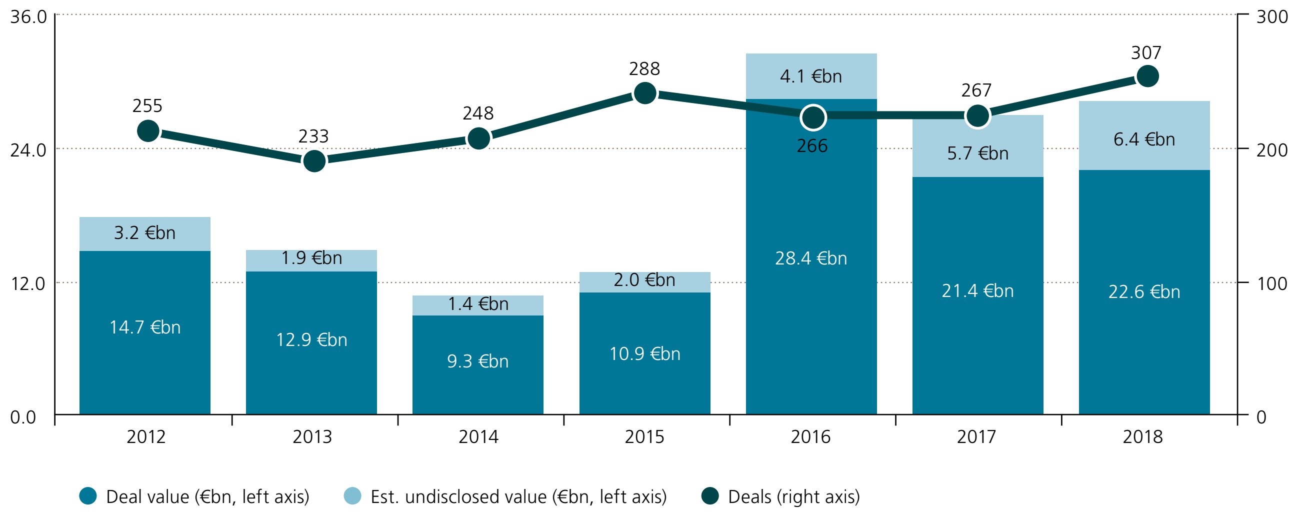


Most active investors from within the region: by value of deals



Source: All data provided by EMIS

Private equity deals by value and volume in emerging Europe (2012-2018)



Number of private equity deals by sector in 2018

Real Estate & Construction
99

Manufacturing
36

Telecoms & IT
33

Services
31

Finance & Insurance
28

Wholesale & Retail
16

Education & Healthcare Services
14

Food & Beverage
13

Other
37

Private equity: top 20 deals 2018

Target	Country of Target	Sector	Deal Type	Stake %	Entry or Exit	Buyer	Country of Buyer	Deal Value (€m)	Value Source ◆
Rosneft	Russia	Mining (incl. oil & gas)	Minority stake	9.2	entry	Qatar Investment Authority	Qatar	3,816.9	1
Assets of Telenor in Central and Eastern Europe	Hungary; Bulgaria; Serbia; Montenegro	Telecoms & IT	Acquisition	100	entry	PPF Group	Czech Republic	2,800.0	1
Zentiva	Czech Republic	Manufacturing	Acquisition	100	entry	Advent International	United States	1,919.0	1
United Group	Serbia; Slovenia; Bosnia and Herzegovina; Montenegro	Telecoms & IT	Acquisition	majority	entry / exit	BC Partners Holdings	United Kingdom	1,865.0	3
Luminor Bank	Estonia; Latvia; Lithuania	Finance & Insurance	Acquisition	60	entry	The Blackstone Group	United States	1,000.0	1
UN Ro-Ro	Turkey	Transportation & Logistics	Acquisition	98.8	exit	DFDS	Denmark	938.6	1
DSM Grup Iletisim Pazarlama (Trendyol.com)	Turkey	Food & Beverage	Acquisition / Capital increase	75	exit	Alibaba Group Holding	China	501.4	2
CTPark Plzen; CTPark Prague North; CTPark Teplice	Czech Republic	Real Estate & Construction	Acquisition	100	entry	Deka Immobilien	Germany	460.0	1
Partner in Pet Food	Hungary	Food & Beverage	Acquisition	100	entry / exit	Cinven	United Kingdom	381.9 *	3
Bitstamp	Slovenia	Finance & Insurance	Acquisition	80	entry	NXMH	Belgium	346.8	2
CMS Jant Sanayi	Turkey	Manufacturing	Acquisition	100	entry	Actera Group; EBRD	International; Turkey	341.2	2
TriGranit	Hungary	Real Estate & Construction	Acquisition	100	entry / exit	Revetas Capital	United Kingdom	300.0	2
Solaris Bus & Coach	Poland	Manufacturing	Acquisition	100	entry	Construcciones y Auxiliar de Ferrocarriles; Polski Fundusz Rozwoju	Spain; Poland	300.0	1
Elif Holding	Turkey	Manufacturing	Acquisition	100	entry	Turkven private equity	Turkey	292.8	2
Gorenje Group	Slovenia	Manufacturing	Acquisition / Auction	95.4	exit	Hisense Electric	China	279.7	1
Robyg	Poland	Real Estate & Construction	Acquisition / Tender offer	98.2	entry	Goldman Sachs	United States	272.1	1
Kuznya on Rybalsky Plant	Ukraine	Manufacturing	Acquisition	94	exit	TAS Group	Ukraine	265.4	2
Gazpromneft-Vostok	Russia	Mining (incl. oil & gas)	Minority stake	49	entry	Mubadala Investment; Russian Direct Investment Fund (RDIF)	UAE; Russia	257.9	1
Olympic Entertainment Group	Estonia; Latvia; Lithuania	Other	Acquisition / Tender offer	89	entry	Novalpina Capital	United Kingdom	256.6	1
Mammut shopping centre in Budapest	Hungary	Real Estate & Construction	Acquisition	majority	exit	NEPI Rockcastle	South Africa	254.0	1

◆ Value source – key:

1. Official data
2. Market estimate provided by EMIS and based on publicly available information
3. EMIS Estimate

NOTES:

* The estimate assumes an EV/Sales multiple of 1.34x calculated based on a past deal with Partner in Pet Food, and the company's self-reported sales of EUR 285m.

The private equity category includes deals with the participation of private equity firms, sovereign and pension funds, investment companies, asset managers, supranational finance institutions and large investment banks.

Source: All data provided by EMIS

IPOs: top 20 IPOs 2018

Target	Country of Target	Sector	Stock Exchange	Stake %	Deal Value (€m)	Value Source ◆
Avast Software	Czech Republic	Telecoms & IT	London Stock Exchange (LSE)	25.3	686.7	1
Nova Ljubljanska Banka (NLB)	Slovenia	Finance & Insurance	Ljubljana Stock Exchange (LSE)	59.1	608.6	1
Sok Marketler	Turkey	Wholesale & Retail	Borsa Istanbul (BIST)	37.8	442.5	1
Enerjisa Enerji	Turkey	Energy & Utilities	Borsa Istanbul (BIST)	20	314.1	1
Medical Park Hospital Group	Turkey	Education & Healthcare Services	Borsa Istanbul (BIST)	35.2	296.6	1
Port of Tallinn	Estonia	Transportation & Logistics	Nasdaq Tallinn	33	147.4	1
Purcari Wineries	Moldova	Food & Beverage	Bucharest Stock Exchange (BSE)	49	40.1	1
Gradus	Bulgaria	Agriculture & Farming	Bulgarian Stock Exchange (BSE)	18.6	39.7	1
Ten Square Games	Poland	Telecoms & IT	Warsaw Stock Exchange (WSE)	28.1	22.2	1
Novaturas	Lithuania	Services	Nasdaq Vilnius; Warsaw Stock Exchange (WSE)	27	22.1	1
Trabzon Limani Isletmeciligi	Turkey	Transportation & Logistics	Borsa Istanbul (BIST)	30	21.0	1
OncoArendi Therapeutics	Poland	Manufacturing	Warsaw Stock Exchange (WSE)	14.6	13.8	1
Peker	Turkey	Finance & Insurance	Borsa Istanbul (BIST)	32	11.3	1
UDI CEE	Czech Republic	Real Estate & Construction	Prague Stock Exchange (PSE)	58.7	10.1	1
ML System	Poland	Manufacturing	Warsaw Stock Exchange (WSE)	22.7	8.1	1
Fintel Energija	Serbia	Energy & Utilities	Belgrade Stock Exchange (BSE)	5.7	6.4	1
Kafein Yazilim	Turkey	Telecoms & IT	Borsa Istanbul (BIST)	38.9	6.0	1
Silvair	Poland	Telecoms & IT	Warsaw Stock Exchange (WSE)	10.4	4.7	1
Safkar Ege Sogutmacilik	Turkey	Manufacturing	Borsa Istanbul (BIST)	33.3	3.8	1
Trend	Turkey	Finance & Insurance	Borsa Istanbul (BIST)	25	2.5	1

◆ **Value source – key:**

1. Official data
2. Market estimate provided by EMIS and based on publicly available information
3. EMIS Estimate

Real Estate: top 20 deals 2018

Target	Country of Target	Deal Type	Stake %	Buyer	Country of Buyer	Deal Value (€m)	Value Source ◆
Suvorov Plaza	Russia	Acquisition / Debt-for-equity swap	100	Sberbank	Russia	729.8	2
Mostotrest	Russia	Acquisition	94.2	Stroyprojectholding	Russia	559.9	3
CTPark Plzen; CTPark Prague North; CTPark Teplice	Czech Republic	Acquisition	100	Deka Immobilien	Germany	460.0	1
Wars Sawa Junior retail centre in Warsaw	Poland	Acquisition	100	Atrium European Real Estate	Austria	301.5	1
TriGranit	Hungary	Acquisition	100	Revetas Capital	United Kingdom	300.0	2
Robyg	Poland	Acquisition / Tender offer	98.2	Goldman Sachs	United States	272.1	1
Mammut shopping centre in Budapest	Hungary	Acquisition	majority	NEPI Rockcastle	South Africa	254.0	1
Nova Karolina shopping centre in Ostrava	Czech Republic	Acquisition	100	REICO investicni spolecnost Ceske sporitelny	Czech Republic	233.0	2
Rivyera Trade Centre	Russia	Acquisition	100	KLS Securities	Kyrgyzstan	232.9	2
HUP-Zagreb	Croatia	Acquisition	93.9	Adris Grupa	Croatia	222.8	1
Buildings C and D of Gdanski Business Center in Warsaw	Poland	Acquisition	100	Savills Investment Management	United Kingdom	200.0	1
Portfolio of nine logistics parks	Poland	Acquisition	100	Redefine Properties	South Africa	200.0	1
InterContinental Hotel Prague	Czech Republic	Acquisition	100	R2G	Czech Republic	194.3	2
Lumen and Skylight office buildings in Warsaw	Poland	Acquisition	100	Globalworth Real Estate Investments	United Kingdom	190.0	1
Meszaros Epitoipari Holding	Hungary	Acquisition	51	Opus Global	Hungary	187.7	1
Building A of the Warsaw Spire Complex	Poland	Acquisition	50	Madison International Realty	United States	175.0	1
Nevsky Centre	Russia	Acquisition	100	PPF Group	Czech Republic	171.0	1
Commercial property in Istanbul's Maltepe district	Turkey	Acquisition	100	Bakirkoy Gayrimenkul	Turkey	166.7	1
The Bridge office project	Romania	Acquisition	100	Dedeman	Romania	150.0	2
Five logistics facilities of Hines Global REIT	Poland	Acquisition	100	The Blackstone Group	United States	140.0	1

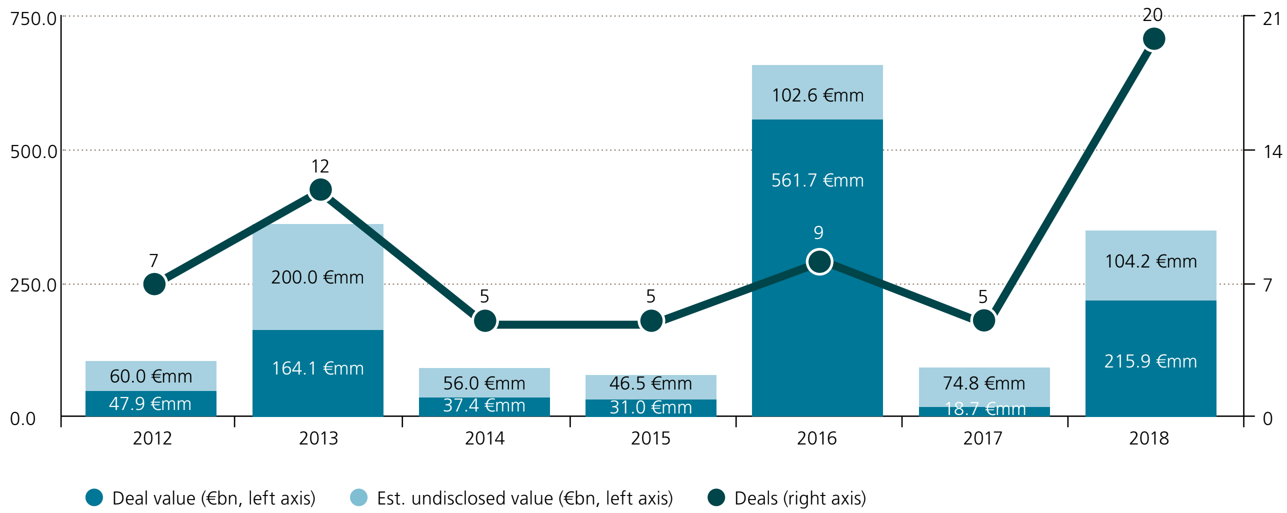
◆ **Value source – key:**
1. Official data
2. Market estimate provided by EMIS and based on publicly available information
3. EMIS Estimate

Source: All data provided by EMIS

Appendix 2:
Country data and top deal lists

Albania

Deals by value and volume in **Albania (2012-2018)**



Number of deals by sector in 2018

Finance & Insurance

5

Real Estate & Construction

3

Wholesale & Retail

3

Education & Healthcare Services

2

Energy & Utilities

2

Manufacturing

2

Media & Publishing

1

Mining (incl. oil & gas)

1

Services

1

Top 5 deals in Albania in 2018

Target	Sector	Deal Type	Stake %	Buyer	Country of Buyer	Deal Value (€m)	Value Source ◆
Societe Generale Bank Albania	Finance & Insurance	Acquisition	88.9	OTP Bank	Hungary	79.0	3
Tirana Bank	Finance & Insurance	Acquisition	98.8	Komercijalna Banka; Balfin Group	Macedonia; Albania	57.1	1
Hygeia Hospital Tirana	Education & Healthcare Services	Acquisition / Distressed deal	100	American Hospital	Albania	30.5	1
Banka NBG Albania	Finance & Insurance	Acquisition	100	NCH Capital	United States	25.0	2
University of New York Tirana	Education & Healthcare Services	Acquisition	100	Government Of Turkey	Turkey	9.5	2

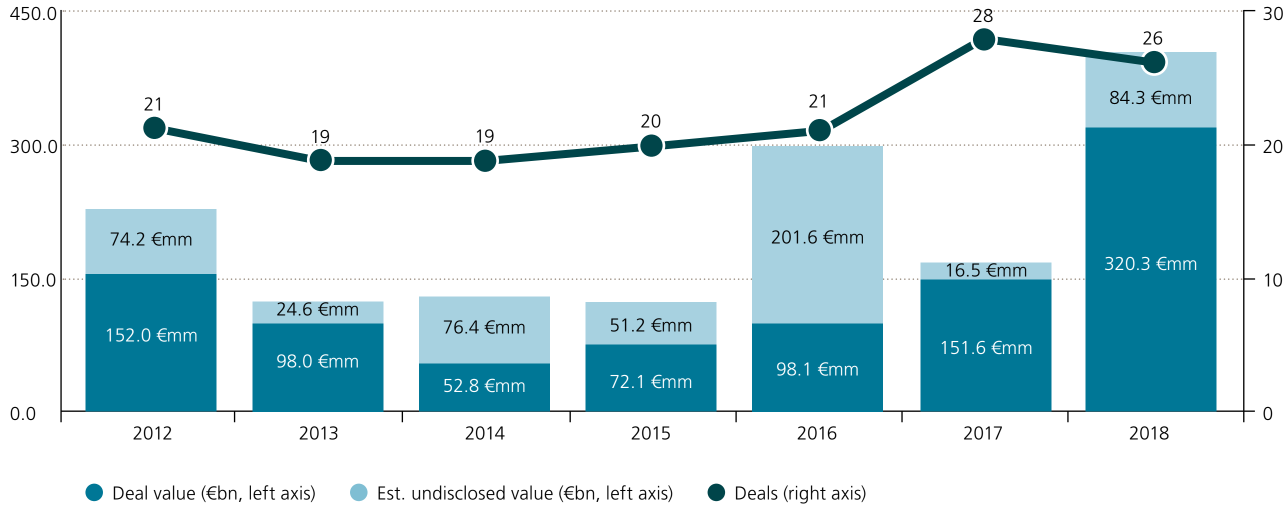
◆ **Value source – key:**

1. Official data
2. Market estimate provided by EMIS and based on publicly available information
3. EMIS Estimate

Source: All data provided by EMIS

Bosnia and Herzegovina

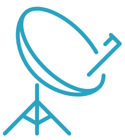
Deals by value and volume in **Bosnia and Herzegovina (2012-2018)**



Number of deals by sector in 2018

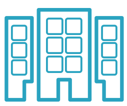
Telecoms & IT

6



Real Estate & Construction

6



Finance & Insurance

5

Manufacturing

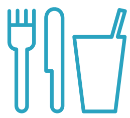
4

Education & Healthcare Services

1

Food & Beverage

1



Media & Publishing

1

Mining (incl. oil & gas)

1

Wholesale & Retail

1

Top 5 deals in Bosnia and Herzegovina in 2018

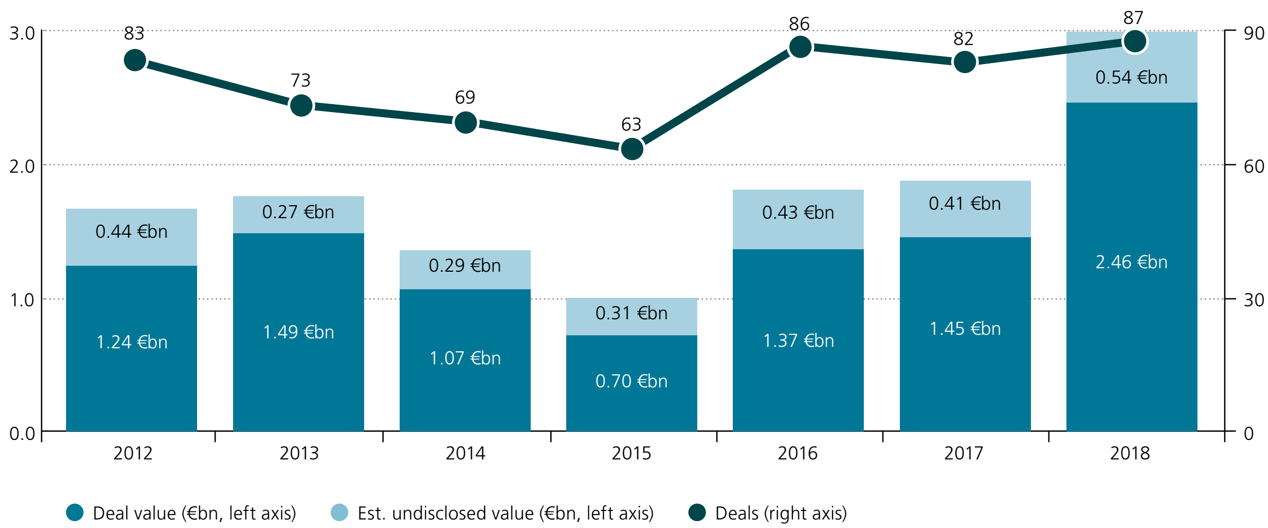
Target	Sector	Deal Type	Stake %	Buyer	Country of Buyer	Deal Value (€m)	Value Source ◆
United Group (local assets)	Telecoms & IT	Acquisition	majority	BC Partners Holdings	United Kingdom	226.5	3
Office building at 2 Vuk Karadzic Str in Banja Luka	Real Estate & Construction	Acquisition	100	Telekom Srpske ad Banja Luka	Bosnia and Herzegovina	33.5	2
Office building of Energoinvest (Sarajevo)	Real Estate & Construction	Acquisition	100	Government of Federation of Bosnia and Herzegovina	Bosnia and Herzegovina	27.7	2
Atos Osiguranje (Bijeljina)	Finance & Insurance	Acquisition	100	GRAWE Group	Austria	11.6	2
Olimpijski Centar Jahorina	Real Estate & Construction	Minority stake	32.6	n.a.	n.a.	7.1	1

◆ **Value source – key:**
1. Official data
2. Market estimate provided by EMIS and based on publicly available information
3. EMIS Estimate

Source: All data provided by EMIS

Bulgaria

Deals by value and volume in **Bulgaria (2012-2018)**



Number of deals by sector in 2018

Real Estate & Construction	19
Telecoms & IT	19
Manufacturing	10
Energy & Utilities	7
Food & Beverage	7
Finance & Insurance	5
Wholesale & Retail	5
Media & Publishing	4
Other	11

Top 10 deals in Bulgaria in 2018

Target	Sector	Deal Type	Stake %	Buyer	Country of Buyer	Deal Value (€m)	Value Source ◆
Telenor Bulgaria	Telecoms & IT	Acquisition	100	PPF Group	Czech Republic	797.8	3
Societe Generale Expressbank	Finance & Insurance	Acquisition	99.7	OTP Bank	Hungary	408.4	3
CEZ Bulgaria assets *	Energy & Utilities	Acquisition	67	Inercom	Bulgaria	320.0	2
Nova Broadcasting Group **	Media & Publishing	Acquisition	100	PPF Group	Czech Republic	184.5	1
Four solar power plants of Hareon Solar	Energy & Utilities	Acquisition	100	Hong Kong Jinming	Hong Kong	106.6	1
Mall of Sofia	Real Estate & Construction	Acquisition	100	Globe Trade Centre	Poland	90.0	1
Megapark Complex	Real Estate & Construction	Acquisition	100	Lion's Head Investments	Bulgaria	82.0	3
Seven solar power plants of Samsung	Energy & Utilities	Acquisition	100	KGAL; Micronix Group	Germany; Czech Republic	80.0	2
Piraeus Bank Bulgaria	Finance & Insurance	Acquisition	100	Eurobank Ergasias	Greece	75.0	1
Office part of Millennium Center building complex	Real Estate & Construction	Acquisition	100	United Bulgarian Bank	Bulgaria	52.4	1

◆ Value source – key:

1. Official data
2. Market estimate provided by EMIS and based on publicly available information
3. EMIS Estimate

NOTES:

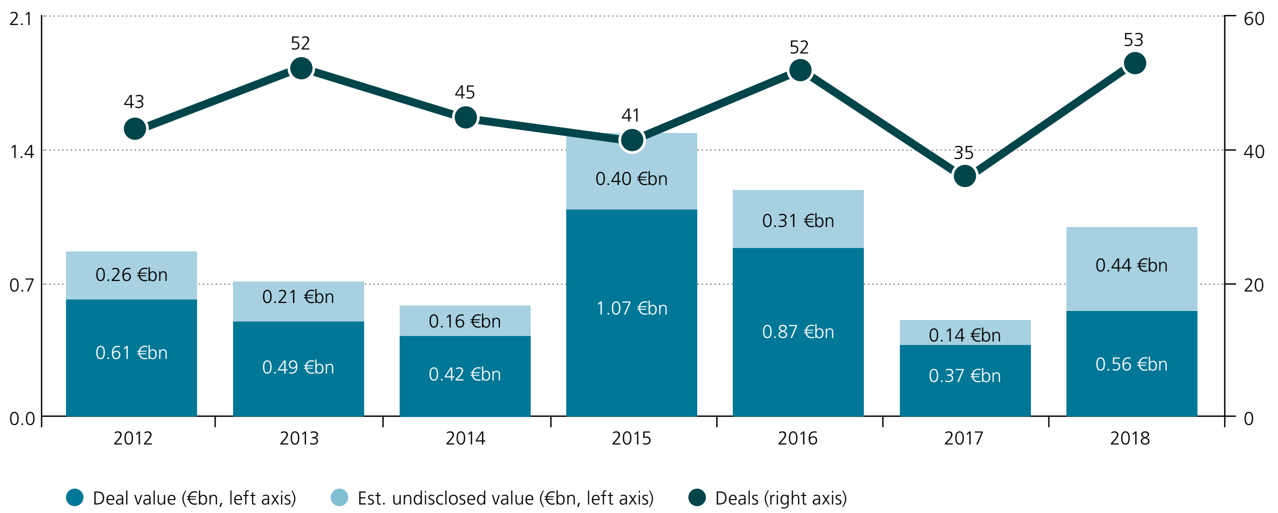
* As of late December, the deal is still pending regulatory approval subject to the resolution of legal arguments between the regulator and the involved deal sides.

** On 07 January PPF announced that they will not proceed with the acquisition.

Source: All data provided by EMIS

Croatia

Deals by value and volume in **Croatia (2012-2018)**



Number of deals by sector in 2018

Real Estate & Construction

12

Manufacturing

11

Telecoms & IT

8

Energy & Utilities

6

Finance & Insurance

5

Services

3

Food & Beverage

2

Other

6

Top 10 deals in Croatia in 2018

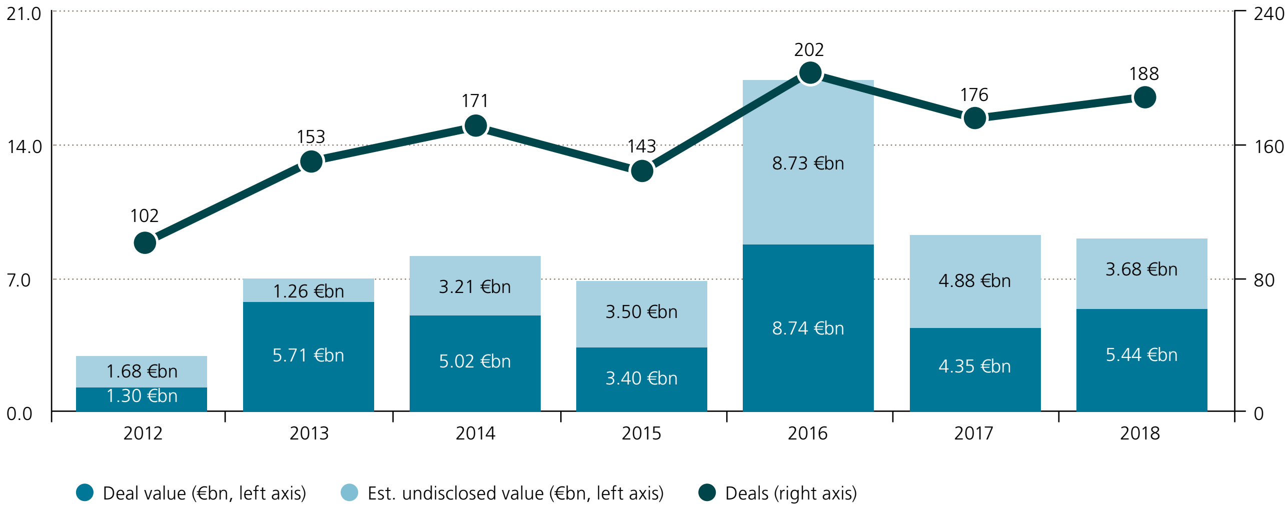
Target	Sector	Deal Type	Stake %	Buyer	Country of Buyer	Deal Value (€m)	Value Source ◆
HUP-Zagreb	Real Estate & Construction	Acquisition	93.9	Adris Grupa	Croatia	222.8	1
City Center One Zagreb East and West	Real Estate & Construction	Acquisition	100	Hyprop Investments; Homestead Group Holdings	South Africa; United Kingdom	129.1	1
Petrokemija	Manufacturing	Privatization	81.8	Fond NEK; INA; JANAF; Plinacro; Prvo Plinarsko Drustvo (PPD)	Croatia	60.8	1
Jadran	Real Estate & Construction	Privatization	70.7	PBZ Croatia Osiguranje; Erste Plavi	Croatia	26.7	1
Rimac Automobili	Manufacturing	Minority stake	10	Porsche Automobil Holding	Germany	18.7	1
Two retail parks with GLA of 13,500 m2	Real Estate & Construction	Acquisition	100	IMMOFINANZ Group	Austria	17.9	3
Shipyard Viktor Lenac	Manufacturing	Acquisition	82	Palumbo Group; P&L Shiprepair Holding	Italy; Malta	17.0	3
Jadranska Banka	Finance & Insurance	Acquisition	100	Hrvatska Postanska Banka (HPB)	Croatia	14.9	1
Building at Paromlinska Str in Zagreb	Real Estate & Construction	Acquisition / Auction	100	Energius Loci	Croatia	10.2	1
Pana	Manufacturing	Minority stake / Capital increase	n.a.	Weitzer Parkett	Austria	10.0	2

◆ Value source – key:
1. Official data
2. Market estimate provided by EMIS and based on publicly available information
3. EMIS Estimate

Source: All data provided by EMIS

Czech Republic

Deals by value and volume in **Czech Republic (2012-2018)**



Number of deals by sector in 2018

Real Estate & Construction

55

Manufacturing

36

Telecoms & IT

26

Services

13

Wholesale & Retail

13

Finance & Insurance

10

Transportation & Logistics

9

Media & Publishing

6

Other

20

Top 10 deals in Czech Republic in 2018

Zentiva	Sector	Deal Type	Stake %	Buyer	Country of Buyer	Deal Value (€m)	Value Source ◆
Zentiva	Manufacturing	Acquisition	100	Advent International	United States	1,919.0	1
Liberty Global assets (UPC Czech Republic)	Telecoms & IT	Acquisition	100	Vodafone Group	United Kingdom	1,422.3	3
CTPark Plzen; CTPark Prague North; CTPark Teplice	Real Estate & Construction	Acquisition	100	Deka Immobilien	Germany	460.0	1
Nova Karolina shopping centre in Ostrava	Real Estate & Construction	Acquisition	100	REICO investicni spolecnost Ceske sporitelny	Czech Republic	233.0	2
InterContinental Hotel Prague	Real Estate & Construction	Acquisition	100	R2G	Czech Republic	194.3	2
Trimaran office building and Element office centre in Prague	Real Estate & Construction	Acquisition	100	Allianz Real Estate	Germany	110.0	1
Metronom Business Center in Prague	Real Estate & Construction	Acquisition	100	REICO investicni spolecnost Ceske sporitelny	Czech Republic	90.2	1
Veolia Energie CR	Energy & Utilities	Minority stake	10	Veolia Environnement	France	85	1
Aegon Pojistovna	Finance & Insurance	Acquisition	100	NN Group	Netherlands	77.5	3
Fortuna Entertainment Group	Other	Minority stake / Tender offer	20.2	Penta Investments	Czech Republic	74.9	3

◆ Value source – key:

1. Official data
2. Market estimate provided by EMIS and based on publicly available information
3. EMIS Estimate

NOTES:

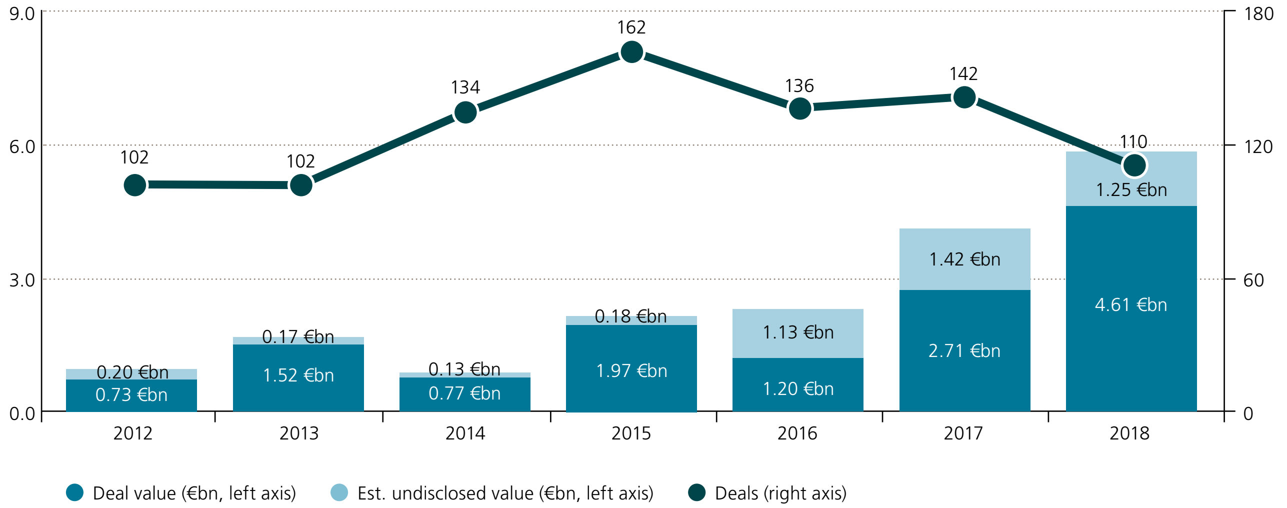
The purchase of ArcelorMittal Ostrava by Liberty House is not included as the deal value could not be estimated.

The deal for the local Czech assets of Partner in Pet Food (Hungary) is not included as its separate value could not be estimated.

Source: All data provided by EMIS

Hungary

Deals by value and volume in **Hungary (2012-2018)**



Number of deals by sector in 2018

Real Estate & Construction	39
Services	13
Telecoms & IT	11
Finance & Insurance	8
Food & Beverage	8
Energy & Utilities	7
Manufacturing	7
Wholesale & Retail	7
Other	10

Top 10 deals in Hungary in 2018

Target	Sector	Deal Type	Stake %	Buyer	Country of Buyer	Deal Value (€m)	Value Source ◆
Liberty Global assets (UPC Hungary)	Telecoms & IT	Acquisition	100	Vodafone Group	United Kingdom	1,707.5	3
Telenor Magyarorszag	Telecoms & IT	Acquisition	100	PPF Group	Czech Republic	1,017.0	3
Partner in Pet Food	Food & Beverage	Acquisition	100	Cinven	United Kingdom	381.9 *	3
TriGranit	Real Estate & Construction	Acquisition	100	Revetas Capital	United Kingdom	300.0	2
Mammut shopping centre in Budapest	Real Estate & Construction	Acquisition	majority	NEPI Rockcastle	South Africa	254.0	1
Meszaros Epitoipari Holding	Real Estate & Construction	Acquisition	51	Opus Global	Hungary	187.7	1
Mill Park	Real Estate & Construction	Acquisition	100	Erste Group Bank	Austria	100.0	1
Balabit	Telecoms & IT	Acquisition	100	Quest Software	United States	82.0	2
Promenade Gardens	Real Estate & Construction	Acquisition	100	Erste Group Bank	Austria	75.0	2
Portfolio of 18 retail assets of Atrium European Real Estate	Real Estate & Construction	Acquisition	100	undisclosed	n.a.	70.0	1

◆ Value source – key:

1. Official data
2. Market estimate provided by EMIS and based on publicly available information
3. EMIS Estimate

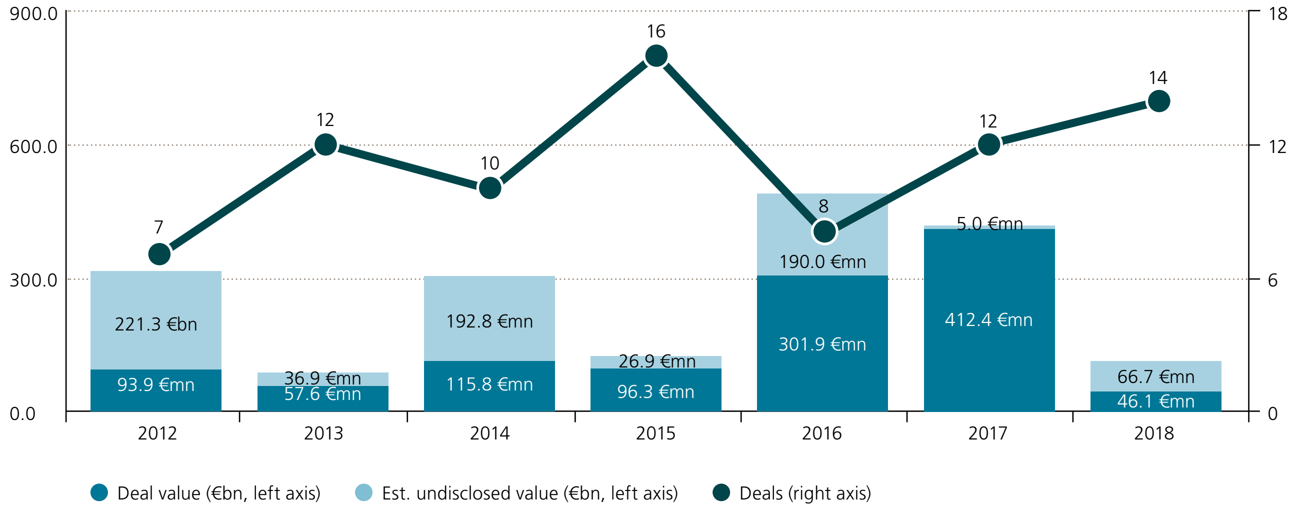
NOTES:

* The estimate assumes an EV/Sales multiple of 1.34x calculated based on a past deal with Partner in Pet Food, and the company's self-reported sales of EUR 285m.

Source: All data provided by EMIS

Montenegro

Deals by value and volume in **Montenegro (2012-2018)**



Number of deals by sector in 2018

Telecoms & IT

3

Real Estate & Construction

3

Manufacturing

2

Media & Publishing

2

Energy & Utilities

1

Finance & Insurance

1

Mining (incl. oil & gas)

1

Education & Healthcare Services

1

Top 3 deals in Montenegro in 2018

Target	Sector	Deal Type	Stake %	Buyer	Country of Buyer	Deal Value (€m)	Value Source ◆
Rudnik Uglja Pljevlja	Mining (incl. oil & gas)	Acquisition / Tender offer	96.8	Elektroprivreda Crne Gore	Montenegro	31.4	1
Fjord Hotel	Real Estate & Construction	Acquisition	100	Boka Bay Investment	Montenegro	10.5	2
Institute Dr Simo Milosevic	Education & Healthcare Services	Privatization	26	Vile Oliva	Montenegro	2.8	2

◆ Value source – key:

1. Official data
2. Market estimate provided by EMIS and based on publicly available information
3. EMIS Estimate

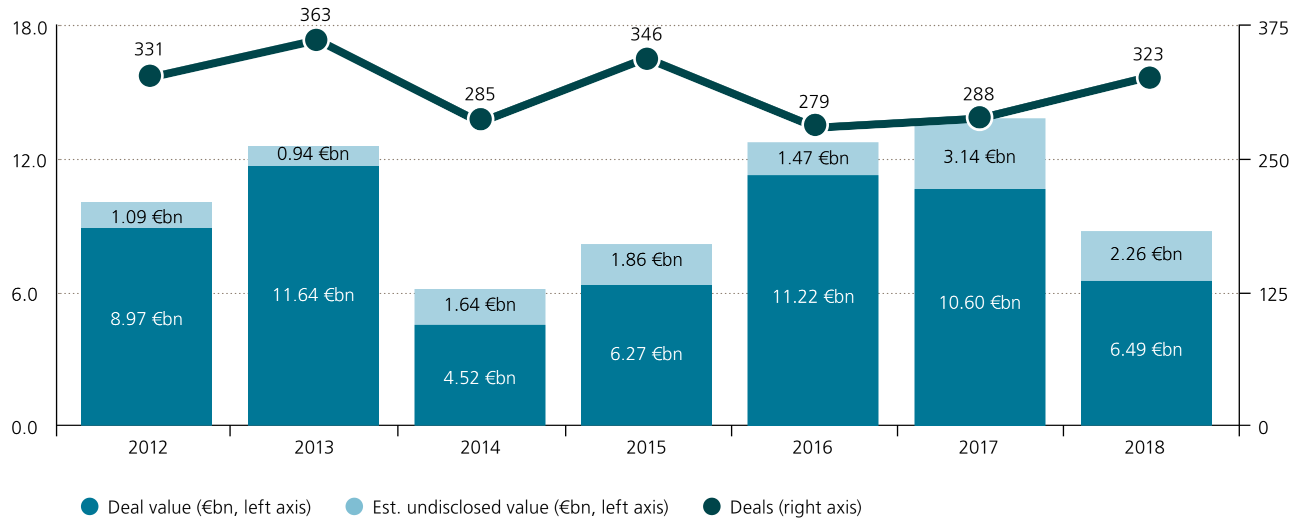
NOTES:

The deal for Telenor is not included as the value of the assets in Montenegro could not be estimated.

Source: All data provided by EMIS

Poland

Deals by value and volume in **Poland (2012-2018)**



Number of deals by sector in 2018

Real Estate & Construction

77

Manufacturing

51

Telecoms & IT

43

Services

38

Wholesale & Retail

29

Finance & Insurance

27

Food & Beverage

20

Education & Healthcare Services

13

Other

25

Top 20 deals in Poland in 2018

Target	Sector	Deal Type	Stake %	Buyer	Country of Buyer	Deal Value (€m)	Value Source ◆
Core banking operations of Raiffeisen Bank Polska	Finance & Insurance	Acquisition	100	BNP Paribas	France	770.3	1
Euro Bank	Finance & Insurance	Acquisition	100	Bank Millennium	Poland	425.5	1
Wars Sawa Junior retail centre in Warsaw	Real Estate & Construction	Acquisition	100	Atrium European Real Estate	Austria	301.5	1
Solaris Bus & Coach	Manufacturing	Acquisition	100	Construcciones y Auxiliar de Ferrocarriles; Polski Fundusz Rozwoju	Spain; Poland	300.0	1
Robyg	Real Estate & Construction	Acquisition / Tender offer	98.2	Goldman Sachs	United States	272.1	1
Buildings C and D of Gdanski Business Center in Warsaw	Real Estate & Construction	Acquisition	100	Savills Investment Management	United Kingdom	200.0	1
Portfolio of nine logistics parks	Real Estate & Construction	Acquisition	100	Redefine Properties	South Africa	200.0	1
Lumen and Skylight office buildings in Warsaw	Real Estate & Construction	Acquisition	100	Globalworth Real Estate Investments	United Kingdom; Poland	190.0	1
Building A of the Warsaw Spire Complex	Real Estate & Construction	Acquisition	50	Madison International Realty	United States	175.0	1
Netia	Telecoms & IT	Acquisition / Tender offer	33	Cyfrowy Polsat	Poland	148.1	1
Inter Team	Wholesale & Retail	Acquisition	100	Mekonomen	Sweden	146.2	3
Five logistics facilities of Hines Global REIT	Real Estate & Construction	Acquisition	100	The Blackstone Group	United States	140.0	1
Quattro Business Park in Krakow	Real Estate & Construction	Acquisition	100	Globalworth Real Estate Investments	United Kingdom	139.0	1
Cedet office building	Real Estate & Construction	Acquisition	100	GLL Real Estate Partners	Germany	129.5	1
Browar Namyslow	Food & Beverage	Acquisition	100	Grupa Zywiec	Poland	116.5	1
Spektrum Tower office building in Warsaw	Real Estate & Construction	Acquisition	100	Globalworth Real Estate Investments	United Kingdom	101.0	1
Building C of the Warsaw Spire Complex	Real Estate & Construction	Acquisition	100	CA Immobilien Anlagen	Austria	100.0	1
intive	Telecoms & IT	Acquisition	100	Mid Europa Partners	United Kingdom	100.0	1
Bank BGZ BNP Paribas	Finance & Insurance	Minority stake	4.5	EBRD	International	99.8	1
King Cross Marcelin Shopping Centre in Poznan	Real Estate & Construction	Acquisition	100	Echo Polska Properties	Netherlands	91.1	1

◆ Value source – key:
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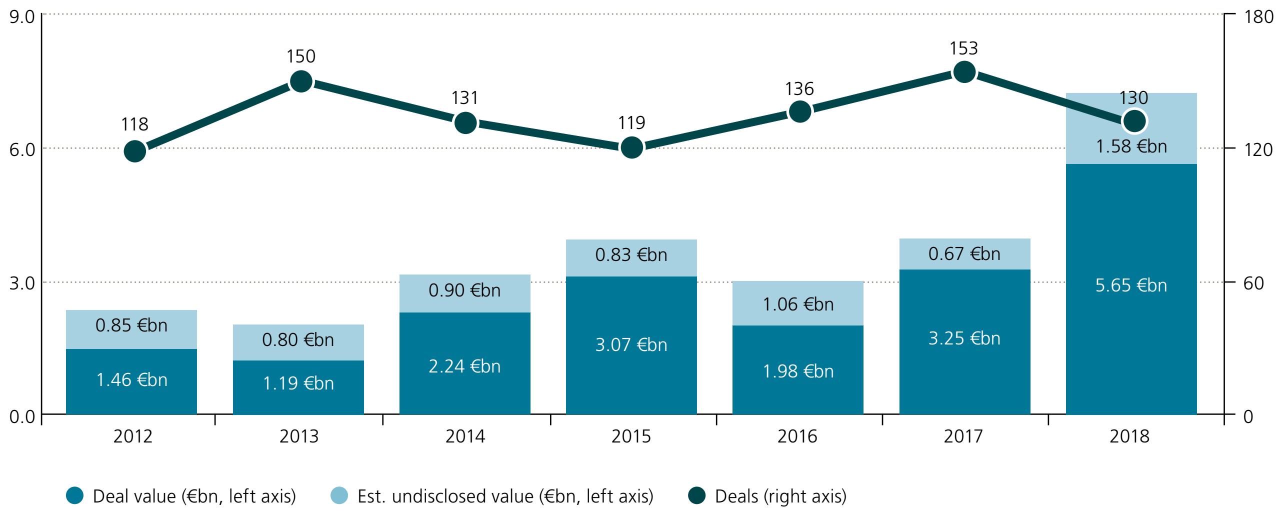
3. EMIS Estimate

Source: All data provided by EMIS

Romania

Deals by value and volume in **Romania (2012-2018)**



Number of deals by sector in 2018

Telecoms & IT

26

Real Estate & Construction

24

Manufacturing

23

Education & Healthcare Services

11

Wholesale & Retail

9

Services

8

Finance & Insurance

6

Agriculture & Farming

5

Other

18

Top 10 deals in Romania in 2018

Target	Sector	Deal Type	Stake %	Buyer	Country of Buyer	Deal Value (€m)	Value Source ◆
Liberty Global assets (UPC Romania)	Telecoms & IT	Acquisition	100	Vodafone Group	United Kingdom	2,940.3	3
Softvision	Telecoms & IT	Acquisition	100	Cognizant Technology Solutions	United States	478.2	2
UiPath	Telecoms & IT	Capital increase / Minority stake	8.8	Accel Partners; Sequoia Capital; IVP; Meritech Capital Partners; CapitalG; Madrona Venture Group	United States	234.6	1
Agricost Braila	Agriculture & Farming	Acquisition	100	Al Dahra Agriculture	UAE	225.0	3
The Bridge office project	Real Estate & Construction	Acquisition	100	Dedeman	Romania	150.0	2
Banca Comerciala Romana (BCR)	Finance & Insurance	Minority stake	6.3	Erste Group Bank	Austria	141.7	1
Oregon Park	Real Estate & Construction	Acquisition	100	Lion's Head Investments	Bulgaria	135.0	2
UiPath	Telecoms & IT	Capital increase / Minority stake	13.9	Accel Partners; CapitalG; Kleiner, Perkins, Caufield & Byers (KPCB)	United States	123.3	1
Urgent Cargus	Transportation & Logistics	Acquisition	100	Mid Europa Partners LLP	United Kingdom	120.0	2
Bank Leumi Romania	Finance & Insurance	Acquisition	99.9	Argo Group	United Kingdom	110.0	2

◆ Value source – key:

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3. EMIS Estimate

NOTES:

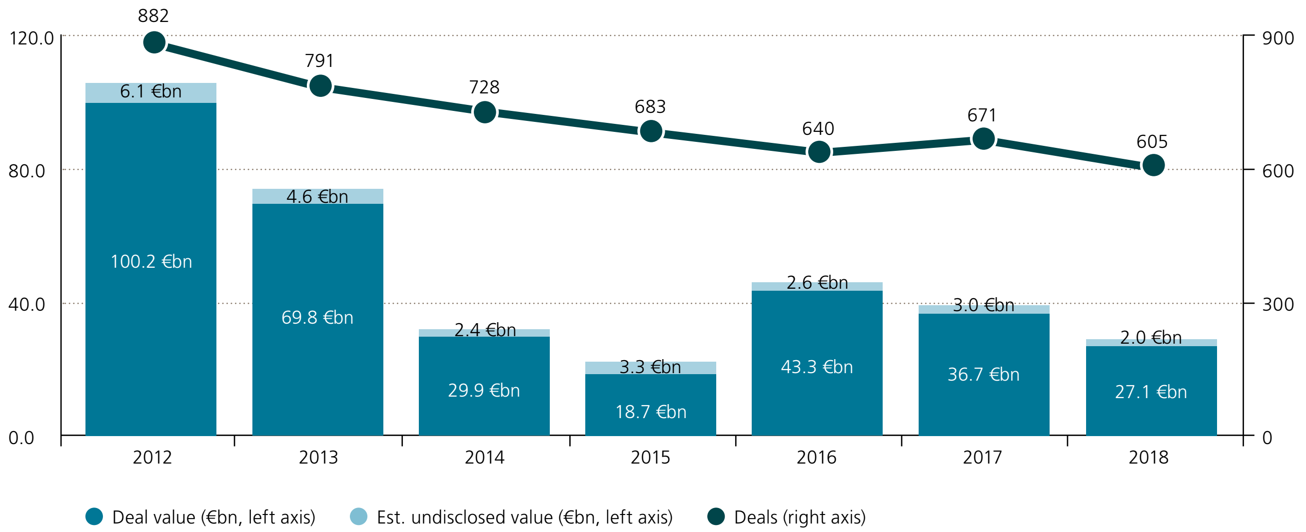
The purchase of ArcelorMittal Galati by Liberty House is not included as the deal value could not be estimated.

The deal for the local Romanian assets of Zentiva (Czech Republic) is not included as their separate value could not be estimated.

Source: All data provided by EMIS

Russia

Deals by value and volume in **Russia (2012-2018)**



Number of deals by sector in 2018

Mining (incl. oil & gas)

91

Real Estate & Construction

88

Telecoms & IT

81

Manufacturing

74

Services

55

Wholesale & Retail

43

Finance & Insurance

32

Transportation & Logistics

31

Other

110

Top 20 deals in Russia in 2018

Target	Sector	Deal Type	Stake %	Buyer	Country of Buyer	Deal Value (€m)	Value Source ◆
Rosneft	Mining (incl. oil & gas)	Minority stake	9.2	Qatar Investment Authority	Qatar	3,816.9	1
Arctic LNG 2	Mining (incl. oil & gas)	Minority stake	10.0	Total	France	2,174.4	1
Magnit	Wholesale & Retail	Minority stake	29.1	VTB Bank	Russia	1,967.8	1
Donskoy Tabak	Food & Beverage	Acquisition	100	Japan Tobacco	Japan	1,352.6	1
Magnit	Wholesale & Retail	Minority stake	11.8	Marathon Group	Russia	867.1	2
AvtoVAZ	Manufacturing	Acquisition / Debt-for-equity swap	53.5	Rostec; Renault	Russia; France	787.4	1
Baimskaya copper project	Mining (incl. oil & gas)	Acquisition	100	KAZ Minerals	Kazakhstan	774.7	1
Suvorov Plaza	Real Estate & Construction	Acquisition / Debt-for-equity swap	100	Sberbank	Russia	729.8	2
Novorossiysk Commercial Sea Port (NCSP)	Transportation & Logistics	Acquisition	25	Transneft	Russia	653.4	1
Eldorado	Wholesale & Retail	Acquisition	100	M.video	Russia	651.8	1
Mostotrest	Real Estate & Construction	Acquisition	94.2	Stroyprojectholding	Russia	559.9	3
RusAl	Manufacturing	Minority stake	6	Viktor Vekselberg - private investor; Leonard Blavatnik - private investor	Russia	516.5	3
Trade Company Megapolis	Wholesale & Retail	Minority stake	10.2	Japan Tobacco International; Philip Morris International	Switzerland	435.0	2
Geotransgaz; Urengoy Gas Company	Mining (incl. oil & gas)	Acquisition / Auction	100	Novatek	Russia	432.5	1
Arcticgas	Mining (incl. oil & gas)	Minority stake	3.3	Gazprom Neft	Russia	419.4	1
M.video	Wholesale & Retail	Minority stake	15	MediaMarktSaturn Retail Group	Germany	403.4	2
Gold of Kamchatka	Mining (incl. oil & gas)	Acquisition	100	GV Gold	Russia	400.0	2
Preobrazhenskaya Base of Trawling Fleet	Agriculture & Farming	Acquisition	96.4	Ostrov Sakhalin	Russia	367.2	2
Uralkali	Manufacturing	Minority stake	10.2	Sberbank	Russia	343.1	1
Gazpromneft-Vostok	Mining (incl. oil & gas)	Minority stake	49	Mubadala Investment; Russian Direct Investment Fund (RDIF)	UAE; Russia	257.9	1

◆ **Value source – key:**
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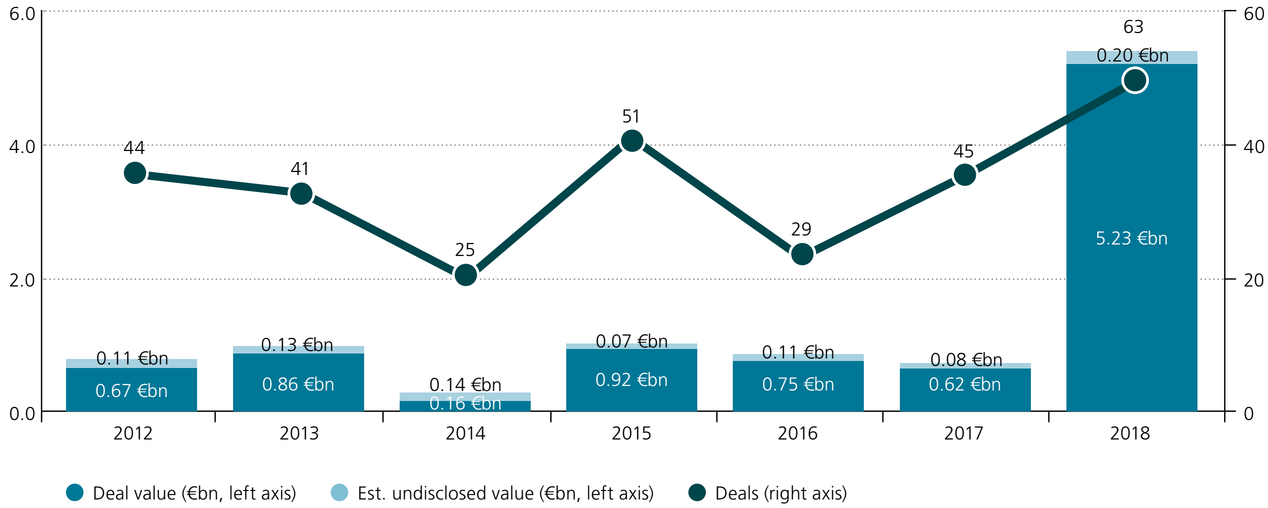
3. EMIS Estimate

Source: All data provided by EMIS

Serbia

Deals by value and volume in **Serbia (2012-2018)**



Number of deals by sector in 2018

Finance & Insurance

9

Food & Beverage

9

Real Estate & Construction

9

Manufacturing

8

Telecoms & IT

8

Mining (incl. oil & gas)

6

Agriculture & Farming

4

Energy & Utilities

3

Other

7

Top 10 deals in Serbia in 2018

Target	Sector	Deal Type	Stake %	Buyer	Country of Buyer	Deal Value (€m)	Value Source ◆
RTB Bor Group	Mining (incl. oil & gas)	Privatization	63	Zijin Mining Group	China	1,287.4	1
Telenor D.O.O.	Telecoms & IT	Acquisition	100	PPF Group	Czech Republic	985.2	3
United Group (local assets)	Telecoms & IT	Acquisition	majority	BC Partners Holdings	United Kingdom	977.4	3
Nevsun Resources (Timok project)	Mining (incl. oil & gas)	Acquisition	100	Zijin Mining Group	China	598.7	3
Nikola Tesla Airport	Transportation & Logistics	Privatization	83.2	Vinci	France	501.0	2
Kopernikus Technology	Telecoms & IT	Acquisition	100	Telekom Serbia	Serbia	200.0	2
Media operations of Antenna Group	Media & Publishing	Acquisition	100	Srdjan Milovanovic - private investor	Serbia	180.0	1
Frame	Telecoms & IT	Acquisition	majority	Nutanix	United States	142.0	1
Fabrika Hartije (Beograd); Avala Ada (Beograd)	Manufacturing	Acquisition	100	Smurfit Kappa Group	Ireland	133.0	1
PKB Korporacija	Agriculture & Farming	Privatization	100	Al Dahra Agriculture	UAE	105.1	1

◆ **Value source – key:**

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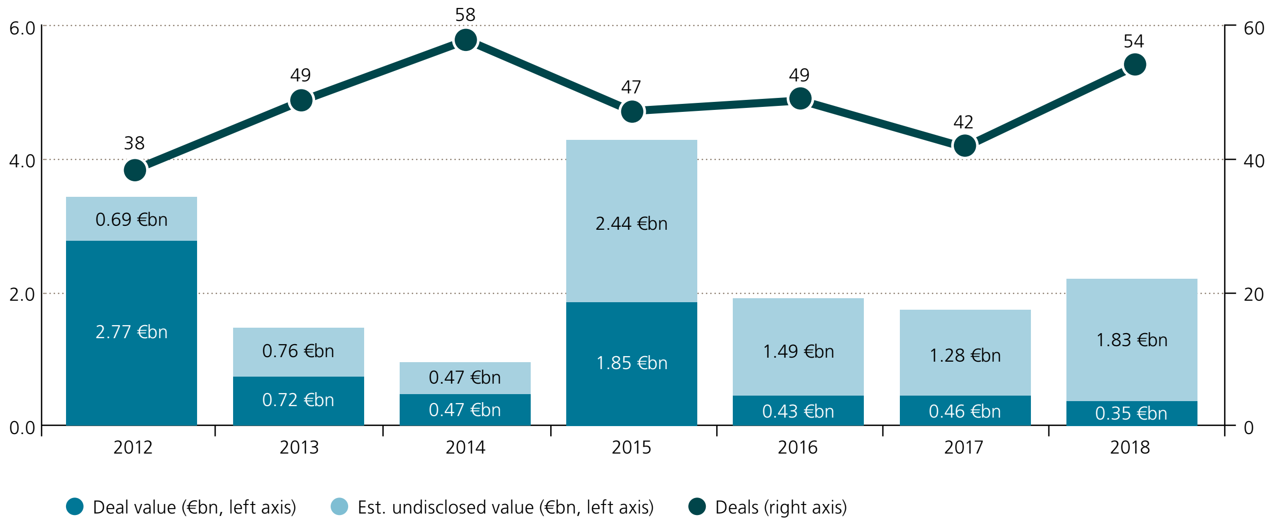
3. EMIS Estimate

Source: All data provided by EMIS

Slovakia

Deals by value and volume in **Slovakia (2012-2018)**



Number of deals by sector in 2018

Real Estate & Construction

11

Manufacturing

10

Telecoms & IT

7

Wholesale & Retail

6

Services

5

Energy & Utilities

4

Finance & Insurance

4

Food & Beverage

3

Other

4

Top 5 deals in Slovakia in 2018

Target	Sector	Deal Type	Stake %	Buyer	Country of Buyer	Deal Value (€m)	Value Source ◆
Galeria Mlyny shopping centre in Nitra	Real Estate & Construction	Acquisition	100	NEPI Rockcastle	South Africa	121.8	1
Tatravagonka	Manufacturing	Acquisition	50	Budamar Logistics	Slovakia	100.0	2
Aegon d.s.s.; Aegon Zivotna Poistovna	Finance & Insurance	Acquisition	100	NN Group	Netherlands	77.5	3
Industrial Park Dubnica	Real Estate & Construction	Acquisition	100	REICO investicni spolecnost Ceske sporitelny	Czech Republic	39.0	1
Radio business of Lagardere in Slovakia	Media & Publishing	Acquisition	100	Czech Media Invest	Czech Republic	5.2	3

◆ **Value source – key:**

1. Official data
2. Market estimate provided by EMIS and based on publicly available information
3. EMIS Estimate

NOTES:

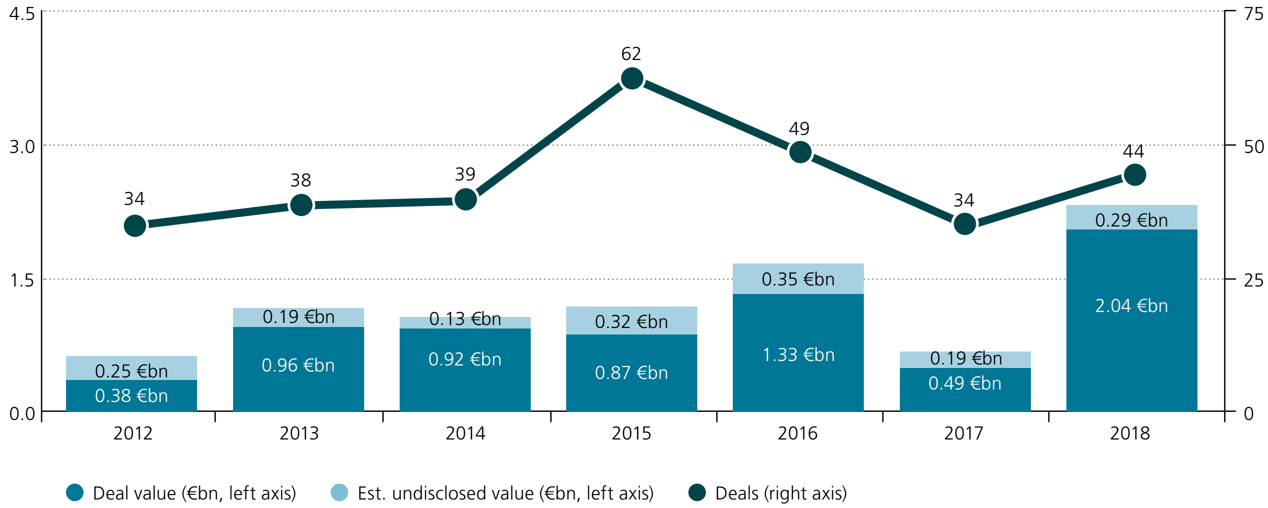
The deal for the local Slovak assets of Partner in Pet Food (Hungary) is not included as its separate value could not be estimated.

The acquisition of nine KLM retail parks by Tatra Asset Management as well as the deals for Aupark Tower, BBC5 and New Stein office buildings in Slovakia are not included due to undisclosed value and no available estimate.

Source: All data provided by EMIS

Slovenia

Deals by value and volume in **Slovenia (2012-2018)**



Number of deals by sector in 2018

Manufacturing

9

Finance & Insurance

8

Real Estate & Construction

6

Telecoms & IT

4

Energy & Utilities

3

Food & Beverage

3

Transportation & Logistics

3

Media & Publishing

2

Other

6

Top 10 deals in Slovenia in 2018

Target	Sector	Deal Type	Stake %	Buyer	Country of Buyer	Deal Value (€m)	Value Source ◆
United Group (local assets)	Telecoms & IT	Acquisition	majority	BC Partners Holdings	United Kingdom	660.9	3
Bitstamp	Finance & Insurance	Acquisition	80	NXMH	Belgium	346.8	2
Gorenje Group	Manufacturing	Acquisition / Auction	95.4	Hisense Electric	China	279.7	1
Adriatic Slovenica	Finance & Insurance	Acquisition	100	Assicurazioni Generali	Italy	245.0	1
Sanolabor	Wholesale & Retail	Acquisition	98.1	Salus Veletrgovina	Slovenia	175.1	1
Ten shopping centres of Mercator	Real Estate & Construction	Acquisition	100	Supernova Invest	Austria	116.6	1
Three retail parks with GLA of 22,000 m2	Real Estate & Construction	Acquisition	100	IMMOFINANZ Group	Austria	29.3	3
KBM Infond	Finance & Insurance	Acquisition	77	Sava Re	Slovenia	25.0	2
Alta Skladi	Finance & Insurance	Acquisition	100	Zavarovalnica Triglav	Slovenia	21.7	1
Marina Portoroz	Other	Acquisition	100	Adventura Holding	Slovenia	21.6	2

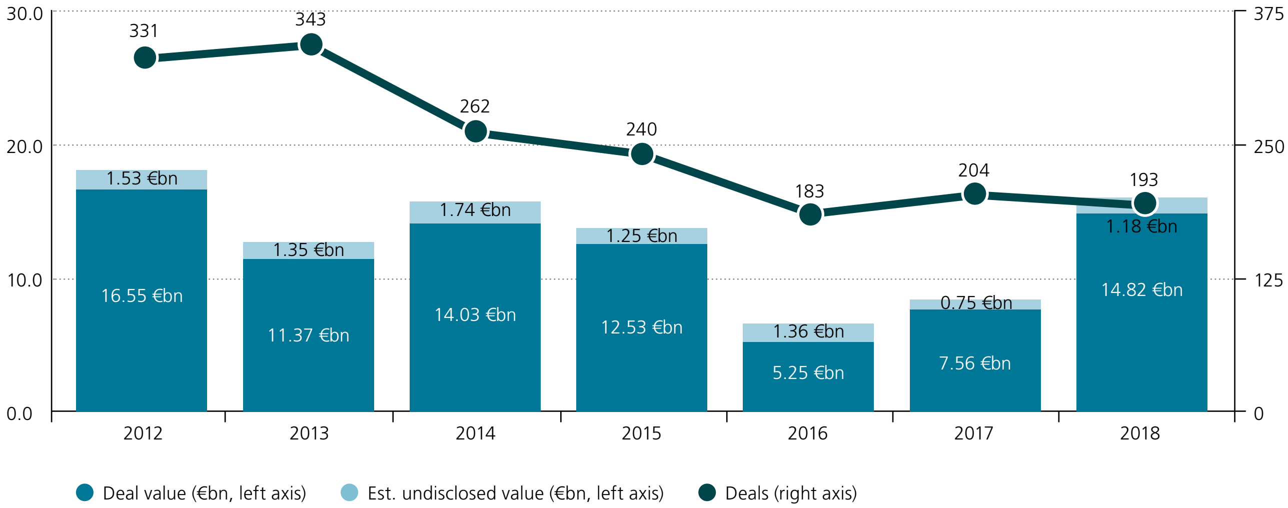
◆ **Value source – key:**

1. Official data
2. Market estimate provided by EMIS and based on publicly available information
3. EMIS Estimate

Source: All data provided by EMIS

Turkey

Deals by value and volume in **Turkey (2012-2018)**



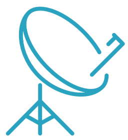
Number of deals by sector in 2018

Manufacturing

36

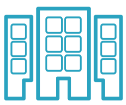
Telecoms & IT

27



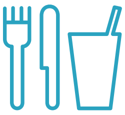
Real Estate & Construction

25



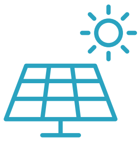
Food & Beverage

20



Energy & Utilities

18



Services

18

Wholesale & Retail

13

Finance & Insurance

12

Other

24

Top 20 deals in Turkey in 2018

Target	Sector	Deal Type	Stake %	Buyer	Country of Buyer	Deal Value (€m)	Value Source ◆
Turk Telekom	Telecoms & IT	Acquisition / Distressed deal	55	Is Bankasi; Garanti Bankasi; Akbank	Turkey	4,161.5	3
DenizBank	Finance & Insurance	Acquisition	99.9	Emirates NBD	UAE	2,581.9	1
UN Ro-Ro	Transportation & Logistics	Acquisition	98.8	DFDS	Denmark	938.6	1
Media assets of Dogan Holding	Media & Publishing	Acquisition	majority	Demiroren Holding	Turkey	777.3	1
Star Refinery project	Manufacturing	Minority stake	18	Petkim	Turkey	605.0	1
Oyak Cimento	Manufacturing	Minority stake	40	Taiwan Cement	Taiwan	564.1	1
DSM Grup Iletisim Pazarlama (Trendyol.com)	Food & Beverage	Acquisition / Capital increase	75	Alibaba Group Holding	China	501.4	2
Antalya International Airport	Transportation & Logistics	Minority stake	49	TAV Havalimanlari Holding	Turkey	360.0	1
CMS Jant Sanayi	Manufacturing	Acquisition	100	Actera Group; EBRD	Turkey; International	341.2	2
Elif Holding	Manufacturing	Acquisition	100	Turkven private equity	Turkey	292.8	2
OpsGenie	Telecoms & IT	Acquisition	100	Atlassian Corp	United States	255.2	1
Gram Games	Telecoms & IT	Acquisition	100	Zynga	United States	214.9	1
Meta Nikel Kobalt Madencilik	Mining (incl. oil & gas)	Acquisition	50	Vestel Elektronik	Turkey	214.8	1
Meta Nikel Kobalt Madencilik	Mining (incl. oil & gas)	Acquisition / Capital increase	50	GSR Capital	China	202.9	3
ERG Verbund Elektrik Uretim	Energy & Utilities	Acquisition	100	Celikler Insaat	Turkey	171.3	2
Commercial property in Istanbul's Maltepe district	Real Estate & Construction	Acquisition	100	Bakirkoy Gayrimenkul	Turkey	166.7	1
Dogus Restaurant Entertainment and Management (d.ream)	Services	Minority stake	17	Temasek Holdings; Metric Capital Partners	Singapore; United Kingdom	162.5	1
Dogan TV Holding	Media & Publishing	Minority stake	6.7	Dogan Holding	Turkey	160.0	1
Afyon Seker Fabrikasi	Food & Beverage	Privatization	100	Dogus Cay	Turkey	145.7	1
Ilgin Seker Fabrikasi	Food & Beverage	Privatization	100	Alteks Tekstil	Turkey	125.4	1

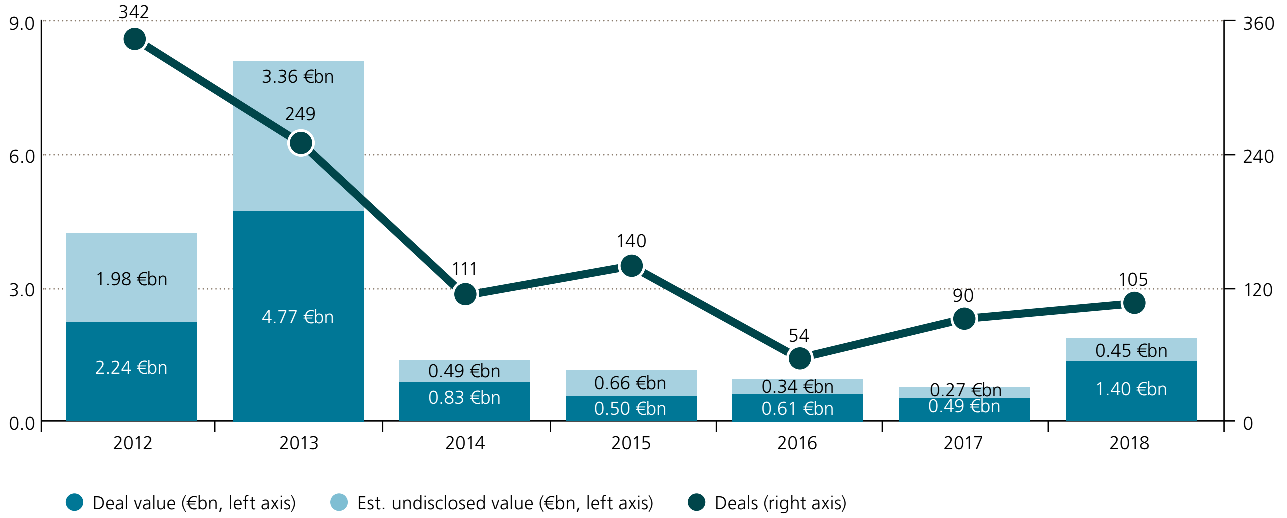
◆ **Value source – key:**

1. Official data
2. Market estimate provided by EMIS and based on publicly available information
3. EMIS Estimate

Source: All data provided by EMIS

Ukraine

Deals by value and volume in **Ukraine (2012-2018)**



Number of deals by sector in 2018

Real Estate & Construction

26

Agriculture & Farming

19

Manufacturing

12

Finance & Insurance

10

Wholesale & Retail

7

Energy & Utilities

5

Services

5

Food & Beverage

4

Other

17

Top 10 deals in Ukraine in 2018

Target	Sector	Deal Type	Stake %	Buyer	Country of Buyer	Deal Value (€m)	Value Source ◆
Pokrovske Colliery *	Mining (incl. oil & gas)	Acquisition	98.1	Metinvest Holding	Ukraine	619.8	3
Kuznya on Rybalsky Plant	Manufacturing	Acquisition	100	TAS Group	Ukraine	282.1	2
Mriya Agro Holding	Agriculture & Farming	Acquisition	100	Saudi Agricultural and Livestock Investment Company	Saudi Arabia	212.8	2
Evraz DMZ	Manufacturing	Acquisition	97.7	Development Construction Holding	Ukraine	86.9	1
AXA Insurance; AXA Life Insurance	Finance & Insurance	Acquisition	100	Fairfax Financial Holdings	Canada	21.8	2
Renaissance Business Centre	Real Estate & Construction	Acquisition	100	Vadim Grigoryev - private investor	Ukraine	21.2	2
Ergopack	Manufacturing	Acquisition	90	Sarantis	Greece	16.7	1
Shpola-Agro Industry	Agriculture & Farming	Acquisition	100	LNZ-Agro	Ukraine	13.5	1
EVO.company	Telecoms & IT	Acquisition / Merger	56	Rozetka.ua	Ukraine	11.9	2
Irpin-Budproekt-Plus	Real Estate & Construction	Acquisition	majority	Dragon Capital Investments	Ukraine	11.0	2

◆ Value source – key:

1. Official data
2. Market estimate provided by EMIS and based on publicly available information
3. EMIS Estimate

NOTES:

* The deal involves several transactions in which the aggregated stake was acquired directly by Metinvest, its subsidiary Industrial Coal Holding, and other affiliated companies of Metinvest.

Other real estate deals done by Dragon Capital are not included as their deal values are not disclosed.

FMO and Diligent Capital Partners' acquisition of a minority stake in Allseeds is not included as the deal value is not disclosed.

Source: All data provided by EMIS

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