

VALUETRUST

M&A Arab world/ Germany

Towards direct investments to ensure synergies

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Agenda

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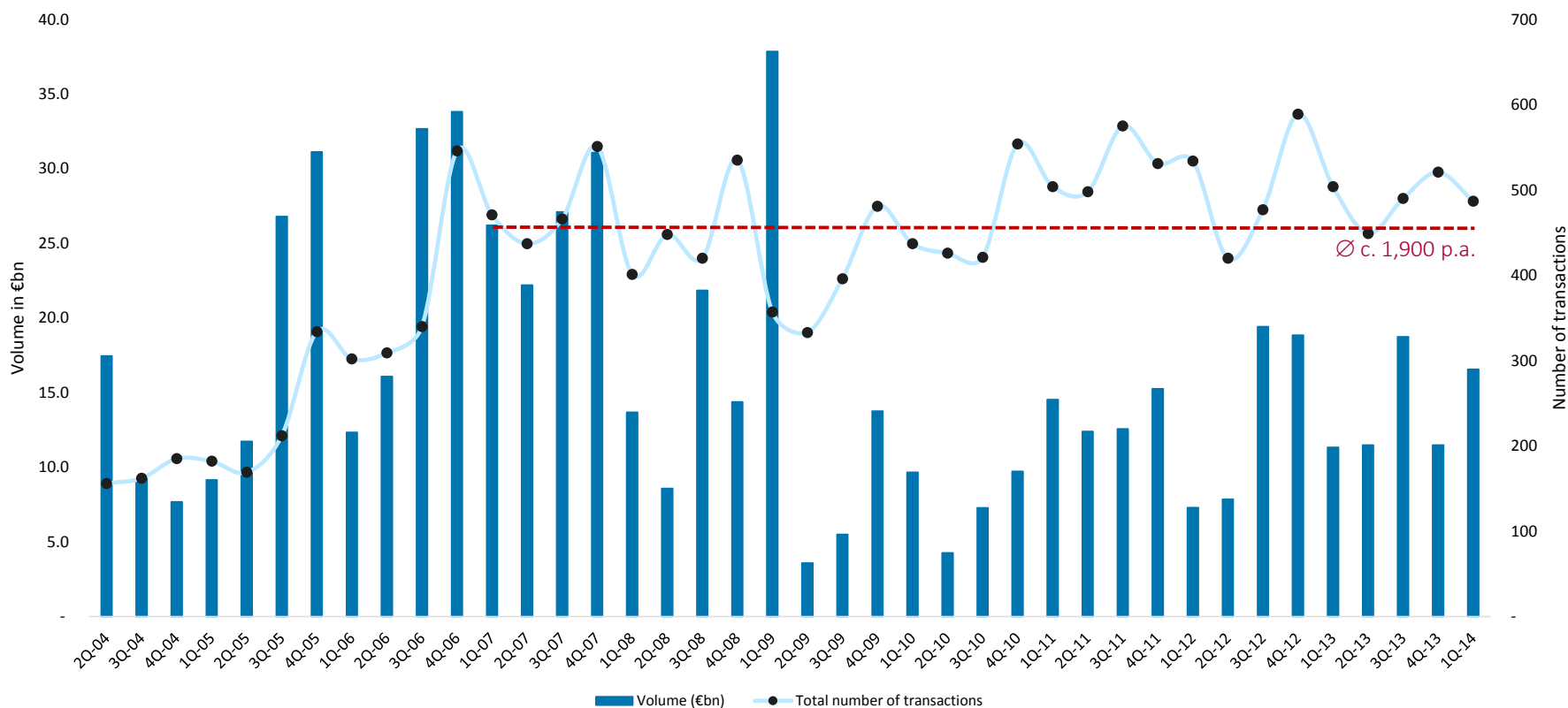
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1 German M&A market

The German M&A market has gained considerable momentum again after the financial crisis

Number of closed deals and transaction volume on German M&A market 2Q04 to 1Q14

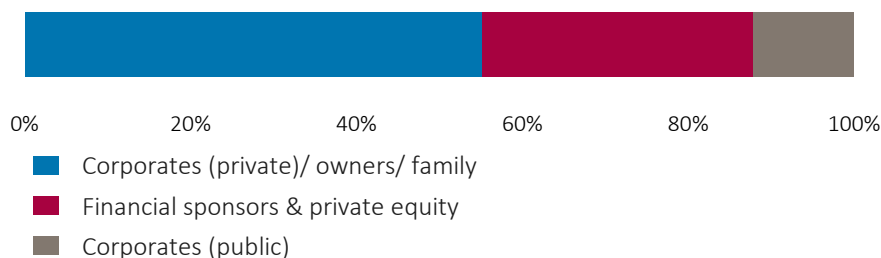


Source: CapitalIQ, Mergermarket, ValueTrust analysis.

The main groups of sellers are Mittelstand & Owners, private equity companies and large public corporates

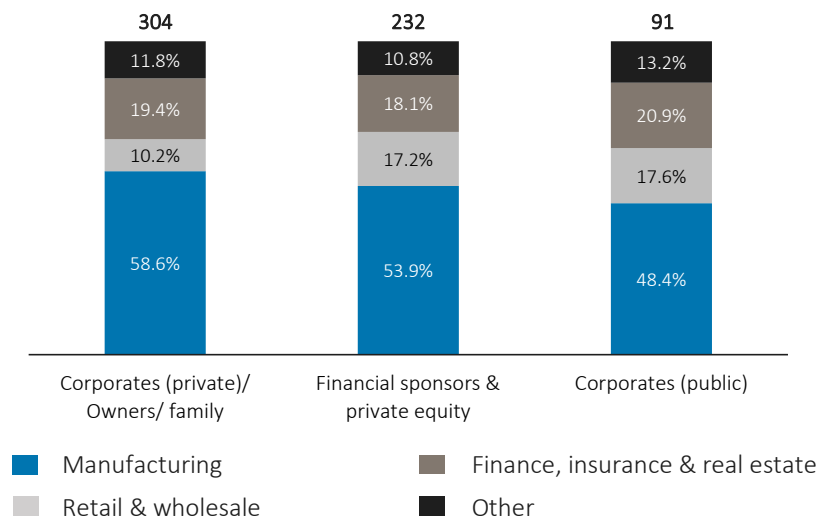
Breakdown of inbound transactions in Germany FY12 – 1Q14

Type of seller



- Sellers can be private equity companies that regularly exit their investments after several years, family offices, large (public) companies that sell non-core activities or the German Mittelstand/ families, e.g. because there is no succession plan in place
- The German transaction market is dominated by private company transactions which itself are driven by the German Mittelstand
- Given the structure of the German economy with its strong industrial base, companies in the manufacturing industry account for the largest share of target companies

Industry of target

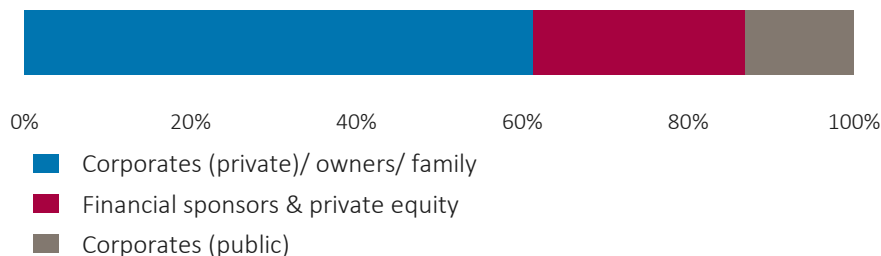


Source: CapitalIQ, Mergermarket, ValueTrust analysis.

The German M&A market environment is characterized by fierce competition among investors of various backgrounds who bid for assets “Made in Germany”

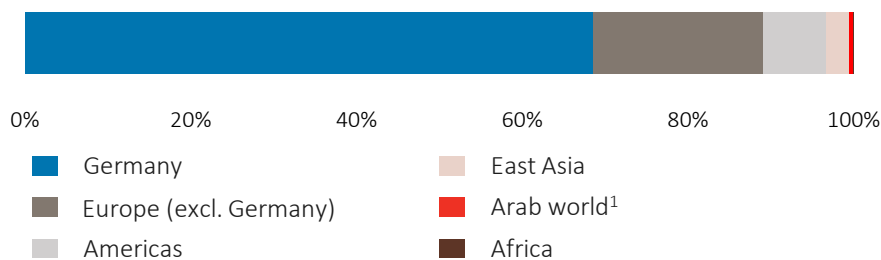
Breakdown of inbound transactions in Germany 1Q12 – 1Q14

Type of buyer



- Financial sponsors are constantly on the lookout for attractive assets and thus compete against traditional corporate buyers in the German transaction market
- Private corporates, owners and families representing the German Mittelstand are the most active buyers aiming to increase their market share, diversify their product portfolio or gain access to new technologies/ know-how
- With the recovery of the German transaction market after the financial crisis, the number and volume of public takeover offers has reached pre-crisis level
- While the majority of transactions are domestic, investors from Europe and the Americas are most active buyers in Germany. Furthermore, Asian investors have continuously been increasing their footprint in the German transaction market
- Foreign buyers predominantly invest in German manufacturing companies in order to gain access to German industry know-how and to increase their exposure to the German market

Country of buyer



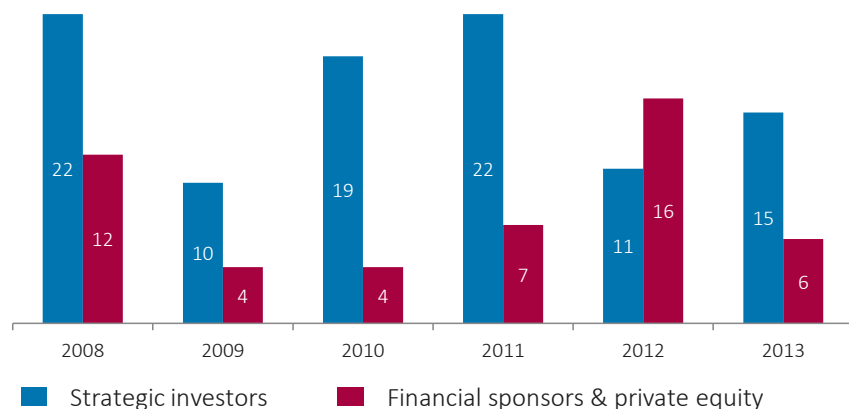
1. Arab world defined as Gulf Cooperation Council (“GCC” – including Jordan, Yemen and Morocco) plus Turkey and Egypt.

Source: CapitalIQ, Mergermarket, ValueTrust analysis.

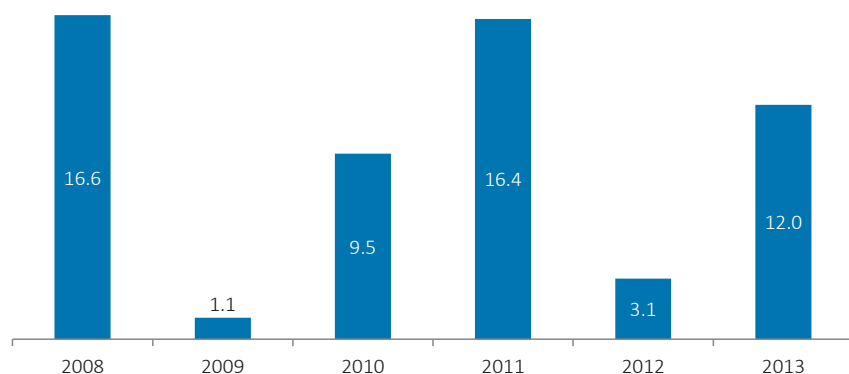
Public takeover offers can help to avoid competition in auction processes but the (potential) transaction consideration is regularly challenged by active investors

Public takeovers by type of investor in Germany since 2008

Total public takeovers (number)



Total public takeovers (volume in €bn)



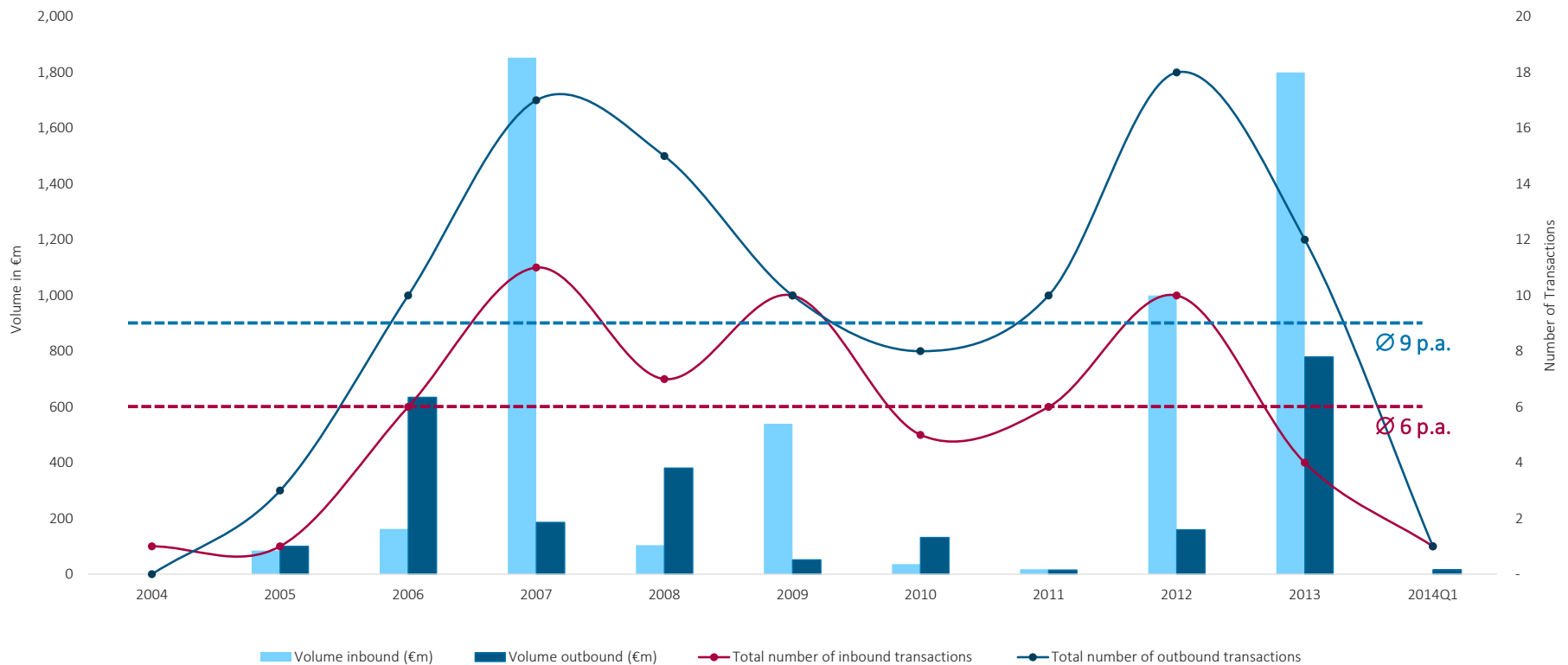
- Although the total number of public takeover offers in 2013 was lowest since 2009, the size of transactions has increased in 2013 and a comparable volume is expected to be reached in 2014
- In 2013, large takeovers like Kabel Deutschland (€5.6bn), Celesio (€1.0bn) or GSW Immobilien (€ 1.6bn) dominated the market
- The development of public takeover activity in Germany correlates with the development of the stock exchanges and general transaction activity, which is contra intuitive
- Investment opportunities for buyers with high liquidity arise during crises as transaction activity and competition for assets are lowest in times of crisis
- Due to new legislation for delisting – no cash compensation has to be offered – public takeover activity is expected to increase from 2014 onwards for undervalued companies

Source: Karl, C., Resch, J., Blättchen, W., Nespethal, U., CORPORATE FINANCE biz: "Öffentliche Übernahmen" börsennotierter Unternehmen in Deutschland, ValueTrust analysis.

2 M&A transactions Arab world/ Germany

During the last ten years, Arab investors¹ only averaged six acquisitions p.a. in Germany while the total number of acquisitions amounted to c. 1,900 p.a.

Number of closed deals and transaction volume between Germany and the Arab world since 2004



1. "Arab investors" refers to investors from Gulf Cooperation Council countries ("GCC" – including Jordan, Yemen and Morocco) plus Turkey and Egypt.

Note: "inbound" refers to Arab investors' investments in Germany, while "outbound" transactions reflect the investments of German companies in the Arab world.

Source: CapitalIQ, Mergermarket, ValueTrust analysis.

From 1Q12 until 1Q14, companies from the Arab world only invested in 15 German target companies...

Details of closed German inbound transactions from 1Q12 until 1Q14

Buyer/Investor	Buyer country	Target company	Period	Majority	Target industry
Amira Nature Foods Ltd.	UAE	Basmati Rice GmbH	Q1-14	✓	Agricultural Products
Oman Oil Company S.A.O.C.	Oman	OXEA GmbH	Q4-13	✓	Commodity Chemicals
Al Faisal Holding Company LLC	Qatar	Office Space in Berlin-Mitte	Q2-13	✓	Real Estate
Al Rayan Tourism & Investment Comp.	Qatar	Grand Hyatt Berlin GmbH	Q2-13	✓	Hotels and Resorts
Compass Ocean Logistics	UAE	KIESERLING Holding GmbH	Q1-13	✓	Trucking
Al Rayan Tourism & Investment Comp.	Qatar	Maritim Hotel Berlin	Q4-12	✓	Hotels and Resorts
Etihad Airways P.J.S.C.	UAE	topbonus Limited	Q4-12	✓	Advertising
Max Prestige General Trading	UAE	Hansa Group, Chemicals Trading Business	Q3-12	✓	Specialty Chemicals
Euro Yatirim Menkul Degerler A.S.	Turkey	Gries & Heissel Bankiers AG	Q3-12	✓	Regional Bank
Banque Misr	Egypt	Misr Bank - Europe GmbH	Q3-12	✗	Commercial Bank
Infinity Investment SA	UAE	Open Grid Europe GmbH	Q3-12	✗	Oil & Gas Storage & Transport
Doha Insurance Company Q.S.C.	Qatar	Siemens Aktiengesellschaft	Q2-12	✗	Industrial Conglomerates
Microsol International LL FZE	UAE	SOLOON Energy GmbH	Q1-12	✓	Photovoltaic
EKC international FZE	UAE	EKC Europe GmbH	Q1-12	✓	Industrial Machinery
Mox Telecom Arabia FZ-LLC	UAE	Mox Deals AG	Q1-12	✓	Internet Software

...while over the same period, German companies invested in 30 companies in the Arab world with a strong focus on Turkey

Details of closed German outbound transactions from 1Q12 until 1Q14

Buyer/investor	Target company	Target country	Period	Majority	Target industry
BSH Bosch und Siemens Hausgeräte GmbH	BSH Ev Aletleri Sanayi ve Ticaret AS	Turkey	Q1-14	✘	Household Appliances
Carl Zeiss Meditec AG	Optronik A.S.	Turkey	Q4-13	✓	Healthcare Equipment
Wuppermann AG	Galva Metal A.S.	Turkey	Q4-13	✓	Trading Company & Distributors
Allianz SE	Yapi Kredi Sigorta	Turkey	Q4-13	✘	Multi-line Insurance
Globtec Energy AG	Unit Investments SA, Bagistas II	Turkey	Q3-13	✓	Renewable Electricity
STILL GmbH	Still Arser Is Makineleri Servis ve Ticaret A.S.	Turkey	Q3-13	✓	Automotive Retail
Allianz SE	Yapi Kredi Sigorta	Turkey	Q3-13	✓	Multi-line Insurance
Kervansaray Hotel Verwaltungs GmbH	MMC Sanayi ve Ticari Yatirimlar Anonim Sirketi	Turkey	Q3-13	✓	Air Freight and Logistics
Triton Water AG	Future Technologies L.L.C.	UAE	Q2-13	✓	Industrial Machinery
Aquila Hydropower Invest	Karasular Enerji Uretimi ve Ticaret	Turkey	Q2-13	✓	Energy
DB Mobility Logistics AG	Salem Freight International	UAE	Q2-13	✘	Air-Freight and Logistics
E.ON SE	Enerjisa Enerji A.S.	Turkey	Q2-13	✓	Electric Utilities
Döhler GmbH	Delta Aromatic	Egypt	Q1-13	✓	Packaged Foods and Meats
Beiersdorf AG	Eczacibasi-Beiersdorf	Turkey	Q4-12	✓	Personal Products
ORAFOL Europe GmbH	ORAFOL Turkey	Turkey	Q4-12	✓	Trading Company
Aquila Hydropower Invest	Karasular Enerji Uretimi ve Ticaret	Turkey	Q4-12	✘	Energy
Aquila AgrarInvest Investitions GmbH	Akfen HES Yatirimlari ve Enerji Uretim	Turkey	Q3-12	✓	Financial Investor
Allgeier SE	Oxygen Consultancy	Turkey	Q3-12	✓	HR & Employment Services
HOYER GmbH	Aktifsped Uluslararası Nakliyat Ve Ticaret	Turkey	Q3-12	✓	Trucking
Air Berlin OLC & Co. Luftverkehrs KG	IHY Izmir Havayollari AS	Turkey	Q3-12	✘	Airline
itelligence AG	Elsys Consulting Services A.S.	Turkey	Q3-12	✓	IT Consulting
Carl Zeiss Vision International GmbH	Altin Optik A.S. and CemFa Optik Sptik	Turkey	Q3-12	✓	Medical
The Resource Development Group, Inc.	SYAT Holding Ltd.	Turkey	Q3-12	✓	Environmental & facility Services
VHV Vermögensverwaltung	NART Sigorta ve Reasurans Brokerligi A.S	Turkey	Q3-12	✘	Life and Health Insurance
FUJIFILM Europe GmbH	FUJIFILM Dis Ticaret A.S.	Turkey	Q2-12	✓	Distributor
Johnson Controls Hybrid and Recycling GmbH	Karat Guc Sistemleri San ve Tic AS	Turkey	Q2-12	✘	Distributors
GAZPROM Germania GmbH ¹	Bosphorus Gaz Corporation A.S.	Turkey	Q2-12	✘	Gas utilities
GAZPROM Germania GmbH ¹	Bosphorus Gaz Corporation A.S.	Turkey	Q2-12	✘	Gas utilities
madvertise Mobile Advertising GmbH	Mobilike Mobil Reklam	Turkey	Q2-12	✓	Advertising
Konica Minolta Business Solutions Europe GmbH	Transteknik Teknoloji A.S.	Turkey	Q1-12	✓	Distributor
DEKRA e.V.	Palme Group	Turkey	Q1-12	✓	Research and Consulting Services

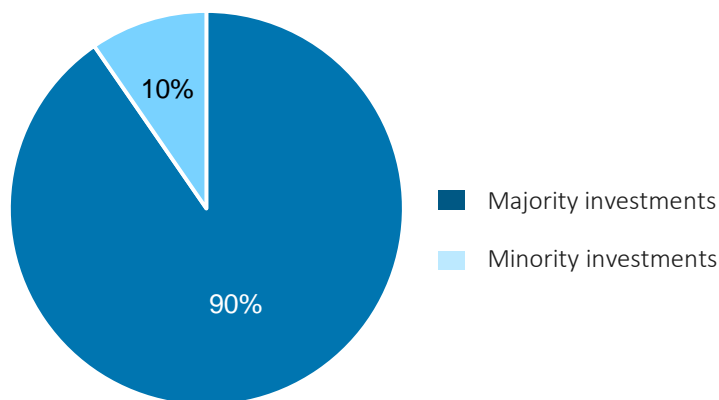
1. GAZPROM Germania acquired 11% in Bosphorus Gaz Corporation A.S. to increase its stake to 51% and subsequently acquired another 20% to increase its stake to 71%.

Source: CapitalIQ, Mergermarket, ValueTrust analysis.

Investors seek to acquire a majority share in the target company to gain access to German industry know-how and facilitate the realization of synergies

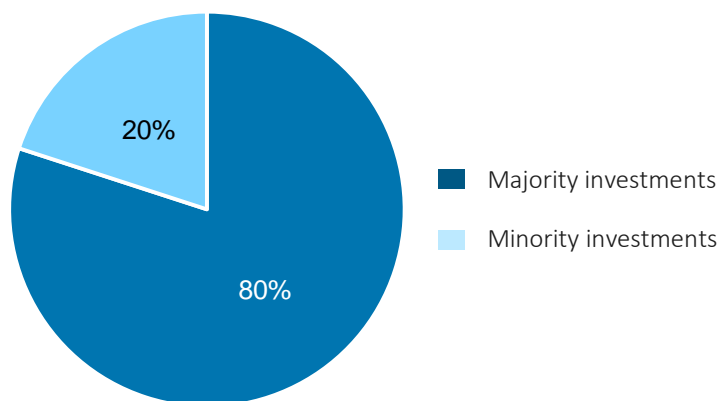
Majority vs. minority inbound transactions in Germany from Arab and other investors

Type of transactions Q1 2012 – Q1 2014 (All investors)



- Investors seek to acquire majority shares in German target companies to gain control over the target company and thus ensure the leveraging of potential synergies
- Although only a very limited number of investors from the Arab world invested in German assets, most investors acquired a majority share in the target company
- Acquisitions in the manufacturing industry provide access to production capabilities and know-how and support the transfer of knowledge

Type of transactions Q1 2012 – Q1 2014 (Arab investors)



Source: CapitalIQ, Mergermarket, ValueTrust analysis.

For successful Arab investors, important strategic objectives include transfer of know-how and build up of local production capabilities, extension of their value chain as well as access to new markets

Selected case studies of successful Arab-German transactions

Qatar Solar/ SolarWorld

Transaction details:

- In Mar-10, Qatar¹ (71% shareholding) and Solar World (29%) founded the joint venture Qatar Solar Technologies (QSTec) for the production of polysilicon (8,000 tons p.a.). The project is valued at US\$1bn, production facilities are to be operational by 2H14
- As part of the financial restructuring of SolarWorld in Jun-13, Qatar Solar acquired a 29% equity stake in the financially reformulated company. Additionally, the joint venture granted a loan of €50m

Strategic rationale:

- QSTec is Qatar Solar's first investment into the solar industry. QSTec aims to become a fully integrated solar energy company covering the whole value chain while catering to both local and global demand
- In Mar-14, SolarWorld reaffirmed its intention to support Qatar in ramping up the production of solar modules in Qatar after its restructuring process

Samih Sawiris/ FTI and Raiffeisen Touristik

Transaction details:

- In Mar-14, Samih Sawiris announced the acquisition of shares in RT/ Raiffeisen Touristik Group GmbH, a leading and independent German travel agency group, and of FTI, the fourth-largest travel operator in Germany

Strategic rationale:

- Sawiris is founder of and majority shareholder in the Swiss-based Orascom Development Holding which owns more than 35 hotels, holiday homes and apartments across eight countries
- Sawiris gains access to German travel agency distribution network and at the same time enters the tour operator business
- Together, the acquisitions form an ideal complement to the existing business of Orascom Development Holding

Oman Oil Company (OOC) / OXEA GmbH

Transaction details:

- In Dec-13, OOC acquired Germany based OXEA GmbH, one of the largest global manufacturers of Oxo chemicals from Advent International

Strategic rationale:

- With the acquisition of OXEA, OCC seizes the opportunity to form an integrated chemical platform in Oman from its current investments in the chemicals industry
- OXEA brings its technology and expertise to Oman, and OCC enables OXEA to source cheaper supplies of its main raw material polypropylene
- The acquisition also contributes to OXEA's expansion strategy into growth markets while OOC benefits from OXEA's reach into European and North American markets

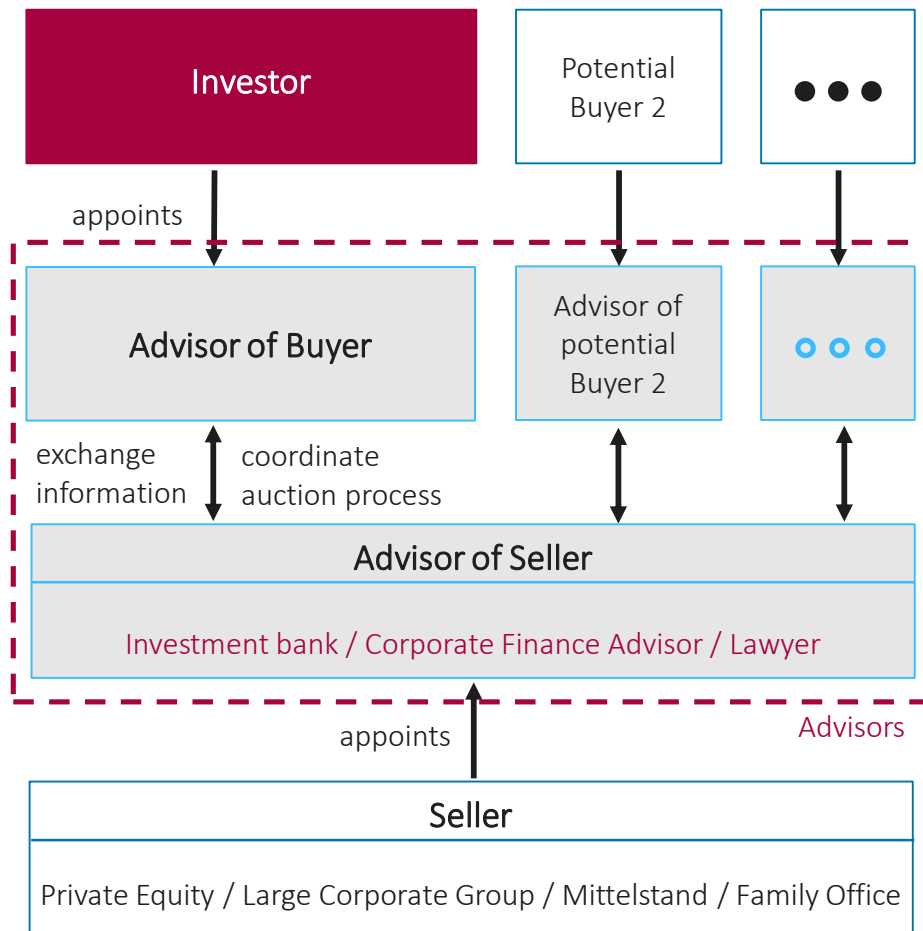
1. Qatar Solar holds a 70% share while the remaining 1% share is held by Qatar Development Bank.

Source: Company information, press, research.

3 Success factors for investors in the German M&A market

To generate a high deal flow, an investor needs to have access to investment banks, corporate finance advisors and law firms that act as gatekeepers on behalf of the seller.

The intermediary role of advisors between seller and buyers

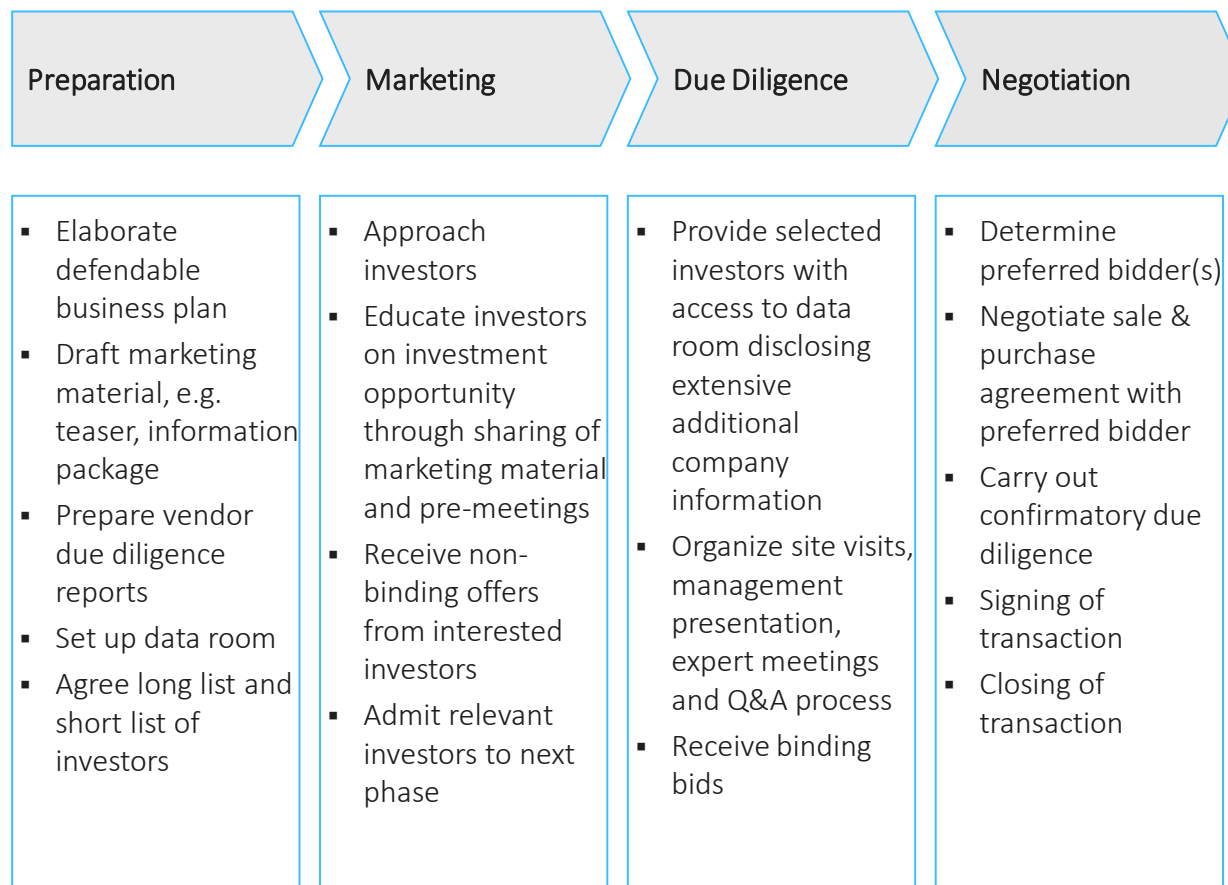


- In Germany, especially large target companies are almost exclusively sold via an auction process that is coordinated by investment banks or corporate finance advisors on behalf of the seller
 - An investor needs to be “on the radar” of sellers and their advisors in order to be contacted regarding a target company for sale because the intention to sell an asset is often kept as confidential as possible
 - While the seller makes the ultimate decisions, its advisors act as gate keepers and (main) points of contact towards potential buyers. Successful bidders therefore need to build superior relationships with these gatekeepers or tap their advisors’ network
 - Foreign investors need to have their own local network of advisors
- Based on a broad contact base, it is essential to get access to sellers before official sales processes/ auctions are started

Auction processes require investors to assess the investment opportunity professionally and to make fast decisions with regards to contract negotiations and deal making

Overview of typical sell side (M&A) process

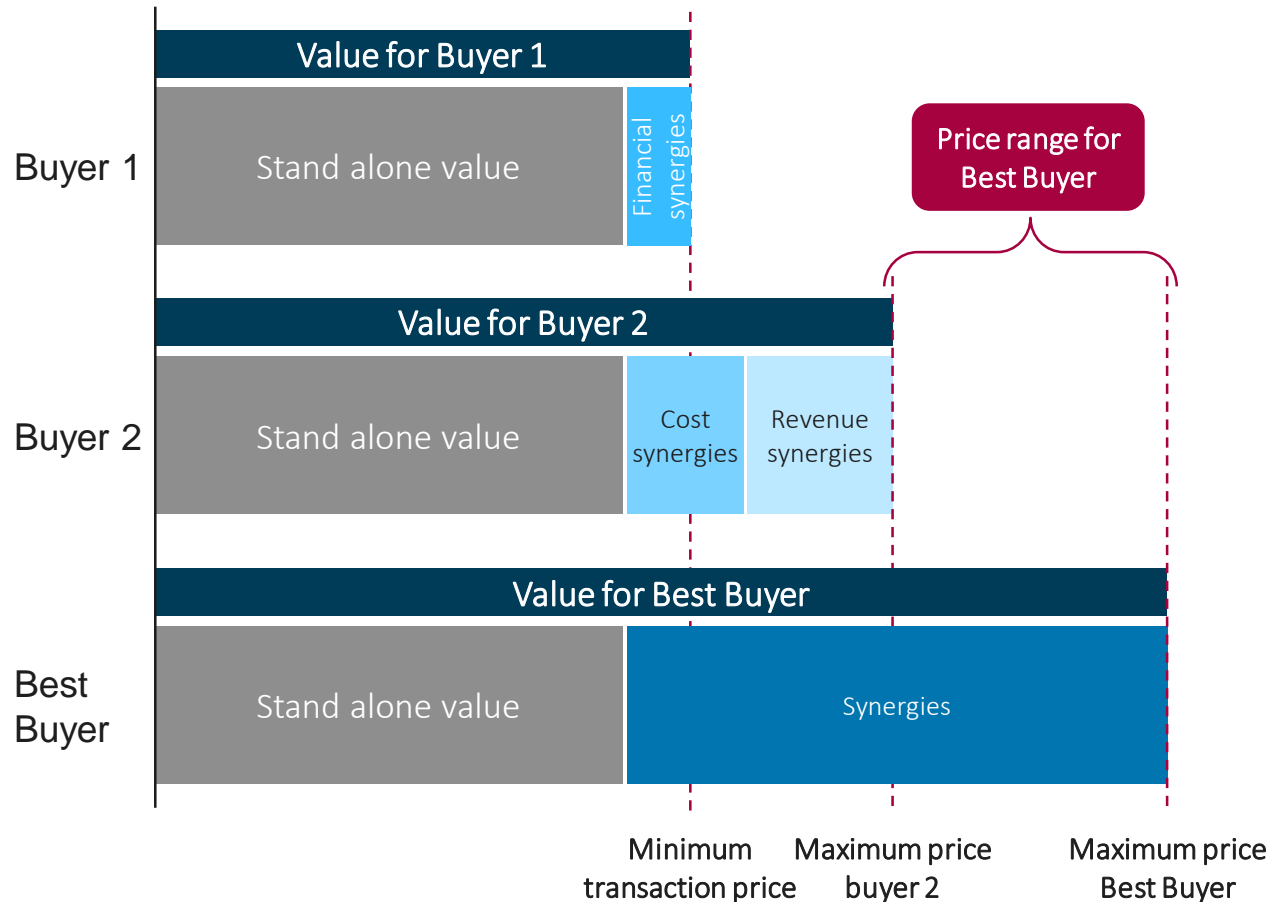
Comments



- A typical transaction process lasts about six months and generally follows pre-defined steps. However, if the market perceives the asset to be very attractive, the process might also be faster
- To successfully close a deal, besides conducting a rigorous assessment of the opportunity, investors need to act and decide fast.
- Moreover, to be eligible and admitted to the final round, sellers look for credible and trustworthy buyers

To successfully outbid the strong competition for German assets, investors need to be best positioned with regards to expected synergies to be able to pay the best price while still realizing a satisfying return

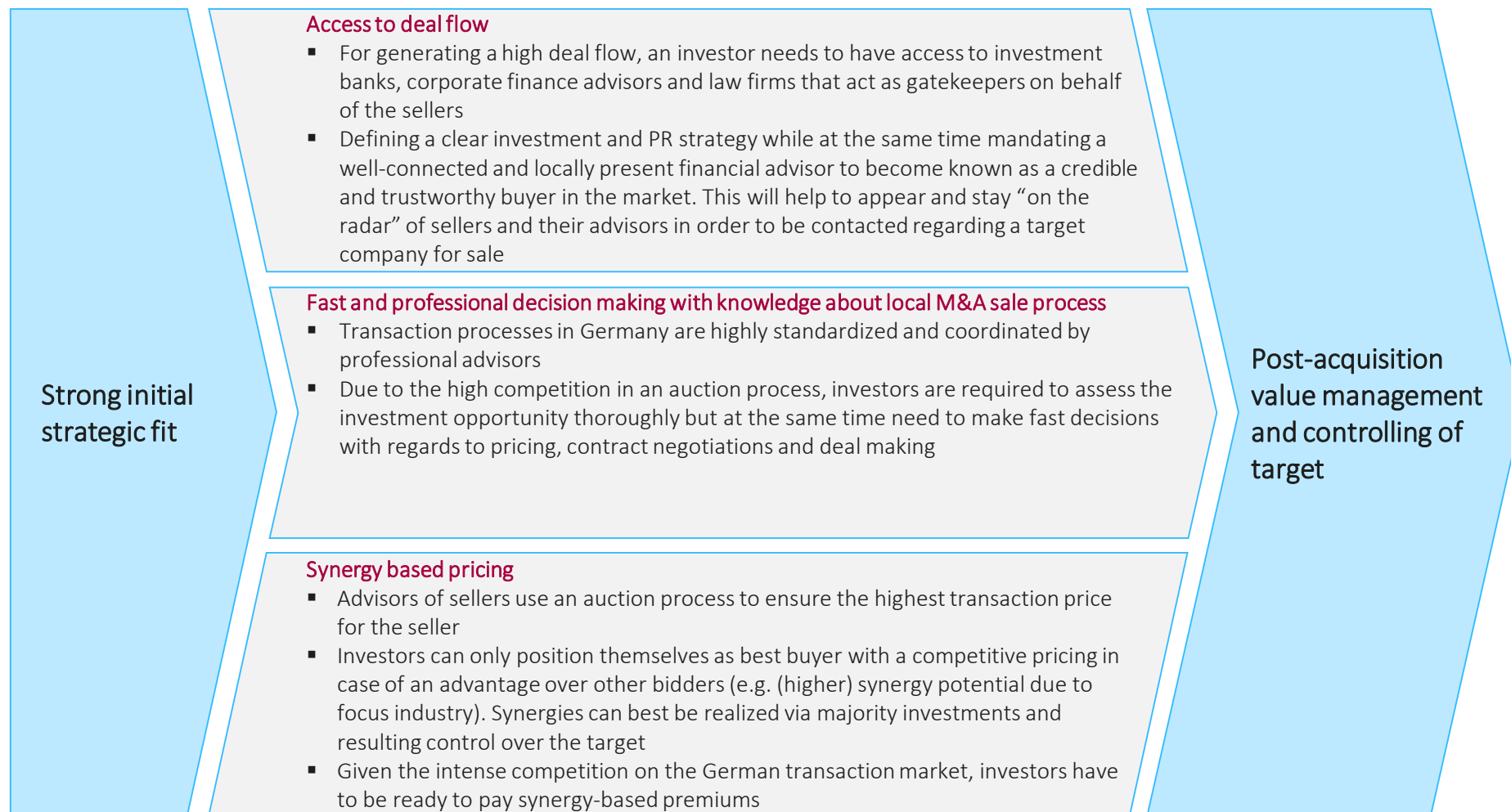
Determinants of transaction prices for buyers



- The final transaction price is determined by the stand alone value of the asset as well as additional value for the investor from realizing synergies
- The higher the competition for the asset, the higher the willingness of buyers to pay for synergy potential
- In such a situation, only the buyer with the highest expected synergies can outbid all other competitors without sacrificing investment return objectives
- Synergies can best be realized if
 - the buyer gains full control over the transaction object
 - the transaction object is of strategic interest to the buyer (e.g. focus industry)

In summary, based on a strong initial strategic fit, there is a clear roadmap for investors to successfully close more transactions in the German market and to avoid falling behind in the competition for German assets

Roadmap to successful deal making for investors in the German market



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