

Mark Lerner, Chairman,
M&A International Inc. and
CEO of Morgen, Evan &
Company, USA and Japan,
member of M&A International
Inc.



Global 2005 M&A outlook

Recently, M&A International Inc. together with a group of experts, carried out a global conference call focusing on the global outlook for acquiring and selling businesses this year.

Mark Lerner,

Leader and moderator of the global conference call
"Tom, how do you see the US level of M&A activity today?"

Tom Easton,
New York bureau chief,
Economist Magazine



Tom Easton

"At The Economist the general view is that we are very optimistic about the US economy. M&A prospects look more optimistic than two to three years ago. When we talk to companies, we note that what has changed, is the sense of terror, companies had about doing deals two or three years ago, even last year; particularly

because of accounting issues and the large number of business scandals. Today companies are much more comfortable, it appears, about the prospect of buying other companies. In the US companies are talking about growth, how they want to grow and the possibility that they may buy another firm to do so."

Very optimistic about

USA



Europe

saw the number of deals rise 17% in 2004



Hans Bethge, President, M&A International Inc. and CEO of Angermann, Germany, member of M&A International Inc.

"We have seen an excellent year for Europe as a whole in M&A activity in 2004. In terms of number of deals, Europe was ahead of the US in 2004. In terms of value the US took the lead. In the full year we saw almost a 17% increase in the number of deals announced. This trend has continued into 2005."

Private Equity houses raised a wall of money in 2004

"The well documented effect of private equity deals as a cornerstone of M&A was a significant factor in European M&A deals during 2004. That seems set to continue in the year ahead.

This high proportion of total activity is likely to expand worldwide as Private Equity houses become increasingly international in their coverage. Speaking for the bigger countries, the prospects in Great Britain, France and, I would also say Spain, are extremely favorable. The attitude of the companies regarding acquisition strategies is extremely aggressive.

Spain took the European lead in 2004 with a 52% increase in M&A transactions

As a contrast, Italy has lost its competitiveness in many aspects; the companies are no longer competitive in the world market because of

lack of excellence, resulting in Italian companies facing less demand for the time being.

As far as Germany is concerned, the last two years have been more like an all-time low for twenty years in the M&A business. However here in Germany, we have just launched a tax reform, which allows companies to reduce the taxes this year down to 42%. This might be a stimulus for companies to invest again in acquisitions."

Effect of the weak dollar?

Mark Lerner

"Moving to the US, do you see a trend with respect to the strong euro and its impact on acquisitions of US companies?"

Murray Beach

CEO of Boston Corporate Finance, USA, member of M&A International Inc.



"We are seeing increased M&A activity especially in areas, where there are relatively well-financed companies in Europe looking at taking market share or adding to their platform of technology or market presence in the United States. However more US acquisitions are taking place in Europe than there are vice versa. But I think we will see the European trend to acquire US based companies will begin to increase."

Mark Lerner

"Hans, do you have any comments with respect to the impact of the exchange rate on acquisitions for the opening market in Europe?"

Hans Bethge

"We see differences in the pricing of deals by

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The M&A activity is based upon the economic growth within the new EU member countries.

Toby Mansel-Pleydell

the use of different multiples, for instance here in Germany an average of, say five times EBIT would compare with six to seven in the US for certain businesses. So, compensating the higher price level by a favorable exchange rate sometimes makes a deal possible that would not have taken place otherwise."

10 new countries accessing the EU fuels M&A activity

Mark Lerner

"I would like to move our conversation eastward a bit, further to central Europe and ask you, Toby: can you comment on the activity with respect to acquisitions?"

Toby Mansel-Pleydell,

CEO, Concorde Corporate Finance, Hungary, member of M&A International Inc.

"Probably the most interesting emergence of the last twelve months or so has been the extent to which, we are coming across regional companies; in other words, a Hungarian, a Czech or a Polish company, which is interested in making acquisitions, not only in its home market but within the region. That is a relatively new phenomenon, certainly at the medium-sized company level. One of the real drivers of this is the accession to the EU last year – 8 of the 10 accession countries were in the Central-Eastern European region. And this of course has produced a strong spur in terms of interest from the outside. By now, the perceived political risk is significantly decreased. People are clearly attracted by the opportunities, which the



single market offers. Furthermore the M&A activity is based upon the economic growth within the new EU member countries.



Japan

is now moving

Mark Lerner

"With respect to Japan, in the last year we have seen an end to the 12-year recession with Japan still remaining the second-largest economy in the world today. And at the same time we have now seen an explosion of domestic M&A transactions in Japan. More than 2000 local transactions took place in the Japanese market in 2004. The total number of deals was up 83% in 2004 compared with 2003, a trend which is continuing in 2005."

Tom Easton

"The information technology sector in Japan was, what really drove the market to a large degree in 2004, and we see that it continues in 2005 being software/internet related. We have definitely seen an increase in the amount of interest of foreign firms coming into Japan and making strategic acquisitions of businesses, which is becoming much easier in the marketplace now that the privately held companies consider M&A as part of the natural process in the economy."



Today's uniform technology standards drive the cross border technology M&A activity

Murray Beach

"Following Tom Easton's comments I can inform that our firm specializes in the technology marketplace and we are seeing very strong worldwide increase in the M&A market. I think

China

as target for low-cost manufacturing

IBM sets the trend by selling its PC business to Chinese Lenova

Mark Lerner

"In Asia we have all witnessed the rather remarkable transaction in 2004 of IBM selling its PC business to Lenova of China. There is hardly a company in the world today that is not affected by China and the competitive threat of China's low-cost manufacturing capabilities.

Ching Mia Kuang, Guest Speaker,
Chio Lim Stone Forest, China

"Basically China is relatively new in terms of M&A markets. Although it has seen a huge increase in volume over the last ten years, the environment is still hugely regulated and not as transparent as in other countries. Quite recently in early 2003 the government introduced the first regulation called, the Entry Provisions and Acquisition of Domestic Enterprises for Foreign Investors in China. Essentially it contains some of the main rules regulating how far, investors can acquire

Chinese companies. These rules relate largely to, whether the sectors are regulated, permitted, encouraged or prohibited in the Chinese industry. Some of these rules also relate very closely to the valuation of businesses, foreign investors look at acquiring. All in all acquiring companies in China is becoming easier.

Chinese companies acquisitive in the West

I think there will be an increasing number of Chinese companies looking at acquiring companies in other regions. Basically they want to open market channels and obtain market share for products that they manufacture in China. Some of these companies have already been selling their products into Europe and America and want to consolidate the market share in these regions. A lot of Chinese companies want to acquire and make use of foreign brand names that are well established and combine the low production costs in China, so as to be able to re-energize some of the foreign manufacturing companies, and also to make use of the long-established brand names."



