

V BALKAN LEGAL FORUM 2008

IPO Session

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Sofia, 7 November 2008

Current market situation

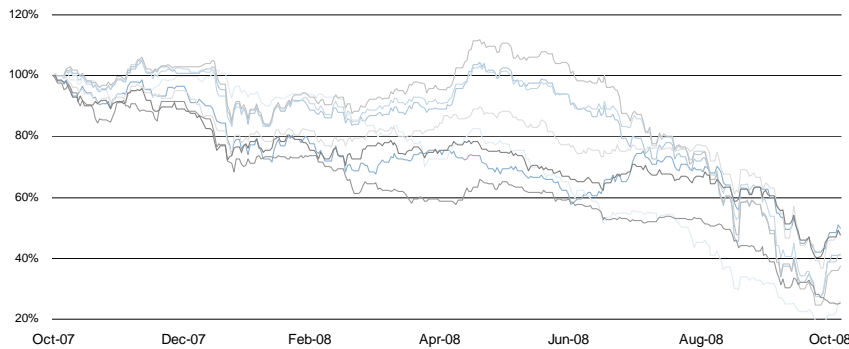
- EME markets performed worse than WE – will they bounce back faster?
- Volatility still very high
- Financial crisis now spreading into the real economy

Performance of relevant indices and figures

Index	Friday	5 days		Performance			
	close	ADTV (shares)	1 Week	1 Month	3 Months	YTD	1 Year
Western European indices							
ATX (Austria)	2,097	8,161,076	15.1%	(22.8%)	(53.6%)	(55.8%)	(57.6%)
DAX (Germany)	5,167	203,831,700	7.4%	(8.5%)	(29.7%)	(38.9%)	(37.0%)
MIB (Italy)	22,758	693,928,300	11.2%	(7.6%)	(35.9%)	(43.0%)	(44.3%)
CAC (France)	3,618	203,851,300	6.3%	(6.7%)	(31.3%)	(38.3%)	(39.4%)
FTSE 100 (UK)	4,531	1,384,994,000	6.8%	(5.5%)	(30.3%)	(32.9%)	(33.1%)
EuroStoxx50	2,711	1,162,152,000	7.8%	(9.2%)	(32.3%)	(40.8%)	(40.9%)
S&P500	953	1,183,154,000	2.4%	(9.9%)	(32.8%)	(35.1%)	(37.3%)
Eastern European indices							
ISE (Turkey)	27,856	646,628,100	(29.6%)	(14.5%)	(37.0%)	(51.4%)	(52.5%)
MICEX (Russia)	775	51,425,800,000	27.3%	(5.2%)	(57.9%)	(62.3%)	(62.6%)
MSCI EM Europa	267	37,716,070,000	(0.3%)	(6.3%)	(55.5%)	(59.5%)	(59.2%)
PFTS (Ukraine)	307	14,317,590	35.2%	(11.7%)	(65.7%)	(73.8%)	(74.0%)
PX (Czech Rep.)	904	8,505,806	14.2%	(22.0%)	(47.7%)	(52.6%)	(54.8%)
RTS (Russia)	830	113,232,200	28.9%	(11.2%)	(64.3%)	(66.4%)	(66.1%)
Sofix (Bulgaria)	488	332,412	(4.9%)	(31.8%)	(58.8%)	(73.5%)	(74.7%)
WIG20 (Poland)	1,858	44,718,770	6.1%	(19.9%)	(40.4%)	(48.6%)	(53.2%)
Volatility indices							
ITRAXX Crossover	712		(14.5%)	14.2%	71.0%	114.3%	111.4%
VIX	55		(22.0%)	20.9%	199.6%	142.5%	155.1%

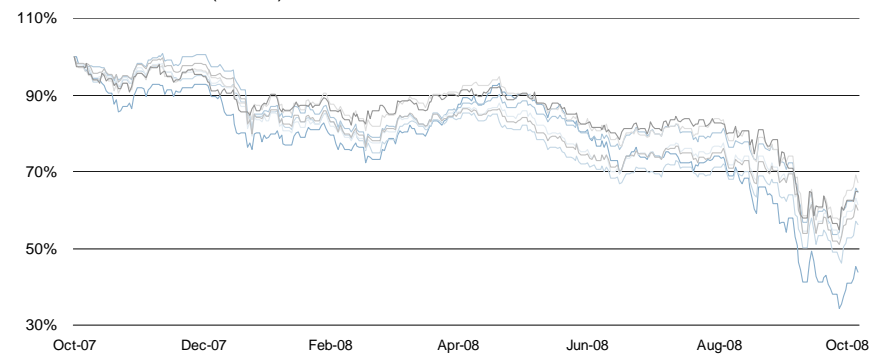
Relative Eastern European index performance Y-o-Y

- ISE (Turkey) (52.5%)
- MICEX (Russia) (62.6%)
- MSCI EM Europa (59.2%)
- PFTS (Ukraine) (74.%)
- PX (Czech Rep.) (54.8%)
- RTS (Russia) (66.1%)
- Sofix (Bulgaria) (74.7%)
- WIG20 (Poland) (53.2%)



Relative Western European index performance Y-o-Y

- ATX (Austria) (57.6%)
- DAX (Germany) (37.%)
- MIB (Italy) (44.3%)
- CAC (France) (39.4%)
- FTSE 100 (UK) (33.1%)
- EuroStoxx50 (40.9%)
- S&P500 (37.3%)



Source: Bloomberg

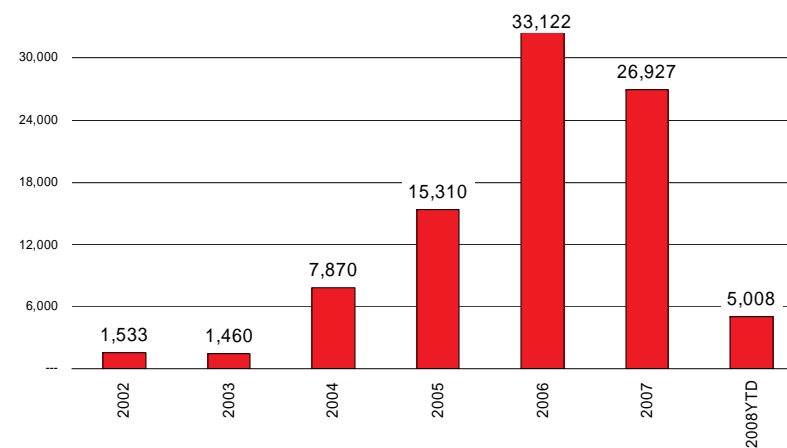
IPO activity at multi year low

IPOs in UniCredit's core markets 2008YTD (>EUR 50mn)

Pricing Date	Issuer Name	Country	Listing	General Industry	EUR mn	Price Range	1st Day	Current	1st day vol. as % of IPO
21-Jul	Germany1 Acquisition	Germany	Amsterdam	Finance	250	Fixed	(0.5%)	(4.0%)	10.8%
27-Jun	SMA Solar Technology	Germany	Frankfurt Prime	Renewables	362	▲ Fixed	17.0%	(25.5%)	24.1%
19-Jun	Mriya Agro Holding	Ukraine	Frankfurt General	Agribusiness	58	Fixed	NA	NA	NA
18-Jun	Cadogan Petroleum	Ukraine	London	Oil & Gas	193	Fixed	(16.7%)	(64.0%)	14.5%
27-Jun	Azoty Tarnow	Poland	Warsaw	Chemicals	87	▲▲	(18.0%)	(45.1%)	0.3%
10-Jun	Sava Re	Slovenia	Ljubljana	Insurance	196	▲	1.1%	(40.0%)	0.2%
14-May	TGE Marine	Germany	AIM	Transportation	86	Fixed	3.5%	(65.4%)	4.3%
14-May	Turk Telekomunikasyon	Turkey	Istanbul	Telecommunications	1,240	▲▲	0.4%	(28.3%)	34.7%
9-May	Myronivsky Hliboproduct	Ukraine	London	Food & Beverage	240	▲	NA	NA	NA
6-May	New World Resources	Czech Republic	London*	Mining	1,630	▲▲	8.3%	(77.1%)	54.2%
5-May	Cyrowy Polsat	Poland	Warsaw	Telecommunications	245	▲	5.1%	4.0%	12.1%
30-Apr	Globaltrans Investment	Russian Federation	London	Transportation	301	▲	(0.8%)	(71.1%)	30.4%
28-Mar	Zhaikmunai	Kazakhstan	London	Oil & Gas	64	Below range	4.7%	(52.5%)	7.2%
4-Mar	MolMed	Italy	Milan	Healthcare	56	▲	(3.0%)	(50.7%)	8.3%
Total					5,008				
Average					358		0.1%	(43.3%)	16.8%
Median					218		0.8%	(47.9%)	11.5%

Year-on-Year core markets IPO issuance (> EUR 50mn)

- Significant drop in IPO activity
- Russian market dried up
- Warsaw – a leader in EME in terms of all-size IPO



Source: Dealogic, Bloomberg

What's next?

Market

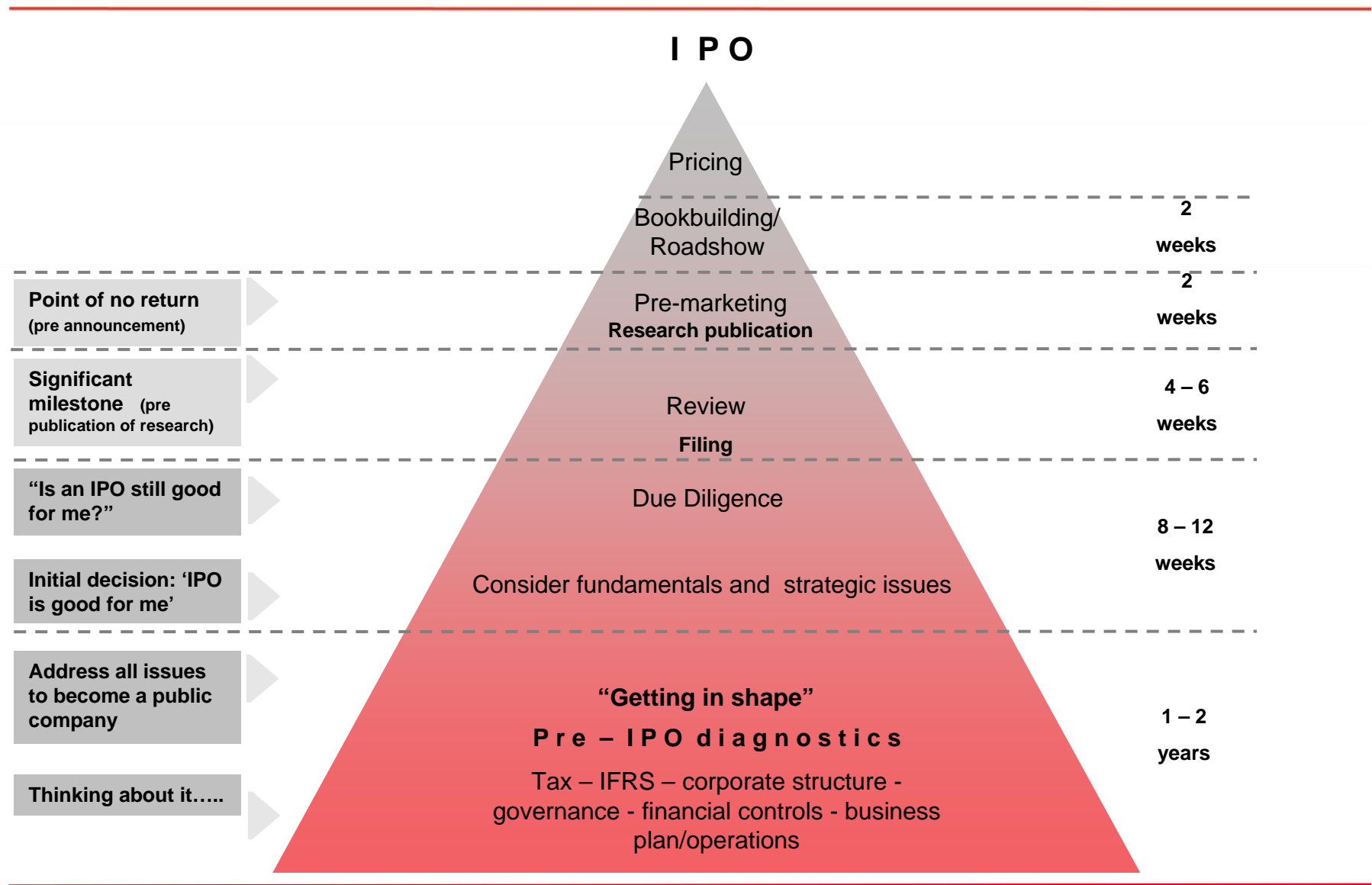
- Stabilisation of worldwide financial sector
 - News flow
- Decrease in market volatility
- Stabilised fund redemptions
- Visibility on impact on financial results
- Visibility on impact on economies

Access to IPO markets

- **1Q2009** – unlikely
 - Rights issues
 - Forced recapitalisations
- **2Q2009** – selected issuers
 - Unique equity story
 - Stability
 - “Market testers”
- **2H2009** – best shot for now?

...BUT: this is a very unpredictable market

Best solution for companies - start preparations early



Structuring – some golden rules

- Simplicity
 - Unique equity story, not “me too” one
 - Maximum disclosure
 - Get the tax advisors early in the process (prior to structuring)!
 - Clarify tax position as early as possible (watertight tax opinion)
 - Analyse / benchmark best peer standards
 - The closer to operating assets, the better (otherwise, holding company discount issue)
 - Eliminate or tidy up minority shareholdings at subsidiaries
 - Identify areas which may give rise to unexpected liabilities in the future
 - **Reputable IPO advisors**
-

Preparing for an IPO - strategic issues

An investment bank and company should look at fundamentals as early as possible

Assess the need for capital



- A company's first issue of shares to the investment public is critical and should be driven by fundamentals

Identify shareholders intentions



- Do existing shareholders wish to reduce or increase their shareholdings

Valuation



- Valuation under various scenarios, business structures and strategies and perform sensitivity analysis

Review business strategy



- Review strategy of company in the light of capital market plans

Review positioning of company / develop the investment case



- Consider implications of company strategy in the context of its sector peers and start formulating the investment case
-

Preparing for an IPO - specific issues

The company, along with its advisers should undertake a detailed analysis of specific issues

Corporate



- Domicile
- Tax/regulatory clearances
- Structure
- Listing location(s)

Shareholder



- Shareholder agreements
- Management and employee option schemes
- Other

Financial



- Balance sheet structure
 - Prospects and timing
 - Financial modelling and budgeting
 - Accounting issues
-

Preparing for an IPO - specific issues

Offer structure



- Regulatory approvals
- Shareholder lock-ups
- Disclosure issues
- Institutional vs retail (nature of underlying business)

Communications



- Review investor and public relations activity
- Define communications strategy and plan

Management team



- Identifying key individuals
- Appoint project team
- Establish data room

Timetable



- Plan of action
 - Target dates
 - Timely appointment of all advisers
 - Public holidays/local factors
-

Preparing for an IPO - corporate governance

... More and more investors pay special attention (Enron to Meinl European Land)

Higher comfort



- Reduces IPO discount
- Increases Investors' comfort

Recommendation to follow



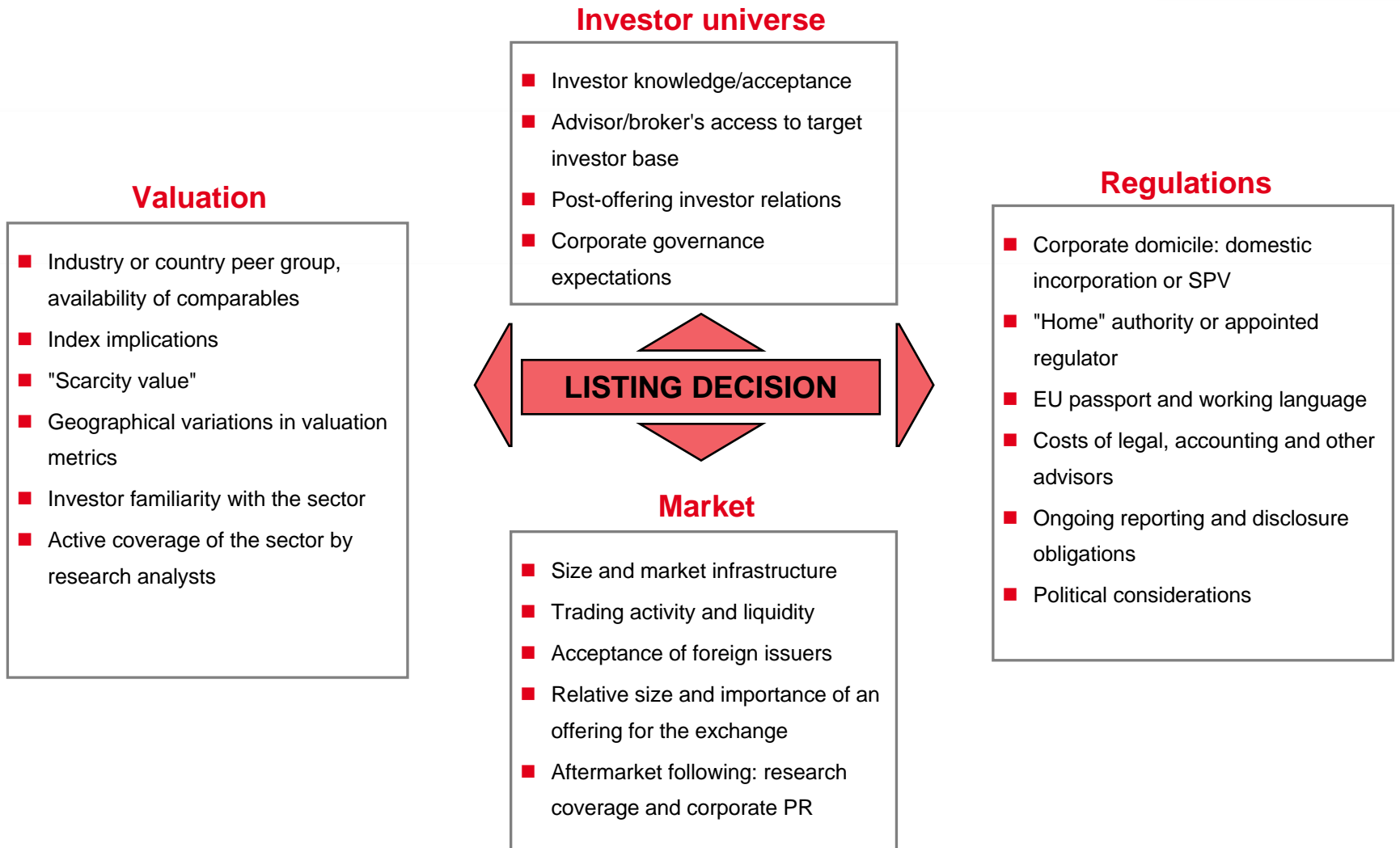
- Best market practice
- Rules of country of incorporation
- Rules of exchange (the Combined Code)

Main principals



- Sufficient number of independent directors (1-tier structure) or Supervisory Board members (2-tier structure)
 - Appoint them early in the process and ensure their quality
 - Contribution to IPO preparation
 - Investor comfort in the offering
- Independent audit and remuneration committees
- Separation of CEO and Chairman functions

Key criteria for choosing a stock exchange



Listing options for a Bulgarian company – from a purely commercial perspective

IPO size	Exchange
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■ < EUR 150 mn

Bulgarian Stock Exchange



■ EUR 150 – 250 mn

Bulgarian Stock Exchange



Plus dual listing to consider



ATHENS EXCHANGE S.A.

■ > EUR 250 mn

Bulgarian Stock Exchange



Conclusion

- IPOs are time-consuming
 - Well-prepared companies will encounter fewer hurdles and have a greater chance for a successful IPO
 - Investors will focus on the negatives – reduce them and ensure that any remaining are managed
 - Investors are demanding and unforgiving
 - IPO market will be a buyer's market in the near term
 - **Retain your advisers early in the process!**
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THANK YOU!



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