Hungary + New Opportunities in Central Eastern Europe

Joint Event of Columbia Business School Clubs of Austria and Hungary

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MBA ‘86
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- Co-Founder and Partner iEurope Capital
- Managing Director, Bankers Trust, BT/ Alex Brown, 1991-1999
  - Built Investment Banking Business in CEE
- President of American Chamber of Commerce in Hungary
- Active “Lead” Board Member MOL Rt. (Hungarian Oil Co), 1999-2001
  - Drove Company Restructuring and Regional Expansion
  - Chair of Audit Committee
- Managed Over 10 Businesses and Investments in CEE
Political Situation in CEE
Economic Situation in CEE
2010 GDP per Capita in PPS

Source: Eurostat
Real GDP Growth Rate - CEE

Source: Eurostat
Government Debt as % of GDP in 2011

Source: Eurostat
Fiscal Deficit as % of GDP

Source: Eurostat
5y CDS: Hungary vs. Italy vs. Spain

Source: SG Cross Asset Research, Bloomberg
High FX Exposure for Households

Source: IMF Country Report 2011
Lending has Nearly Stopped

Speculative office completions in Budapest 2002-2013

Source: Colliers

Source: IMF Country Report 2011

Speculative office completions in Budapest 2002-2013
Structural Challenges in CEE
Labour Force Participation Rate
In OECD Countries

Per cent, age 15-64, 2010

Source: OECD 2011 OECD Labor Force Statistics
Corruption INDEX

Source: Transparency International
Investment Climate in CEE
FDI in Hungary in % of GDP

Source: HAVER, IMF Staff Estimates
Venture investments as % of GDP in 2011

Source: Thomson Reuters Datastream (GDP) / EVCA / PEREP_Analytics
Buyout & Growth investments as % of GDP in 2011

Source: Thomson Reuters Datastream (GDP) / EVCA / PEREP_Analytics
Incremental amount raised in 2011

Source: EVCA / PEREP_Analytics
CEE Offers Opportunities

Capitalize on Changes in Region

• Replacing/Upgrading Infrastructure and Systems
• Expanding Convenience to Businesses and Consumers - Lower Price or Higher Quality
• New Products and Services

Utilize Local Resources

• Engineering and Creative Talent
• Good Practical Sense – Solutions
• CEE Economic Growth Should be Approx. 2x EU-15
Interesting Sectors in Hungary

Service Centers
- Highly Qualified Workforce
- Unwilling to Relocate, Low Fluctuation

Manufacturing
- € 800 million Mercedes-Benz Investment

IT ICT
- Successful Software Companies

Agriculture
- Unprocessed Products for Export vs. Processed Products for Import

Tourism
Most Important Focuses for an Investor in CEE

- People
- Systems/Processes
- Marketing
Vatera: How iEurope Created Value

- **Operations/Finance**
  - Initial Capital Commitment
  - 2nd Capital Committed
  - 1st EBITDA Positive Plateau
  - MIS Upgrade
  - €1m Revenue, New CFO
  - Sale to Naspers

- **Marketing**
  - Systematic Tracking of Marketing Spend by Channel
  - New CMO
  - New Marketing Dept.
  - First detailed user study

- **Capacity Building/Human Resources**
  - New CEO
  - New Bonus Scheme
  - CTO
  - Expansion into Slovakia
Fund II – Recent Portfolio Investment

Leading group buying company and pioneer in Southern Eastern Europe local e-commerce

<table>
<thead>
<tr>
<th>Company</th>
<th>Kupi Me (English translation: Buy Me)</th>
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Recent Success Stories from CEE
Thank You

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