cutting through complexity

CONSUMER MARKETS

Global M&A in Consumer Markets:

Pursuing growth in an uncertain world

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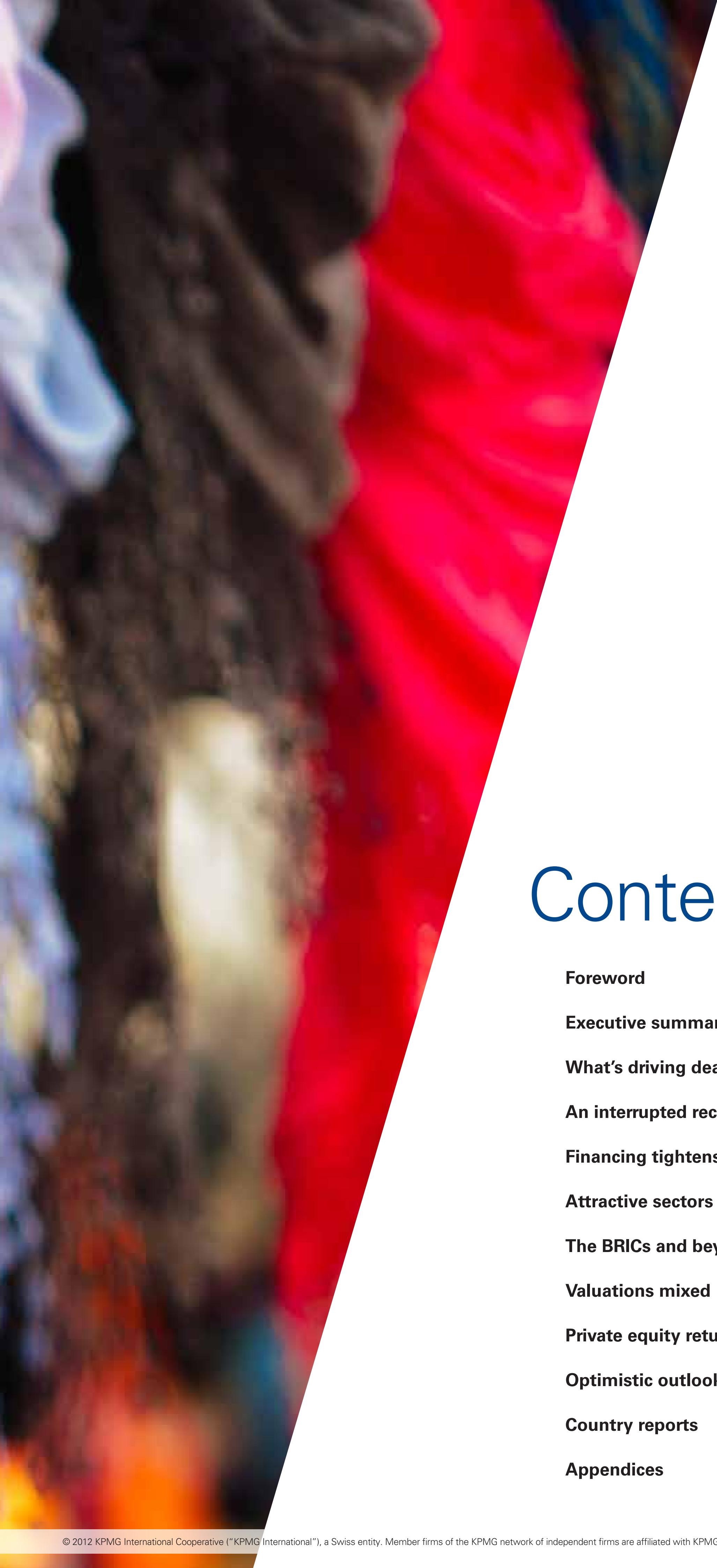

Contents

Foreword

Consumer markets companies interested in pursuing mergers and acquisitions (M&A) continue to face a largely uncertain environment. While there are pockets of activity and attractive growth opportunities, macroeconomic forces such as euro zone instability, mixed consumer confidence, rising commodity prices, inflation and challenges in arranging financing for transactions are complicating the ability of consumer-focused companies to expand or enter new markets through M&A.

2011 started off with considerable promise for the consumer M&A market after favorable growth in 2010, but ran into headwinds mid-year. Larger transactions became more challenging to complete, prompting many companies to shift their attention to smaller deals with a narrower strategic or geographic focus.

To gain insight into the trends that are likely to affect consumer sector M&A in the near future, we examined transactional data and trends for the past 24 months, and conducted more than 30 in-depth interviews with senior KPMG M&A professionals and private equity executives around the world.

Our conversations revealed a range of market conditions and opportunities across the 23 countries covered in the study. In most countries, for instance, M&A financing is generally available, although the approval process may be more stringent and take longer than it might have under more favorable market conditions. In some regions such as the more developed economies, consumer confidence and spending remain constrained, while impressive growth continues in others.

The range of countries from which our professionals shared their insights gives us a good picture of how M&A markets and activity are expected to evolve over the next 18 months or so. While challenges are expected to continue in the short term, the basic reasons for pursuing M&A – geographic expansion and market entry, market consolidation, and supply chain considerations – will keep the pursuit of attractive transactions near the top of the consumer sector's strategic agenda.

Our interview participants also indicated that, despite the immediate challenges, they expect market fundamentals to produce favorable M&A conditions in the near future.

We believe the analysis and perspectives our professionals provide in these interviews will be useful to anyone involved in the consumer sector or with an interest in the future direction of global growth.

I would like to thank the M&A and private equity leaders who contributed to this study, and hope you find their insights interesting and valuable.

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Executive summary

This collection of interviews covering consumer markets M&A activity in 23 countries, describes a global recovery proceeding by fits and starts but with an underlying drive that has promise for the future.

Deal activity in 2011 started strong, with the food, drink and consumer goods (FDCG) sectors leading the way over retail. Most active of all was the food and drink sector, with more than 900 deals either completed or announced in 2011, more than all the other FDCG sectors combined.

But there was a clear dip in activity in the third quarter, as companies and consumers in Europe felt the full impact of financial problems in the euro zone. European activity slumped as businesses chose to wait for a resolution to the crisis rather than make plans in the face of uncertainty, while consumers reined in their spending.

There are signs that confidence may be returning, with companies anticipating greater stability from the new governments in Greece, Italy and Spain. But views vary on how long it will take before markets return to health; some think it might happen in 2012, while others say they could stay this way for another three to five years.

Although events in Europe have had a dampening effect on activity outside the region, there has nevertheless been a steady stream of deals completed. Fragmented sectors in India, China and elsewhere have been consolidating in search of economies of scale and better supply chain management, while international acquirers have been snapping up opportunities to win a foothold in large markets with potential for high growth.

Most of these deals have been in the mid-market, as banks have effectively abandoned deals larger than €100 million. But for good quality mid-market assets with a sound business plan, financing remains available.

One KPMG professional interviewed summed up the current M&A picture saying, "Some consumer markets sectors have to consolidate to make sure they're offering a wide range of products for consumers, at competitive, yet profitable, prices. We are priming the M&A environment today for the next two to three years."

What's driving deals

Globally, 2011 saw a gradual decline in M&A deals in both the food, drink and consumer goods (FDCG) manufacturing and retail sectors, followed by signs of recovery in the fourth quarter.

In 2010, M&A activity had climbed steadily and the end of that year, market participants saw the growing volume and value of deals being completed as an encouraging sign that companies and economies were recovering from the global economic downturn of the past three years.

However, while the momentum continued throughout 2011 in many growing markets including Brazil, China and Mexico, economic disruptions, particularly the euro zone crisis in the summer of 2011, all but stagnated activity in others, especially the UK, Germany and Italy.

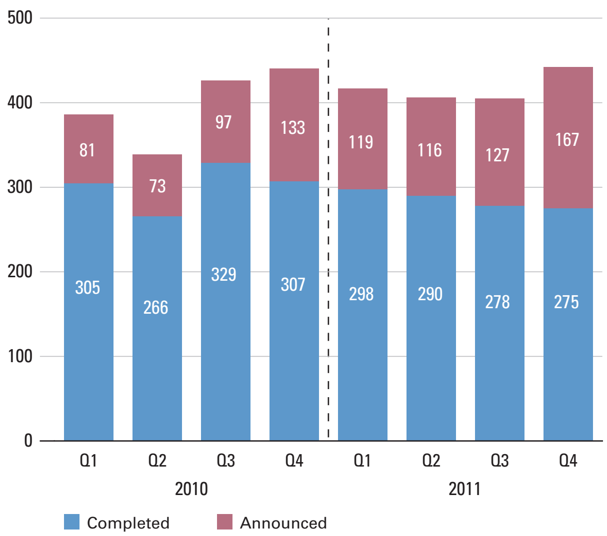
Strong fundamentals, such as improved corporate earnings and strong balance sheets are still being reported in many regions, but before M&A markets globally can begin to recover, a number of macroeconomic forces, and business and consumer confidence levels, have to improve.

Across industries, common drivers for companies pursuing M&A deals include: strategic growth, geographic expansion, product diversification, investment profit, focus on core business or product lines, synergy, and cost optimization. In our interviews with KPMG's M&A professionals, the following M&A drivers and trends for consumer companies in particular, were commonly cited:

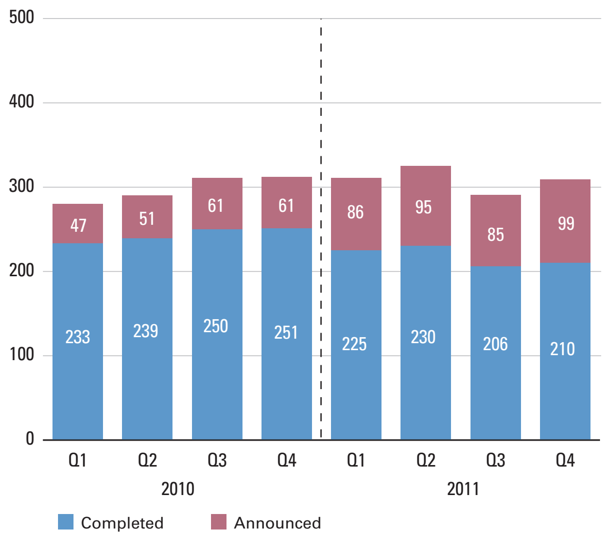
- Strategic growth and expansion into high-growth emerging markets (particularly the BRIC countries);
- Shifting emphasis to moderately-sized deals (typically under US$1billion) that are considered easier to finance and close than larger transactions;
- Increased focus on supply chain optimization, particularly in the face of rising commodity prices and sourcing challenges;
- Transfer of unfavorable brands from their traditional markets to regions where weakened brands may be perceived more favorably;
- Growing interest in health and wellness among consumers.

These and other trends and drivers in M&A are explored in more detail in this report.

Number of FDCG companies acquired, Q1 2010 – Q4 2011

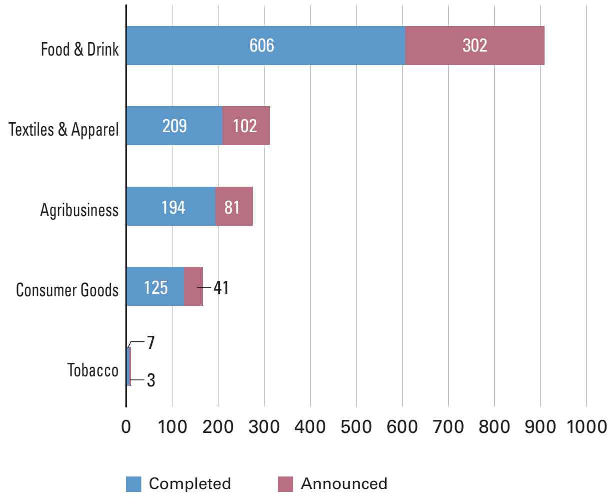


Number of retail companies acquired, Q1 2010 – Q4 2011

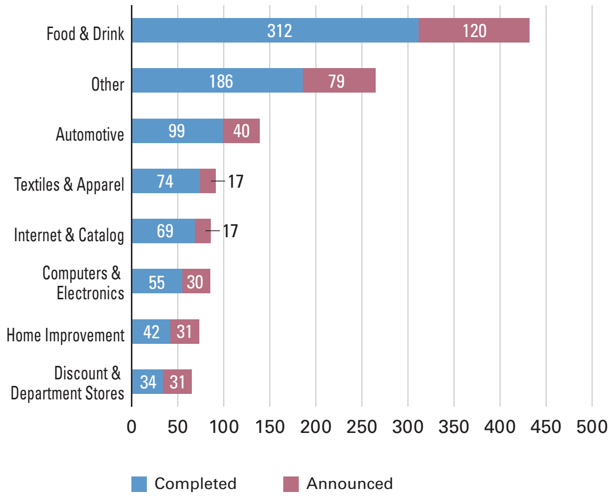


Source: Thomson SDC

Number of FDCG companies acquired by subsector (2011)



Number of retailers acquired by subsector (2011)



Source: Thomson SDC

An interrupted recovery

In our interviews with KPMG member firm's senior M&A professionals, a consistent theme that emerged was the sudden interruption in mid-2011 for M&A markets caused by a combination of macroeconomic events. Most prominently, the euro zone financial crisis, falling consumer and business confidence, and problems obtaining debt financing to complete transactions.

"Most companies felt that we were beginning to see some light at the end of the economic tunnel, but what we found instead in the second half of the year was just the opposite," says Jorge Rioperez, Head of Corporate Finance at KPMG in Spain.

Following a growing lack of confidence in Europe, M&A activity slowed in most regions. As visibility into economic conditions declined, companies found it more difficult to make or implement growth plans. "The euro zone problems are clearly impacting corporates' thinking, but there is a bigger dynamic in the consumer space where consumers have been readjusting their family budgets, pushing back discretionary spend, and driving to value in what they buy," says David McCorquodale, European Head of M&A, Consumer Goods and Retail, with KPMG in the UK.

David Simpson, Global Head of M&A with KPMG in the UK, says macroeconomic factors and the euro zone crisis have introduced considerable uncertainty and some hesitation to the M&A market in the UK. "The threat of negative events and conditions might turn out to be more damaging than what actually materializes, and companies just want to see a solution around which they can plan," Simpson says.

"A number of in-progress transactions and auctions were either stalled or stopped altogether, and companies are waiting to see how the situation evolves," says Bjorn Hallin, M&A Partner with KPMG in Sweden. "We're seeing uncertainty in the financial markets, which translates to nervousness."

"Deals larger than €100 million (US$132m) simply aren't happening today," says Julian Parsons, Executive Director, M&A, at KPMG in France. "There was a wave of larger transactions in late 2010 and early 2011 that attracted bank financing, but more recently, we've seen a number of transactions that were underway that have been stopped."

"We've noticed this year that more trade-to-trade deals involve corporate buyers that are themselves private equity-backed," McCorquodale says. "Private equity investors are more active this year, but possibly putting money out behind their existing portfolio businesses that may be better able to deploy leverage."

The sovereign debt crisis in Europe resulted in new governments being formed in Greece, Italy, and Spain, increasing expectations that austerity measures and the potential for increased political and economic stability will improve predictability for business executives and help promote an increase in M&A activity.

Macroeconomic conditions are also influencing M&A activity in growing or recovering regions such as Mexico. Foreign direct investment into Mexico had dropped more than 40 percent from 2008 to 2009. It then rebounded by 27 percent in 2010, although fell by an estimated 4 percent in 2011. "There may be growth prospects and healthy companies to acquire here, but multinational corporations are not necessarily in acquisition mode," says Victor Esquivel, M&A Partner with KPMG in Mexico.

Along with falling business confidence, companies are also concerned about continued weakness in consumer confidence. In 14 of the 23 countries studied, the Neilson Consumer Confidence Index (CCI) fell during 2011. The most significant declines were seen in Switzerland, Singapore, Belgium and South Africa -- all declining by double digits. Both China and the US saw a decline from January to October, but recovered to original index levels by the end of the year. Brazil had the highest index jump, going from a CCI of 95 to 112 in just 12 months.

Some companies have had success serving high-end consumers or those at the lower end of the market, but companies targeting the middle market have increasingly been squeezed by shrinking consumer incomes. "We've seen a perfect storm develop around consumer confidence where the macroeconomic environment is worsening, inflation is growing, and consumers face rising unemployment and high levels of personal debt," says Tim Clifford, Consumer Goods & Retail Partner with KPMG in the UK.

While the economic news is generally less encouraging than at the start of the year, the renewed slowdown isn't affecting all countries. In South Africa, for instance, overall M&A activity levels are down, but in the consumer goods and retail space, M&A activity rose in 2011 over 2010, and continued to rise throughout the year. South Africa is increasingly being seen as a base for expansion into the rest of the continent.

One of the big transactions in the region this year occurred when Wal-Mart purchased a majority stake in retailer Massmart for US$2.4 billion. John Geel, Managing Director, Transactions and Restructuring Advisory at KPMG in South Africa, says the deal marks a fundamental indication of market confidence in the region.

Meanwhile, in Poland, a growing number of well-known private businesses that were established 15 or 20 years ago are coming onto the M&A market because the private owners have decided it's the right time to sell.

James Murray, an M&A Partner at KPMG in the UK, says the fundamentals for M&A remain in place, despite falling consumer confidence. "Companies have strong balance sheets and a considerable amount of cash, they've started to pursue focused strategies, and they remain oriented toward growth," Murray says.

In some economies, strategic buyers that have spent the past three years focusing on their own balance sheets are starting to return to the M&A market. "[More companies] understand that M&A at the right price can be a clear opportunity, and this could be a good time to make a deal," says Bastiaan De Weers, Associate Director, T&R Corporate Finance, KPMG in the Netherlands. "Now that there is more stability in the market, there is a rationalization of normal values, and sellers' expectations are more realistic."

> "A number of in-progress **transactions and auctions** were either **stalled or stopped** altogether, and companies are waiting to **see** how the **situation evolves.**"

Financing tightens

“The **banks** say there is a lot of **credit availability**, but the **underwriting standards** are stricter.”

The availability of deal financing varies considerably from market to market, with most strong markets saying that financing is available, although lender scrutiny is generally tighter and the process takes longer than in the recent past.

Tim Clifford of KPMG in the UK says banks are requiring a greater amount of due diligence and scrutiny than customers would have seen three or four years ago, and lenders are more interested in examining the target company's customers.

Similarly, in the US, credit standards remain very tight. "It's still hard to get debt because of the general negative market conditions and the unpredictability of revenue," says Rob Coble, National Leader, Corporate Transactions and Restructuring for KPMG in the US. "The banks say there is a lot of credit availability, but the underwriting standards are stricter."

In markets largely unaffected by the euro zone crisis, or for large blue-chip companies with strong balance sheets, the availability of financing is generally good for companies pursuing attractive deals.

"We're seeing competition among banks to put together structured financing deals for the right assets," says Jonathan Farnell, a Transaction Services Partner at KPMG in Norway. "Lenders are saying the competition today is as heavy, if not heavier, than it was in the pre-crisis days, and lenders are being pushed to keep terms reasonable."

Attractive sectors

In 2011, the bulk of M&A activity was seen in the food and drink manufacturing and retail sectors. As Krzysztof Klamut, an M&A Partner at KPMG in Poland says, those sectors are fragmented in most markets, making it easier for domestic or international competitors to find attractive targets with established market positions and good brands.

"Food sector sales are more driven by trade-to-trade consolidation rather than being PE-induced," says David McCorquodale of KPMG in the UK. "We're still seeing reasonable multiples, because more of those deals are being driven by cash-rich companies with decent availability of finance. We are seeing strategic investors talking sensibly about valuation and the synergies they are able to achieve in a combination."

Mexico's food and drink sector, for instance, was the most active consumer sector for M&A in 2011. One notable deal included Heineken's acquisition of the beer operations of brewer and soft drinks producer Formento Economico Mexicano SAB de CV (FEMSA) for US$710 million.

Despite a growing climate of uncertainty, M&A activity remains quite strong in Brazil, says David Bunce, Head of Corporate Finance – Latin America and Brazil at KPMG in Brazil. "Deals are being done, and in the consumer markets space, sectors such as food, beverages, supermarkets and shopping centers are quite active," Bunce says.

As one of the leading factors driving M&A activity in these sectors, consolidation can help improve operating efficiency and profitability by reducing market fragmentation and increasing scale. "In the grocery space, we've seen a number of domestic companies looking to build, develop, and consolidate their positions," says James Murray of KPMG in the UK. "There are a number of US players looking at the UK market, given the number of opportunities that are available to establish a platform in the UK, and use that as a bridgehead toward Europe."

Mark Sievers, an M&A Partner at KPMG in Germany, says there's also a strong need for consolidation in the German retail sector. "We have a number of privately owned brands in Germany that lead in particular niches, which are, and will continue to be, under pressure," Sievers says. "Companies run into difficulties if they are not large enough to foster economies of scale."

As Russian consumers start to focus more on modern retail formats, those retailers get bigger and they start to press their suppliers for improved contract terms, says Shawn McCarthy, an M&A Partner at KPMG in Russia. "With growth in the sector, scale matters, and you are starting to see national retailers getting involved in taking over niche companies," McCarthy says.

Another factor driving consolidation is rising raw materials and commodity costs. German retailers and food and drink companies, for instance, are pressured by cost increases in cotton or sugar, while Russian food companies report challenges in sourcing raw materials like milk, beef, pork, or poultry. David McCorquodale of KPMG in the UK says higher commodity prices are prompting food retailers to put pressure on manufacturers, which in turn is opening the door to consolidation among food producers.

"In the **grocery space**, we've seen a number of **domestic companies** looking to **build, develop,** and **consolidate** their positions."

The BRICs and beyond

The emerging BRIC (Brazil, Russia, India and China) economies remain an attractive destination for larger companies interested in driving growth outside their home markets. Unlike organic growth, which can take considerable time to develop in distant and foreign regions, M&A can provide a faster, although sometimes more expensive, way to enter promising new markets.

"For an international competitor looking to expand into Russia, M&A is likely to be a much more practical option than pursuing organic growth, both in terms of the time and resources it takes to get established here," says Shawn McCarthy of KPMG in Russia. "It's an attractive market to outside investors – Russia represents the largest consumer market in Europe – but it's very capital-intensive to build a retail or distribution network from scratch."

Many multinationals are deciding to leverage strong balance sheets and invest outside of their home markets into emerging regions with higher growth rates. For instance, with strong growth prospects, Brazil remains on the agenda of several international groups. "There are still quite a few groups in the consumer space that have looked at Brazil quite seriously, but have yet to make a move," says David Bunce of KPMG in Brazil. "Based on what we're seeing and the work we're currently involved in, we think we think we will begin to see international companies make that move towards investment in the next one to two years."

In markets such as Japan or Switzerland that have experienced strong currency growth, comparatively lower valuations outside their home markets allow them to pursue acquisitions on more favorable terms. "Japanese companies look at their currency, which is extremely strong, and they say they have to go overseas," says Thomas Whitson, a Transaction Services Partner with KPMG in Japan. "Companies that want to be bigger are using their strong currency to position themselves in growth markets such as China, India and the ASEAN (Association of Southeast Asian Nations) countries."

Anti-monopoly regulations in China inhibit both inbound and domestic M&A activity but deals are still getting done. Nestlé's acquisition of a majority stake in candy maker Hsu Fu Chi in December for a reported US$1.7 billion, for example, surprised a number of observers who thought regulatory approval would be withheld.

In India, there have been several marquee transactions in the past two years, although the number of M&A deals has been falling. In the retail sector however, recent government approval to allow full ownership for single brand retail is expected to stimulate some M&A activity, as overseas investors start to buy out their local joint venture partners.

For a growing number of companies, attractive international targets may not necessarily be the BRIC countries, but can also include markets like Turkey or Central Europe. "Those markets have reasonably strong GDP growth, and large European companies with strong balance sheets think they can get value in the long term by buying businesses," says Tim Clifford of KPMG in the UK.

In notable transactions, Diageo purchased Turkish distiller Mey Icki Sanayi ve Ticaret AS in August for US$2.1 billion. In another transaction, SABMiller announced in late October a US$1.9 billion asset swap with Turkey's Anadolu Efes to create a regional beer producer serving Russia, Turkey, the former Soviet republics, Central Asia and the Middle East.

Companies are also showing a growing interest in Africa. In addition to the Wal-Mart/Massmart transaction, South African retail chain Woolworths Holdings, which is active in 10 countries in Africa, signed a joint venture agreement in October 2011 with Nigeria's Chellarams. John Geel of KPMG in South Africa said companies can expect to see continued growth of large established international consumer groups moving into the African continent, as well as the expansion into emerging market territories by South African entities.

"Botswana is already on the radar for companies, as are Nigeria, Mozambique, and other countries that offer high-growth opportunities," Geel says. "We think companies using South Africa as a base will be able to move into other parts of the continent that offer attractive growth."

In Mexico, Victor Esquivel says there are about 15 to 20 Mexican companies looking for acquisitions within Mexico, but they are also looking for acquisitions across other parts of Latin America as a strategy to consolidate in the region. "Other attractive targets for Mexican companies are acquisitions in the US which can be used to penetrate the large Hispanic population and leverage brand recognition of their products in that market," Esquivel says. "Within the next two years, we expect to see more Mexican companies becoming regional players."

Outbound investment from BRIC countries such as China has included the buying of prestigious drink or cosmetic brands from countries like France, and bringing them back to their home markets. "We're seeing Chinese companies starting to come [to Japan] looking for technology and industrial know-how," says Thomas Whitson. "We expect they will eventually be interested in strong Japanese brands that can be helpful to a Chinese company that wants to go global."

Valuations mixed

KPMG's M&A leaders report seeing a broad range of deal valuations, with significant variation from market to market. Valuations are holding up well in growing or recovering markets, but are decreasing in markets experiencing financial uncertainty or turmoil.

"In general, M&A valuations are trending up in the US," says Rob Coble of KPMG in the US. "They're not at 2007 levels, but values are up from 2010, which shows a good market. The gap between the buyers' valuations and the sellers' valuations is getting smaller, which tells you that deals are going to get done."

In Poland, recent deals have been marked by strong valuations and high multiples for sellers. In most situations, local companies are valued above levels seen in Western Europe. "Some strategic investors from Western Europe may suggest a multiple of six times EBITDA, for example, but we'll tell them if they propose a multiple below seven or 7.5, the seller won't talk to you," says Krzysztof Klamut of KPMG in Poland.

In other markets, however, valuations and expectations are moving in opposite directions. "On the sell side, companies hoped to retain higher valuations supported by the higher profits and margins earlier in the year, but on the buy side, investors didn't necessarily follow that earlier positive trend," says Mark Sievers of KPMG in Germany. "There's a gap that needs to be bridged."

"As growth has slowed, a huge valuation barrier has developed in the market today, and that barrier is inhibiting M&A," says Nandini Chopra, Executive Director & Practice Head for Consumer and Retail, Corporate Finance, KPMG in India. "Sellers have huge expectations about values, especially the owners of smaller, family-owned businesses."

Julian Parsons of KPMG in France says that average valuations have declined 20 percent from the beginning of the year. "In discussions with some companies, particularly smaller or midsize companies that are family-owned or management-owned, we had advised them to wait until 2012 to sell, when purchaser's financing capabilities will be stronger. There are a number of businesses that have good growth trends and should command high prices, but 2011 was not a good market," Parsons says.

Private equity returning

> "Most **activity** is taking place in the **middle market**, largely because **debt financing** is more readily available for **smaller transactions.**"

An important health indicator of the consumer markets sector can be the willingness of private equity firms to invest in the sector. In 2011, private equity investment returned to a moderate level, according to David Simpson of KPMG in the UK.

"Most activity is taking place in the middle market, largely because debt financing is more readily available for smaller transactions," says Simpson. "To reduce risk, funds today are more willing to purchase a higher quality asset at a higher price than a medium quality asset at a medium price."

As with strategic investors, private equity firms say the unpredictability of the current environment makes planning and evaluating potential investments challenging. "Until recently we have not been sure whether we are peering over the edge of a precipice, or whether we've hit the bottom and the market is going to trundle along for the next three to five years," says Oliver Wyncoll, a partner with Langholm Capital. "If a quality asset comes along, they can receive exceptional pricing because there are just so few of them. If that is not the case, valuations can plummet quite sharply."

With the tighter availability of funding, investors are cautious, but they are still looking to take advantage of opportunities, says Tim Clifford of KPMG in the UK. "We've seen some leading private equity houses willing to look at deals of a slightly smaller size than they would have three or four years ago," he adds.

"We are seeing more middle market deals because the capital isn't available to buy bigger companies," says Alexander Walsh, principal at CapVest Ltd. "It's a challenge to raise debt financing right now. That slows the market by affecting investors' ability to value companies and to obtain the financing to buy them."

"There's still a reasonable level of activity in the lower midmarket that is driven by a number of smaller businesses that, for whatever reason, may have to sell," says Langholm's Wyncoll. "But as you shift up to the midmarket, the deal flow has declined sharply."

In Sweden, a decline in PE investment is seen as one of the major factors in the decline in overall M&A activity. "With the turmoil in the financial markets, it is difficult for PE firms either to launch IPOs or to sell assets," says Bjorn Hallin of KPMG in Sweden. "It is also less attractive to invest at the terms that sellers want, if a company is interested in buying something."

Similarly, private equity deal-making activity within the Asia Pacific cluster – excluding Australia, Japan, and South Korea – has decreased, according to Vishal Sharma, Corporate Finance Partner with KPMG in Singapore. "That may be due to a lack of quality assets within the region, or it might be due to private equity houses not finding the right exit for the desired multiples."

Jonathan Farnell of KPMG in Norway says private equity activity is increasing among deals that were made in the 2005-2007 period. "There was a wave of acquisitions in the consumer markets space that are now entering the exit phase, and over the next six to 12 months, we expect to see a great deal of activity as those investments are sold, either to other private equity firms or industrial owners," Farnell says.

Optimistic outlook

Despite the short-term macroeconomic uncertainty and its effects on business and consumer confidence, KPMG's M&A leaders interviewed believe a number of factors – including strong corporate fundamentals and balance sheets, pent-up demand for deals, and the availability of good targets in consolidating markets – will help M&A activity rebound and grow in 2012 and 2013.

"We're priming the M&A environment today for the next two to three years," says Rob Coble. "Some of the consumer markets sectors will have to consolidate to make sure they are offering a wide range of products for consumers."

"Looking ahead, I think we will overcome this crisis," says Mark Sievers. "Part of the challenge now lies in determining which companies are truly solid and healthy, but may be temporarily affected by external factors."

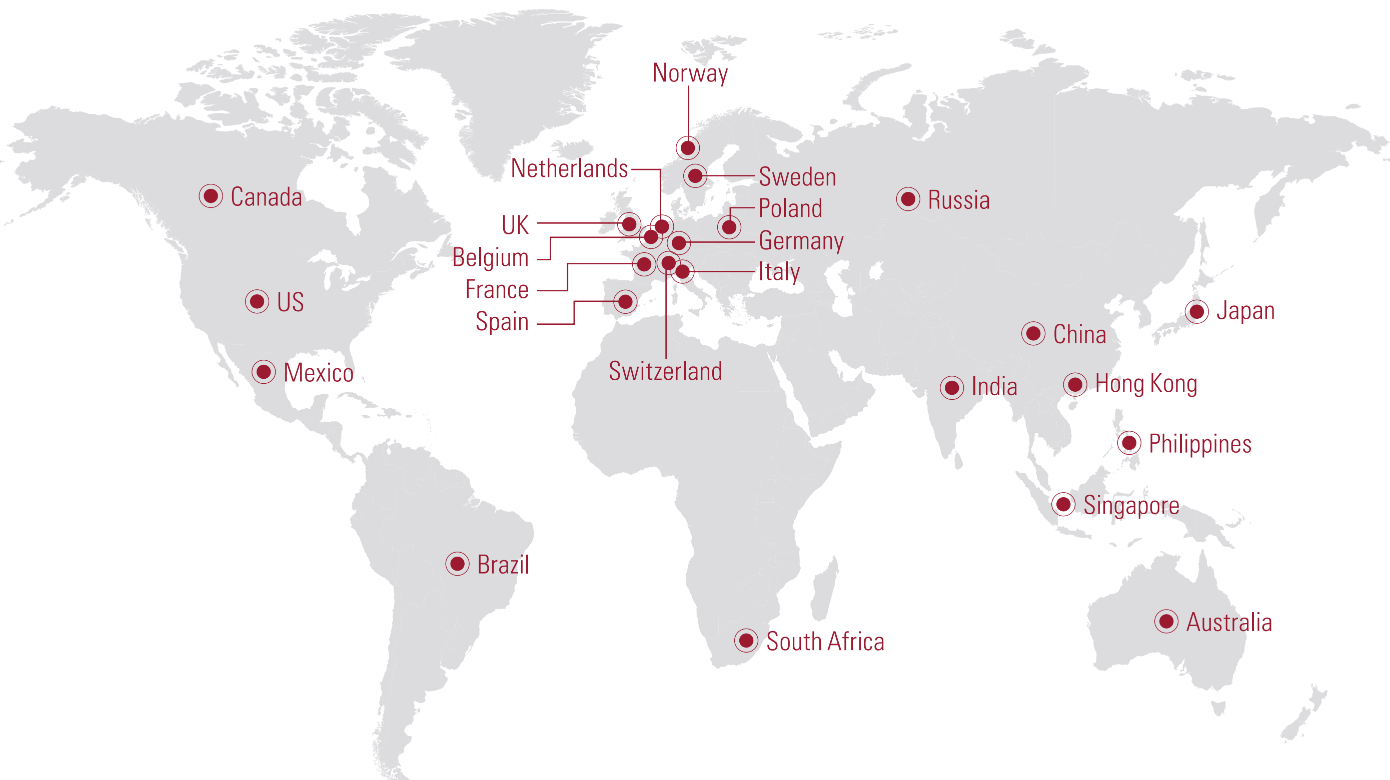
"M&A is likely to increase after the financial situation stabilizes because we have a clear need for concentration in retail, restaurants, and some other consumption-driven sectors that have been affected by this year's instability," says Jorge Rioperez of KPMG in Spain. "Most of these companies have good brand names, but do not have critical mass to expand internationally or the financial muscle to grow profitably, and sooner or later, many of them are likely to be acquired by larger players."

"We believe the euro situation will be addressed," says Bjorn Hallin of KPMG in Sweden. "Confidence will return, and we will see the underlying business development take off...We do expect to see confidence return to the underlying market, replacing the general nervousness of today, but we don't know if that will take six, 12, or 18 months."

"Some of the **consumer** markets sectors will have to **consolidate** to make sure they are **offering** a wide range of **products** for **consumers.**"

Country reports

The following section includes detailed interviews with KPMG's senior M&A professionals in 23 countries. They discuss the current conditions in their markets, their near-term views on the underlying developments affecting M&A activity in the consumer markets sectors and their outlook for M&A activity in the 12-18 months ahead.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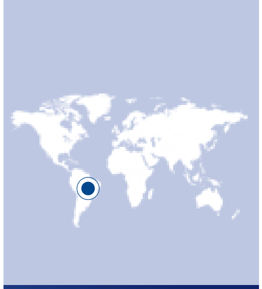

Brazil

Despite a growing international climate of uncertainty, M&A activity remains strong in Brazil. Companies are putting some of their investment plans on hold while they wait to see how things play out, but it's still a reasonably positive market. Deals are being done, and in the consumer market space, sectors such as food, drink, supermarkets and shopping centers are quite active.

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Brazil and South America still possess a strong growth dynamic. With a few exceptions, the whole region continues to grow and the overall outlook remains positive with 2011 GDP growth of 2.9 percent, and a forecast of 3.5 percent by the IMF in 2012.

That being said, there was undoubtedly some effect in the M&A market in the third quarter of 2011 coming from the global financial crisis. Obviously, there is the perception of greater uncertainty as several companies – some international, but even some local – are waiting to see how things settle down before proceeding with their acquisition plans.

Most of the deals this year have been more in the US$50 million to US$100 million bracket, rather than the US$2 billion bracket. We've seen more of a concentration this year in the small to medium part of the market.

In larger transactions, Brasil Ecodiesel announced its merger with soybean, cotton, and corn producer Vanguarda for US$75 million.

Cargill Inc of the US acquired the tomato products business in Brazil of Unilever Braz for an estimated US$370 million. J&F acquired the cosmetics division of Grupo Bertin, a Sao Paulo-based holding company, for an estimated US$180 million.

Data fact sheet

	Actual	Forecast					
	2011	2012	2013	2014	2015	2016	5-yr growth forecast
GDP (PPP, bn)	2,283	2,414	2,573	2,759	2,937	3,129	▲ **37%**
Population (m)	192.8	194.7	196.5	198.2	199.8	201.4	▲ **4%**
Inflation rate	6.6%	5.5%	5.3%	4.9%	4.7%	4.7%	
Average corporate tax rate	34.0%						
Consumer spending per capita (constant 2000, US$)	3,122						

	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Global rank
Consumer confidence index	95	96	112	112	5

	2006	2007	2008	2009	2010	2011
Foreign direct investment (BoP, current US$bn)	18.78	34.58	45.06	25.95	48.44	65.50

Sources: GDP, Inflation rate, Population – Economist Intelligence Unit; Average corporate tax rate – KPMG, Corporate and Indirect Tax Survey 2011; Consumer spending per capita, Foreign direct investment – World Bank; Consumer confidence index – Nielsen.

"With strong growth prospects, **Brazil is on the agenda of a lot of international groups.**"

One of the ongoing challenges with the Brazilian market is that acquisition financing is not as widely or easily available as would be the case in many parts of the world, for a number of reasons. Brazilian interest rates are still high – for a medium-size company looking to obtain financing, they're likely going to pay around 20 percent nominal or 14 percent real annual interest for unsecured financing, which is a significant cost.

There is still a relatively small market here in terms of acquisition finance. The private equity (PE) houses active in Brazil more typically do deals with pure equity, which is very different to the model prevalent in North America or Europe.

That does limit, to a degree, the capacity of the Brazilian PE houses to transact. It also requires a high level of confidence that they're going to get the returns they need from that pure equity play as opposed to a leveraged play. It's not uncommon for the PE houses here to look at 50 or even 100 deals for every one they actually execute.

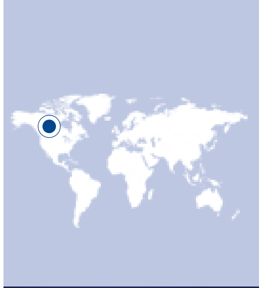
According to the Latin American Venture Capital Association, 61 private equity deals with a total value of US$3.8 billion occurred in the region in the first half of 2010. In the first half of 2011, there were another 65 deals, but they were for only US$2.6 billion.

Also with buyers being more strategic this year, we're seeing more or less the same number of deals taking place, but the average value has come down.

Business confidence remains strong, but fell during the second half of 2011. People are concerned about volatility in international markets.

Consumer confidence remains relatively high, despite rising inflation – inflation in 2011 was at 6.6 percent – in fact Brazil's CCI rose by more points, from 95 to 112, in 2011, than any of the 23 countries covered in this report.

With strong growth prospects, Brazil is on the agenda of a lot of international groups. There are still quite a few groups in the consumer space that have looked at Brazil quite seriously, but have yet to make a move. Based on what we're seeing and the work we're currently involved in, we think we will begin to see international companies make that move towards investment in the next one to two years.



Canada

M&A activity in Canada was strong during the first half of 2011, fueled by a vibrant economy as well as strong capital and debt markets. The Canadian economy has shown a greater resiliency than what we've seen in the United States, so for companies interested in M&A, Canada is being seen as an attractive environment where they can access capital easily.

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Business confidence has also remained very strong this year. People can't avoid watching the volatility embedded in the stock market because of what's happening in Europe, but the mood in Canada has remained positive.

The Canadian economy depends, to an extent, on the global demand for commodities, which remains strong. As a result, Canada is seen as a safe haven, and the nation is attracting international investment.

Canada also boasts a healthy and vibrant real estate market, so demand for home-related products is high. Unlike in the United States, consumer sentiment has remained favorable. The IMF recorded GDP growth of 2.3 percent for 2011 and is projecting a growth rate of 1.7 percent in 2012.

In notable transactions, US retailer Target acquired Canadian retailer Zellers Inc. for US$1.8 billion in September, and, in August, Canadian Tire Corp. acquired sporting goods retailer Forzani Group for US$761 million.

If you look at the Canadian Tire transaction, the play there was sporting goods and apparel. That transaction was thoughtful and not necessarily obvious. The companies didn't have a lot of overlapping products, but they did have a lot of overlapping buyers. There are a lot of Canadian men who shop at Canadian Tire.

M&A transactions in Canada today nearly always have a significant cross-border component. We don't know of many companies in Canada that are looking for growth that don't look to international markets, with the first logical step typically being approaching the US market.

Data fact sheet

	Actual	Forecast					
	2011	2012	2013	2014	2015	2016	5-yr growth forecast
GDP (PPP, bn)	1,384	1,442	1,510	1,577	1,646	1,719	▲ **24%**
Population (m)	34.4	34.7	35.0	35.3	35.6	36.0	▲ **5%**
Inflation rate	2.9%	1.9%	2.2%	2.3%	2.3%	2.3%	
Average corporate tax rate	28.3%						
Consumer spending per capita (constant 2000, US$)	16,006.1						

	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Global rank
Consumer confidence index	102	101	96	96	14

	2006	2007	2008	2009	2010	2011
Foreign direct investment (BoP, current US$bn)	60.29	117.65	57.88	22.46	23.59	30.26

Sources: GDP, Inflation rate, Population – Economist Intelligence Unit; Average corporate tax rate – KPMG, Corporate and Indirect Tax Survey 2011; Consumer spending per capita, Foreign direct investment – World Bank; Consumer confidence index – Nielsen.

"Canada is seen as a safe haven, and **the nation is attracting international investment.**"

Similarly, in the middle market, we are seeing companies pursuing growth, as well as an increasing number of entrepreneurs looking to sell or monetize their businesses for transition or estate planning purposes.

Business owners understand there are benefits that come with economies of scale – not just in having a bigger business, but also in having a business with access to foreign markets. Scale is a huge factor in the success of companies going forward.

Right now, there are a number of US private equity firms looking at Canadian companies for potential acquisitions. Those investors are sitting on cash that has not yet been deployed, and the number of transactions they have participated in since 2008 have been below normal so they are actively seeking opportunities.

The availability of financing in Canada remains sound. Larger, blue chips are perceived as being able to weather global economic storms, so they have access to a broader amount of capital.

For smaller companies, the high-yield market has become unpredictable. If a company serves a market that's been impacted by the foreign debt crisis, they may need to approach the unsecured debt market, which carries debt covenants and high interest.

Another factor driving M&A activity is consolidation in food production and distribution sectors. For example, late last year, Switzerland's Aryzta bought out its joint venture partner, Tim Hortons Inc., to acquire Maidstone Bakeries for an estimated US$456 million.

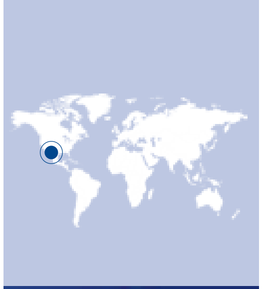
In October 2011, Sara Lee announced plans to sell its North American foodservice coffee and hot beverage unit to J.M. Smucker Co. for an estimated US$350 million.

We're also seeing Canadian companies willing to invest in production and logistics. If you want to be a world-class supplier or manufacturer and deliver consumer products globally, you have to make sure you have the latest technology that increases efficiency and reduces reliance on labor inputs.

Looking at the next two or three years, we expect to see continued economic growth and deal activity. Canada has shown consistent economic performance, and the government isn't running a deficit, so those are positive factors for inbound investment.

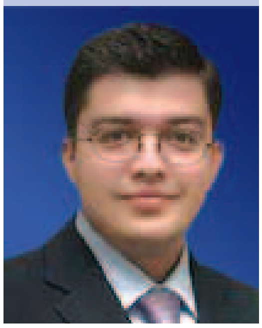
When companies look at economic growth from 2008 to 2011, it's been strong and favorable in Canada, and our currency is on par with the US dollar.

When the impact of the European debt crisis is reduced, and the United States is better able to manage its economy and get its deficit under control, in my opinion that will inspire consumer confidence and lead to resurging markets in North America.



Mexico

After more than a decade of moderate economic growth fueled by favorable political and economic stability, Mexico has experienced only a slight downturn in M&A activity in 2011.



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Mexico's economy has benefitted from growing regional and international trade, as well as M&A growth throughout the region. Those positive trends, including forecasted GDP growth of between 4 and 5 percent, have decreased only slightly in the face of this summer's financial market uncertainty.

Notably, Mexico's food and drink sector was the most active in M&A in 2011 as Heineken acquired the beer operations of brewer and soft drinks producer Formento Economico Mexicano SAB de CV (FEMSA) for MXN93.3 billion.

In other soft drink mergers, Embotelladoras Arca SAB de CV (Arca) merged with Grupo Continental SAB de CV (Continental), a soft drink and water producer in a stock swap transaction valued at MXN27.68 billion; and Coca-Cola Femsa SAB de CV (CC Femsa) agreed to merge with Consorcio La Pureza de Bebidas SA de CV for MXN9.762 billion and to acquire Grupo Tampico for MXN9.3 billion.

Similarly, Embotelladoras Arca SAB de CV of Mexico acquired a 75 percent interest in Ecuador Bottling Co. Corp., a Quito-based producer of soft drinks, for US$345 million as part of a joint venture with Grupo Nobis.

The country itself has stable conditions and very good growth prospects in certain areas. Specifically, the consumer market sector has fueled growth in GDP and the economy, providing sound conditions for transactions. At present, there are about 15 to 20 Mexican companies that are actively looking for acquisitions within the country, but they are also looking for acquisitions across other parts of Latin America as a strategy to consolidate in the region. Other attractive targets for Mexican companies are acquisitions in the US which can be used to penetrate the large Hispanic population and leverage brand recognition of their products in that market. Furthermore, we also see Mexican companies looking for expansion into other international markets.

Data fact sheet

	Actual	Forecast				
	2011	**2012**	**2013**	**2014**	**2015**	**2016**	**5-yr growth forecast**
GDP (PPP, bn)	1,939	2,048	2,180	2,305	2,437	2,574	▲ **33%**
Population (m)	113.8	115.0	116.2	117.5	118.8	120.1	▲ **6%**
Inflation rate	3.3%	3.8%	3.9%	3.6%	3.5%	3.6%	
Average corporate tax rate	30.0%						
Consumer spending per capita (constant 2000, US$)	4,364.8						

	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Global rank
Consumer confidence index	80	80	83	81	33

	2006	2007	2008	2009	2010	2011
Foreign direct investment (BoP, current US$bn)	20.05	29.73	26.30	15.33	18.68	17.90

Sources: GDP, Inflation rate, Population – Economist Intelligence Unit; Average corporate tax rate – KPMG, Corporate and Indirect Tax Survey 2011; Consumer spending per capita, Foreign direct investment – World Bank; Consumer confidence index – Nielsen.

"The consumer market sector has **fueled growth** in **GDP and the economy,** providing sound conditions for transactions."

The majority of companies in Mexico tend to be family-owned and run. We have seen trends in M&A from both international and domestic companies entering or expanding into Mexico through the acquisition of these private companies.

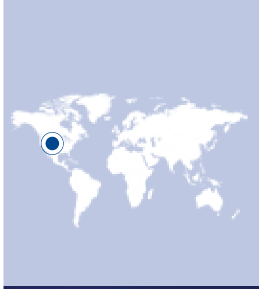
Mexico's leisure services sector, including restaurant chains, is extremely attractive for M&A by local players and among private equity firms trying to build chains and drive consolidation in highly fragmented sectors. For medium-sized companies, there is acquisition financing available, but conditions have tightened due to the global economic environment. Mexico has very low financing and corporate debt ratios, compared to other developed countries, and that is a source of financing for acquisitions that has started to become more available for transactions.

Macroeconomic conditions are also influencing M&A activity as foreign direct investment into Mexico had dropped over 40 percent from 2008 to 2009, rebounding by 27 percent in 2010 and declining again slightly in 2011.

Mexican consumer markets companies present healthy growth opportunities to potential buyers, and multinational corporations have been actively pursuing transactions to expand their presence in the country.

Within the next two years, we expect to see more Mexican companies becoming regional players. Most of these companies have very healthy balance sheets and will incorporate inorganic growth into other geographic regions as part of their strategy.

With the opening of local capital markets and the availability of financing for domestic companies fast becoming a reality, companies now have the ability to use these funds to support their international expansion.



US

In the United States, consumer markets companies are motivated again by their expansion goals after hunkering down for the last two or three years to cut costs, remain profitable, and keep their stock prices up. Now they're looking for ways to create revenue growth in an economy where consumer demand and consumer confidence isn't that strong, so there is likely to be more M&A activity in the consumer markets sectors.

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The US has a lot of companies that are confident about the deal market and need to grow – both geographically and with respect to new products. They need to expand their customer base.

Companies are looking at increasing their total addressable market, and they're doing so both organically and inorganically.

In notable transactions this year, Del Monte Foods Co went private in March following a leveraged buyout involving Kohlberg Kravis Roberts & Co LLP, Vestar Capital Partners, and Centerview Partners Holdings LLC. The value of the transaction was US$5.16 billion. Wal-Mart purchased a majority stake in South Africa's Massmart for US$2.4 billion.

VF Enterprises acquired footwear and apparel producer Timberland Company in September for US$2.2 billion, and Colgate-Palmolive

Data fact sheet

	Actual	Forecast					
	2011	2012	2013	2014	2015	2016	5-yr growth forecast
GDP (PPP, bn)	15,006	15,565	16,167	16,866	17,622	18,396	▲ **23%**
Population (m)	313.2	316.3	319.3	322.4	325.5	325.5	▲ **4%**
Inflation rate	3.2%	2.1%	2.3%	2.1%	2.2%	2.2%	
Average corporate tax rate	40.0%						
Consumer spending per capita (constant 2000, US$)	26,803.3						

	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Global rank
Consumer confidence index	83	78	77	83	31

	2006	2007	2008	2009	2010	2011
Foreign direct investment (BoP, current US$bn)	35.46	47.84	21.33	20.08	2.61	210.70

Sources: GDP, Inflation rate, Population – Economist Intelligence Unit; Average corporate tax rate – KPMG, Corporate and Indirect Tax Survey 2011; Consumer spending per capita, Foreign direct investment – World Bank; Consumer confidence index – Nielsen.

"We're priming the **M&A environment** today for a resurgence in the **next two to three years.**"

purchased the Sanex brand of oral and personal care products from Unilever in June for US$950 million.

We are seeing organizations working to shift from being strictly product-focused to providing solutions and services which can involve transactions designed to broaden their offerings or increase growth.

In general, M&A valuations are trending up. They're not at 2007 levels, but values are up from 2010, which shows a better market. The gap between the buyers' valuations and the sellers' valuations is getting smaller, which tells you that deals are going to get done.

What we need to get through, though, is a muddy economic environment where consumer and CEO confidence is low. If we can get through that, because of the favorable debt market and pent-up demand for deals, because of cash on the balance sheet, and because there are good targets that need to be purchased or need a partner to survive, we'll see a spur in M&A activity.

Most of the major economic indicators are still trending unfavorably in the United States. GDP growth was reported at 1.8 percent by the IMF in 2011, and is projected to remain at 1.8 percent in 2012. Similarly, the Consumer Confidence Index issued by Neilson was at 83 in December 2011, just a slight improvement from lows of the 2008 and 2009 recession.

We have clients that have been through a long period of making their business model more efficient, starting when the economy declined. Conditions are still far from ideal in many ways, but we're seeing a shift away from efficiency and cost takeout. Organizations today are working more closely on their overall effectiveness, because you can only get so far with an efficiency play.

Companies are also placing a broader focus on growth and we're seeing an increased emphasis on improving business planning and operational design as well as becoming better at sourcing and procurement.

Tight Financing

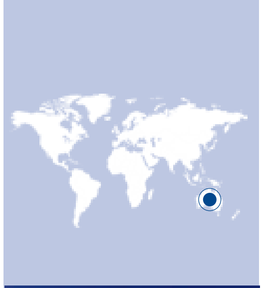
In the United States, financing is generally available, but credit standards remain very tight. The debt markets haven't improved substantially, unless your company has very reliable cash flow. It's still hard to obtain debt due to negative market conditions and the unpredictability of revenue. Banks might say there is a lot of credit availability, but the underwriting standards are stricter.

We're priming the M&A environment today for a resurgence in the next two to three years. Some of the consumer market sectors will have to consolidate to make sure they are offering a wide range of products for consumers who are now more finicky with less brand loyalty. Instead, there's a shift to "How can I get the most value at the best price?" so companies will have to offer new or more products to deliver greater value at cheaper price points.

We think that more consumer market companies will have to consolidate in the future to provide their customer base with that value.

Among private equity investors, we had an active first half of 2011, and then with the debt ceiling issues in the US, there was a pause in activity. Private equity is in position to pick back up sometime in the first half of 2012.

We foresee large companies that want to make a transformational change looking at other large companies. And we also expect to see large and middle market companies buying low to middle market companies. If you look at the most volatile companies in the marketplace now, it's the low to middle market companies that are having trouble with financing and volatility of their revenue streams, and those are the companies that are going to be targets. Larger companies, just because of their breadth and their ability to scale and de-scale, could weather the storm a lot better.



Australia

The M&A environment in Australia has been relatively subdued this year. Although there is a reasonable level of activity at the midmarket level, the larger end of the market has been very quiet.

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We are seeing volatility in the equity markets and little appetite for initial public offerings. As such, the majority of M&A activity is occurring in the private market.

The availability of debt financing has improved for quality businesses, such as those with high-growth prospects, effective barriers to entry, or unique selling features. While the availability of debt has improved, the amount of leverage being offered remains reasonably conservative.

Food and beverage businesses are continuing to attract M&A interest, particularly from private equity and overseas investors. Notable transactions included Asahi Group Holdings' acquisition of New Zealand brewer Flavoured Beverages Group in late September for an estimated US$1.3 billion and their acquisition of soft drinks producer P&N Beverages Australia Pty Ltd. in September for US$202 million; SABMiller's US$10.15 billion acquisition of the Australian listed brewing company, Fosters Group Limited; Affinity Equity Partners' US$463 million acquisition of New Zealand poultry producer, NZ Poultry Enterprises Ltd, and their US$490 million acquisition of goods manufacturer, P&M Quality Smallgoods; and Paine & Partners' acquisition of 50 percent of fresh fruit and vegetable provider, Costa Group.

Data fact sheet

	Actual	Forecast					
	2011	2012	2013	2014	2015	2016	5-yr growth forecast
GDP (PPP, bn)	920	970	1,022	1,076	1,131	1,190	▲ 29%
Population (m)	22.5	22.9	23.2	23.5	23.9	24.2	▲ 7%
Inflation rate	3.4%	2.7%	3.1%	2.6%	2.9%	2.8%	
Average corporate tax rate	30.0%						
Consumer spending per capita (constant 2000, US$)	N/A						

	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Global rank
Consumer confidence index	110	103	97	103	9

	2006	2007	2008	2009	2010	2011
Foreign direct investment (BoP, current US$bn)	26.41	41.08	47.28	27.25	30.58	42.80

Sources: GDP, Inflation rate, Population – Economist Intelligence Unit; Average corporate tax rate – KPMG, Corporate and Indirect Tax Survey 2011; Consumer spending per capita, Foreign direct investment – World Bank; Consumer confidence index – Nielsen.

"**Food and beverage businesses** are continuing to attract M&A interest, particularly from **private equity and overseas investors.**"

Traditional retailers have had a very challenging 12 month period. Australian retail activity continues to grow, although at a lower rate than historical levels, resulting in dissatisfaction among retailers. M&A activity in the retail sector has been driven by a number of distressed sales, such as the sale of clothing retailer Satch Clothing, and strategic acquisitions, such as the acquisition of high-end fashion retailer, sass & bide, by leading department store Myer.

Sportswear/active wear retailing has been a hot sector that has seen a number of transactions including the sale of big box sportswear retailer Rebel Sport to Super Retail Group, the sale of a minority stake in the specialist sport apparel wholesaler and retailer 2XU to Lazard Private Equity and the potential sale of specialist sports apparel wholesaler, Skins, by the Australian private equity firm, Equity Partners.

In contrast to traditional retailers, online retailers have performed strongly over the last 12 months. Notable transactions include the acquisition of 40 percent of the leading daily deals company Catchoftheday/Scoopon by Tiger Global Management and James Packer and the investment in online fresh grocery home delivery business, Aussie Farmers Direct, by Equity Partners. The M&A outlook for online retail businesses continues to look attractive.

Discretionary retail categories continued to be challenged in the absence of innovation. Zara opened its first two stores in Australia in Sydney and Melbourne to great consumer acceptance, resulting in the two stores being among the strongest traders in the world on a per-square-meter basis. Other local retail groups such as Lorna Jane and Cotton On continued to expand overseas. This contrasts with the private equity-owned Colorado Group, a 600-store chain of clothing and footwear stores, going into administration and failing to find a buyer before banks completed a debt-for-equity swap.

The non-discretionary retail sector, particularly supermarkets, continues to enjoy good growth, with the Coles Group continuing to improve their offer and closing the gap on the market leader Woolworths.

The agriculture sector continues to be a target of foreign players with a number of acquisitions occurring during the year. Generally speaking, business and consumer confidence have both been rather moderate, but have remained consistent. Companies and consumers appear not to be expecting a big downturn, but they are cautious.

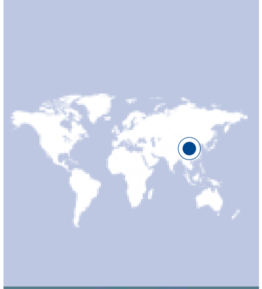
The consumer is clearly cautious in the current environment. Despite historically low levels of unemployment, consumer

confidence is at levels not seen since the early days of the global financial crisis and the stock market is subdued. Consumers are also worried that housing prices may fall, resulting in consumer savings at a 20-year high.

Looking at the next few years, our expectation is that conditions are going to remain tight until global economic factors start to improve, which is going to drive confidence. In the short term, there are concerns about growth, and we expect only a slow recovery over the next couple of years. The IMF recorded GDP growth of 1.8 percent for 2011 and is projecting growth of 3.3 percent in 2012.

Consumer markets companies need to use caution moving forward, as there are certainly opportunities in the market accompanied by a number of risks.

Notwithstanding the economic outlook, the balance sheets of many Australian companies remain strong and the private equity sectors remain active. These factors will continue to drive a reasonable level of M&A activity in the Australian market.



China and Hong Kong

While multinational companies remain extremely interested in China, they're aware of the difficulties that are involved in getting a deal done here.

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New anti-monopoly regulations are a concern for many of the larger established consumer multinationals in China, potentially limiting growth through acquisitions. But while many observers expected the regulations to be applied to protect domestic companies from international competition, the regulators appear to be equally concerned about ensuring fair competition exists among domestic companies as well.

Those concerns aside, deals are still getting done. In one notable transaction, Nestlé acquired a majority stake in domestic candy maker Hsu Fu Chi International in December of 2011 for a reported US$1.7 billion. That was a large deal with a high valuation, and a lot of observers were somewhat surprised Nestlé was able to receive regulatory approval for the transaction. Also in 2011, Nestlé acquired domestic food company Yinlu.

For their part, Chinese consumer companies have been more interested in pursuing domestic growth than in international M&A. We have seen some transactions, primarily among the Chinese consumer companies that feel there are opportunities in Europe to buy brands they can utilize in the Chinese marketplace. These are typically brands that have fallen out of favor in Europe, but that Chinese companies believe have some cachet and the potential to succeed in the domestic market.

Liquidity for domestic SME companies has become tighter recently, in part because of domestic efforts to rein in inflation by squeezing credit. At the start of the 2008 global financial crisis, the Chinese government launched a number of stimulus activities largely delivered through bank lending. The government, concerned with potential bad debt levels, has since raised the bank's capital requirements, which has restricted new lending.

In many of China's consumer sectors, there are a tremendous number of smaller companies and markets that are very competitive. Because these companies operate with very small margins, weaker companies are finding it difficult to survive. As a result, we are seeing some consolidation, but

CHINA

Data fact sheet

	Actual	Forecast					
	2011	2012	2013	2014	2015	2016	5-yr growth forecast
GDP (PPP, bn)	11,385	12,626	14,028	15,482	17,075	18,766	▲ **65%**
Population (m)	1,320	1,328	1,335	1,342	1,349	1,349	▲ **2%**
Inflation rate	5.6%	3.8%	4.5%	4.3%	3.9%	4.1%	
Average corporate tax rate	25%						
Consumer spending per capita (constant 2000, US$)	852.5						

	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Global rank
Consumer confidence index	108	105	104	108	6

	2006	2007	2008	2009	2010	2011
Foreign direct investment (BoP, current US$bn)	124.08	160.05	175.15	114.21	185.08	124

Sources: GDP, Inflation rate, Population – Economist Intelligence Unit; Average corporate tax rate – KPMG, Corporate and Indirect Tax Survey 2011; Consumer spending per capita, Foreign direct investment – World Bank; Consumer confidence index – Nielsen.

> “Companies in the **consumer sector** face the challenge of getting **Chinese consumers to spend more.**”

it is taking place more through attrition than through M&A activity.

There is also a concern that if there is a new global financial crisis in 2012, China will be more impacted this time as the government appears to have more limited options to stimulate the economy through bank lending. This could impact consumer spending in China, and potentially create opportunities in the M&A market.

Private equity houses would like to be more involved in China, but they too encounter challenges to completing deals. There are a limited number of companies that are actually for sale or are looking for PE investments, and differences in valuations between buyers and sellers are often difficult to reconcile given the high PE ratios in China's capital markets.

In addition, international PE houses face competition from the emerging Chinese domestic PE sector, with domestic PE investors frequently more willing to pay higher valuations than more experienced foreign PE houses may be comfortable with.

Instead of making an acquisition per se in China, PE houses are more likely to make growth capital investments. They may acquire a minority stake in a business with hopes that the company can grow large enough to support a trade sale or a public listing. In that way, PE investing in China often represents somewhat more of a venture capital-style approach to investing.

Business confidence remains sound. Companies in the consumer sector face the challenge of getting Chinese consumers to spend more. Since there is less of a social safety net in China than in many Western countries, domestic consumers tend to have higher savings rates than what we see in other nations. Government policies aimed at addressing medical and pension gaps and increasing consumer spending are being implemented. Spending is increasing, but perhaps not at a rate that multinational companies would like to see.

The economy continues to grow at nearly 9 percent a year, so there are considerable opportunities, but it is also an extremely competitive market. Domestic companies are concentrating their efforts on growth and maintaining market share, so there is generally less interest in outbound M&A activity than we see in other sectors of China's economy (e.g. energy and natural resources).

Looking ahead, we expect to see continued growth in China's economy overall, but perhaps not as much growth in M&A activity. We also expect to see increased penetration by multinational consumer companies in the smaller, so-called third and fourth-tier cities that have sizeable populations of their own and are emerging as important consumer markets and opportunities for growth.

HONG KONG

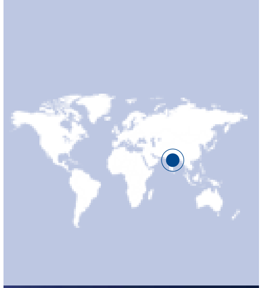
Data fact sheet

	Actual	Forecast					
	2011	2012	2013	2014	2015	2016	5-yr growth forecast
GDP (PPP, bn)	349	371	399	425	453	483	▲ **38%**
Population (m)	7.1	7.2	7.2	7.2	7.2	7.3	▲ **2%**
Inflation rate	5.2%	3.4%	2.9%	3.2%	3.3%	3.3%	
Average corporate tax rate	16.5%						
Consumer spending per capita (constant 2000, US$)	19,497.2						

	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Global rank
Consumer confidence index	107	107	104	99	11

	2006	2007	2008	2009	2010	2011
Foreign direct investment (BoP, current US$bn)	45.05	54.37	59.61	52.40	68.91	78.40

Sources: GDP, Inflation rate, Population – Economist Intelligence Unit; Average corporate tax rate – KPMG, Corporate and Indirect Tax Survey 2011; Consumer spending per capita, Foreign direct investment – World Bank; Consumer confidence index – Nielsen.



India

In 2011, India witnessed a lower volume of transactions as compared to 2010. While growth may have somewhat slowed down, the economy continues to be underpinned by domestic consumer demand and deal activity is expected to pick up over the next few years. However, in the immediate term, scope for M&A in the consumer space seems subdued.

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One of the issues in India is that despite slower growth, there remain significant valuation barriers in the market, inhibiting M&A activity. Sellers continue to have unrealistic expectations about values, especially the owners of family-owned businesses. This is driven by target scarcity which in turn has led to hotly-contested auctions driving up valuations.

There have been a few marquee transactions in the past two years. In late 2010, India witnessed one of the largest transactions in the consumer goods space when UK-based household products company, Reckitt Benckiser, acquired personal care products company Paras Pharmaceuticals for US$722.44 million. The sellers, led by Actis Private Equity, achieved a multiple of nearly 7x sales.

In September 2011, US-based spice producer McCormick & Company, Inc. (McCormick) formed a 85:15 joint venture with rice maker Kohinoor Foods, for a consideration of US$115 million. McCormick had been present in India for a while but had fairly small operations. They were looking for additional assets, and through this acquisition, McCormick was able to add a leading rice brand to its portfolio. The acquisition will help McCormick expand and enhance its business in order to strengthen its position in the emerging markets and its presence in the Asia-Pacific region.

In June 2011, Jyothy Laboratories (Jyothy) acquired the personal and household care brands of Henkel India (Henkel), in a complex situation. Henkel's brands will provide Jyothy with a healthy platform to grow their existing laundry and household care business.

Data fact sheet

	Actual	Forecast					
	2011	2012	2013	2014	2015	2016	5-yr growth forecast
GDP (PPP, bn)	4,559	4,963	5,482	6,056	6,704	7,420	▲ **63%**
Population (m)	1,202	1,220	1,238	1,256	1,274	1,292	▲ **7%**
Inflation rate	8.9%	7.8%	7.9%	7.7%	7.5%	6.7%	
Average corporate tax rate	33.2%						
Consumer spending per capita (constant 2000, US$)	492.6						

	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Global rank
Consumer confidence index	131	126	121	122	1

	2006	2007	2008	2009	2010	2011
Foreign direct investment (BoP, current US$bn)	20.34	25.48	43.41	35.60	24.16	34

Sources: GDP, Inflation rate, Population – Economist Intelligence Unit; Average corporate tax rate – KPMG, Corporate and Indirect Tax Survey 2011; Consumer spending per capita, Foreign direct investment – World Bank; Consumer confidence index – Nielsen.

> "While **Indian consumer** goods companies are more likely to invest in other emerging markets with similar **demographics**, Indian retailers will continue to focus on the **untapped domestic potential**."

Another transaction that witnessed significant press coverage over the last two years was Wockhardt's disposal of its infant nutrition business. The French dairy and nutrition major, Danone, acquired Wockhardt's nutrition business for €250 million marking its entry into the growing baby and medical nutrition market in the country. In July 2009, Wockhardt was to sell the same business to US drug major Abbott Laboratories for a lesser value. The deal, however, was called off following opposition from Wockhardt's FCCB holders. We expect other companies to sell non-core businesses in a bid to repay their debts.

Currently, companies interested in M&A in India face a number of challenges. High inflation (8.9 percent in 2011) has led to significant price increases, reducing both consumer and business confidence. Discretionary spending is also down as consumers face higher mortgage payments and food costs.

According to the IMF, GDP growth in 2011 was 7.4 percent, while 2012 GDP growth is forecasted at 7 percent. As a result of slowing growth, deal cycles are becoming elongated. For instance, potential targets are reporting less favorable financial results leading to deals being renegotiated and closures being drawn out. These are resulting in longer deal cycles.

Another challenge for the M&A market is that attractive assets are scarce in the domestic consumer space. The Indian market is at present untapped and barring a few, most domestic companies have little or no interest in market expansions beyond India. Hence they compete equally fiercely with multinationals when an attractive asset does come into play. We expect the trend to continue.

Indian companies with outbound interest are more likely to invest in other emerging markets with similar demographics. Indian companies believe they understand how to provide value-driven products at a lower cost, and typically aim their products towards the economy segment of the consumer goods market. Markets such as Africa, Latin America, China, Turkey and Indonesia are of interest.

In the retail sector, international players seeking to acquire Indian retailers will find themselves constrained by the fact that in multi-brand retail, no foreign direct investment is permitted. There have been international lobbying efforts to permit up to a 49 percent investment, but so far the government has not been willing to change existing prohibitions.

In single brand retail, the Indian government has just permitted full ownership – it is expected that some of the joint ventures will witness transaction activity as overseas partners buy out the local ones.

Despite the challenges, Private Equity (PE) investors remain active in the Indian market. Most PE funds have consumer and retail as part of their investment thesis, as they see demand being underpinned by India's attractive demographics. Consumer consumption remains on the uptick, especially in tier two, three, and four cities – investors expect significant growth to come from these markets in the near future.

Private equity investors are also interested in regional assets. There are a number of companies that have created significant businesses in their regions, and PE funds believe that with additional capital, discipline, and professional management, these regional players can scale up to achieve success on a pan-India level.

The quick service restaurant sector in India has seen considerable PE interest. According to the 'Food Franchising Report 2011' brought out by Franchise India and FICCI, private equity players are increasingly developing an appetite for the restaurant business (burgers, pizza or speciality restaurants). As of the second quarter of 2011, the food sector had attracted more than US$100 million investments through PE investors.

Recent examples of PE investment in the food sector include ICICI Venture's US$33 million investment in RJ Corp's Devyani International (which runs the KFC, Pizza Hut and Costa Coffee chains across the country), India Equity Partner's investment of US$35 million in Sagar Ratna, an ethnic Indian food chain, and New Silk Route's investment of US$75 million in Coffee Day Holdings.

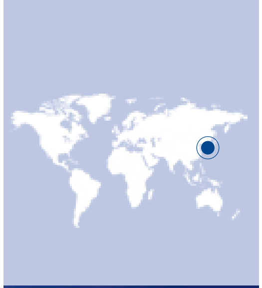
Another prevailing theme within the food services segment this year has been the entry of global fast food/coffee chains in India. Prominent among these were the Seattle-headquartered Starbucks' partnership with Tata Coffee for sourcing and retail in India. US-based donut and coffee chain, Dunkin' Donuts, too, announced its entry in India in February. Under the agreement with its franchisee, Jubilant FoodWorks, there will be 500 Dunkin' Donuts outlets set up in India over the next 15 years.

M&A outlook

Looking ahead, fast-moving consumer goods companies are going to continue to see a considerable degree of interest from potential buyers. We expect to see regional companies become larger, and begin to give multinationals a run for their money.

The current softness in the M&A pipeline, both among strategic and private equity investors, is likely to create a lagging effect on M&A deal volume in 2012 and potentially into 2013 as well.

We also expect the multi-brand retail sector in India to be opened to international investors. This is expected to bring significant international investment into the country and result in much needed supply chain disintermediation. Modernizing retail could also help reduce food prices and settle down inflation.



Japan

As Japan recovers from the 2011 earthquake and tsunami, internal consolidation in several sectors and Japanese companies looking to expand abroad largely dominate the Japanese M&A market.

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Lost production from the Tohoku disaster, flooding of Japanese factories in Thailand, an aging population, and political leadership issues contributed to low growth and a slow recovery. The IMF recorded 0.7 percent negative GDP growth in 2011 and is forecasting 9 percent growth for 2012. Higher growth rates in the rest of Asia are driving outbound M&A, with the IMF projecting an average 8.2 percent GDP growth rate in the developing economies.

Many Japanese companies are leveraging the strong yen to make overseas acquisitions to buy into growth markets such as China, India and the ASEAN countries. Japan is well capitalized, and its companies have the funds available for expansion. The very strong yen means that overseas competitors in growing markets look cheap to Japanese companies.

Significant examples include brewing company Kirin which cleared legal procedures in October to complete its US$2.5 billion acquisition of Brazilian beer producer Schincariol. Retailer Aeon purchased domestic grocery chains Marunaka and Sanyo Marunaka, for US$585 million, and, earlier in 2011, Aeon bought a stake in shopping mall operator Parco to help its Asian expansion efforts.

Despite the strong yen, Japanese consumer products companies are looking to take advantage of the strong reputations their brands enjoy in regional and global markets. Compared with products offered in other developing nations, Japanese products are sophisticated and command a premium. And the Japanese reputation for quality and safety is very high for food or health related products.

Data fact sheet

	Actual	Forecast					
	2011	2012	2013	2014	2015	2016	5-yr growth forecast
GDP (PPP, bn)	4,375	4,572	4,726	4,893	5,066	5,247	▲ **20%**
Population (m)	126.5	126.1	125.7	125.2	124.7	124.2	▼ **-2%**
Inflation rate	0.3%	0.8%	0.9%	0.9%	1.1%	1.0%	
Average corporate tax rate	40.7%						
Consumer spending per capita (constant 2000, US$)	22,372.0						

	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Global rank
Consumer confidence index	N/A	55	56	56	48

	2006	2007	2008	2009	2010	2011
Foreign direct investment (BoP, current US$bn)	-6.78	22.18	24.55	11.83	-1.36	-1.30

Sources: GDP, Inflation rate, Population – Economist Intelligence Unit; Average corporate tax rate – KPMG, Corporate and Indirect Tax Survey 2011; Consumer spending per capita, Foreign direct investment – World Bank; Consumer confidence index – Nielsen.

> "Over the next year or two, **we expect to see continued, and perhaps accelerated,** consolidation-related M&A activity."

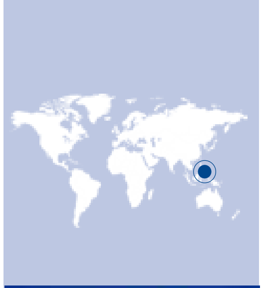
We see internal consolidation in many sectors, including consumer electronics, household appliances and retail. Panasonic completed its acquisition of Sanyo in late 2010, and sold Sanyo's washing machine and refrigerator units to China's Haier in July of 2011 for an estimated US$130 million.

In contrast to outbound Japanese M&A, we see less inbound M&A. The low Japanese growth scenario hampers private equity investment. Private equity houses are looking at certain deals, but most see potentially larger returns in higher-growth Asian markets.

In addition, strategic investors interested in sector consolidation may be willing to accept a lower return than private equity investors expect and may be willing to pay a higher price.

Business confidence and optimism haven't been positive in 2011. Although there is the opportunity to trade with regional high-growth markets and the earthquake reconstruction should provide opportunities, so far these positive factors have not emerged as quickly as some people expected. We expect economic growth associated with repairing the power grid, but that will take a long time to develop.

Over the next year or two, we expect to see continued, and perhaps accelerated, consolidation-related M&A activity. The underlying economics of outbound M&A should drive further activity as Japanese companies continue to expand into high-growth Asian markets. We also expect to see some inbound investment from Chinese companies. Thus far, Chinese companies have largely been interested in natural resource acquisitions, which hasn't included Japan, but Chinese companies are starting to come in looking for Japanese technology and industrial know-how. We expect they will eventually want to acquire strong Japanese brands that can help them enter global markets.



Philippines

We saw a lot of exciting M&A transactions this past year. Several of the biggest local conglomerates strengthened their respective businesses by acquiring companies that allowed them to expand their market reach and diversify their business portfolios. 2011 was a mix of purely domestic M&A and cross-border transactions.

There were a number of transactions in the food service sector. In the third quarter, for example, casual dining operator Pancake House announced an agreement to purchase pizza chain Yellow Cab for US$18.4 million. In November of 2010, Jollibee Foods Corp acquired chicken restaurant operator Mang Inasal for just under US$70 million.

The food sector here is particularly interesting to potential investors because two thirds of the sales recorded in the Filipino retail sector come from food. In the non-food retail sector, sales of consumer electronics, apparel and footwear are strong, and reflect the increased consumer spending power and younger demographics of the Philippines.

More than 50 percent of the Filipino population is below 20 years old, which is helping companies that sell popular devices such as mobile phones and branded fashion attire.

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Data fact sheet

	Actual	Forecast					
	2011	**2012**	**2013**	**2014**	**2015**	**2016**	**5-yr growth forecast**
GDP (PPP, bn)	392	418	450	485	521	562	▲ **43%**
Population (m)	101.8	103.8	105.7	107.7	109.5	111.4	▲ **9%**
Inflation rate	4.8%	4.5%	4.7%	4.6%	4.7%	4.7%	
Average corporate tax rate	30.0%						
Consumer spending per capita (constant 2000, US$)	957.4						

	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Global rank
Consumer confidence index	110	115	112	117	2

	2006	2007	2008	2009	2010	2011
Foreign direct investment (BoP, current US$bn)	2.92	2.92	1.54	1.96	1.71	N/A

Sources: GDP, Inflation rate, Population – Economist Intelligence Unit; Average corporate tax rate – KPMG, Corporate and Indirect Tax Survey 2011; Consumer spending per capita, Foreign direct investment – World Bank; Consumer confidence index – Nielsen.

"Looking ahead, we expect to see **disposable income** continue to increase. **We also expect the food sector** to continue to consolidate **locally in 2012.**"

Another factor increasing consumer spending is the continued preference of foreign multinationals for the Philippines as a location for their off-shore business process operations, which is expanding the base of well-paid, young Filipino consumers.

Personal disposable income is also boosted by remittances from the large numbers of Filipino workers employed in the Middle East, Europe, the Americas and other regions. Those workers remitted just under US$20 billion last year into the Philippines, which increases both the amount of money their relatives have for discretionary spending as well as the amount that is deposited into Filipino banks and later made available for business lending.

The Philippines is also experiencing strong growth in the cosmetics and toiletries sectors, and most leading international players already have a presence in the country.

As the Philippines enjoys a very healthy banking sector, it is easy for well-known domestic brands to attract financing. Filipino banks have a capital adequacy ratio requirement of 10 percent, but the average bank enjoys ratios closer to 14 percent or 15 percent. Excess liquidity can be lent out for M&A transactions, and if a company has a good track record, and has completed similar transactions, they will enjoy a good start in the financing process.

We're also seeing increased amounts of outbound investment among leading Filipino companies. Jollibee, for instance, has opened outlets in China, the United States, and the Middle East, and the company says it is always on the lookout for other countries with a heavy concentration of Filipinos for expansion.

Similarly, San Miguel says it is in expansion mode, and in August, the company acquired three oil-related businesses in Malaysia. San Miguel says it is also interested in joint ventures or acquisitions with other food and beverage companies in the region if the economics work out.

Historically the Philippines have not experienced a great deal of private equity investment, but we are now talking with investors in Hong Kong and the United States who are reviewing potential transactions.

One of the challenges for private equity investors in the Philippines is the stratification of companies in the country. We have a small group of large companies, and a large number of smaller companies. The successful investors here have been the ones that have been able to adjust their investment parameters to reflect the Filipino markets.

A PE fund with a minimum investment of US$50 million, for example, will likely have difficulties identifying companies large enough to support a transaction of that size. Instead, a typical private equity investment in the Philippines will average around US$5 million for a 30 percent stake in a domestic company.

In 2011 we also witnessed a number of transactions that did not go through. San Miguel's plans to sell a stake in its Pure Foods unit to five domestic players were canceled this year over disagreements about ownership percentages.

The Philippine central bank has been very active in trying to rein in the inflation rate. For the past several years, inflation has been at the manageable rate of 4 percent to 4.5 percent, so there is less concern among consumers about price volatility. That has contributed to buoyed confidence among consumers and improved predictability for business executives.

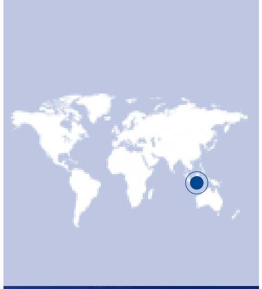
We have also seen the strong GDP growth of recent years slow somewhat. The IMF recorded 4.7 percent GDP growth in 2011 and 4.9 percent growth is forecasted for 2012, compared with 7.6 percent GDP growth in 2010.

To promote economic growth, the government is developing public-private partnerships for infrastructure projects such as roadways and public transportation. The government has received a lot of interest from international companies, and hopes the projects will spur economic development.

Looking ahead, we expect to see disposable income continue to increase. We also expect the food sector to continue to consolidate locally in 2012.

We believe we will see more international brands coming into the Philippines in the near future because Filipinos have a strong appetite for new concepts, improving disposable income and fast economic growth among a young population that is willing to spend on popular gadgets and trendy fashion apparel.

We expect these factors, infrastructure improvements, and continued economic growth to make the Philippines more attractive to international investment and M&A activity in the next two to three years.



Singapore

In and of itself, Singapore is a very small economy; and therefore, it relies very heavily on activity levels that are driven primarily by external markets. When those external markets become very volatile, as in the case of Europe, Singapore immediately feels that impact.

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In the past 12 months, the year-over-year value of M&A activity has increased quite significantly in Singapore, but I think that as an overall indicator of M&A activity, that is slightly misleading. The more important thing to look at from the general M&A market is the volume of activity, and that's down about 40 percent in the first six months of this year, which is probably the slowest six months we've had in Singapore since 2006.

There are a couple of large, headline deals that have taken the value up significantly, but I don't expect overall M&A activity to increase, given the uncertainties in the marketplace.

In notable transactions to date, Kirin Holdings Co. Ltd. of Japan acquired a stake in local soft drink producer Fraser & Neave Ltd for S$1.335 billion. In a deal between two Singapore companies, Breedens Investments Pte Ltd., a wholly owned unit of Temasek Holdings (Pvt) Ltd, raised its stake in grain and agricultural raw materials supplier Olam International Ltd. The transaction was valued at S$498 million.

Broader economic uncertainty in international markets has changed the mood and the M&A environment in Singapore this year. Business confidence levels were higher at the end of 2010 and the start of 2011, and there was a fair bit of wind in companies' sails as well as optimism that conditions seemed to be on the way toward being sorted out.

In the second half of the year, a general feeling that Asia was protected from economic events in Europe and the US was been replaced by uncertainty and volatility, both in investment markets and the price expectations of sellers.

The prices sellers are seeking, for example, have become very steep compared to levels in the US and Europe, so deals aren't being consummated. Deal volume and pricing are

Data fact sheet

	Actual	Forecast					
	2011	2012	2013	2014	2015	2016	5-yr growth forecast
GDP (PPP, bn)	246	262	281	301	323	347	▲ **41%**
Population (m)	5.2	5.4	5.5	5.7	5.8	5.9	▲ **13%**
Inflation rate	5.1%	2.9%	2.1%	2.0%	2.1%	2.2%	
Average corporate tax rate	17.0%						
Consumer spending per capita (constant 2000, US$)	11,663.4						

	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Global rank
Consumer confidence index	109	103	94	94	17

	2006	2007	2008	2009	2010	2011
Foreign direct investment (BoP, current US$bn)	29.35	37.03	8.59	15.28	38.64	41.00

Sources: GDP, Inflation rate, Population – Economist Intelligence Unit; Average corporate tax rate – KPMG, Corporate and Indirect Tax Survey 2011; Consumer spending per capita, Foreign direct investment – World Bank; Consumer confidence index – Nielsen.

> "Uncertainty aside, Singapore is an **attractive market for multinational companies** looking to reach a growing population with increasing levels of disposable income."

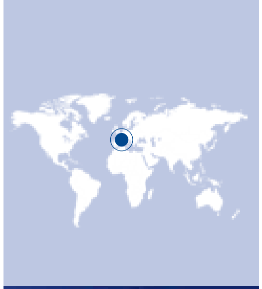
driven by confidence, and we don't see those picking up in the short-term future.

Similarly, private equity deal-making activity within the Asia Pacific cluster – excluding Australia, Japan, and South Korea – has decreased. That may be due to a lack of quality assets within the region, or it might be due to private equity houses not finding the right exit for the desired multiples.

Uncertainty aside, Singapore is an attractive market for multinational companies looking to reach a growing population with increasing levels of disposable income. The IMF recorded 2011 GDP growth of 5.3 and is forecasting 2012 growth at 4.3 percent. US and European multinationals continue to be interested in Singapore as a growth market, and recent strength in the yen has attracted Japanese investors looking for bargains and increased returns.

We're also seeing investment interest from consumer product, food and personal care companies in India and, to some extent, China.

Looking ahead, we believe the uncertainty in Europe and the US will be resolved, and optimism will return within a year or two. Alternatively, investors may become more comfortable with an unsettled macroeconomic environment, and as sellers' price expectations come down, M&A should return to normal levels.



Belgium

Despite a promising start during the first two quarters of 2011, M&A activity in Belgium plummeted during the third quarter, falling to its lowest level in six years. This drop in activity was particularly surprising, because Q1 and Q2 of 2011 were strong, and more on the level of mid-2008 – just before the crisis.

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Now, as a consequence of the lack of confidence in general in Europe, activity has materially slowed down. We're hearing this sentiment echoed by all players in the Belgian market space – the lawyers, the investment bankers, and the corporate finance advisors. In the midst of the sovereign debt crisis, Belgium is not immune. Belgium's GDP growth for 2011 was 2.4 percent.

While the pace of activity may have slowed recently, a number of notable deals were completed this year. Belgium has long been known as a food producer and exporter, and M&A deals often reflect those historic strengths.

For example, Groupe Delhaize agreed to acquire Belgrade-based grocer Delta Maxi Group for US$1. 3 billion. Also in the food sector, Pinguin Lutosa NV acquired the entire share capital of Scana Noliko NV, a producer and wholesaler of food products, for €115 million. JBS SA of Brazil acquired meat producer Toledo International NV for €1 million.

Ontex NV SPV, a special purpose acquisition vehicle formed by TPG Capital LP and GS Capital Partners VI Fund LP, acquired Ontex NV, a Zele-based producer of hygienic disposables for €1.2 billion.

In addition to external economic factors, some internal challenges may have contributed to investor uncertainty. The Belgian arm of Dexia, one of our leading banks, was bought in October by the Belgian government for €4 billion, with Belgium, Luxembourg and France arranging a €90 billion financing guarantee.

Another challenge has been our political situation. Elections in 2010 failed to produce a new government, and a caretaker government had been running the country for more than a year. A new government was finally installed towards the end of December.

Data fact sheet

	Actual	Forecast					
	2011	2012	2013	2014	2015	2016	5-yr growth forecast
GDP (PPP, bn)	423	431	445	462	480	500	▲ **18%**
Population (m)	10.60	10.70	10.70	10.70	10.70	10.70	▲ **1%**
Inflation rate	3.5	2.2	2.5	2.4	2.3	2.4	
Average corporate tax rate	34%						
Consumer spending per capita (constant 2000, US$)	13,087.2						

	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Global rank
Consumer confidence index	87	91	86	77	36

	2006	2007	2008	2009	2010	2011
Foreign direct investment (BoP, current US$bn)	58.82	96.59	136.57	25.31	62.81	41.10

Sources: GDP, Inflation rate, Population – Economist Intelligence Unit; Average corporate tax rate – KPMG, Corporate and Indirect Tax Survey 2011; Consumer spending per capita, Foreign direct investment – World Bank; Consumer confidence index – Nielsen.

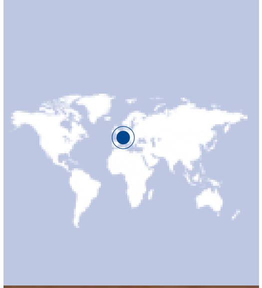
"Belgium has long been known as a **food producer** and **exporter,** and M&A deals often reflect those **historic strengths.**"

Despite these short-term issues, we think Belgium is promising in terms of M&A. Macroeconomic parameters are relatively strong and on the financing side, banks are open to fund companies with healthy balance sheets and strong underlying fundamentals, while corporate bonds have proven to be an alternative source of funding. We have a lot of healthy family-owned businesses that are middle market, particularly in the consumer markets industries, whether it's in food, beverages or consumer products.

These companies are well-led, well-managed, have never taken on significant corporate debt and maintain strong balance sheets. And more and more, we see that these companies are opening up to investments from private equity companies. I believe that private equity firms, UK funds, German funds, Scandinavian funds, and also American funds will still find interesting middle-market assets in Belgium as well as the Netherlands to bring to a more mature position.

Primarily, I think it's a general lack of confidence that is keeping deals from the market for the moment. We have some private equity companies, for example, who are sitting on material assets that they would like to sell, but they are either postponing or not kicking off the process, because they think the uncertainty is preventing potential acquirers from taking on risks or more leverage, and that will affect pricing.

For the long term, we think there are favorable fundamentals in Belgium that will drive M&A forward. But in the very short term, it's difficult to predict how things will evolve. There are assets that are ready to be brought onto the market, but we might see those transactions postponed for a few quarters.



France

For the M&A market in France, 2011 has been a year of two halves. Before the August holiday, the market was becoming increasingly solid, with continued growth momentum from 2010. At that time, there were a number of big deals being talked about.

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Then the events in Greece and then Italy occurred, impacting the French banks as debt markets fell away dramatically. We're in a situation now, for deals of all sizes, in which the banks have basically shut down shop until the end of the year.

Deals larger than €100 million simply aren't happening today. While there was a wave of larger transactions in late 2010 and early 2011 that attracted bank financing, more recently, we've seen a number of transactions that were underway stopped.

Despite this slowdown, the attractive sectors for deals include those involving strong brands in the food and beverage sector as well as consumer goods. Some of the most significant transactions included the July acquisition of Italian food company Parmalat SpA by food producer Groupe Lactalis SA in a US$3.6 billion transaction. Also in July, Carrefour SA spun off its Distribuidora Internacional de Alimentacion SA (Dia) unit, a Madrid-based owner and operator of grocery stores in a transaction valued at US$3.14 billion.

South Africa's Steinhoff purchased French furnishings retailer Conforma in March for US$1.66 billion, and General Mills of the US acquired Yoplait SAS, a producer of yogurt and dairy products, from the private equity fund PAI Partners for an estimated US$1.6 billion.

We are also seeing interest from Asian companies looking to invest in France, primarily by buying niche brands in areas such as retail, drinks or cosmetics. Most of the deals are rather small, and generally under €100 million.

Asian companies are looking to establish a presence in France, with the ambition of taking French brands back to their home markets. Most of these international investors don't want to risk too much because they realize they don't know

Data fact sheet

	Actual	Forecast					
	2011	2012	2013	2014	2015	2016	5-yr growth forecast
GDP (PPP, bn)	2,267	2,312	2,388	2,473	2,566	2,666	▲ 18%
Population (m)	63.3	63.6	64.0	64.4	64.7	65.1	▲ 3%
Inflation rate	2.2%	1.8%	1.8%	2.0%	2.0%	2.0%	
Average corporate tax rate	33.3%						
Consumer spending per capita (constant 2000, US$)	13,545.4						

	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Global rank
Consumer confidence index	61	69	56	55	49

	2006	2007	2008	2009	2010	2011
Foreign direct investment (BoP, current US$bn)	71.83	98.31	66.54	35.12	33.67	40.00

Sources: GDP, Inflation rate, Population – Economist Intelligence Unit; Average corporate tax rate – KPMG, Corporate and Indirect Tax Survey 2011; Consumer spending per capita, Foreign direct investment – World Bank; Consumer confidence index – Nielsen.

> "We are seeing **interest from Asian companies looking to invest** in France, primarily by buying niche brands in **areas such as retail, drinks or cosmetics.**"

the market particularly well, so again, the deals are usually quite small.

There have also been a number of smaller domestic deals that have taken place, but the unavailability of financing means that it's difficult to attract a number of buyers, and therefore it is challenging to maintain high prices.

There is also growing interest in the commodity businesses. In French-speaking Africa, for example, we're seeing a lot of inquiries from Asian companies interested in supply chain and commodity businesses.

In this financial climate, average valuations have declined often up to 20 percent from the beginning of the year. In discussions with some companies, particularly smaller or midsize companies that are family-owned or management-owned, we had advised them to wait until 2012 to sell when purchasers' financing capabilities will be stronger. There are a number of businesses that have good growth trends and should command high prices, but 2011 was not a good market.

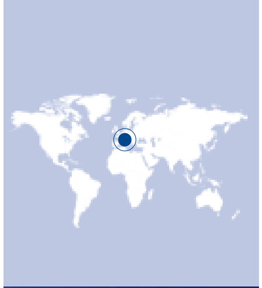
Private equity deals are still happening, and we're seeing a lot of deals with a 50-50 debt and equity split. Investors are still paying good prices. There's a lot of money in private equity to invest, and there's pressure on firms to invest that money. There is a challenge in finding businesses they want to invest in, so when a good business is being sold, the multiples are still attractive.

We are seeing consolidation within the agricultural sector, and the government is encouraging that. In France we have a large number of food production cooperatives, and many of them are looking to consolidate. This food, in addition to vineyard, consolidation is driving a lot of M&A activity in France.

There are a number of large cooperatives that are starting to look internationally so they can expand their markets and maximize the returns from their scale. They are looking to acquire quality production and branded products in countries surrounding France. They may even look to Eastern Europe to obtain commodities and improve their sourcing and production.

In Europe, the health of the M&A markets will be determined by the outcome of the euro crisis and what happens with respect to sovereign debt within the European Union. That has a huge impact on the banks in France as several of our largest institutions have a significant amount of exposure to government debt in Greece, as well as in Italy and Spain.

Otherwise, the strong sectors are going to continue to grow. For these larger companies, the attractive opportunities are in emerging markets, and we don't see that changing.



Germany

The M&A environment in Germany remains generally positive. As German corporates maintain an appetite for M&A transactions, we're seeing continued interest in transactions across various lines of business and industry sectors.

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The beginning of 2011 was marked with strong economic optimism that carried on well into the second quarter, as consumer and business confidence rose, and consumer markets companies reported better sales and margins.

In that environment, we saw a growing number of transactions, both public and non-disclosed, in consumer markets sectors as companies and investors pursued external growth, market consolidation, or the disposal of non-core assets.

For example, Apax Partners Worldwide LLP of the UK acquired discount clothing retailer Takko Holding GmbH in February for an estimated US$1.7 billion. Deka Immobilien Europa acquired the Schloss Arkaden Shopping Center from a Credit Suisse real estate investment fund in January for US$343 million.

We were also unwinding the backlog that emerged when the 2008 financial crisis occurred. Multiple projects were put on hold across all sectors, but many corporates were beginning to look at those opportunities again.

However, conditions changed quickly when financial problems returned in July to Germany's European neighbors and trading partners. Retail sales declined .02 percent month-over-month in July, and 2.9 percent in August. In September, the consumer price index rose 2.6 percent year-over-year, the highest inflation rate in Germany since September of 2008. GDP growth, at 3 percent in 2011, is forecasted by the IMF to be 0.3 percent in 2012.

With these declines, we don't know where the economy is standing, and we're not sure what the impact of the banking situation will be on M&A transactions. While companies can still get financing now, it's uncertain whether that will be true in a month or two.

Data fact sheet

	Actual	Forecast				
	2011	2012	2013	2014	2015	2016	5-yr growth forecast
GDP (PPP, bn)	3,181	3,239	3,326	3,440	3,566	3,696	▲ **16%**
Population (m)	81.7	81.7	81.8	81.9	82.1	82.2	▲ **1%**
Inflation rate	2.3%	1.6%	1.7%	2.0%	1.9%	1.9%	
Average corporate tax rate	29.4%						
Consumer spending per capita (constant 2000, US$)	14,018						

	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Global rank
Consumer confidence index	92	88	87	87	25

	2006	2007	2008	2009	2010	2011
Foreign direct investment (BoP, current US$bn)	56.64	80.59	4.79	38.92	46.13	32.30

Sources: GDP, Inflation rate, Population – Economist Intelligence Unit; Average corporate tax rate – KPMG, Corporate and Indirect Tax Survey 2011; Consumer spending per capita, Foreign direct investment – World Bank; Consumer confidence index – Nielsen.

> **“** Many **mid-sized** or **family-owned companies** in Germany, especially those in retail chains, **fashion,** or food and drink, will be forced to **reevaluate** their **business** operating models. **”**

Companies may be interested in growth strategies, but when difficulty and uncertainty arise, growth projects are often among the first initiatives to be delayed or canceled. The market’s like a blossoming plant, which can quickly die again if the situation turns negative.

With these and other question marks about external conditions, uncertainty has returned to the M&A market. For instance, valuations expectations are moving in opposite directions. On the sell side, companies hoped to retain higher valuations supported by the higher profits and margins earlier in the year, but on the buy side, investors didn’t necessarily follow that earlier positive trend. There’s a gap that needs to be bridged.

There’s also a strong need for consolidation within the German retail sector. We have a number of privately owned brands in Germany that lead in particular niches, which are, and will continue to be, under pressure.

Many mid-sized or family-owned companies in Germany, especially those in retail chains, fashion, or food and drink, will be forced to reevaluate their business operating models. This could mean gaining size by acquiring other businesses or merging with others, as it’s increasingly harder to compete with larger, international players.

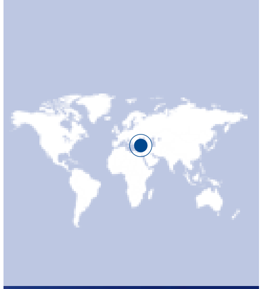
German retailers and food and drink companies are also being pressured by price increases in raw materials such as cotton or sugar. Sugar prices, for example, are at an all-time high, and cotton has increased significantly over the last three years.

Companies run into difficulties if they are not large enough to foster economies of scale, and consolidation is taking place, in particular among the smaller brand businesses that cannot command the same heft as the Unilevers, Nestlés, or Procter & Gambles of the world.

With this consolidation pressure, private equity activity has increased this year, but remains below the levels we saw before the 2008 crisis. We’re seeing private equity transactions, but the general level of activity has slowed in the second half of the year due to broader euro zone uncertainty.

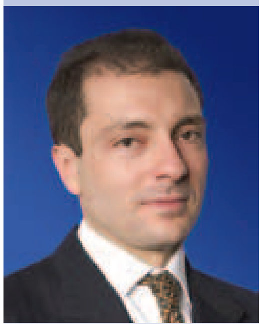
Looking ahead, the challenge now lies in determining which companies are truly solid and healthy, but may be temporarily affected by external factors outside Germany.

Overall, in 2012 or 2013, we expect positive conditions to return. E-commerce is still growing, and we’ll likely see some adjustment in the marketplace, but we’re optimistic that conditions will improve.



Italy

For consumer markets companies in Italy, a promising start to 2011 was interrupted by economic uncertainty in the euro zone and a corresponding decrease in M&A activity.



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After seeing an increase in completed transactions in 2010, Italian consumer markets companies entered 2011 with a spirit of optimism that was helped by favorable earnings reports from a number of leading companies including Prada, Campari, Ferragamo and Tod's.

In 2011, the overall M&A market in Italy has shown both a 17 percent increase in terms of the number of transactions (329) and a 38 percent increase in terms of value (€27.5 billion) compared to 2010. Within the consumer markets sector, 2011 started off strong, but ended up being down slightly for the year, with 71 completed deals in 2011 compared to 74 completed deals the year before.

Overall economic growth remained slow, with estimates of Italy's GDP at negative 2.2 percent for 2012 (compared to 0.4 percent in 2011), but the spread between sellers' pricing expectations and the multiples buyers were willing to offer narrowed in the first two quarters.

The rising value of M&A transactions was helped by growing interest from international investors in traditional Italian strengths including food and drink, fashion and luxury goods.

Food company Parmalat SpA was acquired by French food producer Groupe Lactalis SA in an €3.7 billion transaction. In another deal, LVMH Moet Hennessy Louis Vuitton SA, also of France, acquired Bulgari SpA (the leading Italian luxury jewelry brand) in a stock swap transaction valued at €4.3 billion.

In the retail sector, Icon Srl, a unit of BC Partners Ltd, agreed to acquire a majority interest in clothing retailer Gruppo Coin SpA for nearly €905 million, and Central Retail Corp of Thailand agreed to acquire Milan-based department store operator La Rinascente SpA for €205 million.

Completed transactions were largely cross-border (52 percent of total transactions in terms of number and 77 percent in terms of value), with Italian companies attracting private

Data fact sheet

	Actual	Forecast					
	2011	2012	2013	2014	2015	2016	5-yr growth forecast
GDP (PPP, bn)	1,952	1,989	2,041	2,110	2,180	2,251	▲ 15%
Population (m)	60.8	61.0	61.1	61.2	61.2	61.3	▲ 1%
Inflation rate	2.8%	2.3%	1.9%	2.5%	2.4%	2.4%	
Average corporate tax rate	31.4%						
Consumer spending per capita (constant 2000, US$)	11,361.4						

	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Global rank
Consumer confidence index	57	55	52	49	51

	2006	2007	2008	2009	2010	2011
Foreign direct investment (BoP, current US$bn)	39.01	40.04	-9.49	16.58	9.60	33.10

Sources: GDP, Inflation rate, Population – Economist Intelligence Unit; Average corporate tax rate – KPMG, Corporate and Indirect Tax Survey 2011; Consumer spending per capita, Foreign direct investment – World Bank; Consumer confidence index – Nielsen.

> “The **rising value** of M&A transactions was helped by **growing interest** from international **investors** in traditional Italian strengths including **food and drink, fashion** and **luxury goods.**”

equity and strategic investor interest from countries including France, the United States and Japan (although Japanese inbound investment decreased after the March earthquake and tsunami). Within the private equity business, it is worthwhile to mention the acquisition of Moncler (a global player in high-end clothing and accessories) by the French private equity firm Eurazeo for €418 million and the acquisition of SNAI (gaming) by Investindusrial (about €186 million).

But as the euro zone crisis hit near the start of the summer, Italy's increasing business, consumer and investor confidence was suddenly replaced with uncertainty and hesitation.

Both Standard & Poor's and Moody's Investor Services downgraded Italy's government bond ratings, citing long-term funding risks for euro area sovereigns with high levels of public debt, macroeconomic structural weaknesses, potential political instability and a weakening global outlook.

The downgrades helped increase the spread between Italian and German bond yields, and financing for deals being discussed shifted primarily from debt financing to equity.

In response to the economic instability, and in order to safeguard public finances, the Italian government passed a number of austerity measures beginning in August of 2011, including the latest measures introduced by the newly appointed government led by Mr. Mario Monti.

In the wake of the uncertainty, several deals that were being negotiated were either canceled or delayed as private and strategic investors chose to wait and see how the euro zone crisis developed.

Persistent market volatility and the euro crisis remain as significant obstacles to deal-making activity in 2012. Given the current environment, we can expect a consolidation process between Italian companies to occur to help them better weather the economic slowdown. As the macro scenario stabilizes, we might expect foreign investors from the United States and Japan as well as the BRIC countries to re-emerge as potential buyers.

Netherlands

In the Netherlands, middle market M&A transactions are taking place, and the banks are open. Banks are more restrictive in their funding, but they are still open to sustainable investments in companies with good track records throughout the downturn.

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We don't have the volume of transactions that we saw pre-2008, but we do have interesting targets coming to the market with confidence and the right debt packages.

Overall, we're seeing strong interest from strategic buyers who haven't been in the market for the last years. More of them realize that economic growth is going to be at a low level, and that's something they have to cope with. They understand that M&A at the right price can be a clear opportunity, and this could be a good time to make a deal. There has been a rationalization of values, and sellers' expectations are more realistic.

Looking at the financing climate, the banks are open but they are demanding more information before they fund deals.

We are also seeing deeper involvement by bankers in the earlier stages of transactions.

Private equity investors are currently active, and looking for transactions in defensive sectors such as food where they already have or can build a clear understanding of a target with relative ease.

We see a substantial number of high quality assets in both the food & beverage as well as the retail segment coming to market, which are being valued at attractive, yet realistic multiples. Deals are being done at a level where a strategic buyer believes it can still generate adequate returns post-synergies, and a PE investor says a deal may not be cheap, but they can afford it.

Data fact sheet

	Actual	Forecast					
	2011	2012	2013	2014	2015	2016	5-yr growth forecast
GDP (PPP, bn)	722	732	755	783	814	844	▲ **17%**
Population (m)	16.7	16.7	16.8	16.9	17.0	17.0	▲ **2%**
Inflation rate	2.4%	2.0%	1.8%	1.7%	1.8%	1.9%	
Average corporate tax rate	25%						
Consumer spending per capita (constant 2000, US$)	12,290.7						

	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Global rank
Consumer confidence index	94	90	90	85	28

	2006	2007	2008	2009	2010	2011
Foreign direct investment (BoP, current US$bn)	7.05	124.76	9.03	35.21	-17.69	-5.30

Sources: GDP, Inflation rate, Population – Economist Intelligence Unit; Average corporate tax rate – KPMG, Corporate and Indirect Tax Survey 2011; Consumer spending per capita, Foreign direct investment – World Bank; Consumer confidence index – Nielsen.

> "Looking ahead, there will be **plenty of room** for transactions **over the next 24 months,** but investors will be critical, carefully studying how businesses have performed during the crisis."

In this environment, companies are adjusting their models to reflect the fact that consumer confidence has been shaken, and we're not going to see 5 percent or 10 percent growth in most sectors. The flexibility that companies can show in reacting to these conditions is going to be a key driver in determining which companies are successful, and which companies will struggle.

We're seeing a drive toward greater cost efficiency as companies work to stay on top of their game. We will see winners and losers sort themselves out faster than what we might have seen had the economy been stronger.

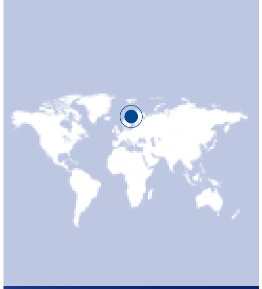
Looking ahead, people are anxious about where to go next. People are looking at the next 12 months and are wondering how the euro situation will evolve. There are a number of stability questions that persist.

We expect a certain dealflow of larger transactions to return to the markets in the near future. There were a number of PE transactions in 2006 and 2007 that are now nearing the end of the holding period, so that should generate a certain amount of dealflow.

It will be interesting to see how successfully larger companies return to the market, and whether there has been a haircut in valuations, or if the recovery has been strong enough to provide good returns for PE portfolio companies.

Looking ahead, there will be plenty of room for transactions over the next 24 months, but investors will be critical, carefully studying how businesses have performed during the crisis.

We shouldn't lose sight of the fact that there are a number of companies that are doing very well at the moment, and we expect more of those to come to the market over the next year as well.



Norway

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The most attractive characteristic of the Norwegian M&A market to investors this year has been its relative stability. While we haven't had a high level of activity in 2011, the capital markets are still functioning, and the Norwegian economy has been stable, helping to instill confidence in investors.

Investors see a contrast between Norway and other markets in Europe, and if they are interested in doing a deal, Norway is a good place to invest because the underlying economy remains sound. After a slight decline in 2010, GDP growth was recorded by the IMF at 1.7 percent in 2011, and is projected at 2.5 percent in 2012.

The Norwegian banks have not been as impacted by the euro zone crisis, and financing is readily available. As the Norwegian market doesn't have the megadeals that you see in the United States, the risk for individual banks is much lower and middle market competition is strong.

We're seeing healthy competition among banks to put together structured financing deals for the right assets. The Nordic lenders are facing reduced competition from international banks today but Nordic competition remains heavy, and lenders are being pushed to keep terms reasonable.

Some of the strongest sectors for M&A have been food and beverage, as well as furniture and design and consumer electronics.

Discount retailer Nille was purchased in March for an estimated US$347 million by UK private equity firm BC Partners, for example, and retailer Europris was reportedly in discussions to be acquired by private equity investors before the process was put on hold.

Tine also withdrew from the sales process for Diplom IS, and private equity firm Lion Capital is reportedly interested in selling the Nordic operations of frozen food producer Findus Group.

With this and other activity, we expect the food and beverage sector to have a continued strong outlook going forward.

Data fact sheet

	Actual	Forecast					
	2011	2012	2013	2014	2015	2016	5-yr growth forecast
GDP (PPP, bn)	290	298	310	323	338	350	▲ **21%**
Population (m)	5.0	5.0	5.0	5.1	5.1	5.1	▲ **3%**
Inflation rate	1.4%	1.8%	2.5%	2.3%	2.5%	2.5%	
Average corporate tax rate	28%						
Consumer spending per capita (constant 2000, US$)	20,615.9						

	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Global rank
Consumer confidence index	97	98	101	98	13

	2006	2007	2008	2009	2010	2011
Foreign direct investment (BoP, current US$bn)	7.22	6.53	7.51	15.00	11.75	-2.10

Sources: GDP, Inflation rate, Population – Economist Intelligence Unit; Average corporate tax rate – KPMG, Corporate and Indirect Tax Survey 2011; Consumer spending per capita, Foreign direct investment – World Bank; Consumer confidence index – Nielsen.

> “Investors see a contrast between **Norway and other markets in Europe,** and if they are interested in doing a deal, **Norway is a good place** to invest because the **underlying economy** remains sound.”

We’re also seeing a growing number of cross-border deals taking place. The Norwegian market is somewhat limited on its own, but it is attractive for international investors planning to use the country as a platform to expand into the rest of the Nordic region. If a company is already active in the Nordics, an international transaction often makes more sense.

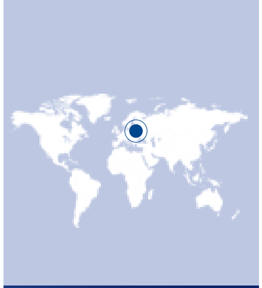
We’re also seeing Nordic consolidation, with companies looking to build a sustainable business platform in the region by combining brands or manufacturing footprints. That approach is more common than a strictly Norwegian market consolidation.

The number of private equity deals among deals that were made in the 2005-2007 period is also on the rise. There was a wave of acquisitions in the consumer market space that are now entering the exit phase, and over the next six to 12 months, we expect to see a great deal of activity as those investments are sold, either to other private equity firms or industrial owners.

Looking at external markets, the euro zone crisis has had a limited impact on Norway. In some other countries, we’ve seen the turmoil have a direct impact on valuations or the availability of financing, but that hasn’t yet been the case in Norway.

However, Norway is not necessarily the first place that companies think of when they are interested in making a deal, so if and when market uncertainty increases, Norway is one of the easiest places to cut out non-critical deals, even though the underlying basis for M&A transactions is still positive.

We expect to see continued stability in the Norwegian market over the next two to three years. We didn’t see a dramatic downturn during the 2008 financial crisis, and we don’t expect to see a dramatic upturn in the near future. We don’t know what’s going to happen in the euro zone or with the U. S. economy, and depending on which direction those take, that could increase uncertainty that stalls M&A activity in the Nordics. Overall, we expect the market to remain relatively stable with smaller increases in M&A activity.



Poland

Despite the unsettling financial news coming from Western Europe, M&A activity in Poland remained strong in 2011 and should continue to flourish in 2012.

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We have seen quite a lot of activity and interesting transactions involving very large or high profile companies. Some of the private businesses that were established 15 or 20 years ago have come to the market as their owners decided that given the current climate in Poland, now is the right time to sell.

This, in turn, has created a second wave of interest amongst the Polish entrepreneurs, who, seeing strong activity in the market, have started thinking about selling their businesses as well, a thought they might not have entertained a year or two ago.

We are also starting to see a steady stream of private equity assets flow into the market as some PE houses were holding on to their investments longer than they were initially expecting. When the 2008-2009 downturn happened, they thought it wasn't a good time to get the best price, but in 2010 and especially 2011, they started putting their investments up for sale.

Overall, we're still enjoying favorable economic growth and good business confidence. The IMF recorded 3.8 percent GDP growth for 2011, which matches the growth rate we saw in 2010.

Another favorable factor for the M&A environment here is there's quite a number of Polish companies that have grown to such a size that they have established strong market positions, have well-known brands, and can compete effectively with global players.

In 2011, the most attractive sectors for M&A were food and beverage and retail. These are very fragmented sectors in Poland, and you can find a lot of very attractive, available targets that can benefit from consolidation.

Data fact sheet

	Actual	Forecast					
	2011	2012	2013	2014	2015	2016	5-yr growth forecast
GDP (PPP, bn)	763	802	845	893	945	998	▲ **31%**
Population (m)	38	5.0	5.0	5.1	5.1	5.1	▲ **3%**
Inflation rate	4.1%	2.6%	2.9%	3.1%	3.3%	3.2%	
Average corporate tax rate	19%						
Consumer spending per capita (constant 2000, US$)	4,067.8						

	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Global rank
Consumer confidence index	66	66	74	72	38

	2006	2007	2008	2009	2010	2011
Foreign direct investment (BoP, current US$bn)	19.88	23.65	14.98	13.02	9.06	14.20

Sources: GDP, Inflation rate, Population – Economist Intelligence Unit; Average corporate tax rate – KPMG, Corporate and Indirect Tax Survey 2011; Consumer spending per capita, Foreign direct investment – World Bank; Consumer confidence index – Nielsen.

> "Most transactions in Poland were marked by **strong valuations** and **high multiples for sellers.** In most situations, local companies are valued above what **we see in Western Europe.**"

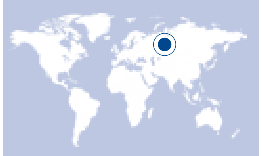
We've seen some good companies get acquired for strong prices over the past year. For example, consumer goods distributor Eurocash SA acquired Emperia Holdings' food distribution and wholesaling network for US$313.2 million.

In another transaction, Polish spice and seasonings company Kamis SA was purchased by US-based McCormick & Co. for about US$291 million. The deal gives McCormick access to Poland and Russia, as well as Eastern and Central Europe.

These deals, like most transactions in Poland, were marked by strong valuations and high multiples for sellers. In most situations, local companies are valued above what we see in Western Europe. Some strategic investors from Western Europe suggest they will not go beyond a multiple of six times EBITDA, for example, but we'll tell them if they propose a multiple below seven or 7.5, the seller won't even talk to you. Setting these higher expectations are companies like Kamis SA, which attracted a double digit EBITDA multiple from McCormick due to its regionally recognized brand.

And those seller expectations about value are supported by the financial performance of the businesses. Obviously, you have companies where the owners are expecting high valuations and there's nothing to support it, but in most cases these days, the Polish entrepreneur understands what is driving the valuation and the factors most important to buyers.

Because of the high valuations, most of the deals are being completed locally. Foreign investors often don't accept the valuations, and the market here is very segmented. If a foreign investor has not come into Poland yet, it probably has limited options of acquiring a target that would give them a large enough market share to risk a market entrance.



Russia

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M&A activity in 2011 within the consumer markets sector in Russia remained largely stable. Deal volumes were slightly below 2010 results with 243 deals completed in 2011 compared to 295 the year before. Healthy M&A activity in the first two quarters of the year yielded to more cautious behavior in the second half of 2011, largely due to heightened concerns over growth prospects and financial stability in Europe.

In value terms, consumer deals completed over the past year were smaller compared to those completed in 2010 in which we witnessed several transformation acquisitions within the Russian dairy sector and continuing consolidation by domestic food retailers.

M&A transactions have again been increasingly motivated by strategic considerations with the majority of activity being driven by trade buyers looking at transactions that underpin their respective growth agendas in the region.

Despite some recent fragility in the market, we expect the number of transactions in 2012 to grow markedly as Russian companies demonstrate stable growth profiles and increased profitability. Growth rates remain favorable, with the IMF forecasting GDP growth of approximately 3.3 percent in 2012, and many companies in the consumer sector projecting double-digit growth for the new year. In addition, several transactions on the part of global multinationals PepsiCo, Unilever, and TPG, among others, and the continued efforts of the Russian government to improve the perception of the country as an investment destination have begun to warm investor sentiment towards new opportunities across all industry sectors.

Data fact sheet

	Actual	Forecast					
	2011	2012	2013	2014	2015	2016	5-yr growth forecast
GDP (PPP, bn)	2,363	2,503	2,665	2,837	3,016	3,206	**36%**
Population (m)	141.5	141.2	140.8	140.4	140.0	139.7	**-1%**
Inflation rate	8.5%	6.5%	6.1%	5.8%	5.6%	5.2%	
Average corporate tax rate	20%						
Consumer spending per capita (constant 2000, US$)	1,869.7						

	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Global rank
Consumer confidence index	82	89	89	84	30

	2006	2007	2008	2009	2010	2011
Foreign direct investment (BoP, current US$bn)	29.70	55.07	75.00	36.50	42.87	50.80

Sources: GDP, Inflation rate, Population – Economist Intelligence Unit; Average corporate tax rate – KPMG, Corporate and Indirect Tax Survey 2011; Consumer spending per capita, Foreign direct investment – World Bank; Consumer confidence index – Nielsen.

> “For **an international company looking** to expand into **Russia, M&A** is likely to be a much more **practical option than pursuing organic growth,** both in terms of the time and resources it takes to get established in Russia.”

For an international company looking to expand into Russia, M&A is likely to be a much more practical option than pursuing organic growth, both in terms of the time and resources it takes to get established in Russia. It's an attractive market to outside investors – Russia represents the largest consumer market in Europe – but it's very capital-intensive to build a distribution or supply chain network from scratch here. Although some consumer companies have already been consolidated by multinationals or domestic champions, larger deals usually command significant premiums in consideration of market leadership, business transparency, and operational synergies driven by the scale of these targets.

An example of this is the acquisition of a controlling interest in the Russian dairy, food and beverage firm Wimm-Bill-Dann OJSC by PepsiCo, Inc. in February 2011 for US$3.8 billion. Other notable deals included Anadolu Efes acquiring SAB Miller's Russian and Ukrainian businesses for US$1.9 billion as part of the strategic alliance between the two companies in emerging Europe and the CIS; X5 Retail Group acquiring retailer Kopeyka in late 2010 for US$1.65 billion; and Unilever's recent acquisition of cosmetics and personal care company Kalina for US$832 million in October.

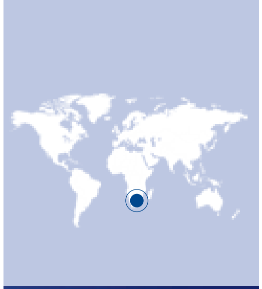
In the first half of 2011, we saw a significant uptick in activity for foreign multinationals looking to come into Russia and investigate opportunities. Now, a lot of that has been put on hold in response to uncertainties in Europe and the effect of a crisis within the euro zone. Still, many companies headquartered in developed markets have underscored the importance of emerging markets to their overall growth strategies. Several European-based multinationals have even suggested that weakness in their home markets would not affect their investment decisions in higher growth economies, and in particular, Russia.

Although Russia offers compelling growth opportunities, international buyers cite market transparency and bureaucratic inefficiencies as challenges to their abilities to realize their growth ambitions. Deals in Russia take a longer time to complete than in other developed markets, and it's a relatively complicated market to understand, not least because of the lack of credible, objective information on what the market size is and how markets are defined.

Russian companies today are more focused on acquisitions that are value-driven, and that fit within their management capabilities and the profile of their business operations as opposed to deals driven by diversification or the pursuit of market growth at all costs that often characterized the M&A market prior to the 2009 financial crisis. For most Russian consumer products companies, there's little to indicate a willingness to expand outside of Russia or the CIS. There are still significant opportunities at their doorstep, their management competency is here, and they're focused on building out in Russia before looking into other markets.

Buyers have become more selective, and although market valuations have largely recovered, it remains a buyer's market. Significant valuation premiums are being offered to companies that demonstrate market leadership positions and are fortified by experienced management teams that consistently deliver on their growth agendas. Still, we are witnessing renewed interest amongst vendors who are looking to generate full or partial exits. Though motivations are varied and specific to their respective businesses, many shareholders had begun preparations for initial public offerings or exits prior to the financial crisis when their businesses were generating significant profits and experiencing year-on-year growth rates of 20–30 percent, largely due to general market growth in demand and consumption.

Looking ahead, we expect the domestic consolidation theme to continue, particularly within the food and non-food retail sectors. In the last few months, we have seen significant M&A activity and some promising and potentially large deals in the pipeline. While consolidation will be led by domestic companies, we see renewed interest from multinationals that have become more active in their pursuit of growth in Russia, and we expect transaction volume within the Russian consumer space to increase significantly in the next two to three years.



South Africa

Overall merger and acquisition activity levels are down in South Africa, but in the consumer goods and retail space, M&A activity is continuing positively and South Africa is increasingly offering a base for expansion into the rest of the continent.

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One of the big transactions this year was the entry into South Africa of Wal-Mart, when it bought a majority stake in Massmart, one of our large retailers, for US$2.4 billion. That deal was a very sound and fundamental indication of market confidence in this region.

Another major deal was the agreement by SABMiller in late September to purchase Australian brewer Foster's for US$10.15 billion.

The economic fundamentals locally are still absolutely sound. GDP growth was recorded by the IMF at 3.1 percent for 2011 and is projected at 2.5 percent for 2012. We are not in a recession or experiencing the negative mood that seems to be pervasive in Europe or in the States. While there is concern about what is happening globally, conditions locally are still positive.

We have established food and drink, personal care and retail businesses in South Africa that have been doing cross-border transactions into Eastern and Western Africa. Massmart, for example, has stores in 12 African nations.

Earlier in the year, Tiger Brands Ltd acquired beverage and seasonings producer Davita Trading (Pty) Ltd. for an estimated US$186 million. Davita is active in 28 countries in Africa and the Middle East.

South African companies are also looking to expand internationally, with furniture maker Steinhoff purchasing French furnishings retailer Conforma in March for US$1.66 billion. Similarly, South African retail chain Woolworths Holdings, which is active in 10 countries in Africa, signed a joint venture with Nigeria's Chellarams.

For companies interested in M&A, financing is generally available. From what we see from our regulators and the banks, South Africa hasn't been impacted to the same extent of what's happened globally. There is still tight credit control,

Data fact sheet

	Actual	Forecast					
	2011	2012	2013	2014	2015	2016	5-yr growth forecast
GDP (PPP, bn)	552	578	614	647	685	728	▲ **32%**
Population (m)	49.0	48.8	48.6	48.4	48.3	48.3	▲ **-1%**
Inflation rate	5.1%	5.3%	4.3%	4.5%	4.8%	5.0%	
Average corporate tax rate	34.6%						
Consumer spending per capita (constant 2000, US$)	2,298.8						

	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Global rank
Consumer confidence index	88	86	78	78	35

	2006	2007	2008	2009	2010	2011
Foreign direct investment (BoP, current US$bn)	-0.18	5.74	9.64	5.35	1.57	4.50

Sources: GDP, Inflation rate, Population – Economist Intelligence Unit; Average corporate tax rate – KPMG, Corporate and Indirect Tax Survey 2011; Consumer spending per capita, Foreign direct investment – World Bank; Consumer confidence index – Nielsen.

"We have **a number of local companies** with very strong balance sheets that aren't in debt positions, that are still doing transactions and **we see that continuing.**"

but for good transactions, banks and financial entities are looking to invest.

Looking at market conditions, there's been an incline in our stock exchange in the second half of 2011. With a growing sense of a longer-term difficulty in global markets, we're seeing a better appreciation from sellers to be more current-market-minded on valuations, rather than living in the past. Multiples have been high, but we're now seeing those come down a bit, and that's leading to clearer expectations between buyers and sellers.

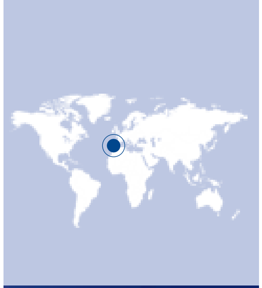
We're also seeing growing interest in private equity investment. Private equity firms in South Africa are sitting on a considerable amount of funds for transactions, and we're aware of a few companies in the consumer markets space that have been examined by the private equity houses. There would have to be a greater equity contribution, and less debt, in comparison to what had been the trend a few years ago, but our sense is that private equity is venturing back into the market.

One of the challenges to future growth we're experiencing in late 2011 is a depreciation of our currency, the rand, against the euro and the US dollar. With the euro zone turmoil creating uncertainty globally, we're seeing a sell-off of the rand.

But despite the international uncertainty, we don't expect significant declines in M&A activity. We have a number of local companies with very strong balance sheets, that aren't in debt positions, that are still doing transactions and we see that continuing.

We also anticipate a continued growth of large established international consumer groups into the African continent, as well as expansion into emerging market territories by South African entities.

Botswana, for instance, is already on the radar for companies, as are Nigeria, Mozambique, and other countries that offer high-growth opportunities. We think companies using South Africa as a base will be able to move into other parts of the continent that offer attractive growth.



Spain

At the beginning of 2011, there were clear signs of recovery in Spain. Most companies felt that we were beginning to see some light at the end of the economic tunnel, but what we found in the second half of the year was just the opposite.

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Global and domestic economic news is getting worse, whether you consider consumer consumption, GDP, unemployment, or the status of the state's accounts. All of these figures are very poor, provoking a reversal of the positive perspectives we had at the beginning of the year.

For example, the inflation rate is more than 3 percent, unemployment is at 21 percent, and the IMF recorded GDP growth in 2011 at 0.7 percent (after a decline of 0.1 percent in 2010).

In mid-October 2011, ratings agencies Standard & Poor's and Fitch both downgraded Spain's sovereign debt ratings, citing tighter financial conditions.

Perhaps not surprisingly, business confidence grows weaker every day. Most companies don't believe the lowest point has been reached economically, so it is difficult for companies to plan or to try to move forward.

The record-breaking elections held in late November brought forth a change in leadership, with Spain's new conservative government outlining €8.9 billion in austerity measures the following month.

The economic uncertainty, understandably, has caused activity in the M&A area to slow considerably. There is no deal financing, for example. The banking system has to deal with its own challenges, and the government's, before we can start talking about transaction financing again.

But despite the immediate and hopefully short-term challenges, there are reasons to be optimistic about the Spanish economy and M&A activity. Spain has some growing companies that are becoming international leaders.

Inditex, for example, became the world's largest fashion retailer this year by revenue, operating through more than 5,500 stores globally. In March, Inditex bought retail space at

Data fact sheet

	Actual	Forecast					
	2011	2012	2013	2014	2015	2016	5-yr growth forecast
GDP (PPP, bn)	1,499	1,530	1,583	1,642	1,707	1,775	▲ **18%**
Population (m)	46.1	46.3	46.5	46.7	46.8	46.9	▲ **2%**
Inflation rate	3.0%	1.5%	2.3%	2.2%	2.0%	2.1%	
Average corporate tax rate	30%						
Consumer spending per capita (constant 2000, US$)	9,263.3						

	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Global rank
Consumer confidence index	61	60	56	55	49

	2006	2007	2008	2009	2010	2011
Foreign direct investment (BoP, current US$bn)	-0.18	5.74	9.64	5.35	1.57	25.00

Sources: GDP, Inflation rate, Population – Economist Intelligence Unit; Average corporate tax rate – KPMG, Corporate and Indirect Tax Survey 2011; Consumer spending per capita, Foreign direct investment – World Bank; Consumer confidence index – Nielsen.

"Despite the **immediate and hopefully short-term challenges,** there are reasons to be optimistic about the **Spanish economy** and **M&A activity.**"

666 Fifth Ave. in New York City for US$324 million from Crown Acquisitions, Carlyle Group and Kushner Cos.

In food retail, Mercadona is another success story, and like Inditex, continues to grow, even in poor times. As the economic situation stabilizes and those companies expand internationally, clearly they will be consolidators in their sectors.

In July, France's Carrefour SA spun off its Distribuidora Internacional de Alimentacion SA (Dia) unit, a Madrid-based owner and operator of grocery stores in a transaction valued at US$3.14 billion.

Another reason M&A is likely to increase after the financial situation stabilizes is we have a clear need for concentration in retail, restaurants, and some other consumption-driven sectors that have been affected by this year's instability.

For example, AmRest Holdings SE of Poland acquired a majority interest in Restauravia Grupo Empresarial SL (Restauravia), a Madrid-based owner and operator of food chains, for an estimated US$284.4 million. Mahou SA acquired Balneario y Aguas de Solan de Cabras SL, a Cuenca-based producer and wholesaler of water and fruit juices, from Grupo Osborne SA, for US$187.1 million.

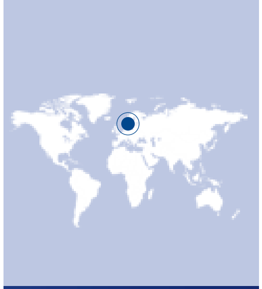
Most of these companies have good brand names, but do not have critical mass to expand internationally or the financial muscle to grow profitably, and sooner or later, many are likely to be acquired by larger players.

We also think there is room for multinational expansion into Spain. Many leading companies have been actively acquisitive in Spain, and there are some niches where they have a large market share, but there are still some areas where leading Spanish companies with strong brand names will be acquired by larger groups and chains.

Private equity is also likely to play a larger role in Spanish M&A. Private equity firms have not been very active since the peak of their involvement in 2007, in part because of the financial situation and the level of leverage used when companies were acquired before the crisis. Many investors don't want to sell at a loss, and many privately owned middle market companies don't want to sell at today's lower valuations.

The valuation gap between sellers and buyers is very broad, and sellers are likely to gradually realize that with the weak consumption rates we have in Spain, prices are going to have to come down.

I think that we are living now in a very, very low part of the cycle. Spain is now being affected by political and macroeconomic forces, but looking ahead about two or three years from now, I am optimistic. I think that there are a lot of signs that indicate we can return to a growth period.



Sweden

In Sweden, reasonable growth and favorable expectations for business and M&A activity in the first eight months of 2011 changed suddenly as September arrived and the financial turmoil continued in Southern Europe.

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We saw a clear pickup in the trends in the early part of the year as corporates were becoming more active, and we had reasonably sound private equity activity. We headed to the beach for vacations feeling pretty optimistic and confident, but when we came back, the situation had drastically changed and it felt as though we were looking back on two different years.

There's a drying up of private equity activity across the country, and that's probably the single largest factor in the overall decline. With the turmoil in the financial markets, it is difficult for PE firms either to launch IPOs or to sell assets. It is also less attractive to invest at the terms that sellers want, if a company is interested in buying something.

A number of in-progress transactions and auctions were either stalled or stopped altogether, and companies are waiting to see how the situation evolves. We're seeing uncertainty in the financial markets, which translates to nervousness.

As it's difficult to make an assessment in just a few weeks, companies aren't making any plans or decisions just yet. They don't know what's ahead, without having a clear review of where the greater economy is heading.

Overall, we're receiving mixed signals from economic indicators. Sweden's Central Bank, the Riksbank, expects the GDP growth rate to fall to 1.7 percent in 2012, recovering to a rate about 2.5 percent in 2013. By year end, the bank reported an inflation rate of 2.7 percent, above its 2.0 percent target.

Data fact sheet

	Actual	Forecast					
	2011	2012	2013	2014	2015	2016	5-yr growth forecast
GDP (PPP, bn)	387	396	405	423	440	457	▲ **18%**
Population (m)	9.5	9.6	9.6	9.7	9.7	9.8	▲ **3%**
Inflation rate	2.7%	1.7%	1.9%	2.0%	2.1%	2.3%	
Average corporate tax rate	26.3%						
Consumer spending per capita (constant 2000, US$)	15,952.9						

	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Global rank
Consumer confidence index	91	92	90	88	24

	2006	2007	2008	2009	2010	2011
Foreign direct investment (BoP, current US$bn)	28.49	27.79	37.80	10.47	5.29	22.00

Sources: GDP, Inflation rate, Population – Economist Intelligence Unit; Average corporate tax rate – KPMG, Corporate and Indirect Tax Survey 2011; Consumer spending per capita, Foreign direct investment – World Bank; Consumer confidence index – Nielsen.

> "We do expect to see confidence return to the underlying market, **replacing the general nervousness of today**, but we don't know if that will take six, 12, or 18 months."

M&A interest remains strong among Swedish corporates seeking growth, but challenges are increasing. One problem is that even if a company is interested in pursuing transactions, they are not finding sellers. We're seeing an expanding valuation gap, with sellers expecting to receive pre-crisis prices and valuations, while buyers say the price should reflect lower stock market valuations. As a result, deals are not taking place.

In addition, it has become quite difficult to find financing. Banks say they are open for business, but they only want to lend to high quality assets. We're seeing a strong flight to quality.

A number of companies are exploring alternatives to bank financing, such as bonds or single-purpose vehicles, but those are not as developed in Sweden or the other Nordic countries. It's too soon to call that a trend.

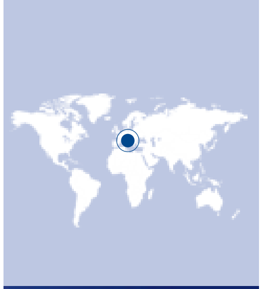
We are also starting to see inquiries from special situation funds looking to explore distressed companies with operational or financial challenges.

In notable transactions this year, furnishing and accessories manufacturer Assa Abloy AB acquired door producer Cardo AB. NIBE Industrier AB acquired washing equipment manufacturer Schulthess Group AG for US$471 million.

Meda AB acquired Antula Healthcare AB, a Stockholm-based wholesaler of pharmaceuticals and medical equipment, from Antula Holding AB for US$282 million.

Looking ahead, we believe the euro situation will be addressed. Confidence will return, and we will see the underlying business development take off. In Sweden, we have a number of PE-owned assets that need to be sold as those funds approach maturity. We also have a number of Swedish corporations that are keen on expanding their business.

We do expect to see confidence return to the underlying market, replacing the general nervousness of today, but we don't know if that will take six, 12, or 18 months.



Switzerland

Compared to the global markets overall, the M&A environment in Switzerland has been relatively healthy. The economy has remained strong. The only negative effects that we have seen have been due to currency developments.

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The Swiss franc has increased in value to record levels against the euro and the US dollar over the past year, which is unfavorable in a country with a high dependence on its export industries. In response to the growing strength of the franc, the Swiss National Bank has taken actions to freeze or limit currency exposure and to fix minimum exchange rates.

There is nervousness, both among companies and consumers, about the currency valuation's effects on employment and corporate health. The export industry so far has demonstrated its ability to handle exchange rates at this level, but currency concerns remain the major issue for Swiss companies.

Overall, we have a strong economy and large companies with healthy balance sheets. Historically, Swiss companies have been conservative in their financing, which has helped them get through the crisis of the past few years, and has provided good ammunition for M&A over the past year or so.

Several large deals were made in 2011, including Nestlé's acquisition of a 60 percent stake in China-based candy maker Hsu Fu Chi International Ltd. for US$1.7 billion in December. NIBE Industrier AB of Sweden acquired Schulthess Group AG, a Swiss manufacturer of washing equipment for US$ 471 million while Nestlé Waters North America Inc acquired Sweet Leaf Tea Co, a US producer of bottled iced tea, for undisclosed terms. Also of note, CHS Europe SA of Switzerland purchased grains and oilseeds producer Agripoint Ltd. for US$58 million.

In addition, companies are working on optimizing their cost structures and their value chains, and are looking for ways to get some non-Swiss components into their products to help reduce their production costs.

The currency challenge is also affecting the M&A marketplace. We've had some efforts to sell Swiss assets to international players canceled because the acquisition price increased with

Data fact sheet

	Actual	Forecast					
	2011	2012	2013	2014	2015	2016	5-yr growth forecast
GDP (PPP, bn)	378	385	397	412	427	444	▲ **17%**
Population (m)	7.9	8.0	8.0	8.1	8.2	8.2	▲ **4%**
Inflation rate	0.3%	-0.9%	0.7%	1.2%	1.3%	1.4%	
Average corporate tax rate	21.2%						
Consumer spending per capita (constant 2000, US$)	22,156.2						

	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Global rank
Consumer confidence index	110	108	99	92	18

	2006	2007	2008	2009	2010	2011
Foreign direct investment (BoP, current US$bn)	44.99	33.41	16.00	27.59	-6.22	9.75

Sources: GDP, Inflation rate, Population – Economist Intelligence Unit; Average corporate tax rate – KPMG, Corporate and Indirect Tax Survey 2011; Consumer spending per capita, Foreign direct investment – World Bank; Consumer confidence index – Nielsen.

"Although we will go through **ups and downs** in a **fragile and volatile market**, the consumer industry is in a good position to develop and grow, and play a **key role in globalizing markets and societies**."

the value of the franc, effectively making the assets more expensive than what buyers were willing to pay for.

For Swiss companies interested in international mergers, deal pricing has become attractive, but at the same time, if you buy a European asset in euros, you are also buying European revenue, so it becomes a zero-sum game from a currency perspective.

External factors such as the euro zone crisis have had only an indirect effect on Swiss M&A activity. Companies have become a bit more cautious than they were in 2010 or early 2011, but overall they remain optimistic. The focus of Swiss players is moving further away from the German and Italian markets, and is shifting toward Asia and the United States. Swiss companies see good opportunities to invest in those markets.

In the food industry, consolidation is the name of the game globally. If you want to grow, you have to go to the markets where there is growth. Acquisitions in emerging markets have been, are, and always will be important for Swiss players.

For quick growth you have to be in Asia, but the prices for assets in China are rather high, so you have to think twice about investing there because everybody sees the opportunity.

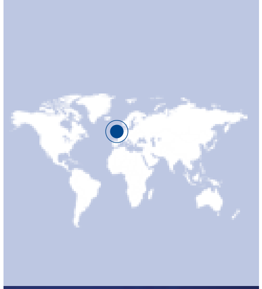
One area that we think will be interesting for the consumer markets sector is the growing link between health and foods, and the growing interest in engineered nutrition products. Health is a big driver that is changing the food industry in Europe and the US and collaboration between pharma and food companies is increasing. There is a lot of R&D in this field, and we think Swiss players will be well positioned with their experience in both the food and pharmaceutical industries.

The availability of financing is better in Switzerland than in the rest of Europe and can usually be obtained at good rates. However, financing is perhaps not as easy to arrange now as it was thought the first half of the year, but overall, obtaining funds is not a limiting factor for Swiss M&A.

Business confidence has been mixed since the summer months. Companies and consumers became nervous about the strength of the Swiss franc, and what it might mean for employment and the cost structure for businesses. People understand after the last crisis that Swiss companies are well financed and the economy is stronger than most other countries in Europe, but overall, companies are not overly optimistic.

Although we will go through ups and downs in a fragile and volatile market, the consumer industry is in a good position to develop and grow, and play a key role in globalizing markets and societies.

Switzerland remains in a strong position, as long as the financial industry holds up and does not run into major issues. That's a risk that is shared by the consumer industry and the Swiss economy. We're optimistic, but realize it could be a volatile ride for the next two years.



UK

Across the board in the consumer sector, there's been a considerable amount of M&A activity in the UK in 2011. The themes driving this are consolidation, particularly in the food sector, strategic in-fill transactions and distressed situations.

In the current environment, we don't expect to see an increase in large, transformational deals, but you will see companies continue to make acquisitions in strategic categories or geographies.

In general, the fundamentals for M&A remain in place, despite falling consumer confidence. Companies have strong balance sheets and a considerable amount of cash, they've started to pursue focused strategies, and they remain oriented toward growth.

In notable transactions, Diageo purchased Turkish distiller Mey Icki Sanayi ve Ticaret AS in August for US$2.1 billion. Apax Partners Worldwide LLP acquired German discount clothing retailer Takko Holding GmbH in February for an estimated US$1.7 billion. Colgate-Palmolive purchased the Sanex brand of oral and personal care products from Unilever in June for US$950 million. Unilever itself bought Russia's largest personal care business, Concern Katina for €500 million in October.

Confidence is very mixed among consumer market companies. There are companies that have had a higher degree of success with high-end consumers or at the bottom end of the market, but companies serving the middle of the market have increasingly been squeezed as consumers have experienced shrinking real incomes.

We've seen a perfect storm develop around consumer confidence where the macroeconomic environment is worsening, inflation is growing, and consumers face rising unemployment and high levels of personal debt. Those are combining to create a significant downturn in consumer spending.

According to the UK Office of National Statistics (ONS), Consumer Price Index annual inflation reached 5.2 percent in September 2011 tying a record set in September 2008. Retail Price Index annual inflation was 5.6 percent in September, the highest it has been in 20 years in the UK.

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> "In the current environment, we don't expect to see an increase in large, transformational deals, but you will see **companies continue to make acquisitions** in strategic categories or geographies."

ONS said the UK's GDP growth was .05 percent in the second quarter of 2011, compared with 1.5 percent during the same quarter last year.

As in other countries, macroeconomic factors and the euro zone crisis have introduced considerable uncertainty and some hesitation to the M&A market. The threat of negative events and conditions might turn out to be more damaging than what happens itself, and companies just want to see a solution around which they can plan.

Buyers are concerned about overpaying for an asset, unless they first see that it will contribute to revenue in the future. Companies don't want to sell unless there is a real need, and buyers are reluctant to complete the transaction unless they are convinced that it will enhance value. If they have any doubts about that, they don't close the deal.

Financing is still available although the quantum and terms still favor the lenders. Banks are also requiring a greater amount of due diligence and scrutiny than we would have seen three or four years ago, and are more interested in greater insight into consumer demand and behavior for that very specific group of consumers of the target company.

In addition, the ratios of lending to EBITDA have come down significantly this year. We're typically seeing people being able to apply a debt-to-EBITDA ratio of three to four, whereas two or three years ago we were seeing them applying debt ratios of six and higher.

Transactions are taking longer and pricing is more expensive, but banks are willing to support strong acquisitions that represent good fits with the buyers. If a company is able to write a sizeable equity check, that's a major advantage in a competitive auction.

Deal values have softened a bit. There is still a gap between buyer and seller value expectations, but parties have become more creative in finding solutions to enable that to be bridged, such as vendor consideration, deferred consideration, earn-outs, or other arrangements.

Deal multiples can vary significantly. A private label grocery brand, for example could trade at an EBITDA multiple between five and seven. For a company active in the online area, more common ranges will probably be in the mid-teens. Most businesses will be somewhere in those ranges, but it does vary.

Data fact sheet

	Actual	Forecast					
	2011	2012	2013	2014	2015	2016	5-yr growth forecast
GDP (PPP, bn)	2,299	2,346	2,435	2,509	2,610	2,701	▲ **17%**
Population (m)	62.7	63.1	63.6	64.0	64.4	64.9	▲ **4%**
Inflation rate	4.5%	2.9%	3.2%	3.1%	2.7%	3.4%	
Average corporate tax rate	28%						
Consumer spending per capita (constant 2000, US$)	18,368.8						

	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Global rank
Consumer confidence index	67	72	73	71	39

	2006	2007	2008	2009	2010	2011
Foreign direct investment (BoP, current US$bn)	154.12	202.07	93.51	72.92	46.95	77.10

Sources: GDP, Inflation rate, Population – Economist Intelligence Unit; Average corporate tax rate – KPMG, Corporate and Indirect Tax Survey 2011; Consumer spending per capita, Foreign direct investment – World Bank; Consumer confidence index – Nielsen.

> “Over the **next year,** companies are going to have to be **innovative and proactive** in looking for value.”

Sector Demand

We’re seeing interest among strategic and private equity investors in a number of consumer-focused sectors. Companies with strong e-commerce sales, for instance, continue to grow at 15 percent rates that, although slower than 2010, remain attractive.

In the grocery space, we’ve seen a number of domestic companies looking to build, develop, and consolidate their positions. There are a number of US players looking at the UK market, given the number of opportunities that are available to establish a platform in the UK, and use that as a bridgehead toward Europe.

Food, beverage, and tobacco companies are also seen as defensive investments. While they are not completely immune from the economic background, even during a slowdown, there is still a certain degree of activity.

We also see strong differentiated brands performing well, and this is particularly true in clothing and some niche food and drink categories. Companies with on-trend brands can continue to take market share and grow even if the overall market might be down.

Private Equity Returning

Private equity investment has returned to a moderate level of investment. Most activity is taking place in the middle market, largely because debt financing is more readily available for smaller transactions. To reduce risk, funds today are more willing to purchase a higher quality asset at a higher price than a medium quality asset at a medium price.

A lot of firms raised funds that needed to be used, so we saw some pressure to continue to invest. That being said, investors didn’t want to overpay for assets in a market that may go sideways or down. With the tighter availability of funding, investors are cautious, but they are looking to take advantage of opportunities. We’ve seen some leading private equity houses willing to look at deals of a slightly smaller size than they would have three or four years ago.

Emerging Markets Attractive

We’re seeing large corporates deciding to leverage strong balance sheets and invest outside of the European Union into emerging markets that are growing faster.

Those emerging markets may not necessarily just be the obvious targets such as Brazil, Russia, India, and China, but they include markets like Turkey, or Central Europe. They have reasonably strong GDP growth, and large European companies with strong balance sheets think that they can get value in the long term by buying businesses.

We’re also seeing companies such as China’s Bright Foods looking at opportunities within Europe and India, and European multinationals are looking at developing and emerging markets to drive their growth agenda forward. They are not able to get the growth they need from developed markets, so they want to rebalance their portfolios toward emerging markets.

Regulatory Considerations

Another factor that could influence UK listed transactions in the next couple of years are new regulations by the Takeover Panel, which took effect in September 2011. Unless the target runs a formal auction, any leak will require the names of all potential buyers to be published and a timetable will start to run, thereby limiting the time available for due diligence in many circumstances.

There is concern within the private equity community and other buyers that there may not be enough time to perform due diligence if a leak occurs, and buyers may think twice about initiating a conversation with a potential takeover target if their name may become public, but we’ll have to see if those concerns actually reduce dealflow.

Outlook for Recovery

Looking ahead, once you see business and consumer confidence coming back, which will be driven by improved macro factors, we think we’ll see a steady recovery. We expect the M&A market to broadly trend sideways for the next year, and to be primarily driven by smaller to medium transactions, but then start to pick up in late 2012 or early 2013.

It takes the world a long time to recover from a financial crisis that has been caused by over-leverage, and we still have too much debt. Most large corporates are under-levered and have good balance sheets, but on the whole, consumers and society still have too much debt.

Over the next year, companies are going to have to be innovative and proactive in looking for value. We don’t expect to see a market that is steadily ticking up, so people really need to think about what the value drivers are of the deal and put it together in the right way.

About KPMG

KPMG is a global network of professional firms providing Audit, Tax and Advisory services. We have 145,000 outstanding professionals working together to deliver value in 152 countries worldwide.

Consumer Markets Practice

KPMG is organized by industry sectors across our member firms. The Consumer Markets practice, which encompasses the Food, Drink and Consumer Goods (FDCG) manufacturing and Retail sectors, comprises an international network of professionals with deep industry experience.

This industry-focused network enables KPMG member firm professionals to provide consistent services and thought leadership to our clients globally, while maintaining a strong knowledge of local issues and markets.

Transactions and M&A Advisory Services

Our Global Transactions and Mergers and Acquisitions advisory professionals work with consumer markets companies to help assess and analyze proposed transactions, highlighting the value drivers, risks and opportunities in the deal. We remain involved through the life cycle of the deal, helping to develop appropriate accounting, finance and tax structures as well as advising on post-deal and integration strategies.

KPMG fosters an environment of innovation, open communication, collaboration, integrity and respect. For clients, we believe we are a valuable source of information, contacts and business opportunity.

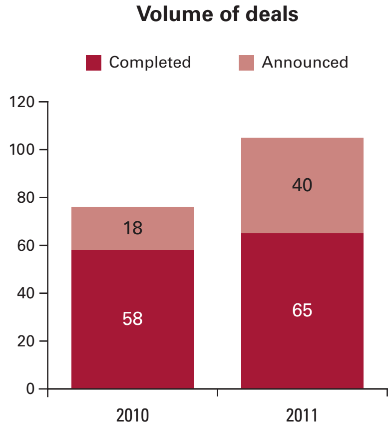
Appendix 1

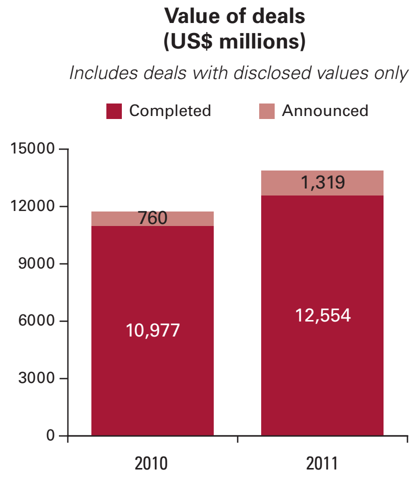
Consumer Markets M&A transactions – by country

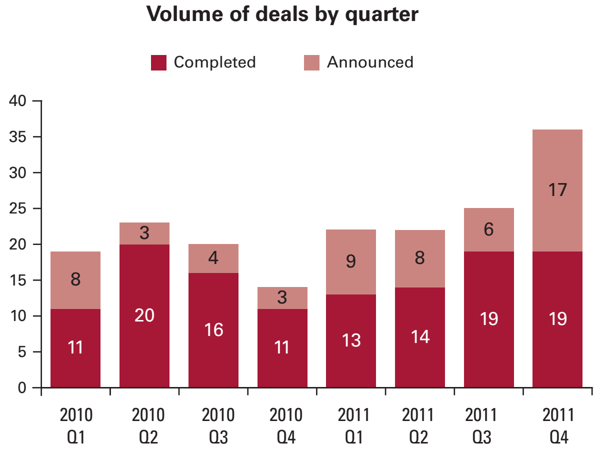
January 2010 to December 2011

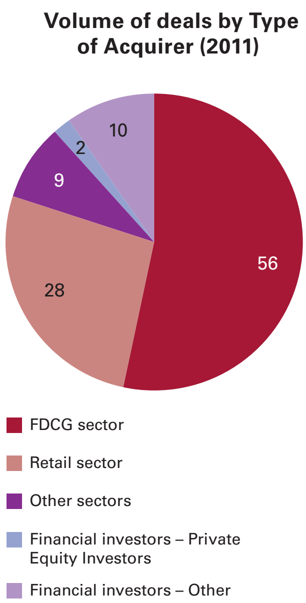
Brazil

Brazil – Summary of consumer markets industry transactions





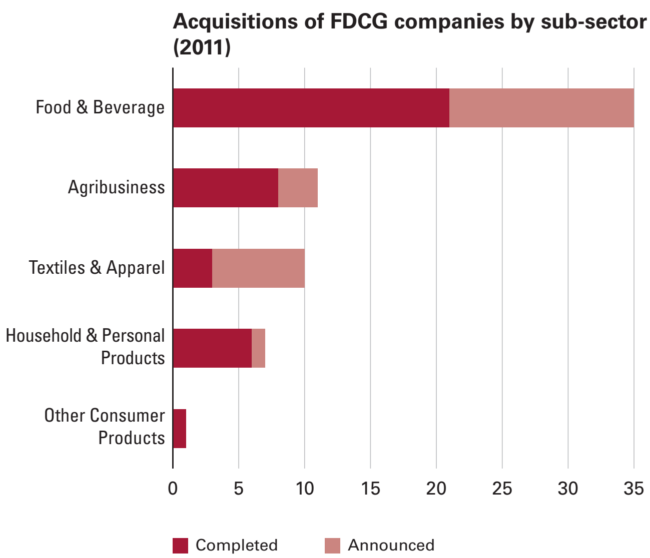


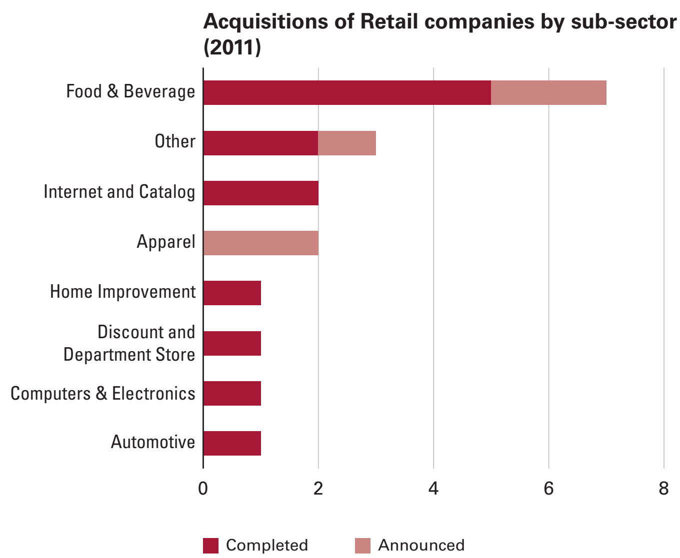


Recent major consumer markets sector transactions

Quarter	Acquirer	Acquirer Country	Acquirer Sector	Target	Target Country	Target Sector	Value of Transaction (US$million)
2011 Q1	Hypermarcas SA	Brazil	FDCG	Mantecorp Industria Quimica e	Brazil	Other	1,467
2011 Q1	Cargill Inc	US	FDCG	Unilever Brasil Alimen-Tomato	Brazil	FDCG	351
2011 Q2	Noble Group Ltd	Hong Kong	FDCG	Cerradinho Acucar, Etanol e	Brazil	FDCG	940
2011 Q2	BP PLC	UK	Other	Cia Nacional de Acucar e	Brazil	FDCG	680
2011 Q3	Kirin Holdings Investments	Brazil	Other Investors	Aleadri-Schinni Participacoes	Brazil	FDCG	2,523
2011 Q3	Cargill Agricola SA	Brazil	FDCG	USJ-Industrial Assets	Brazil	FDCG	857
2011 Q3	Brasil Ecodiesel Industria	Brazil	Other	Vanguarda Participacoes SA	Brazil	FDCG	762
2011 Q3	Sodexo SA	France	Retail	Puras do Brasil SA	Brazil	Retail	735
2011 Q3	BRMALLS Participacoes SA	Brazil	Retail	Alvear Participacoes SA	Brazil	Other	487
2011 Q4	Drogasil SA	Brazil	Retail	Raia SA	Brazil	Retail	1,177
2011 Q4	Centaurus Holding SA	Brazil	Other Investors	Florestal Vale do Corisco Ltda	Brazil	FDCG	474

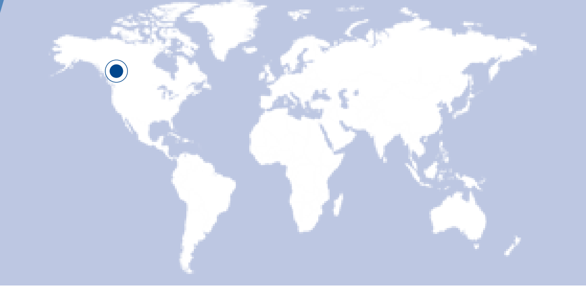
Source: Transaction details as per Thomson SDC (February 3, 2012). Major transactions are based on select deals completed in 2011, with disclosed values, and where the Acquirer and/or Target are in the FDCG or Retail sector.



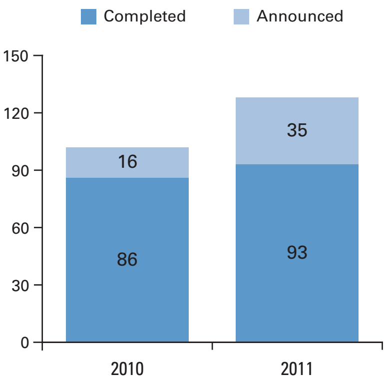


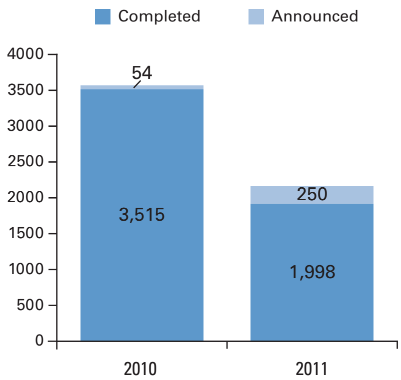
Source: Charts based on transaction details as per the Thomson SDC database (as of February 3, 2012). Data includes deals completed or announced between January 1, 2010 and December 31, 2011, where the Acquirer and/or Target are in the FDCG or Retail industry.

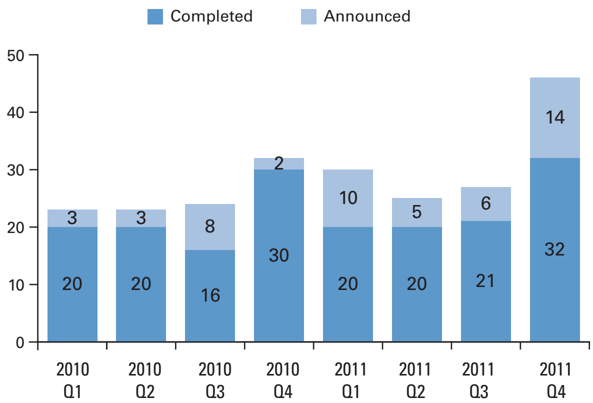
Canada

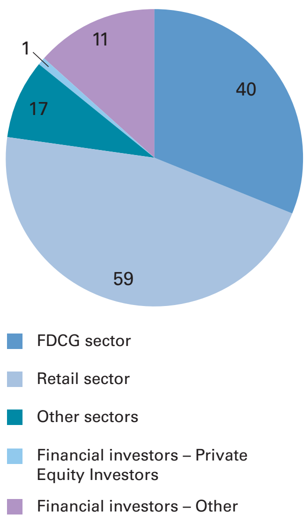


Canada – Summary of consumer markets industry transactions





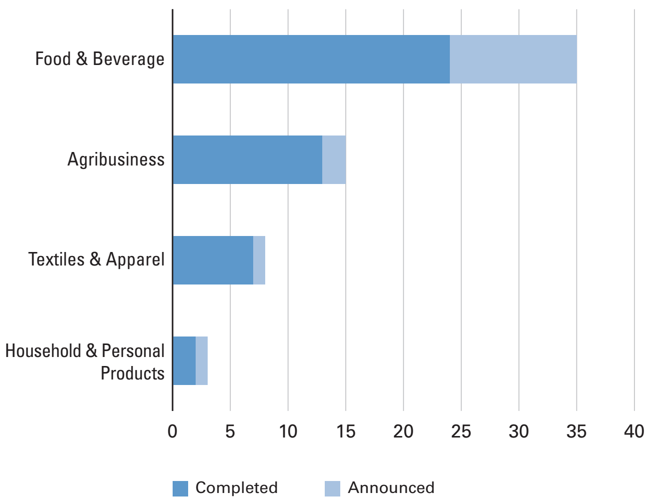


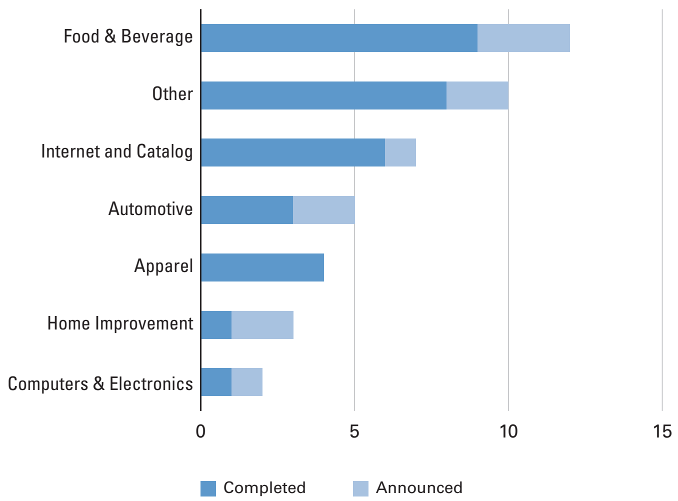


Recent major consumer markets sector transactions

Quarter	Acquirer	Acquirer Country	Acquirer Sector	Target	Target Country	Target Sector	Value of Transaction (US$million)
2011 Q3	Canadian Tire Corp Ltd	Canada	Retail	Forzani Group Ltd	Canada	Retail	761
2011 Q3	Premium Brands Holdings Corp	Canada	FDCG	Piller Sausages	Canada	FDCG	115
2011 Q3	Carter's Inc	US	Retail	Bonnie Togs	Canada	Retail	98
2011 Q3	Cooke Aquaculture Inc	Canada	FDCG	Clearwater Seafoods Income	Canada	Other	79
2011 Q4	High Liner Foods Inc	Canada	FDCG	Icelandic USA Inc	US	FDCG	233

Source: Transaction details as per Thomson SDC (February 3, 2012). Major transactions are based on select deals completed in 2011, with disclosed values, and where the Acquirer and/or Target are in the FDCG or Retail sector.

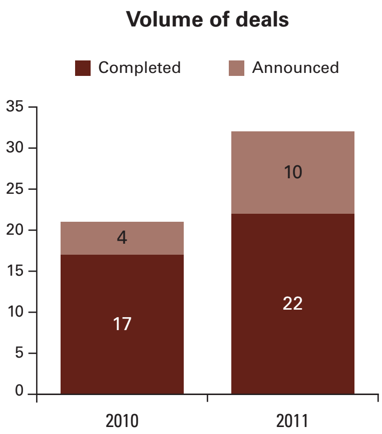


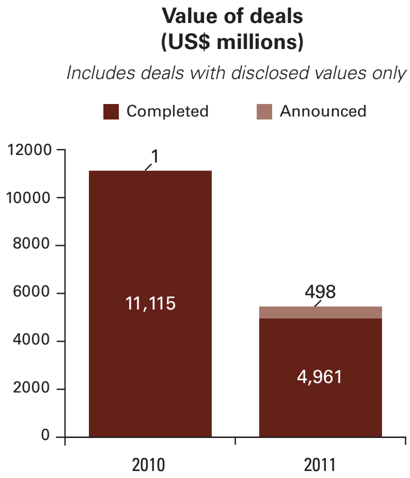


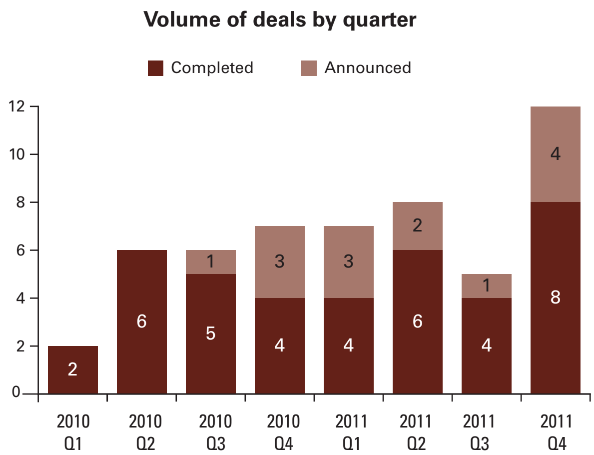
Source: Charts based on transaction details as per the Thomson SDC database (as of February 3, 2012). Data includes deals completed or announced between January 1, 2010 and December 31, 2011, where the Acquirer and/or Target are in the FDCG or Retail industry.

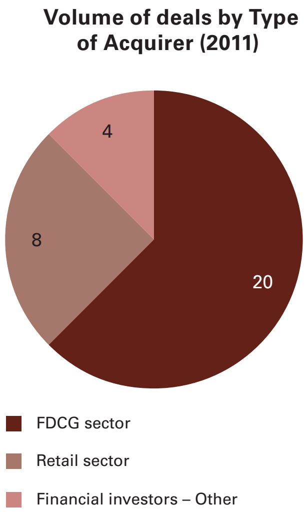
Mexico

Mexico – Summary of consumer markets industry transactions





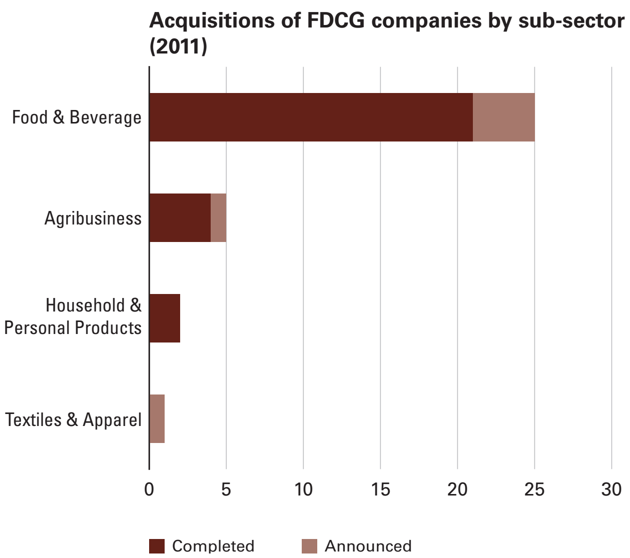


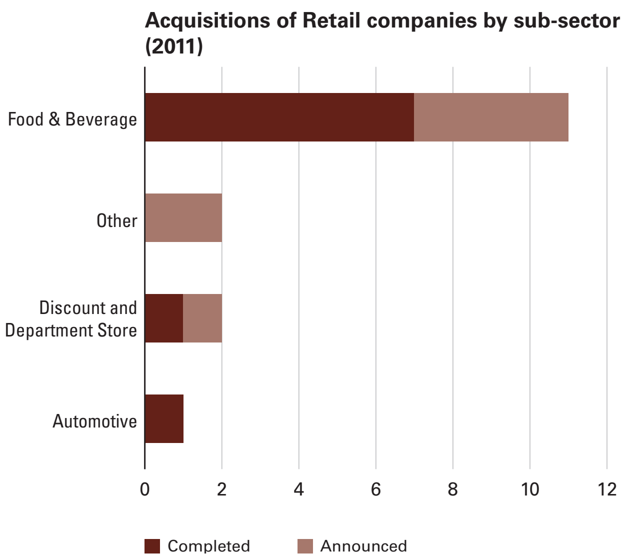


Recent major consumer markets sector transactions

Quarter	Acquirer	Acquirer Country	Acquirer Sector	Target	Target Country	Target Sector	Value of Transaction (US$million)
2011 Q1	Luxottica Group SpA	Italy	Retail	Gafas del Sol SA de CV	Mexico	Retail	23
2011 Q2	Embotelladoras Arca SAB de CV	Mexico	FDCG	Grupo Continental SAB de CV	Mexico	FDCG	2,300
2011 Q3	PepsiCo Inc-Beverage	Mexico	FDCG	Geusa SA de CV-Beverage	Mexico	FDCG	625
2011 Q4	Coca-Cola Femsa-Beverage Bus	Mexico	FDCG	Corp de los Angeles-Beverage	Mexico	FDCG	862
2011 Q4	Coca-Cola FEMSA SAB de CV	Mexico	FDCG	Consorcio La Pureza de Bebidas	Mexico	FDCG	826
2011 Q4	Coca-Cola FEMSA SAB de CV	Mexico	FDCG	Grupo Fomento-Beverage	Mexico	FDCG	475
2011 Q4	Grupo Bimbo SAB de CV	Mexico	FDCG	Sara Lee Corp-Bakery Division	Spain	FDCG	157
2011 Q4	Industrias Bachoco SAB De CV	Mexico	FDCG	OK Industries Inc	US	FDCG	95

Source: Transaction details as per Thomson SDC (February 3, 2012). Major transactions are based on select deals completed in 2011, with disclosed values, and where the Acquirer and/or Target are in the FDCG or Retail sector.

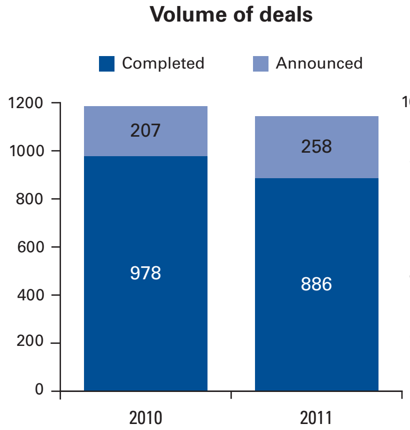


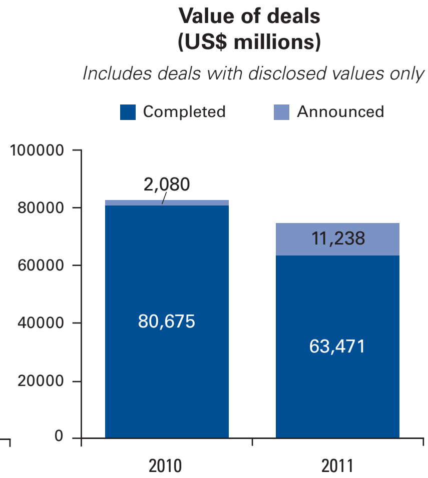


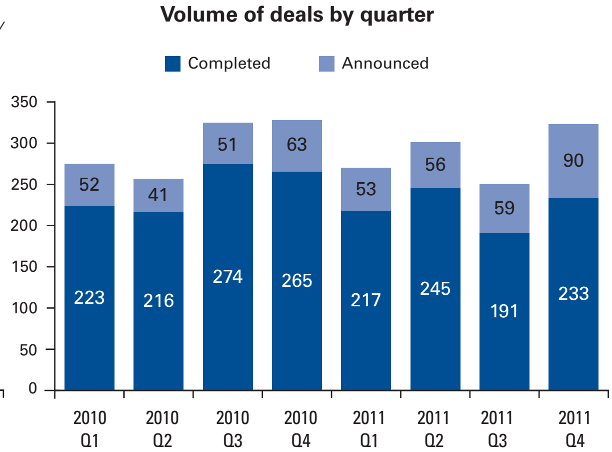
Source: Charts based on transaction details as per the Thomson SDC database (as of February 3, 2012). Data includes deals completed or announced between January 1, 2010 and December 31, 2011, where the Acquirer and/or Target are in the FDCG or Retail industry.

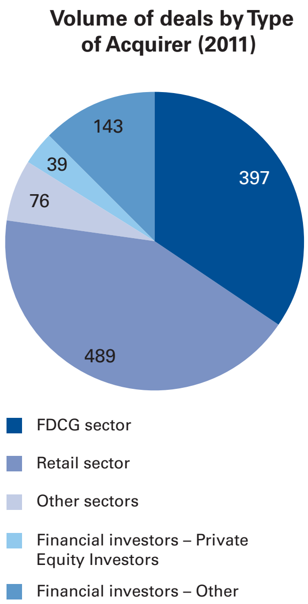
US

US – Summary of consumer markets industry transactions





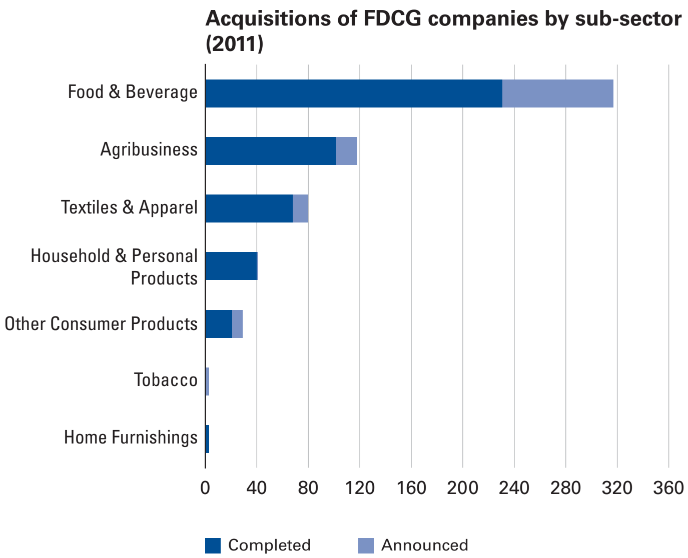


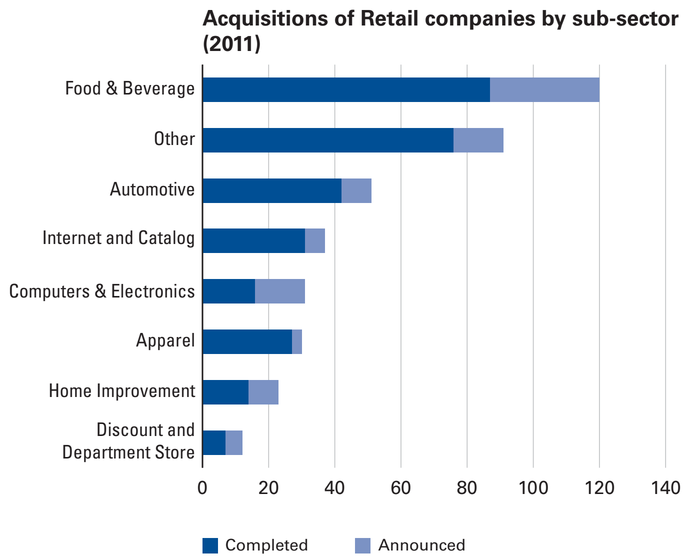


Recent major consumer markets sector transactions

Quarter	Acquirer	Acquirer Country	Acquirer Sector	Target	Target Country	Target Sector	Value of Transaction (US$million)
2011 Q2	Unilever PLC	UK	FDCG	Alberto-Culver Co	US	FDCG	3,842
2011 Q2	Diamond Foods Inc	US	FDCG	Procter & Gamble Co-Pringles	US	FDCG	2,518
2011 Q2	Gibraltar Acquisition Corp	US	Retail	GSI Commerce Inc	US	Retail	2,405
2011 Q2	Shareholders	Australia	Other Investors	Treasury Wine Estates Ltd	US	FDCG	2,367
2011 Q2	Wal-Mart Stores Inc	US	Retail	Massmart Holdings Ltd	South Africa	Retail	2,154
2011 Q3	BJ's Wholesale Club Inc SPV	US	Retail	BJ's Wholesale Club Inc	US	Retail	2,554
2011 Q3	VF Enterprises Inc	US	FDCG	The Timberland Co	US	FDCG	2,181

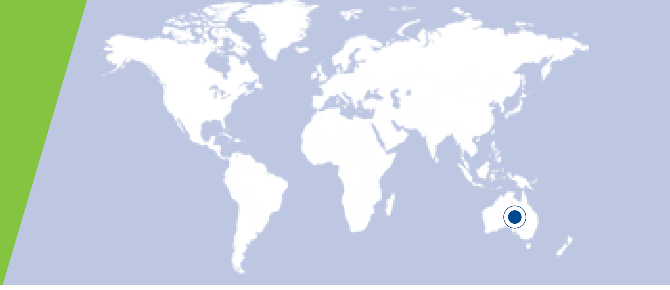
Source: Transaction details as per Thomson SDC (February 3, 2012). Major transactions are based on select deals completed in 2011, with disclosed values, and where the Acquirer and/or Target are in the FDCG or Retail sector.





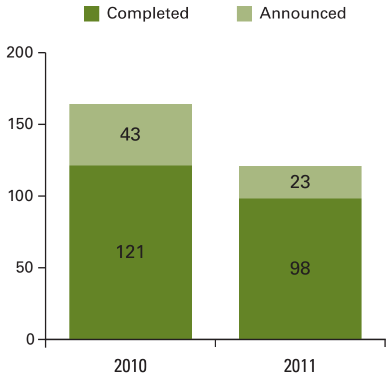
Source: Charts based on transaction details as per the Thomson SDC database (as of February 3, 2012). Data includes deals completed or announced between January 1, 2010 and December 31, 2011, where the Acquirer and/or Target are in the FDCG or Retail industry.

Australia



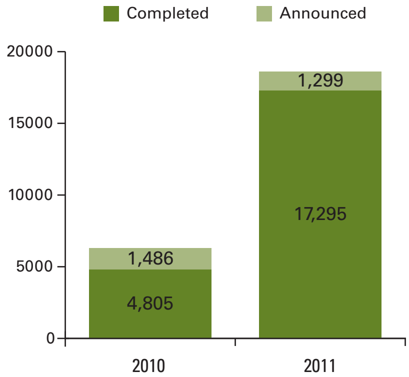
Australia – Summary of consumer markets industry transactions

Volume of deals

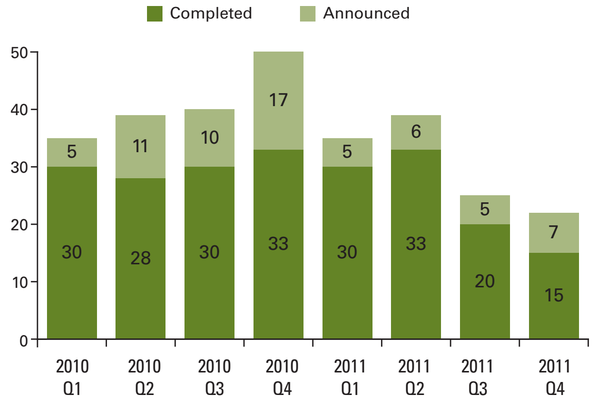


Value of deals (US$ millions)

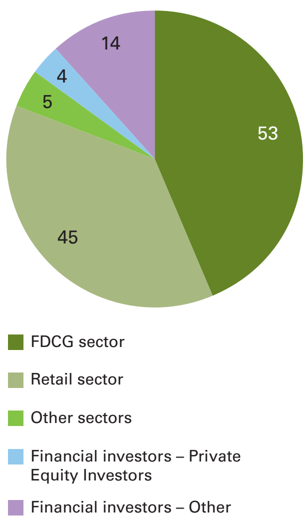
Includes deals with disclosed values only



Volume of deals by quarter



Volume of deals by Type of Acquirer (2011)

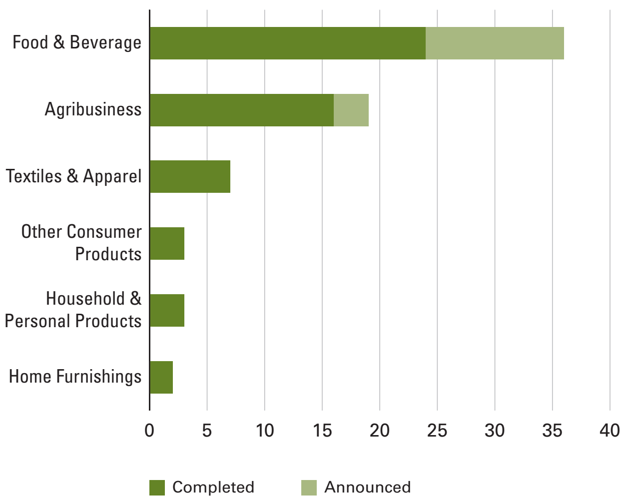


Recent major consumer markets sector transactions

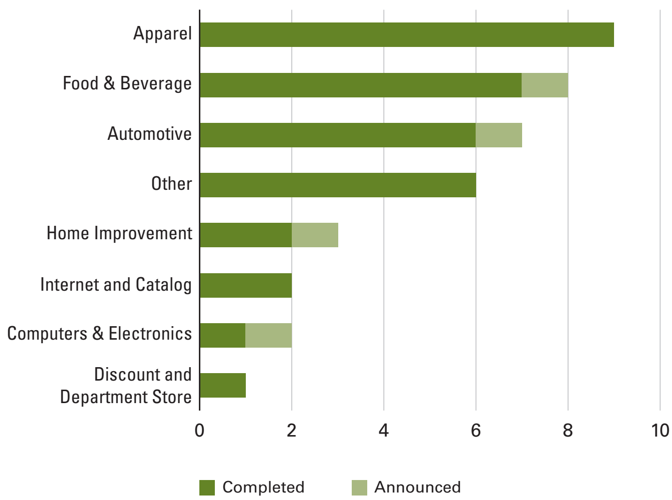
Quarter	Acquirer	Acquirer Country	Acquirer Sector	Target	Target Country	Target Sector	Value of Transaction (US$million)
2011 Q1	Laundy Group	Australia	Retail	Redcape Property Fund-Pubs (20)	Australia	Other	246
2011 Q2	Shareholders	Australia	Other Investors	Treasury Wine Estates Ltd	US	FDCG	2,367
2011 Q2	Cargill Inc	US	FDCG	AWB Ltd-Commodity Mgmt Bus	Australia	FDCG	858
2011 Q2	Archer Capital Pty Ltd	Australia	Retail	Quick Service Restaurant	Australia	Retail	477
2011 Q2	SABMiller PLC	UK	FDCG	Pacific Beverages Pty Ltd	Australia	FDCG	402
2011 Q4	SABMiller Beverage Investments	Australia	Other Investors	Foster's Group Ltd	Australia	FDCG	10,793
2011 Q4	Mitr Siam Intl Pte Ltd	Singapore	Other Investors	MSF Sugar Ltd	Australia	FDCG	243

Source: Transaction details as per Thomson SDC (February 3, 2012). Major transactions are based on select deals completed in 2011, with disclosed values, and where the Acquirer and/or Target are in the FDCG or Retail sector.

Acquisitions of FDCG companies by sub-sector (2011)



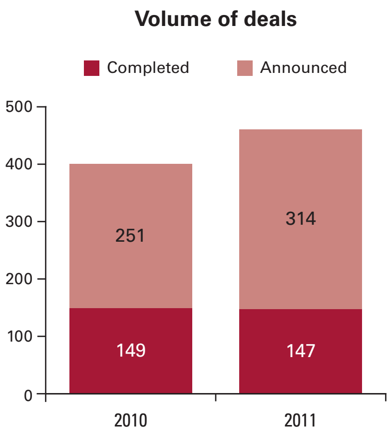
Acquisitions of Retail companies by sub-sector (2011)

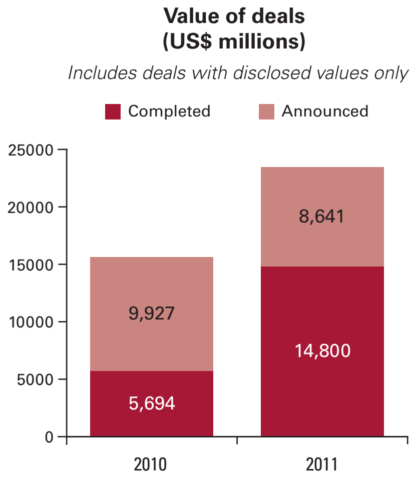


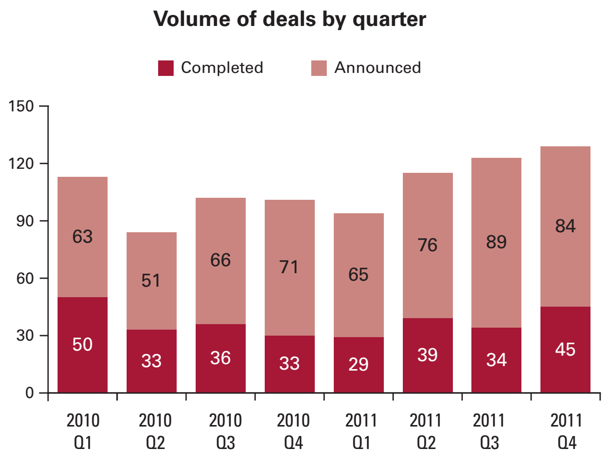
Source: Charts based on transaction details as per the Thomson SDC database (as of February 3, 2012). Data includes deals completed or announced between January 1, 2010 and December 31, 2011, where the Acquirer and/or Target are in the FDCG or Retail industry.

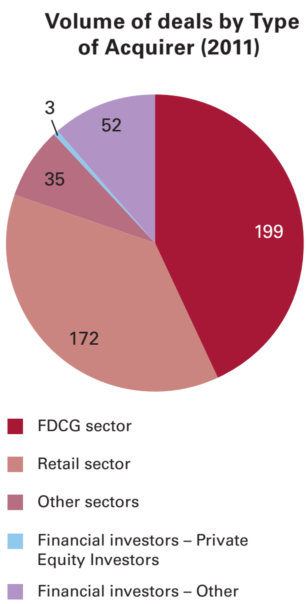
China + Hong Kong

China & Hong Kong – CM deal overview





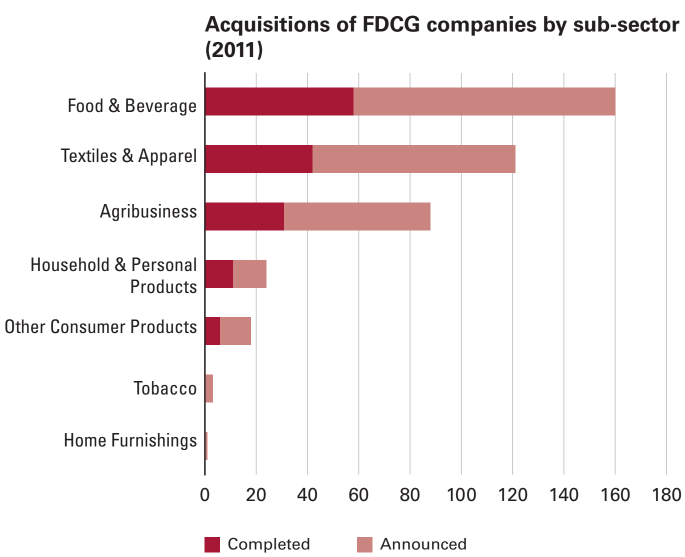


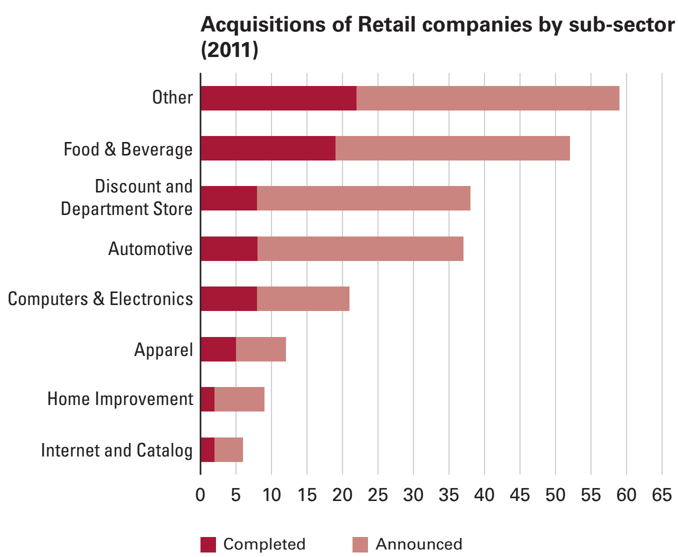


Recent major consumer markets sector transactions

Quarter	Acquirer	Acquirer Country	Acquirer Sector	Target	Target Country	Target Sector	Value of Transaction (US$million)
2011 Q2	Noble Group Ltd	Hong Kong	FDCG	Cerradinho Acucar, Etanol e	Brazil	FDCG	940
2011 Q2	Beijing Xidan Dept Store Co	China	Retail	Beijing New Yansha Hldg (Grp) Co	China	Other	580
2011 Q3	Shanghai Friendship Grp Inc Co	China	Retail	Shanghai Bailian Group Co Ltd	China	Retail	2,402
2011 Q3	Shanghai Friendship Grp Inc Co	China	Retail	Shanghai Bailian Grp Invest Co	China	Other	766
2011 Q4	Sichuan New Hope Agribusiness	China	FDCG	Sichuan New Hope Farming Co	China	FDCG	2,454
2011 Q4	Haitong Food Group Co Ltd	China	FDCG	Changzhou EGing	China	Other	1,062
2011 Q4	Shandong Jiufa Edible Fungus	China	FDCG	China Coal Solution Ltd-Assets	China	Other	951
2011 Q4	Nestlé		FDCG	Hsu Fu Chi Inernational	China	FDCG	1,700

Source: Transaction details as per Thomson SDC (February 3, 2012). Major transactions are based on select deals completed in 2011, with disclosed values, and where the Acquirer and/or Target are in the FDCG or Retail sector.



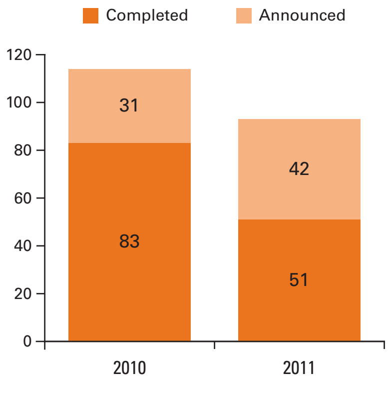


Source: Charts based on transaction details as per the Thomson SDC database (as of February 3, 2012). Data includes deals completed or announced between January 1, 2010 and December 31, 2011, where the Acquirer and/or Target are in the FDCG or Retail industry.

India

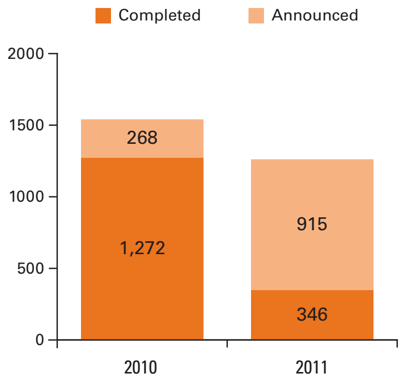
India – Summary of consumer markets industry transactions

Volume of deals

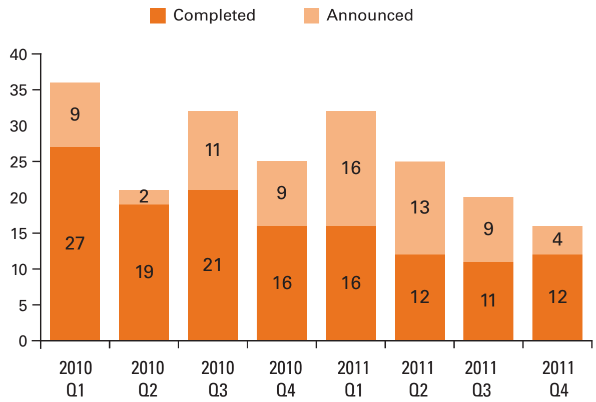


Value of deals (US$ millions)

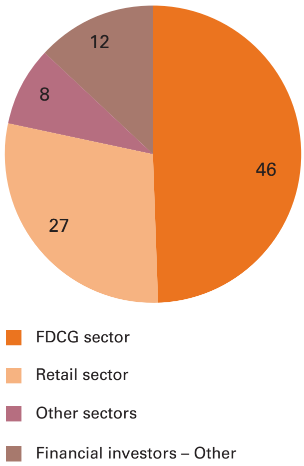
Includes deals with disclosed values only



Volume of deals by quarter



Volume of deals by Type of Acquirer (2011)

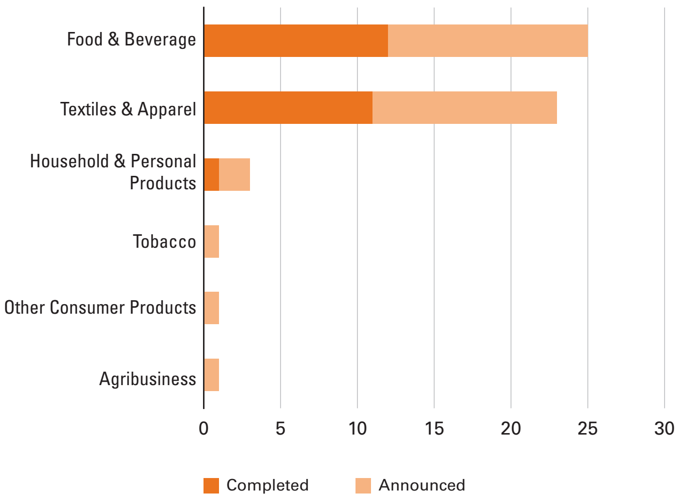


Recent major consumer markets sector transactions

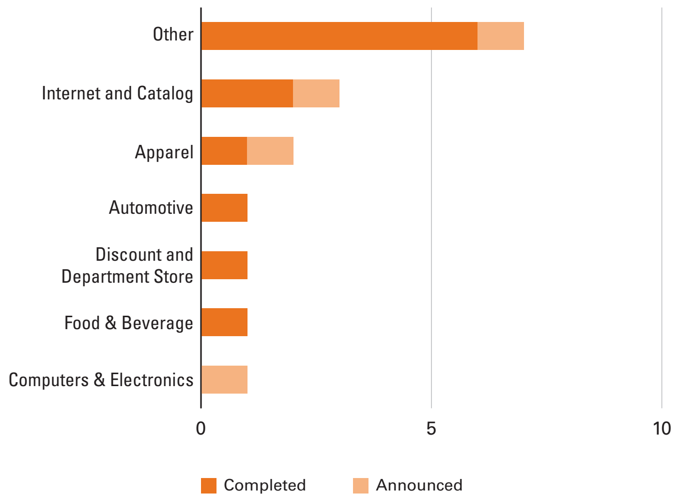
Quarter	Acquirer	Acquirer Country	Acquirer Sector	Target	Target Country	Target Sector	Value of Transaction (US$million)
2011 Q1	Ruchi Soya Industries Ltd	India	FDCG	Sunshine Oleochem	India	Other	49
2011 Q2	Shree Ganesh Jewellery House	India	Retail	Undisclosed Jewellery Retail	Italy	Retail	215
2011 Q2	Investor Group	India	Other Investors	Bombay Rayon Fashions Ltd	India	FDCG	195
2011 Q2	Jyothy Laboratories Ltd	India	FDCG	Henkel India Ltd	India	FDCG	27
2011 Q3	Danone SA	France	FDCG	Carol Info Services-Indl Ope	India	FDCG	355
2011 Q3	McCormick & Co Inc	US	FDCG	Kohinoor Speciality Foods	India	FDCG	115
2011 Q3	Olam International Ltd	Singapore	FDCG	Hemarus Technologies Ltd	India	FDCG	74
2011 Q3	NSL Sugars Ltd	India	FDCG	Jay Mahesh Sugar Industries	India	FDCG	52

Source: Transaction details as per Thomson SDC (February 3, 2012). Major transactions are based on select deals completed in 2011, with disclosed values, and where the Acquirer and/or Target are in the FDCG or Retail sector.

Acquisitions of FDCG companies by sub-sector (2011)



Acquisitions of Retail companies by sub-sector (2011)

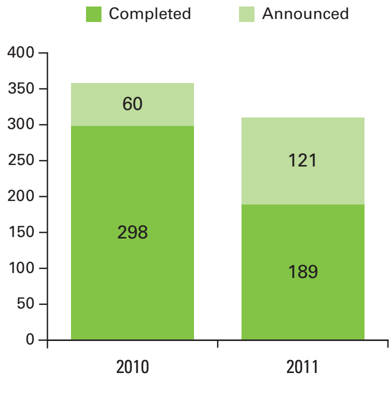


Source: Charts based on transaction details as per the Thomson SDC database (as of February 3, 2012). Data includes deals completed or announced between January 1, 2010 and December 31, 2011, where the Acquirer and/or Target are in the FDCG or Retail industry.

Japan

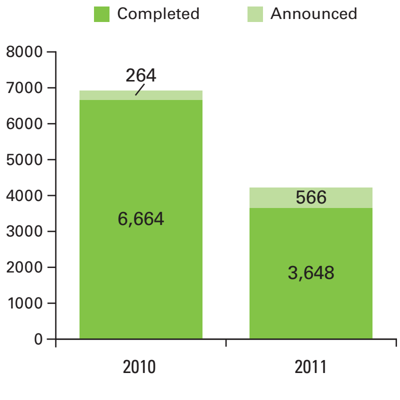
Japan – Summary of consumer markets industry transactions

Volume of deals

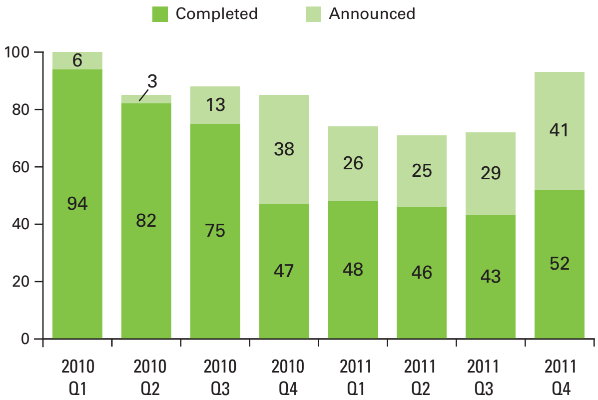


Value of deals (US$ millions)

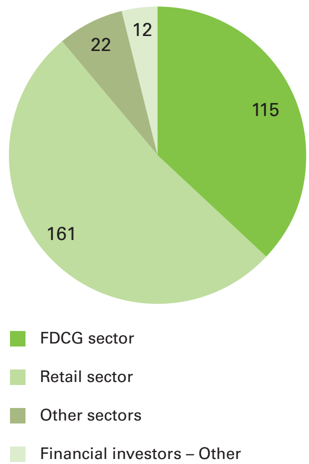
Includes deals with disclosed values only



Volume of deals by quarter



Volume of deals by Type of Acquirer (2011)

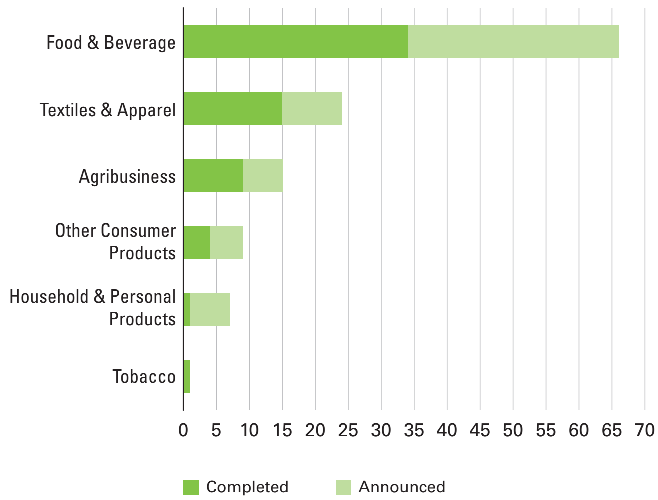


Recent major consumer markets sector transactions

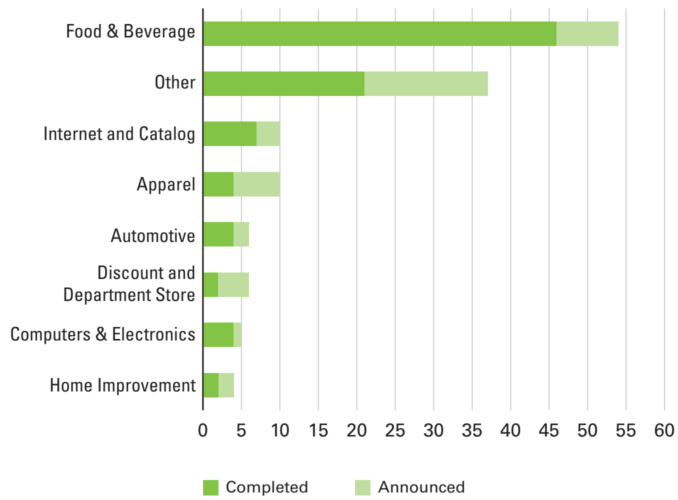
Quarter	Acquirer	Acquirer Country	Acquirer Sector	Target	Target Country	Target Sector	Value of Transaction (US$million)
2011 Q1	Kirin Holdings Company	Japan	FDCG	Shanghai Jin Jiang Kirin Beverage & Food Co	China	FDCG	402
2011 Q1	Sapporo Holdings Limited	Japan	FDCG	Pokka Corporation	Japan	FDCG	255
2011 Q2	Tokyo Style Co Ltd	Japan	FDCG	Sanei-International Co Ltd	Japan	FDCG	220
2011 Q3	Kirin Holdings Investments	Brazil	Other Investors	Aleadri-Schinni Participacoes	Brazil	FDCG	2,523
2011 Q3	Lotte Co Ltd	Japan	FDCG	Cadbury Wedel Sp zoo	Poland	FDCG	246
2011 Q4	Kirin Holdings Investments	Brazil	Other Investors	Aleadri-Schinni Participacoes	Brazil	FDCG	1,897
2011 Q4	Asahi Group Holdings, Ltd.	Japan	FDCG	Flavoured Beverages Group Holdings Ltd	New Zealand	FDCG	1,270
2011 Q4	AEON Co Ltd	Japan	Retail	Marunaka Co Ltd	Japan	Retail	475
2011 Q4	Japan Tobacco Inc	Japan	FDCG	Haggar Cigarette & Tobacco	Sudan	FDCG	450
2011 Q4	Asahi Group Holdings Ltd	Japan	FDCG	Permanis Sdn Bhd	Malaysia	FDCG	274

Source: Transaction details as per Thomson SDC and Mergermarket databases. Major transactions are based on select deals completed in 2011, with disclosed values, and where the Acquirer and/or Target are in the FDCG or Retail sector.

Acquisitions of FDCG companies by sub-sector (2011)



Acquisitions of Retail companies by sub-sector (2011)

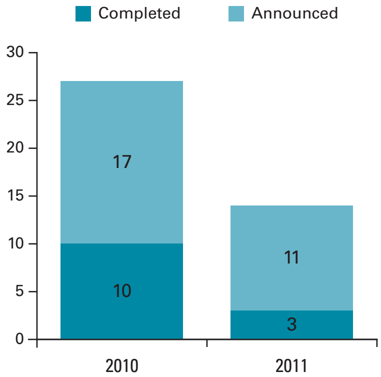


Source: Charts based on transaction details as per the Thomson SDC database (as of February 3, 2012). Data includes deals completed or announced between January 1, 2010 and December 31, 2011, where the Acquirer and/or Target are in the FDCG or Retail industry.

Philippines

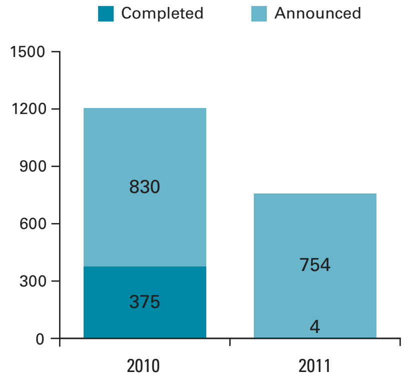
Philippines – Summary of consumer markets industry transactions

Volume of deals

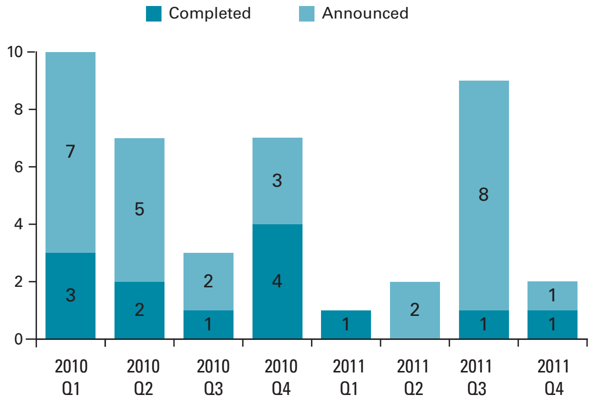


Value of deals (US$ millions)

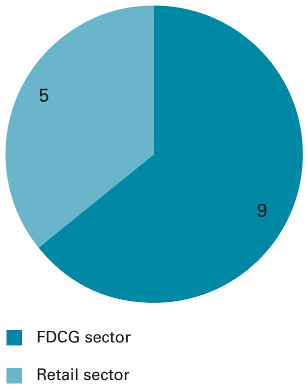
Includes deals with disclosed values only



Volume of deals by quarter



Volume of deals by Type of Acquirer (2011)

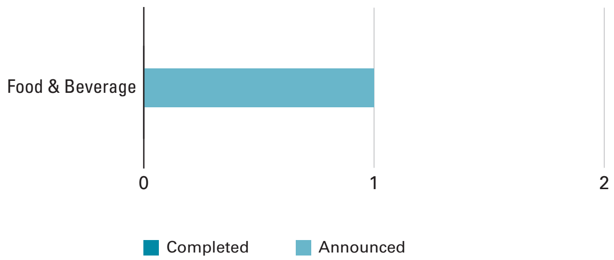


Recent major consumer markets sector transactions

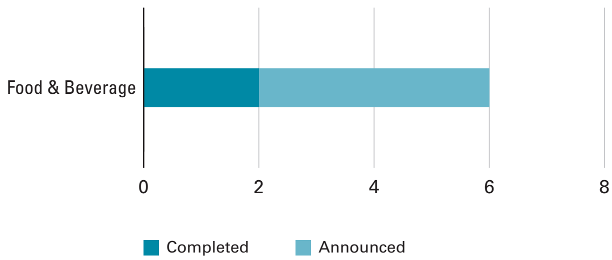
Quarter	Acquirer	Acquirer Country	Acquirer Sector	Target	Target Country	Target Sector	Value of Transaction (US$million)
2011 Q3	San Miguel Corp	Philippines	FDCG	ExxonMobil Malaysia Sdn Bhd	Malaysia	Other	404
2011 Q3	San Miguel Corp	Philippines	FDCG	ESSO Malaysia Bhd	Malaysia	Other	111
2011 Q3	San Miguel Corp	Philippines	FDCG	ESSO Malaysia Bhd	Malaysia	Other	207
2011 Q3	Splash Corp	Philippines	FDCG	Barrio Fiesta Mnfr Corp	Philippines	FDCG	11
2011 Q3	Pancake House Inc	Philippines	Retail	Yellow Cab Food Corp	Philippines	Retail	19

Source: Transaction details as per Thomson SDC (February 3, 2012). Major transactions are based on select deals completed in 2011, with disclosed values, and where the Acquirer and/or Target are in the FDCG or Retail sector.

Acquisitions of FDCG companies by sub-sector (2011)



Acquisitions of Retail companies by sub-sector (2011)

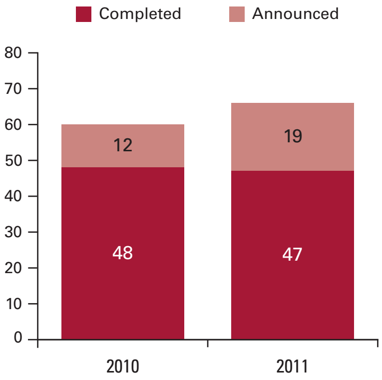


Source: Charts based on transaction details as per the Thomson SDC database (as of February 3, 2012). Data includes deals completed or announced between January 1, 2010 and December 31, 2011, where the Acquirer and/or Target are in the FDCG or Retail industry.

Singapore

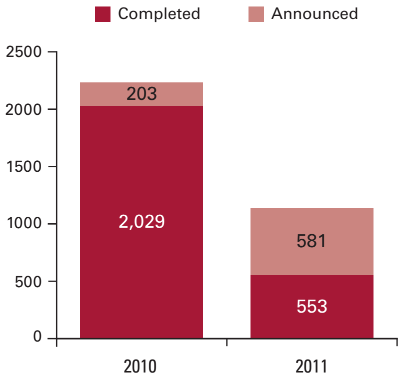
Singapore – Summary of consumer markets industry transactions

Volume of deals

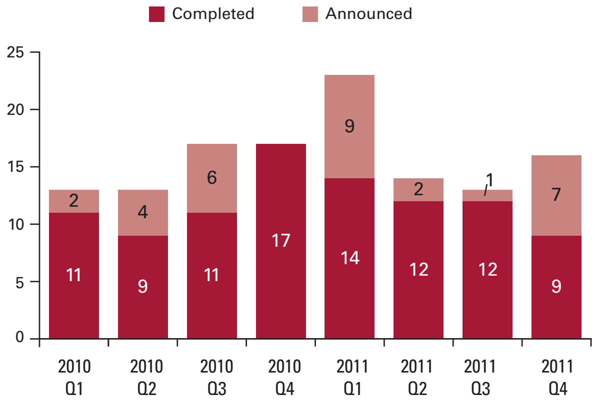


Value of deals (US$ millions)

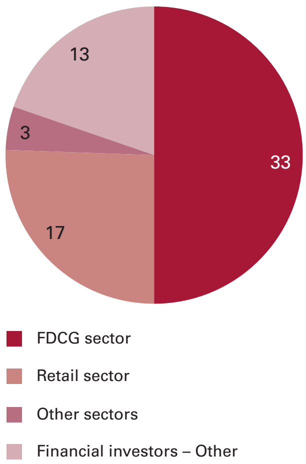
Includes deals with disclosed values only



Volume of deals by quarter



Volume of deals by Type of Acquirer (2011)

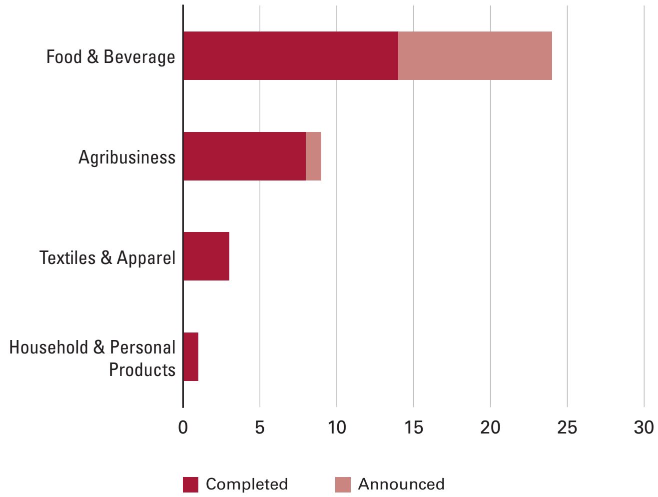


Recent major consumer markets sector transactions

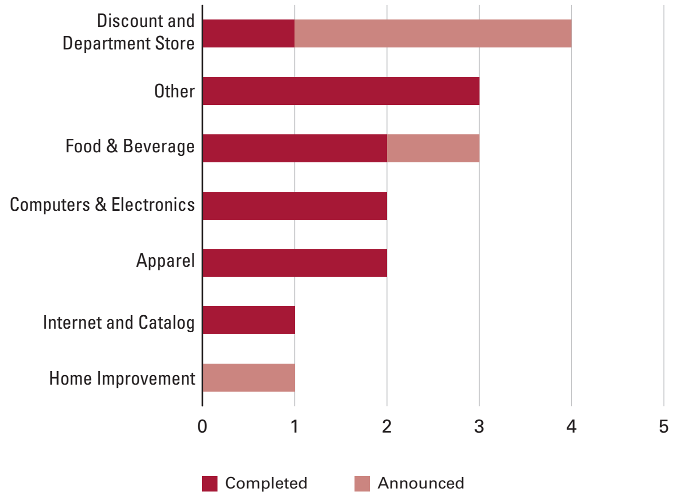
Quarter	Acquirer	Acquirer Country	Acquirer Sector	Target	Target Country	Target Sector	Value of Transaction (US$million)
2011 Q1	Asia Star Fund Ltd	Malaysia	Other Investors	United Fiber System Ltd	Singapore	FDCG	140
2011 Q2	Agria (Singapore) Pte Ltd	Singapore	FDCG	PGG Wrightson Ltd	New Zealand	FDCG	105
2011 Q3	Wealth Anchor Pte Ltd	Singapore	FDCG	Duta Sugar International PT	Indonesia	FDCG	104
2011 Q4	Mitr Siam Intl Pte Ltd	Singapore	Other Investors	MSF Sugar Ltd	Australia	FDCG	243

Source: Transaction details as per Thomson SDC (February 3, 2012). Major transactions are based on select deals completed in 2011, with disclosed values, and where the Acquirer and/or Target are in the FDCG or Retail sector.

Acquisitions of FDCG companies by sub-sector (2011)



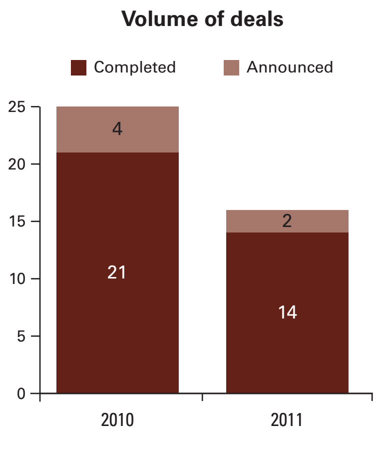
Acquisitions of Retail companies by sub-sector (2011)

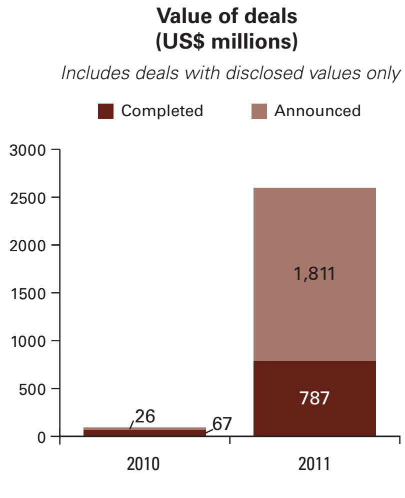


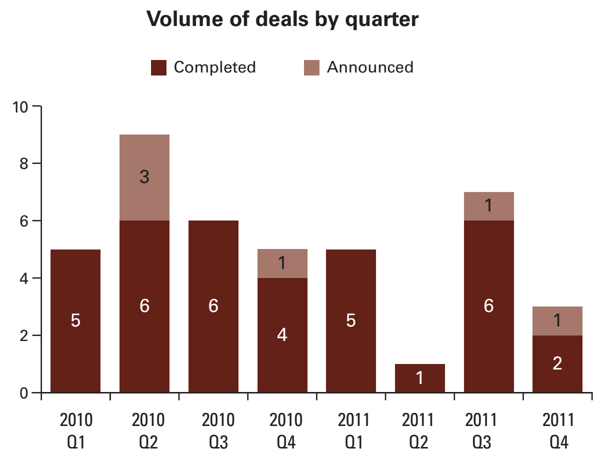
Source: Charts based on transaction details as per the Thomson SDC database (as of February 3, 2012). Data includes deals completed or announced between January 1, 2010 and December 31, 2011, where the Acquirer and/or Target are in the FDCG or Retail industry.

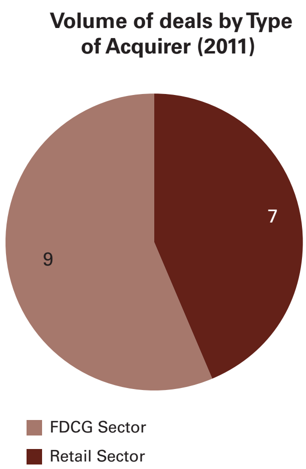
Belgium

Belgium – Summary of consumer markets industry transactions





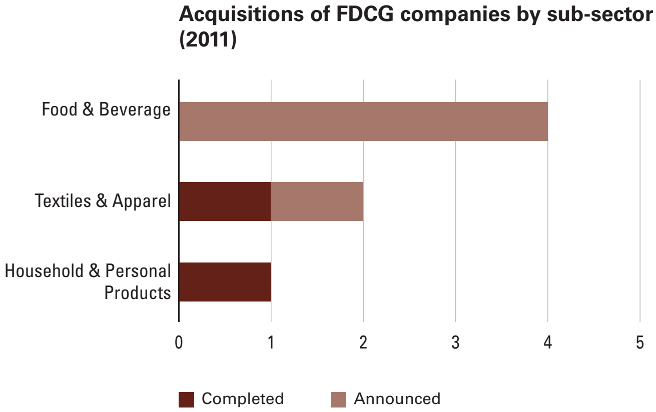


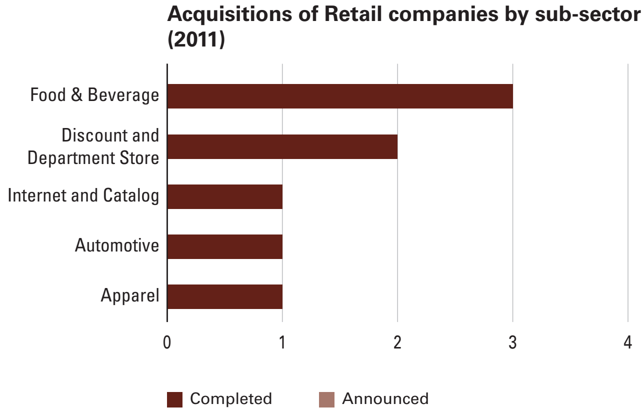


Recent major consumer markets sector transactions

Quarter	Acquirer	Acquirer Country	Acquirer Sector	Target	Target Country	Target Sector	Value of Transaction (US$million)
2011 Q1	SuperGroup PLC	UK	Retail	CNC Collections BVBA	Belgium	Retail	54
2011 Q3	Descamps SASU	France	FDCG	Santens NV	Belgium	FDCG	15
2011 Q3	Van De Velde NV	Belgium	FDCG	Rigby & Peller Ltd	UK	FDCG	13

Source: Transaction details as per Thomson SDC (February 3, 2012). Major transactions are based on select deals completed in 2011, with disclosed values, and where the Acquirer and/or Target are in the FDCG or Retail sector.



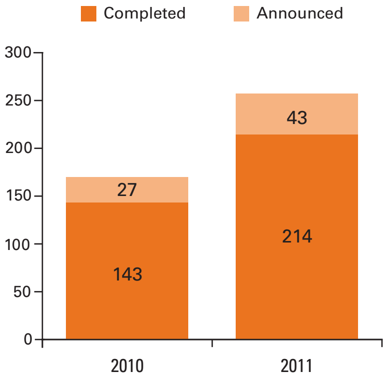


Source: Charts based on transaction details as per the Thomson SDC database (as of February 3, 2012). Data includes deals completed or announced between January 1, 2010 and December 31, 2011, where the Acquirer and/or Target are in the FDCG or Retail industry.

France

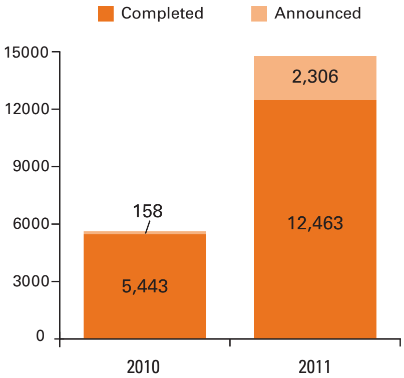
France – Summary of consumer markets industry transactions

Volume of deals

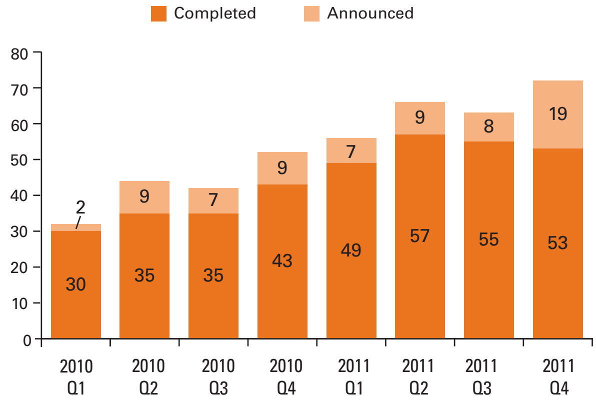


Value of deals (US$ millions)

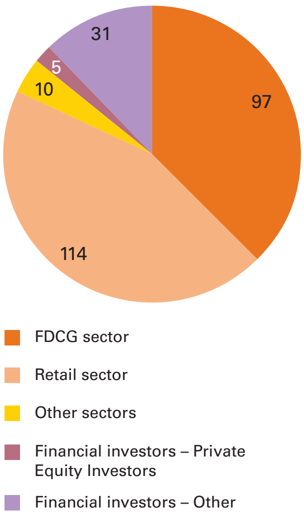
Includes deals with disclosed values only



Volume of deals by quarter



Volume of deals by Type of Acquirer (2011)

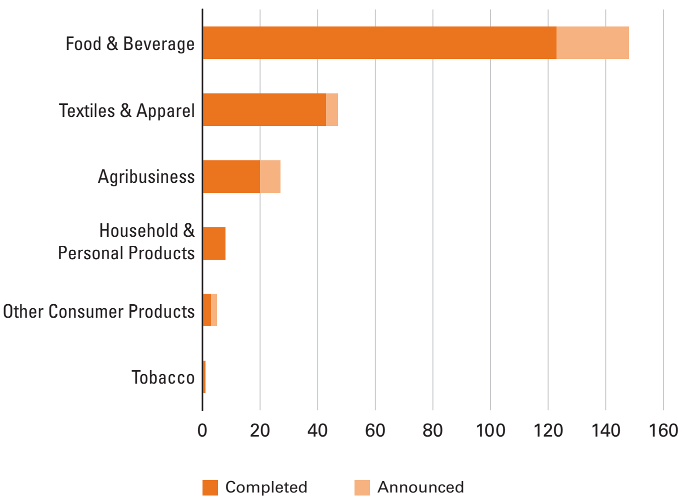


Recent major consumer markets sector transactions

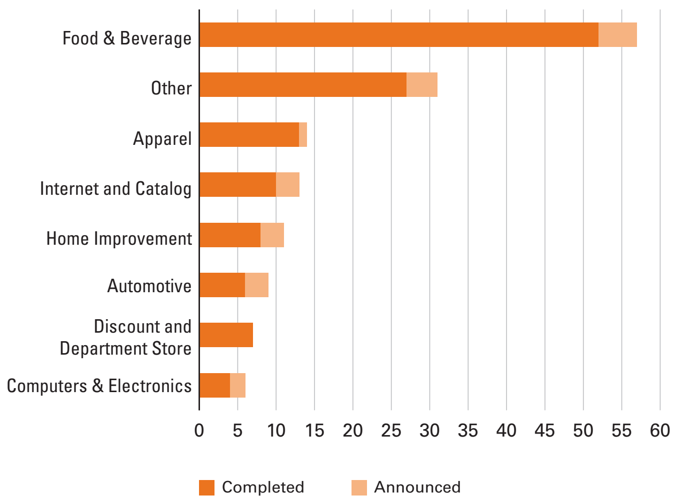
Quarter	Acquirer	Acquirer Country	Acquirer Sector	Target	Target Country	Target Sector	Value of Transaction (US$million)
2011 Q1	Steinhoff Intl Hldg Ltd	South Africa	Retail	Conforama SA	France	Retail	1,653
2011 Q2	PPR SA	France	Retail	Volcom Inc	US	FDCG	608
2011 Q3	Investor Group	France	Other Investors	Parmalat SpA	Italy	FDCG	3,599
2011 Q3	Shareholders	France	Retail	Dia	Spain	Retail	3,140
2011 Q3	Sodexo SA	France	Retail	Puras do Brasil SA	Brazil	Retail	735
2011 Q3	EPI SAS	France	Other Investors	Piper Heidsieck Cie	France	FDCG	593
2011 Q3	Danone SA	France	FDCG	Carol Info Services-Indl Ope	India	FDCG	355
2011 Q4	Carrefour SA	France	Retail	Guyenne et Gascogne SA	France	Retail	650

Source: Transaction details as per Thomson SDC (February 3, 2012). Major transactions are based on select deals completed in 2011, with disclosed values, and where the Acquirer and/or Target are in the FDCG or Retail sector.

Acquisitions of FDCG companies by sub-sector (2011)



Acquisitions of Retail companies by sub-sector (2011)

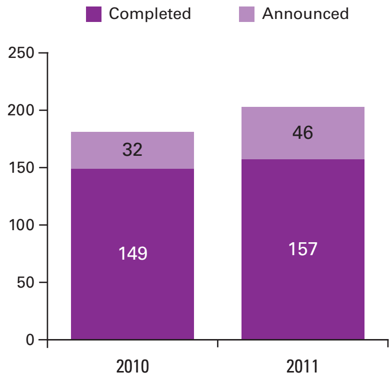


Source: Charts based on transaction details as per the Thomson SDC database (as of February 3, 2012). Data includes deals completed or announced between January 1, 2010 and December 31, 2011, where the Acquirer and/or Target are in the FDCG or Retail industry.

Germany

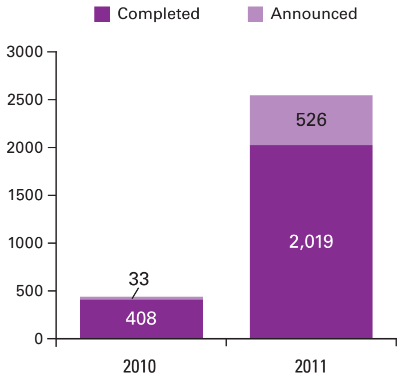
Germany – Summary of consumer markets industry transactions

Volume of deals

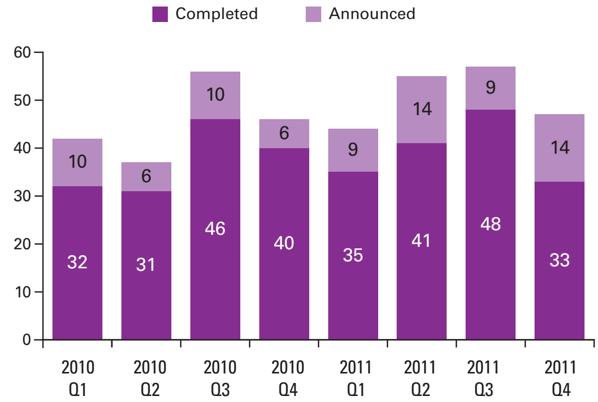


Value of deals (US$ millions)

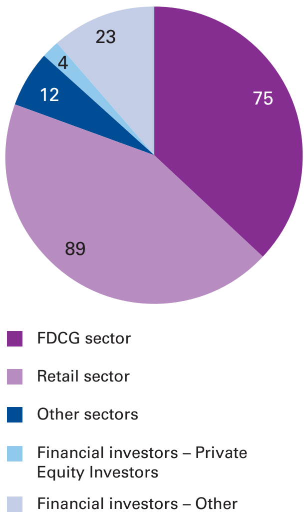
Includes deals with disclosed values only



Volume of deals by quarter



Volume of deals by Type of Acquirer (2011)

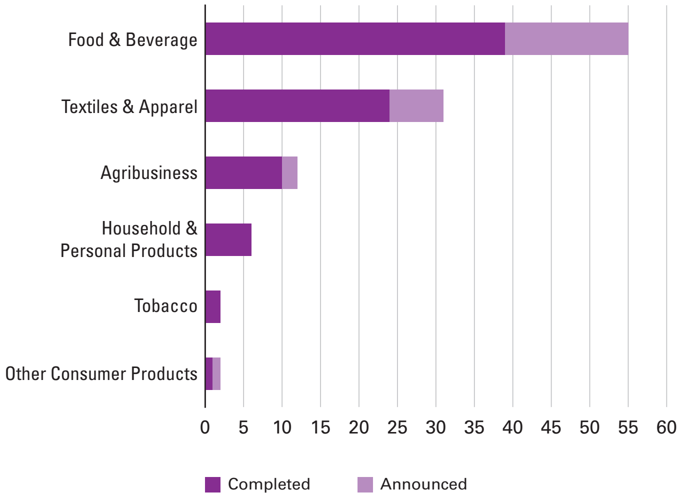


Recent major consumer markets sector transactions

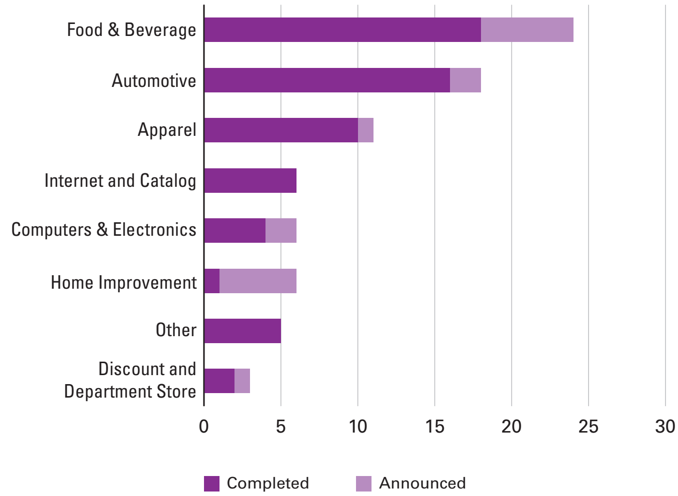
Quarter	Acquirer	Acquirer Country	Acquirer Sector	Target	Target Country	Target Sector	Value of Transaction (US$million)
2011 Q1	eBay Inc	US	Retail	Private Sale GmbH	Germany	Retail	200
2011 Q1	Henkel AG & Co KGaA	Germany	FDCG	Schwarzkopf Inc	US	FDCG	57
2011 Q2	Undisclosed RE JV	Germany	Retail	Karstadt-Oberpollinger	Germany	Retail	367
2011 Q3	Blackstone Group LP	US	Other Investors	JACK WOLFSKIN	Germany	FDCG	1,016
2011 Q4	GrainCorp Ltd	Australia	FDCG	GermanMalt GmbH & Co KG	Germany	FDCG	83
2011 Q4	LLI Euromills GmbH	Austria	FDCG	VK Polen GmbH	Germany	FDCG	42
2011 Q4	Semer Beteiligungsgesellschaft	Germany	Retail	BayWa Bau- & Gartenmaerkte	Germany	Retail	38

Source: Transaction details as per Thomson SDC (February 3, 2012). Major transactions are based on select deals completed in 2011, with disclosed values, and where the Acquirer and/or Target are in the FDCG or Retail sector.

Acquisitions of FDCG companies by sub-sector (2011)



Acquisitions of Retail companies by sub-sector (2011)



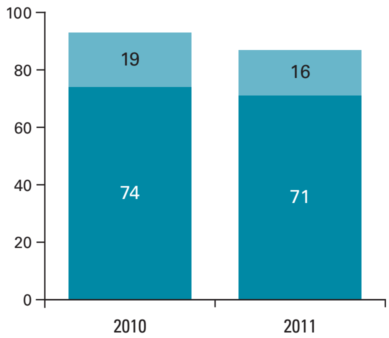
Source: Charts based on transaction details as per the Thomson SDC database (as of February 3, 2012). Data includes deals completed or announced between January 1, 2010 and December 31, 2011, where the Acquirer and/or Target are in the FDCG or Retail industry.

Italy

Italy – Summary of consumer markets industry transactions

Volume of deals

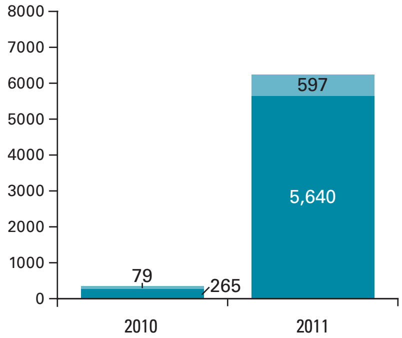
Completed Announced



Value of deals (US$ millions)

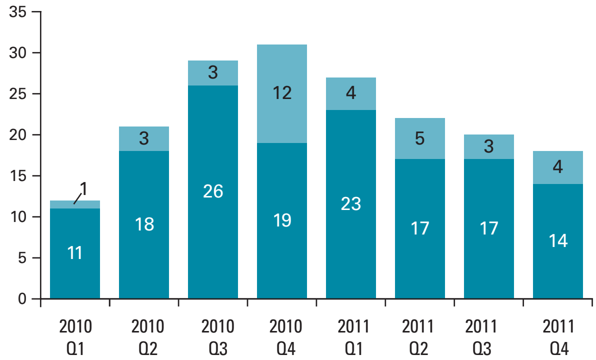
Includes deals with disclosed values only

Completed Announced

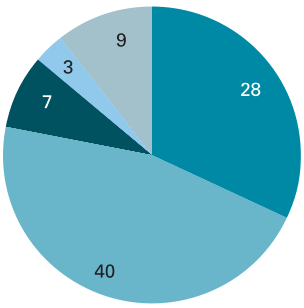


Volume of deals by quarter

Completed Announced



Volume of deals by Type of Acquirer (2011)



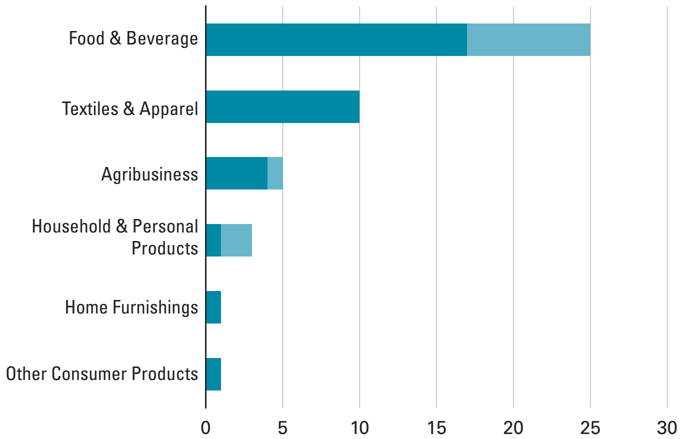
- FDCG sector
- Retail sector
- Other sectors
- Financial investors – Private Equity Investors
- Financial investors – Other

Recent major consumer markets sector transactions

Quarter	Acquirer	Acquirer Country	Acquirer Sector	Target	Target Country	Target Sector	Value of Transaction (US$million)
2011 Q1	Cremonini SpA	Italy	FDCG	Inalca SpA	Italy	FDCG	306
2011 Q2	Icon SpA	Italy	Retail	Gruppo Coin SpA	Italy	Retail	925
2011 Q2	Icon SpA	Italy	Retail	Gruppo Coin SpA	Italy	Retail	284
2011 Q2	Shree Ganesh Jewellery House	India	Retail	Undisclosed Jewellery Retail	Italy	Retail	215
2011 Q3	Investor Group	France	Other Investors	Parmalat SpA	Italy	FDCG	3,599
2011 Q3	Central Retail Corp	Thailand	Retail	La Rinascente SpA	Italy	Retail	372
2011 Q3	Granarolo SpA	Italy	FDCG	Lat Bri Latticini Brianza SpA	Italy	FDCG	143

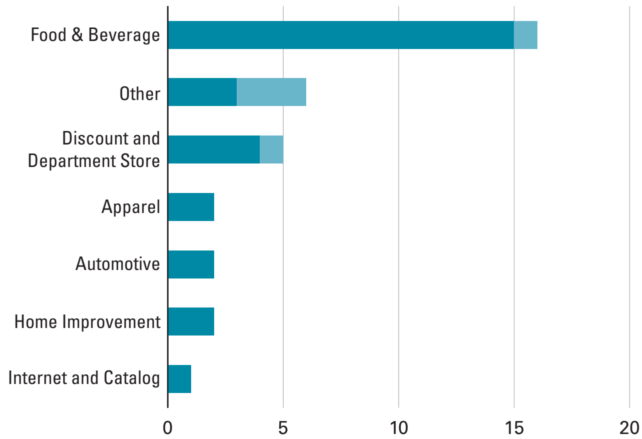
Source: Transaction details as per Thomson SDC (February 3, 2012). Major transactions are based on select deals completed in 2011, with disclosed values, and where the Acquirer and/or Target are in the FDCG or Retail sector.

Acquisitions of FDCG companies by sub-sector (2011)



Completed Announced

Acquisitions of Retail companies by sub-sector (2011)



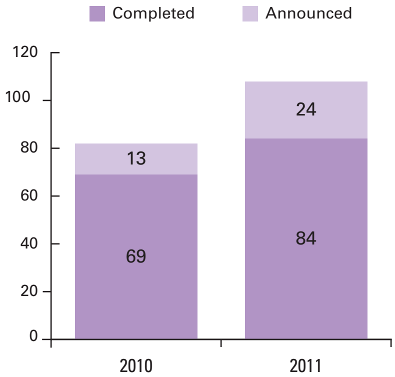
Completed Announced

Source: Charts based on transaction details as per the Thomson SDC database (as of February 3, 2012). Data includes deals completed or announced between January 1, 2010 and December 31, 2011, where the Acquirer and/or Target are in the FDCG or Retail industry.

Netherlands

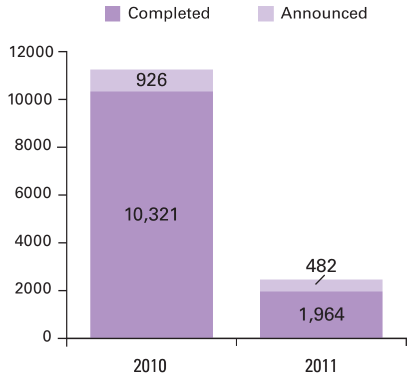
Netherlands – Summary of consumer markets industry transactions

Volume of deals

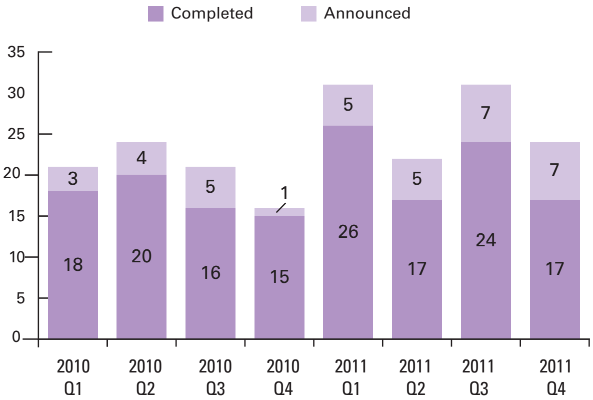


Value of deals (US$ millions)

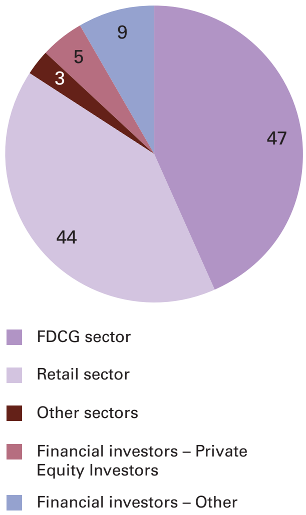
Includes deals with disclosed values only



Volume of deals by quarter



Volume of deals by Type of Acquirer (2011)

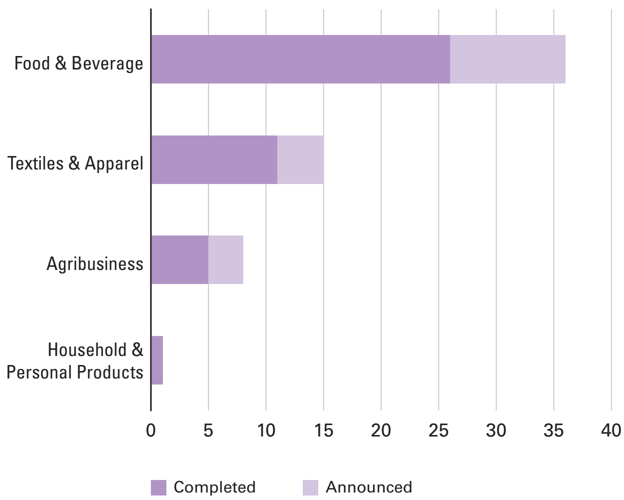


Recent major consumer markets sector transactions

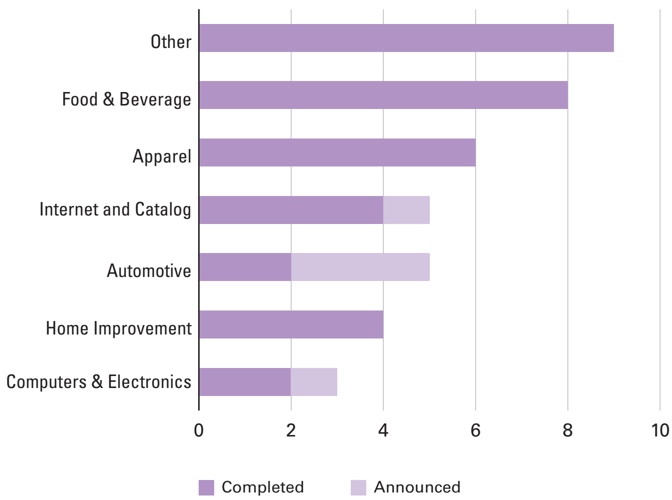
Quarter	Acquirer	Acquirer Country	Acquirer Sector	Target	Target Country	Target Sector	Value of Transaction (US$million)
2011 Q2	Tommy Hilfiger Corp	Netherlands	FDCG	Clock Tower,Manhattan,NY	US	Other	170
2011 Q3	Koninklijke Bunge BV	Netherlands	FDCG	Elstar Oils SA	Poland	FDCG	113
2011 Q4	ForFarmers	Netherlands	FDCG	Hendrix UTD	Netherlands	FDCG	124
2011 Q4	Archer Daniels Midland BV	Netherlands	FDCG	Elstar Oils SA	Poland	FDCG	91

Source: Transaction details as per Thomson SDC (February 3, 2012). Major transactions are based on select deals completed in 2011, with disclosed values, and where the Acquirer and/or Target are in the FDCG or Retail sector.

Acquisitions of FDCG companies by sub-sector (2011)



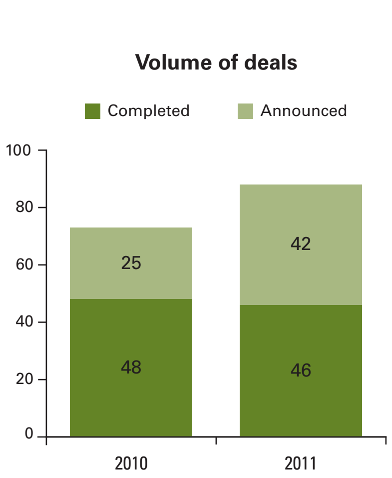
Acquisitions of Retail companies by sub-sector (2011)

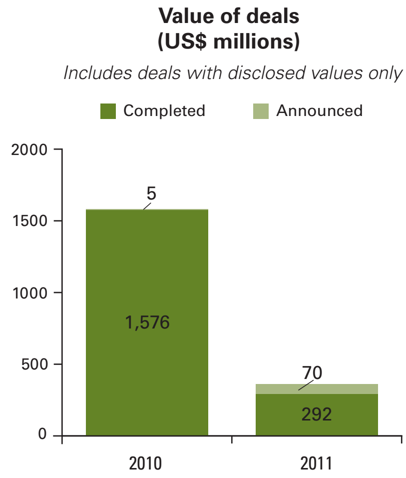


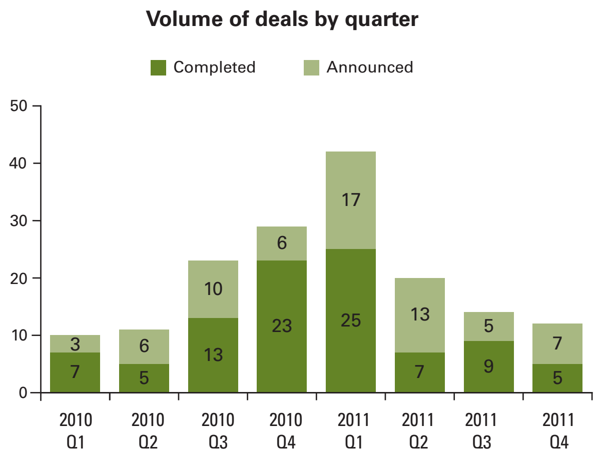
Source: Charts based on transaction details as per the Thomson SDC database (as of February 3, 2012). Data includes deals completed or announced between January 1, 2010 and December 31, 2011, where the Acquirer and/or Target are in the FDCG or Retail industry.

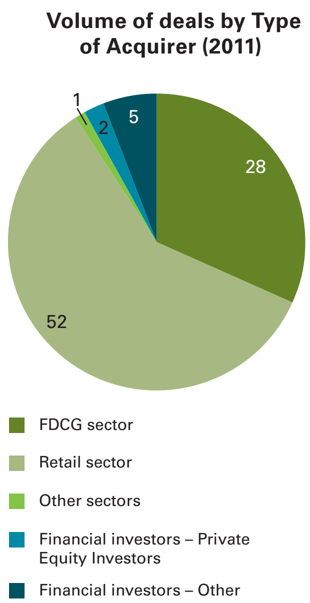
Norway

Norway – Summary of consumer markets industry transactions





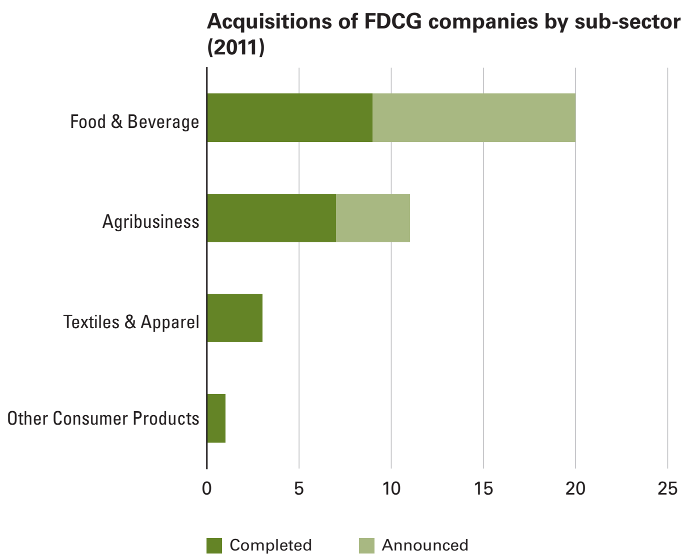


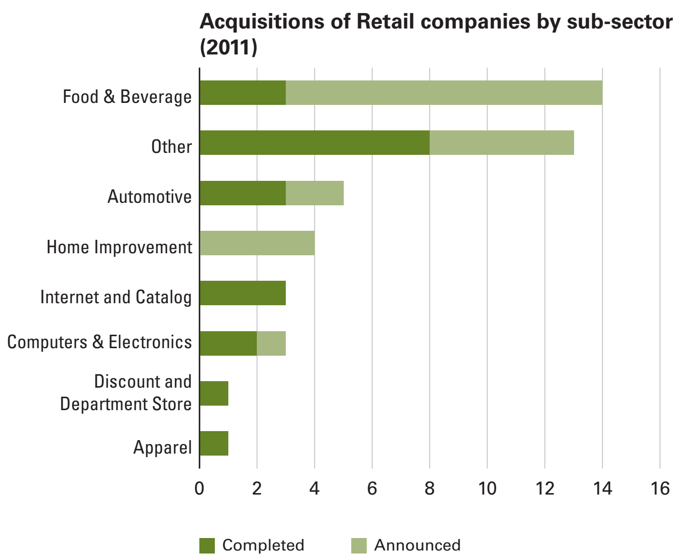


Recent major consumer markets sector transactions

Quarter	Acquirer	Acquirer Country	Acquirer Sector	Target	Target Country	Target Sector	Value of Transaction (US$million)
2011 Q1	Morpol ASA	Norway	FDCG	Jokelfjord Laks AS	Norway	FDCG	84
2011 Q1	SalMar ASA	Norway	FDCG	Bringsvor Laks AS	Norway	FDCG	25
2011 Q2	Rieber & Son ASA	Norway	FDCG	Lierne Bakeri AS	Norway	FDCG	24
2011 Q2	Norway Pelagic AS	Norway	FDCG	Austevoll Fisk AS	Norway	FDCG	20
2011 Q4	Leroy Seafood Group ASA	Norway	FDCG	Rode Beheer BV	Netherlands	FDCG	21
2011 Q4	Austevoll Seafood ASA	Norway	FDCG	Hordafor AS	Norway	FDCG	20

Source: Transaction details as per Thomson SDC (February 3, 2012). Major transactions are based on select deals completed in 2011, with disclosed values, and where the Acquirer and/or Target are in the FDCG or Retail sector.



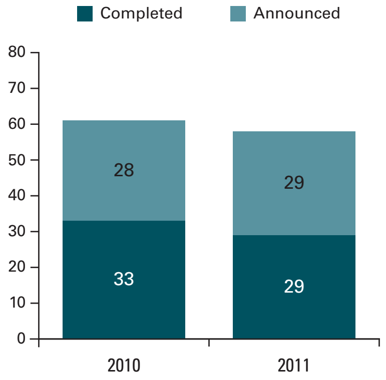


Source: Charts based on transaction details as per the Thomson SDC database (as of February 3, 2012). Data includes deals completed or announced between January 1, 2010 and December 31, 2011, where the Acquirer and/or Target are in the FDCG or Retail industry.

Poland

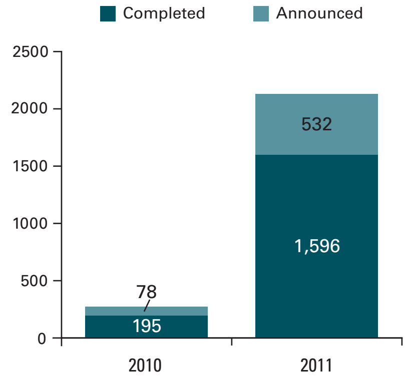
Poland – Summary of consumer markets industry transactions

Volume of deals

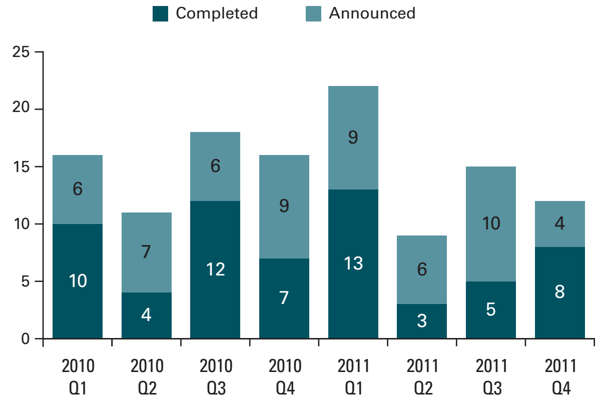


Value of deals (US$ millions)

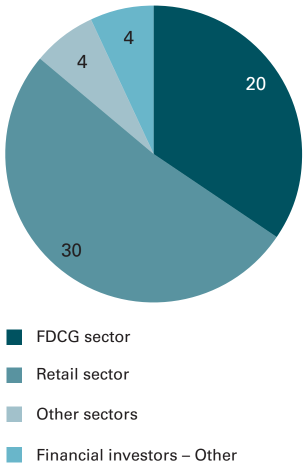
Includes deals with disclosed values only



Volume of deals by quarter



Volume of deals by Type of Acquirer (2011)

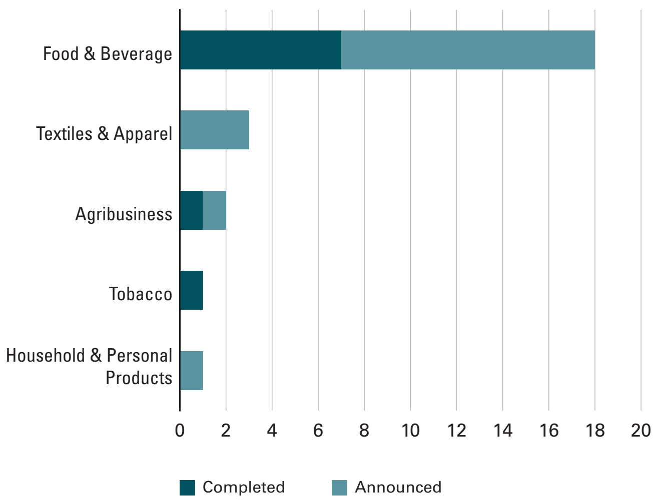


Recent major consumer markets sector transactions

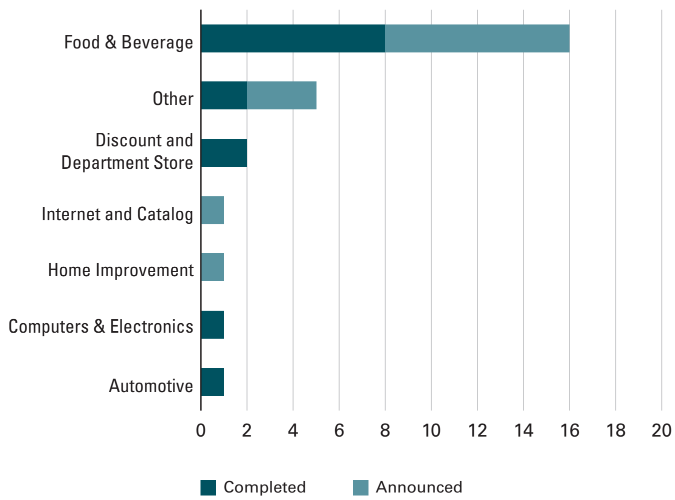
Quarter	Acquirer	Acquirer Country	Acquirer Sector	Target	Target Country	Target Sector	Value of Transaction (US$million)
2011 Q1	Mid Europa Partners LLP	UK	Retail	Zabka Polska SA	Poland	Retail	552
2011 Q1	Bakalland SA	Poland	FDCG	PIFO EKO-STREFA Sp zoo	Poland	FDCG	20
2011 Q2	AmRest Holdings SE	Poland	Retail	Restauravia Grupo Empresarial	Spain	Retail	284
2011 Q3	McCormick & Co Inc	US	FDCG	Kamis SA	Poland	FDCG	298
2011 Q3	Koninklijke Bunge BV	Netherlands	FDCG	Elstar Oils SA	Poland	FDCG	113
2011 Q3	Bioton SA	Poland	Other	Biolek Sp zoo	Poland	FDCG	21
2011 Q4	Eurocash SA	Poland	Retail	Emperia Holding SA-Tradis	Poland	Retail	322
2011 Q4	Archer Daniels Midland BV	Netherlands	FDCG	Elstar Oils SA	Poland	FDCG	91

Source: Transaction details as per Thomson SDC (February 3, 2012). Major transactions are based on select deals completed in 2011, with disclosed values, and where the Acquirer and/or Target are in the FDCG or Retail sector.

Acquisitions of FDCG companies by sub-sector (2011)



Acquisitions of Retail companies by sub-sector (2011)

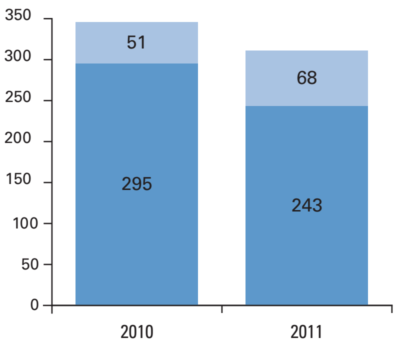


Source: Charts based on transaction details as per the Thomson SDC database (as of February 3, 2012). Data includes deals completed or announced between January 1, 2010 and December 31, 2011, where the Acquirer and/or Target are in the FDCG or Retail industry.

Russia

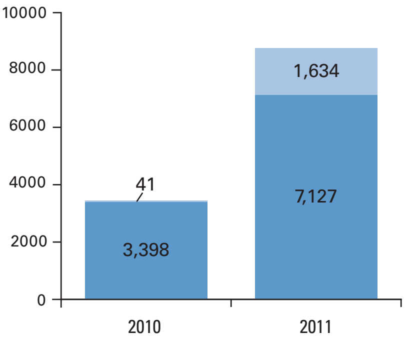
Russia – Summary of consumer markets industry transactions

Volume of deals

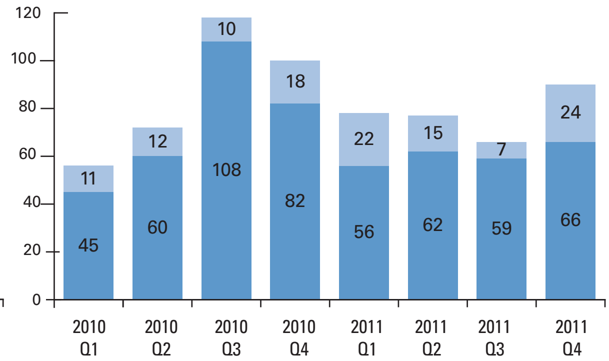


Value of deals (US$ millions)

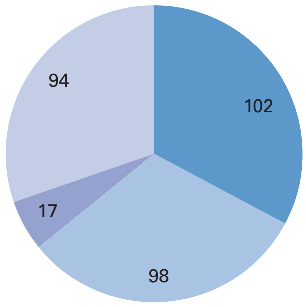
Includes deals with disclosed values only



Volume of deals by quarter



Volume of deals by Type of Acquirer (2011)

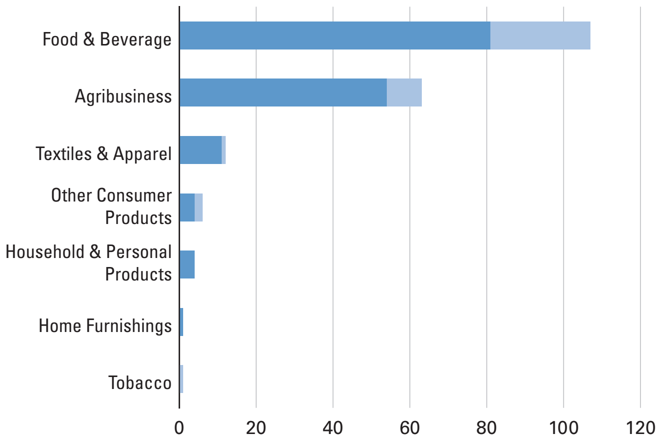


Recent major consumer markets sector transactions

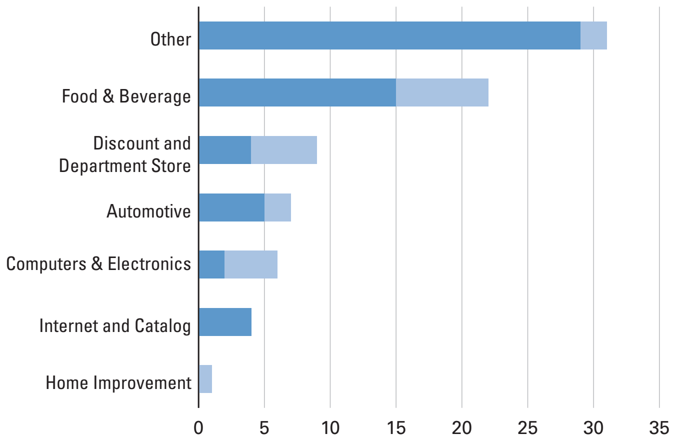
Quarter	Acquirer	Acquirer Country	Acquirer Sector	Target	Target Country	Target Sector	Value of Transaction (US$million)
2011 Q1	Pepsi-Cola(Bermuda)Ltd	Bermuda	FDCG	VBD PP	Russia	FDCG	3,800
2011 Q2	DIXY Group	Russia	Retail	GK Viktoriya	Russia	Retail	912
2011 Q2	Gruppa Cherkizovo	Russia	FDCG	Mossel'prom	Russia	FDCG	253
2011 Q3	Pepsi-Cola (Bermuda) Ltd	Bermuda	FDCG	VBD PP	Russia	FDCG	1,376
2011 Q4	Anadolu Efes Biracilik ve Malt	Turkey	FDCG	SABMiller-Russian, Ukrainian op	Russia	FDCG	1,582
2011 Q4	Unilever PLC	UK	FDCG	Kalina	Russia	FDCG	555

Source: Transaction details as per Thomson SDC (February 3, 2012). Major transactions are based on select deals completed in 2011, with disclosed values, and where the Acquirer and/or Target are in the FDCG or Retail sector.

Acquisitions of FDCG companies by sub-sector (2011)



Acquisitions of Retail companies by sub-sector (2011)

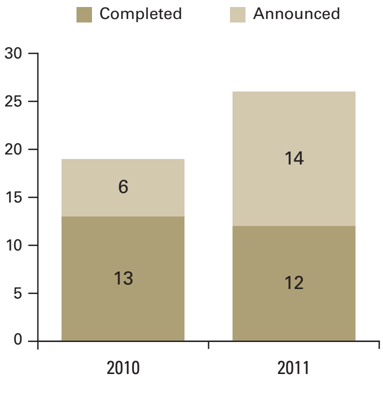


Source: Charts based on transaction details as per the Thomson SDC database (as of February 3, 2012). Data includes deals completed or announced between January 1, 2010 and December 31, 2011, where the Acquirer and/or Target are in the FDCG or Retail industry.

South Africa

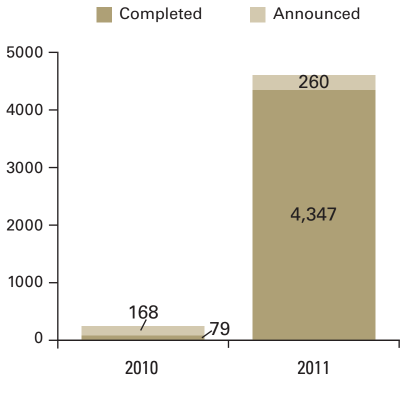
South Africa – Summary of consumer markets industry transactions

Volume of deals

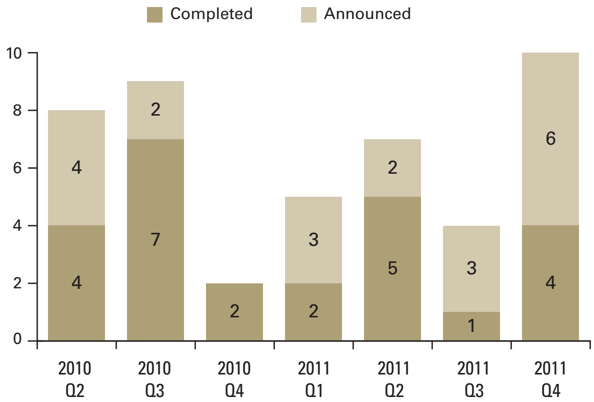


Value of deals (US$ millions)

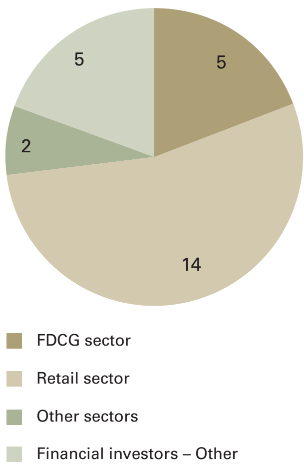
Includes deals with disclosed values only



Volume of deals by quarter



Volume of deals by Type of Acquirer (2011)

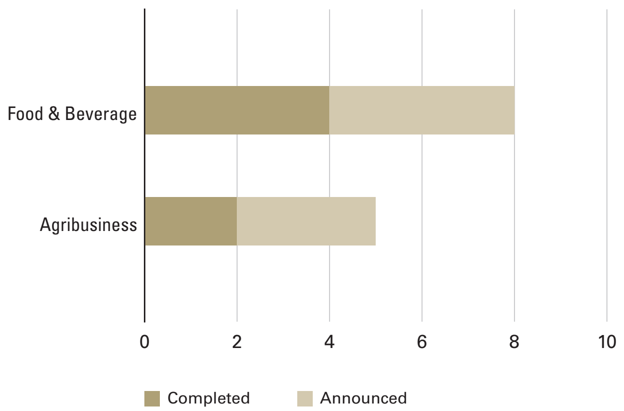


Recent major consumer markets sector transactions

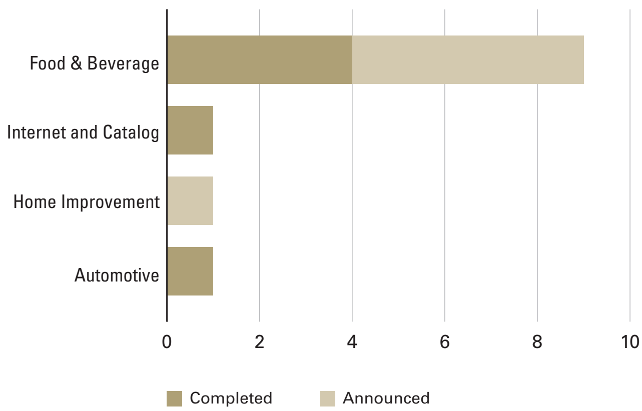
Quarter	Acquirer	Acquirer Country	Acquirer Sector	Target	Target Country	Target Sector	Value of Transaction (US$million)
2011 Q1	Steinhoff Intl Hldg Ltd	South Africa	Retail	Conforama SA	France	Retail	1,653
2011 Q1	Nandos Group Holdings Ltd	South Africa	Retail	Clapham House Group PLC	UK	Retail	30
2011 Q2	Wal-Mart Stores Inc	US	Retail	Massmart Holdings Ltd	South Africa	Retail	2,154
2011 Q2	JD Group Ltd	South Africa	Retail	Unitrans Motor Enterprises	South Africa	Retail	407
2011 Q2	Zeder Financial Services Ltd	South Africa	Retail	Capespan Group Ltd	South Africa	Retail	72
2011 Q2	Irvin & Johnson Holding Co	South Africa	FDCG	Alpesca SA (Alpargatas SAIC)	Argentina	FDCG	25
2011 Q3	Investor Group	South Africa	Other Investors	Denny Mushrooms Ltd	South Africa	FDCG	36
2011 Q4	AFGRI Operations Ltd	South Africa	FDCG	Pride Milling-maize mill bus	South Africa	FDCG	35

Source: Transaction details as per Thomson SDC (February 3, 2012). Major transactions are based on select deals completed in 2011, with disclosed values, and where the Acquirer and/or Target are in the FDCG or Retail sector.

Acquisitions of FDCG companies by sub-sector (2011)



Acquisitions of Retail companies by sub-sector (2011)

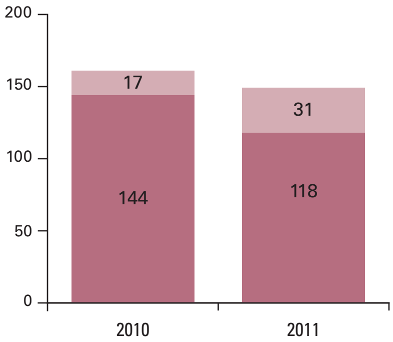


Source: Charts based on transaction details as per the Thomson SDC database (as of February 3, 2012). Data includes deals completed or announced between January 1, 2010 and December 31, 2011, where the Acquirer and/or Target are in the FDCG or Retail industry.

Spain

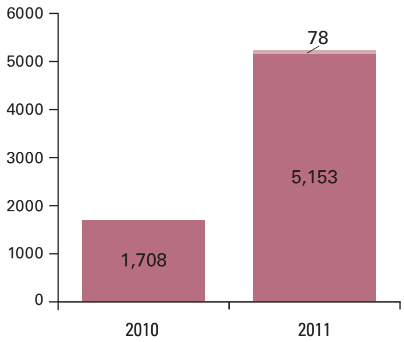
Spain – Summary of consumer markets industry transactions

Volume of deals

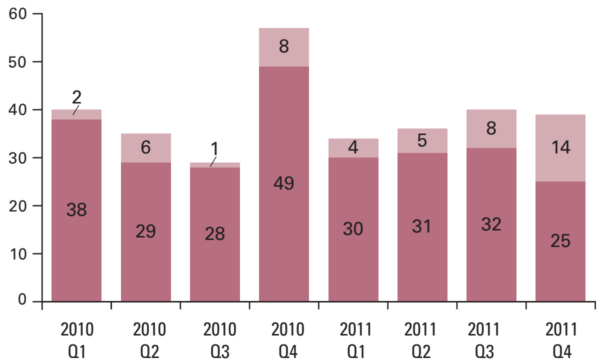


Value of deals (US$ millions)

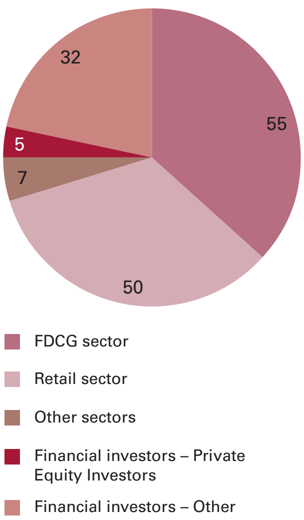
Includes deals with disclosed values only



Volume of deals by quarter



Volume of deals by Type of Acquirer (2011)

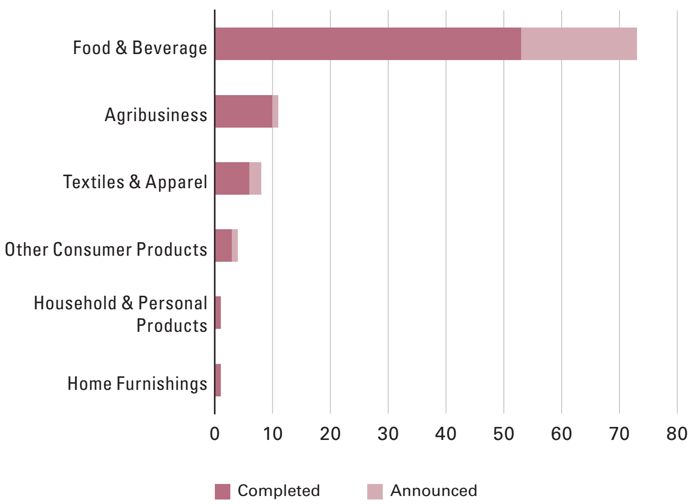


Recent major consumer markets sector transactions

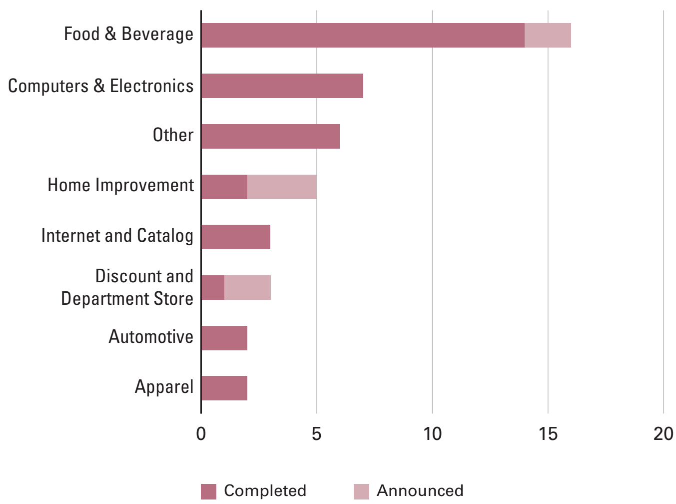
Quarter	Acquirer	Acquirer Country	Acquirer Sector	Target	Target Country	Target Sector	Value of Transaction (US$million)
2011 Q1	Mahou SA	Spain	FDCG	Balneario y Aguas de Solan de	Spain	FDCG	187
2011 Q2	AmRest Holdings SE	Poland	Retail	Restauravia Grupo Empresarial	Spain	Retail	284
2011 Q2	El Corte Ingles SA	Spain	Retail	Comunidad de Propietarios del	Spain	Other	72
2011 Q3	Shareholders	France	Retail	Dia	Spain	Retail	3,140
2011 Q3	Ebro Foods SA	Spain	FDCG	SOS Corp-Rice Division,Spain	Spain	FDCG	290
2011 Q3	E Leclerc SCAV	France	Retail	Grupo Eroski SA-Hypermarkets	Spain	Retail	174
2011 Q3	Industria de Diseno Textil SA	Spain	Retail	Undisclosed Real Estate,Milan	Italy	Other	148
2011 Q3	Cooke Aquaculture Inc	Canada	FDCG	Culmarex SA	Spain	FDCG	70
2011 Q4	Unipapel SA	Spain	Retail	Spicers Ltd	UK	Retail	320
2011 Q4	Eroski Group	Spain	Retail	Altis SAS	France	Retail	199
2011 Q4	Grupo Bimbo SAB de CV	Mexico	FDCG	Sara Lee Corp-Bakery Division	Spain	FDCG	157

Source: Transaction details as per Thomson SDC (February 3, 2012). Major transactions are based on select deals completed in 2011, with disclosed values, and where the Acquirer and/or Target are in the FDCG or Retail sector.

Acquisitions of FDCG companies by sub-sector (2011)



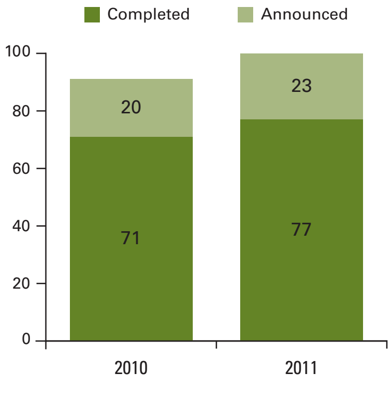
Acquisitions of Retail companies by sub-sector (2011)

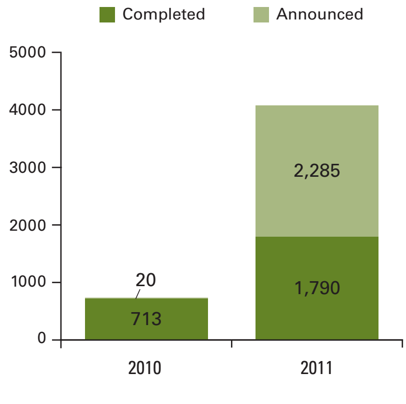


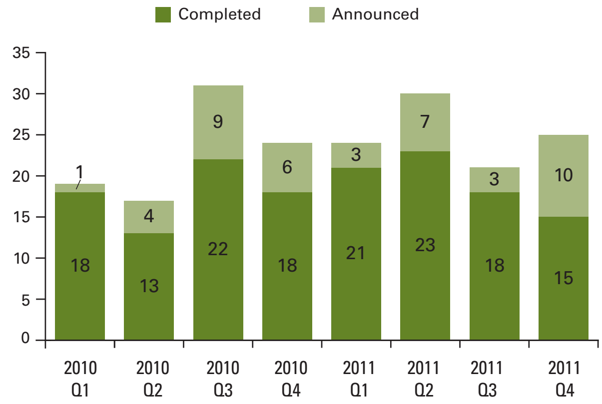
Source: Charts based on transaction details as per the Thomson SDC database (as of February 3, 2012). Data includes deals completed or announced between January 1, 2010 and December 31, 2011, where the Acquirer and/or Target are in the FDCG or Retail industry.

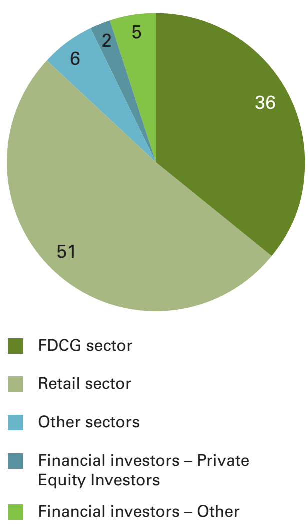
Sweden

Sweden – Summary of consumer markets industry transactions





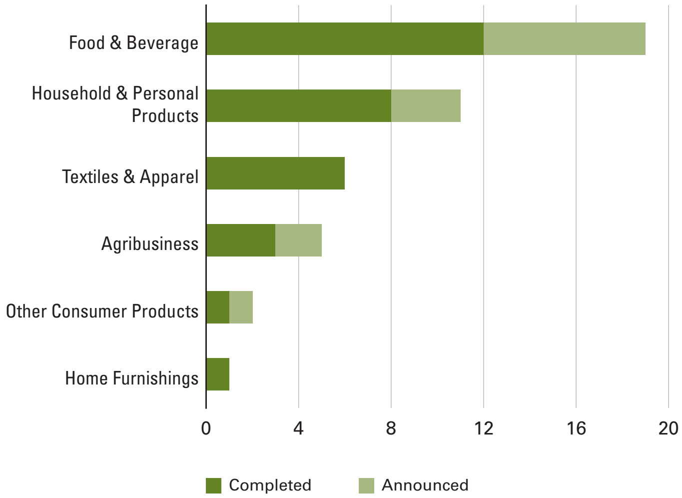


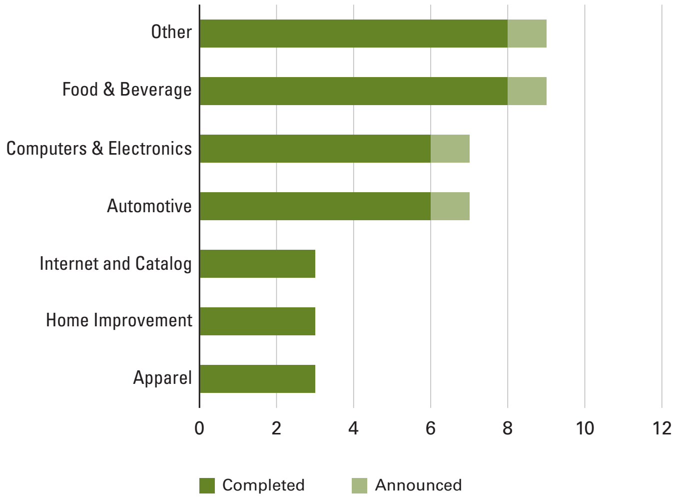


Recent major consumer markets sector transactions

Quarter	Acquirer	Acquirer Country	Acquirer Sector	Target	Target Country	Target Sector	Value of Transaction (US$million)
2011 Q1	Mekonomen AB	Sweden	Retail	AS Sorensen og Balchen	Norway	Retail	106
2011 Q2	CDON Group AB	Sweden	Retail	Tretti AB	Sweden	Retail	57
2011 Q2	Svenska Cellulosa AB SCA	Sweden	FDCG	Komili Kagit ve Kisisel Bakim	Turkey	FDCG	49
2011 Q3	NIBE Industrier AB	Sweden	Other	Schulthess Group AG	Switzerland	FDCG	471
2011 Q3	Electrolux AB	Sweden	FDCG	Olympic Grp for Finl Invest	Egypt	FDCG	444
2011 Q3	Svenska Cellulosa AB SCA	Sweden	FDCG	Pro Descart	Brazil	FDCG	70
2011 Q4	Svenska Cellulosa AB SCA	Sweden	FDCG	Georgia-Pacific Services SNC	Belgium	FDCG	1,796
2011 Q4	Electrolux AB	Sweden	FDCG	CTI Cia Tecno Industrial SA	Chile	FDCG	522

Source: Transaction details as per Thomson SDC (February 3, 2012). Major transactions are based on select deals completed in 2011, with disclosed values, and where the Acquirer and/or Target are in the FDCG or Retail sector.



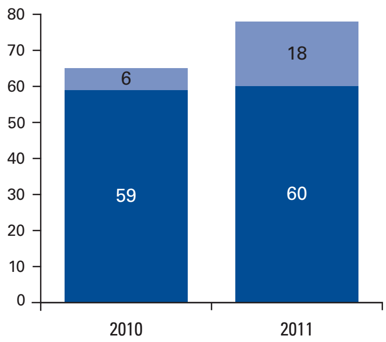


Source: Charts based on transaction details as per the Thomson SDC database (as of February 3, 2012). Data includes deals completed or announced between January 1, 2010 and December 31, 2011, where the Acquirer and/or Target are in the FDCG or Retail industry.

Switzerland

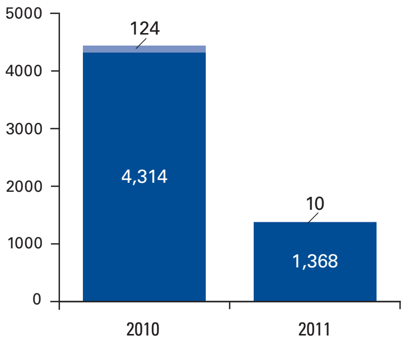
Switzerland – Summary of consumer markets industry transactions

Volume of deals

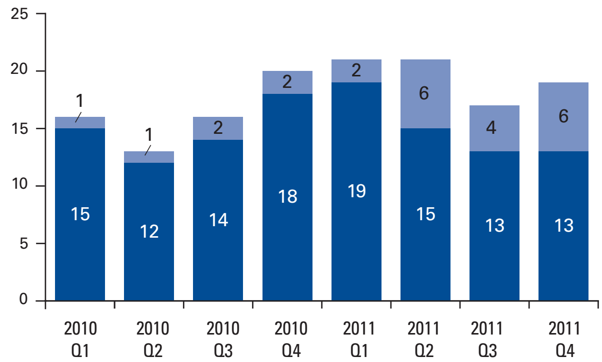


Value of deals (US$ millions)

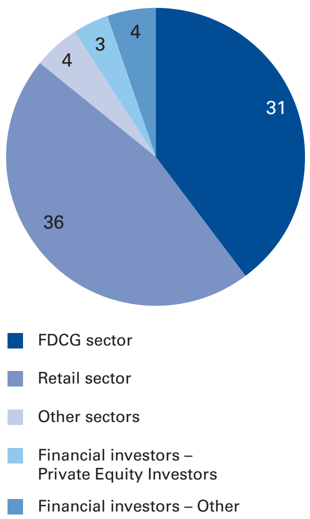
Includes deals with disclosed values only



Volume of deals by quarter



Volume of deals by Type of Acquirer (2011)

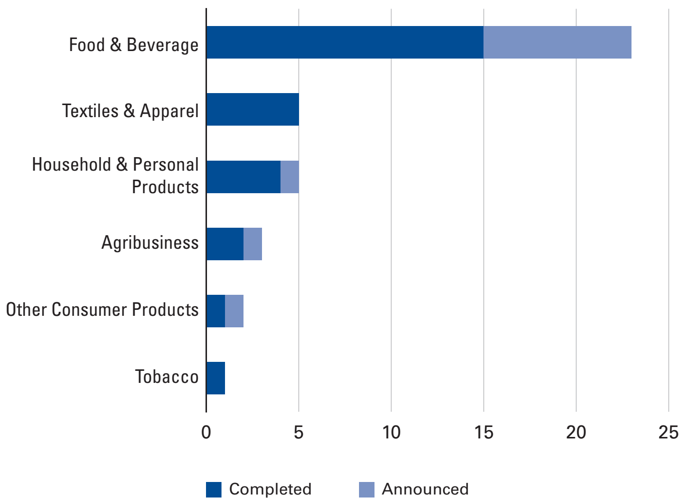


Recent major consumer markets sector transactions

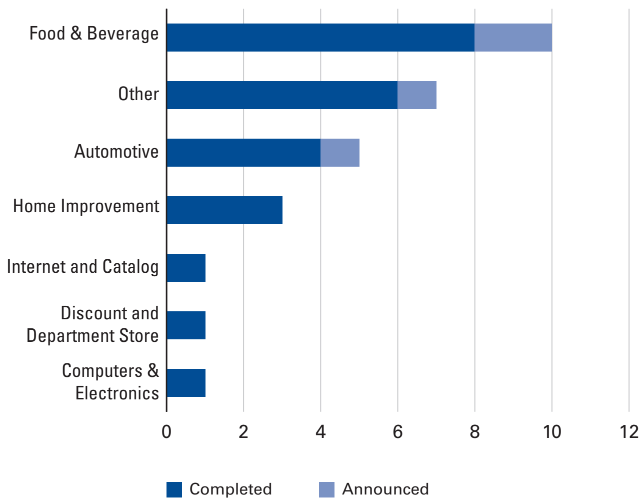
Quarter	Acquirer	Acquirer Country	Acquirer Sector	Target	Target Country	Target Sector	Value of Transaction (US$million)
2011 Q1	CHS Europe SA	Switzerland	FDCG	Agripoint Ltd	Cyprus	FDCG	58
2011 Q2	Mitsui & Co Ltd	Japan	FDCG	Multigrain AG	Switzerland	FDCG	225
2011 Q2	Medline Industries Inc	US	Retail	CareFusion Corp-ISP Distn Bus	Switzerland	Retail	130
2011 Q3	NIBE Industrier AB	Sweden	Other	Schulthess Group AG	Switzerland	FDCG	471
2011 Q3	Aryzta AG	Switzerland	FDCG	Honeytop Speciality Foods Ltd	UK	FDCG	130
2011 Q4	Coop Immobilien AG	Switzerland	Retail	Swiss Prime Site AG-Real	Switzerland	Other	306

Source: Transaction details as per Thomson SDC (February 3, 2012). Major transactions are based on select deals completed in 2011, with disclosed values, and where the Acquirer and/or Target are in the FDCG or Retail sector.

Acquisitions of FDCG companies by sub-sector (2011)



Acquisitions of Retail companies by sub-sector (2011)

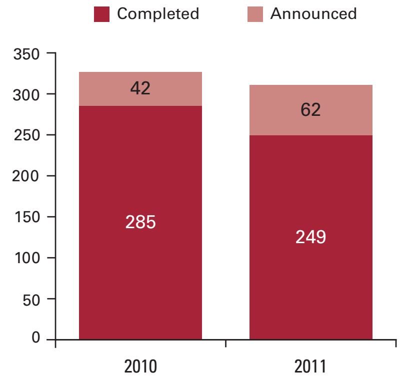


Source: Charts based on transaction details as per the Thomson SDC database (as of February 3, 2012). Data includes deals completed or announced between January 1, 2010 and December 31, 2011, where the Acquirer and/or Target are in the FDCG or Retail industry.

UK

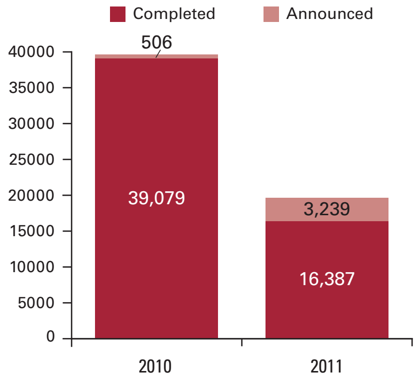
UK – Summary of consumer markets industry transactions

Volume of deals

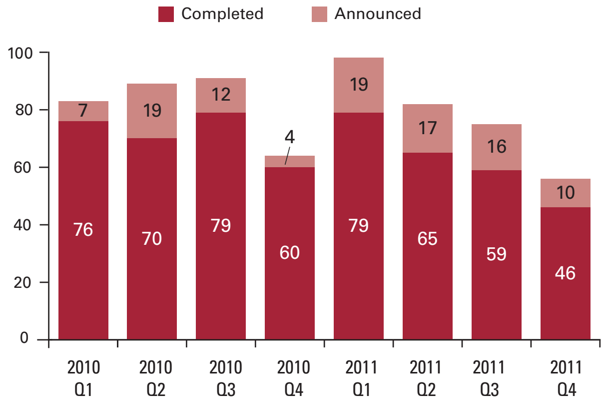


Value of deals (US$ million)

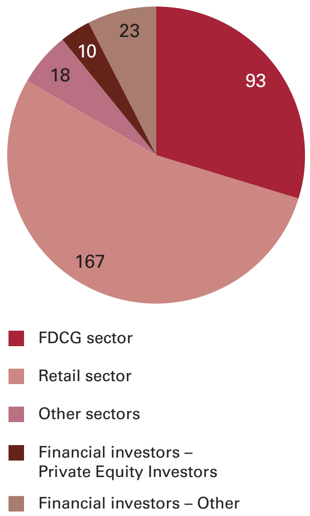
Includes deals with disclosed values only



Volume of deals by quarter



Volume of deals by Type of Acquirer (2011)

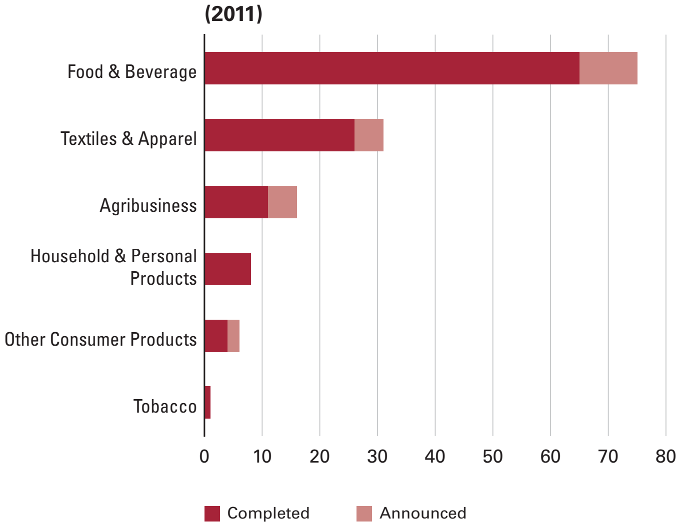


Recent major consumer markets sector transactions

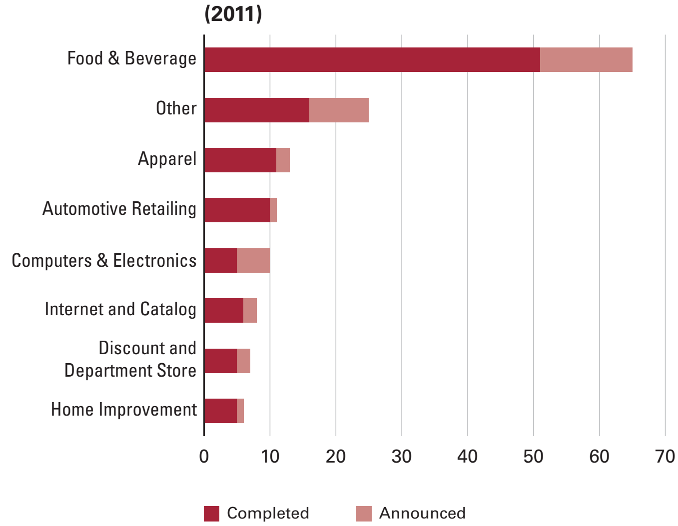
Quarter	Acquirer	Acquirer Country	Acquirer Sector	Target	Target Country	Target Sector	Value of Transaction (US$million)
2011 Q1	Capital Shopping Centres Grp	UK	Retail	Trafford Centre Ltd	UK	Retail	2,524
2011 Q1	BC Partners Ltd	UK	Retail	Phones 4U Ltd	UK	Retail	684
2011 Q2	Unilever PLC	UK	FDCG	Alberto-Culver Co	US	FDCG	3,842
2011 Q2	ASDA Stores Ltd	UK	Retail	Netto Foodstores Ltd	UK	Retail	1,134
2011 Q2	Colgate-Palmolive Co	US	FDCG	Unilever PLC-Sanex brand	UK	FDCG	947
2011 Q2	BP PLC	UK	Other	Cia Nacional de Acucar e	Brazil	FDCG	680

Source: Transaction details as per Thomson SDC (February 3, 2012). Major transactions are based on select deals completed in 2011, with disclosed values, and where the Acquirer and/or Target are in the FDCG or Retail sector.

Acquisitions of FDCG companies by sub-sector (2011)



Acquisitions of Retail companies by sub-sector (2011)



Source: Charts based on transaction details as per the Thomson SDC database (as of February 3, 2012). Data includes deals completed or announced between January 1, 2010 and December 31, 2011, where the Acquirer and/or Target are in the FDCG or Retail industry.

Appendix 2

Additional information

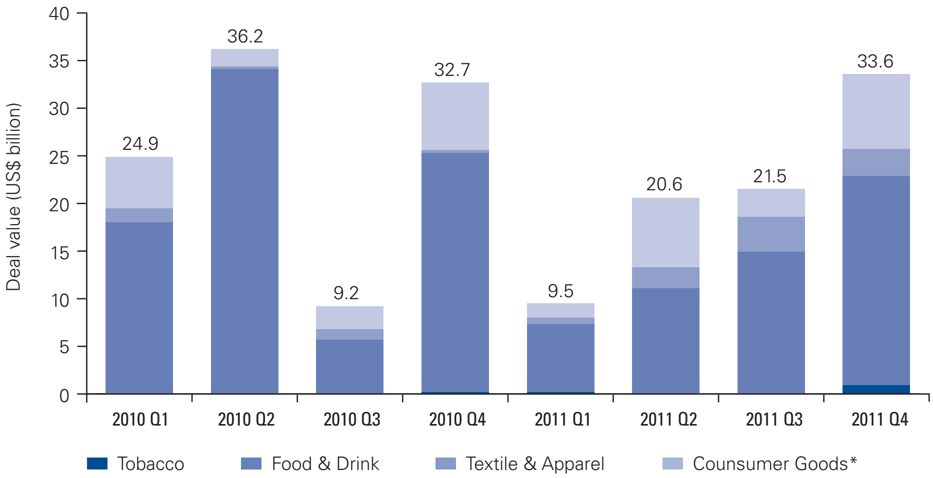
January 2010 to December 2011

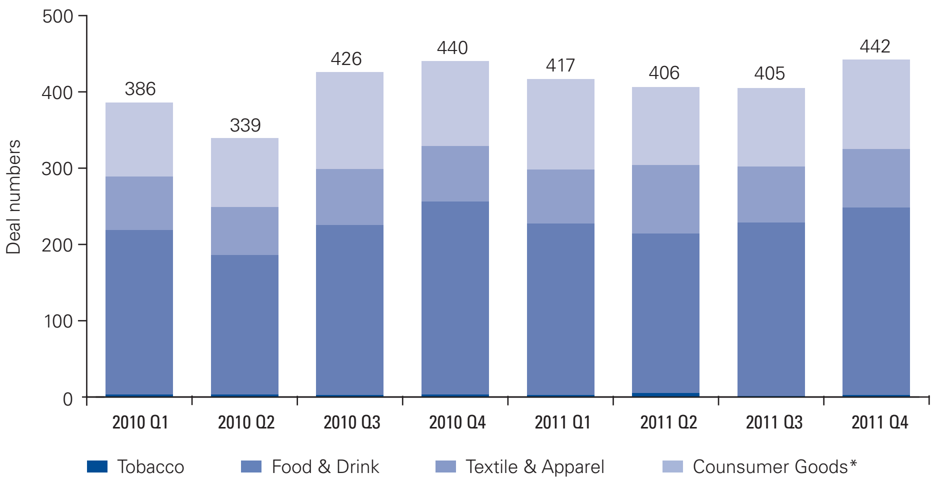
Food, Drink and Consumer Goods (FDCG)

Global activity by subsector: Q1 2010 – Q4 2011

- After witnessing a q-o-q increase of 45.3 percent in Q2 2010 and a sharp decline of 74.6 percent in Q3 2010 , the total M&A deal value in the FDCG sector witnessed a q-o-q increase of over 255.0 percent in Q4 2010. In Q1 2011, the total deal value decreased 71.0 percent q-o-q before increasing 117.5 percent in Q2 2011 and 4.1 percent in Q3 2011 and 56.3 percent in Q4 2011.
- During the last two years, Food & Drink subsector dominated the M&A activity in terms of both value and volume for all the quarters. In Q4 2011, Food & Drink subsector contributed 65.6 percent and Consumer Goods subsector was a distant second, contributing to the 23.5 percent to the total deal value.
- The total M&A deal volume decreased 12.2 percent q-o-q in Q2 2010, increased 25.7 percent in Q3 2010 and 3.3 percent in Q4 2010, before witnessing a decline of 5.2 percent in Q1 2011. This decline continued, and the total deal volume declined by 2.6 percent in Q2 2011, 0.2 percent in Q3 2011, but finally increased by 9.1 percent in Q4 2011.

Value and volume of FDCG deals by subsector
Q1 2010 – Q4 2011





*Note: The Consumer Goods subsector includes Agribusiness, Household and Personal Care Products, Home Furnishings, and Other Consumer Products

Source: Thomson SDC

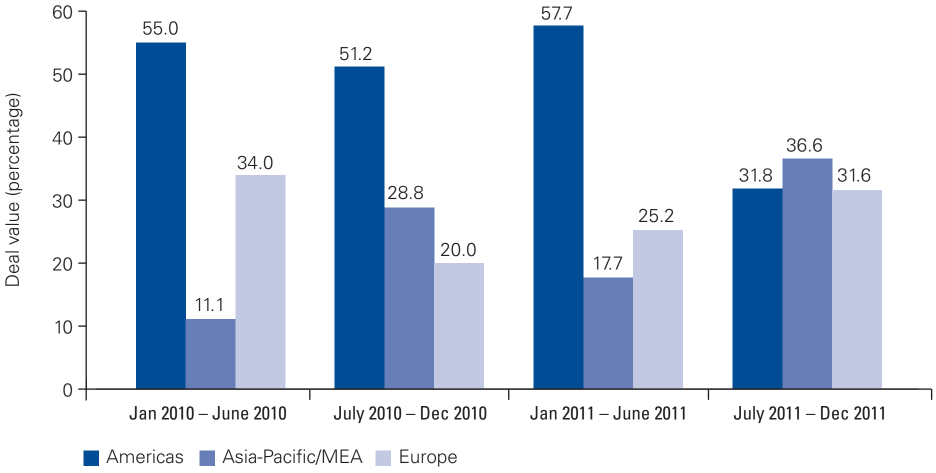
Food, Drink and Consumer Goods (FDCG)

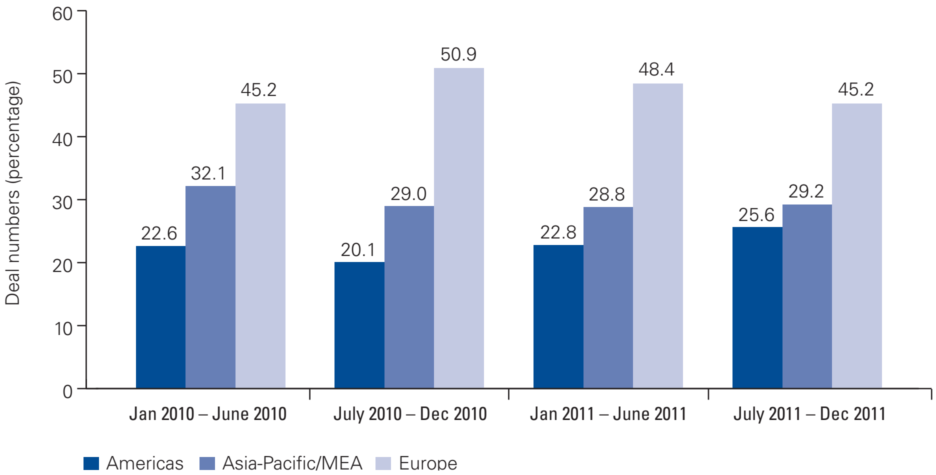
Global activity by region: January 2010 – December 2011

- During January 2010 – December 2010, Americas dominated the M&A landscape, accounting for 53.4 percent of the total deal value. However, in terms of deal volume, Europe grabbed the highest share of 48.3 percent.
- However, during January 2011 – December 2011, Asia-Pacific/MEA came to dominate in terms of deal value, accounting for 36.6 percent of the total deals, during the latter half of the period. The Americas accounted for 31.8 percent of the deal value, down from their 57.7 percent share during the first half of 2011.
- During January 2011 – December 2011, Asia-Pacific/MEA accounted for 29.0 percent of the deal volume on an average and 27.2 percent of the deal value during this period.
- During January – December 2011, Americas accounted for 44.8 percent of the deal value. Both Europe and Asia-Pacific/MEA experienced increases in 2011, with respect to their percentage shares in deal value during the period.

Value and volume of FDCG deals by region

January 2010 – December 2011





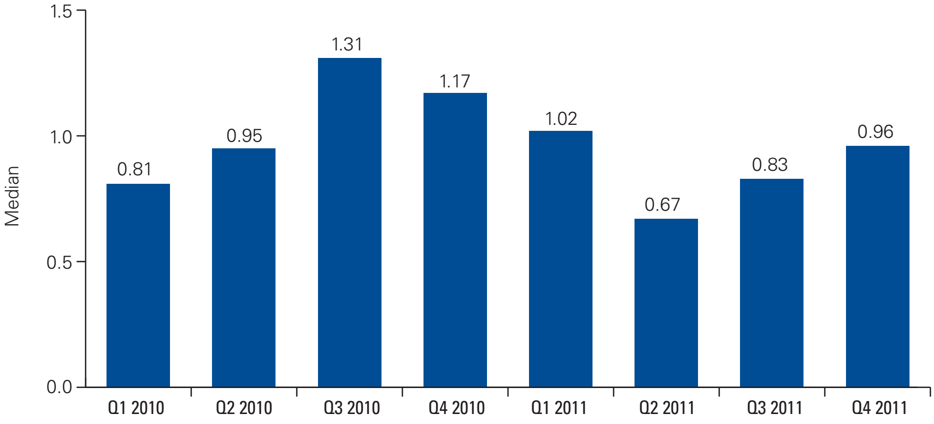
Source: Thomson SDC

Food, Drink and Consumer Goods (FDCG)

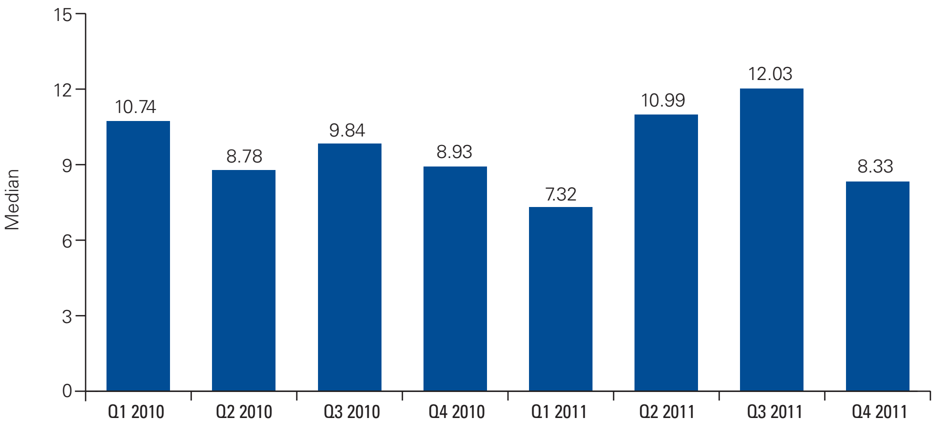
Valuation multiples: Q1 2010 – Q4 2011

- Ratio of EV/sales for FDCG seems to be higher than that for Retail. The multiple for Q3 2010, Q4 2010 and Q1 2011 are significantly higher than other quarters in both Retail and FDCG.
- Ratio of EV/EBITDA for FDCG is about the same level as for Retail. However, in Q3 2011, the multiple is 12.03 which was significantly higher compared to Retail and other quarters of FDCG.
- The P/E ratio has increased year on year except in Q4 2011 which witnessed a fall of 29.6% from Q4 2010.

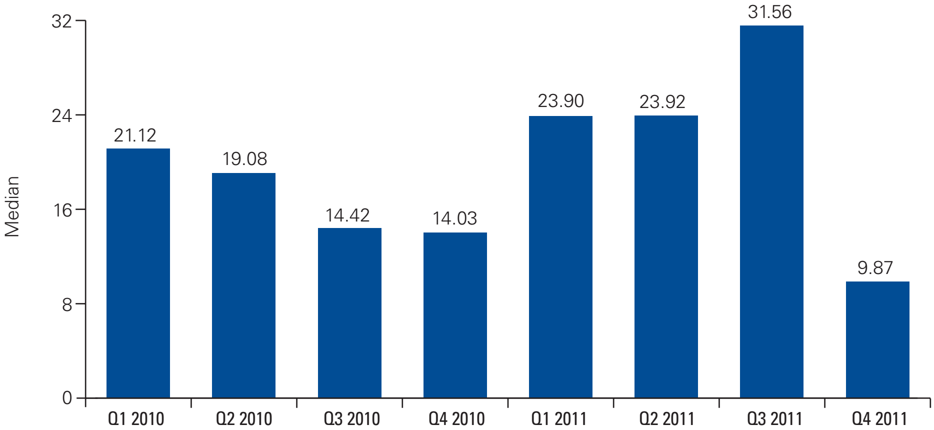
Ratio of Enterprise Value to Sales
Q1 2010 – Q4 2011



Ratio of Enterprise Value to EBITDA
Q1 2010 – Q4 2011



Ratio of Price to Earnings
Q1 2010 – Q4 2011



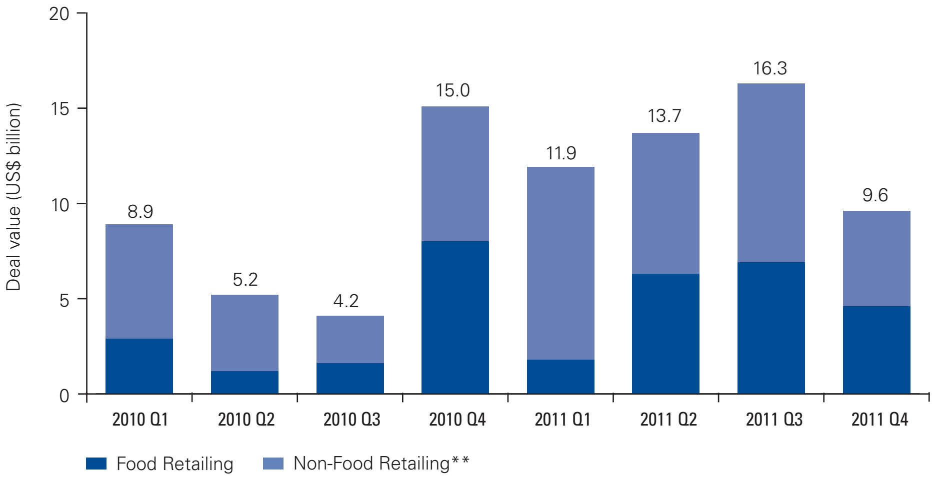
Source: Thomson Deals, Capital IQ

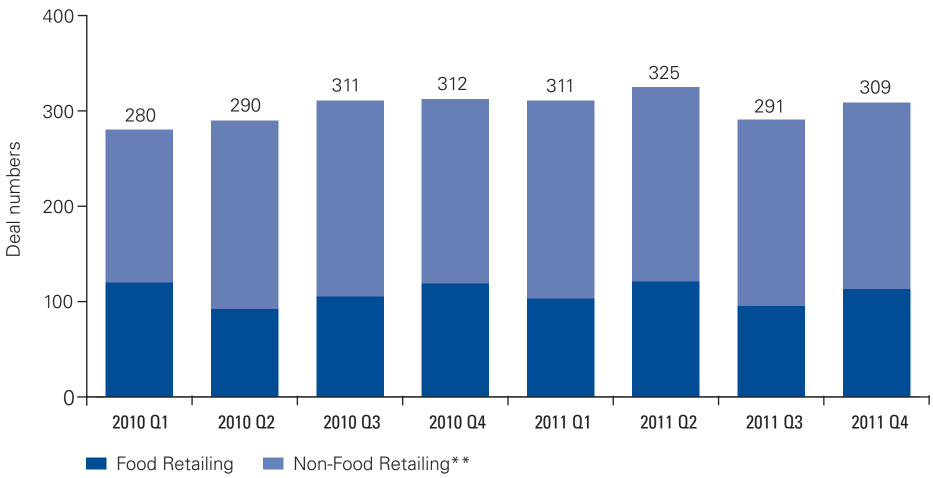
Retail

Global activity by subsector: Q1 2010 – Q4 2011

- After witnessing a q-o-q decline of 41.1 percent in Q2 2010 and 20.3 percent in Q3 2010 , the total M&A deal value in the retail sector witnessed a sharp q-o-q increase of over 259.7 percent in Q4 2010. The growth again slowed down in 2011, when in Q1 2011, the total deal value decreased 20.8 percent q-o-q, before increasing 15.0 percent in Q2 2011 and 19.0 percent in Q3 2011. In Q4 2011, again it declined by 40.7 percent.
- During the last two years, Non-food retailing subsector dominated the M&A activity in terms of both value and volume for all the quarters. In Q4 2011, Food retailing subsector contributed 48 percent and Non-food retailing subsector contributed the remaining 52 percent to the total deal value.
- The total M&A deal volume increased 3.6 percent q-o-q in Q2 2010, 7.2 percent in Q3 2010 and 0.3 percent in Q4 2010, before witnessing a decline of 0.3 percent in Q1 2011. In Q2 2011, it increased by 4.5 percent. However, in Q3 2011, it again showed a decline of 10.5 percent, but finally increasing 6.2 percent q-o-q in Q4 2011.

Value and volume of Retail deals by subsector
Q1 2010 – Q4 2011





**Note: The Non-food Retailing subsector includes Discount and Department Store Retailing, Home Improvement Retailing, Apparel Retailing, Computer & Electronics Retailing, Internet and Catalog Retailing, Automotive Retailing and Other Retailing.

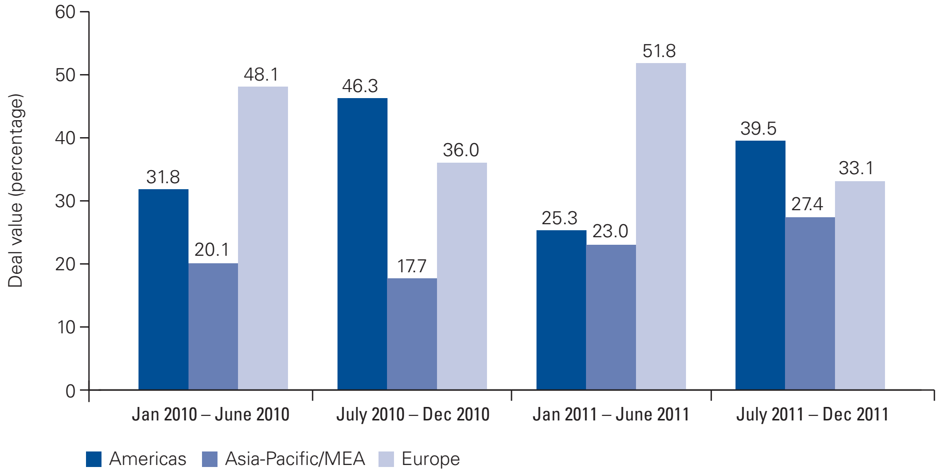
Source: Thomson SDC

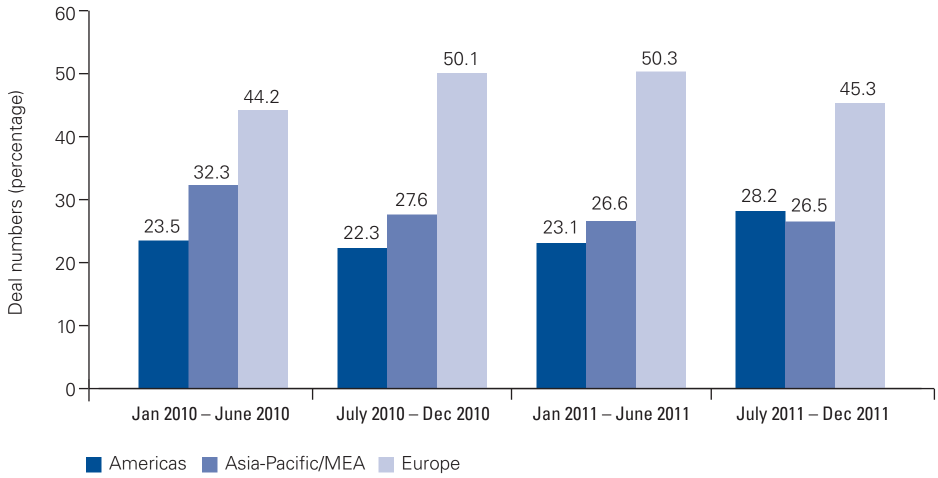
Retail

Global activity by region: January 2010 – December 2011

- During January – June 2010, Europe dominated the retail sector deal volume with the highest share (44.2 percent). It was followed by Asia Pacific/MEA, which accounted for 32.3 percent. In terms of deal value also, Europe had the maximum contribution (48.1 percent), followed by Americas (31.8 percent) and Asia-Pacific/MEA (20.1 percent) during this period.
- During July – December 2010, Europe continued to dominate the retail sector deal volume accounting for 50.1 percent share of the total deals volume, followed by Asia-Pacific/MEA (27.6 percent) and Americas (22.3 percent). However, in terms of value, replacing Europe, Americas had the highest share, accounting for 46.3 percent of the total deal value , followed by Europe (36 percent) and Asia-Pacific/MEA (17.7 percent).
- During January – June 2011, Europe accounted 50.3 percent, Asia-Pacific/MEA 26.6 percent and Americas 23.1 percent of the total deal volume in the retail sector. In terms of deal value also, Europe continued to dominate, accounting for 51.8 percent, whereas Americas and Asia-Pacific/MEA accounted for 25.3 percent and 23 percent shares, respectively.
- During July – December 2011, Europe accounted 45.3 percent, Americas 28.2 percent and Asia-Pacific/MEA 26.5 percent of the total deal volume in the retail sector. In terms of deal value, Americas has the highest share (39.5 percent), followed by Europe (33.1 percent) and Asia-Pacific/MEA (27.4 percent).

Value and volume of Retail deals by region
January 2010 – December 2011





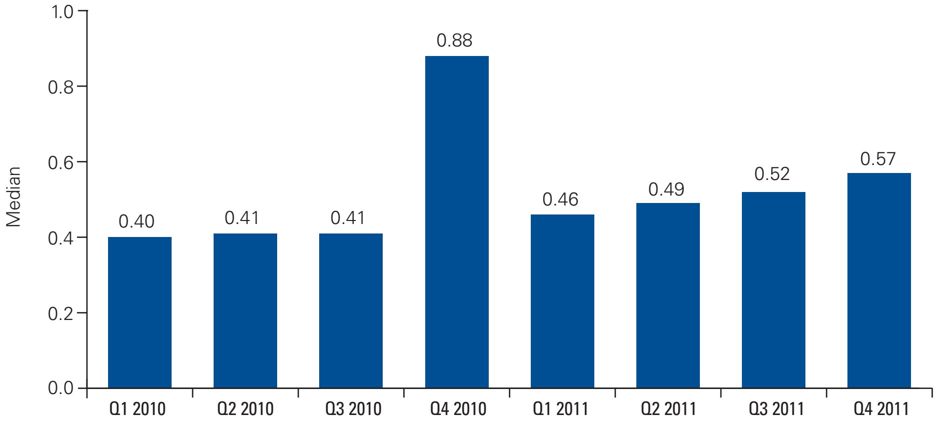
Source: Thomson SDC

Retail

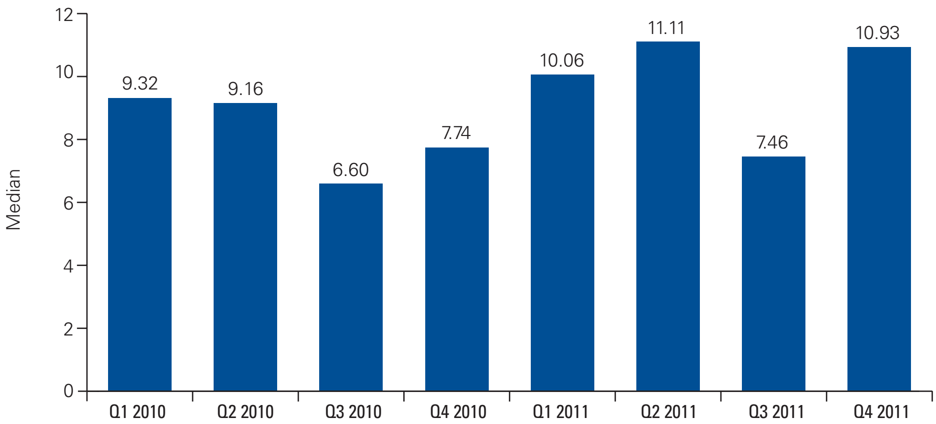
Valuation multiples: Q1 2010 – Q4 2011

- Ratio of EV/Sales has increased consistently over the range of 2 years indicating rising values of the target companies.
- Ratio of EV/EBITDA has increased year on year, and has remained around the industry average of 9.1x and 10.0x in 2010 and 2011 respectively.
- The P/E ratio has increased year on year except in Q1 2011 which witnessed a fall of 35.16% from Q1 2010. The multiple for various quarters has remained around the industry benchmark of 17.7x and 22.2x in 2010 and 2011 respectively. The higher ratios in Q3 2011 and Q4 2011 indicate greater investor confidence in the targets.

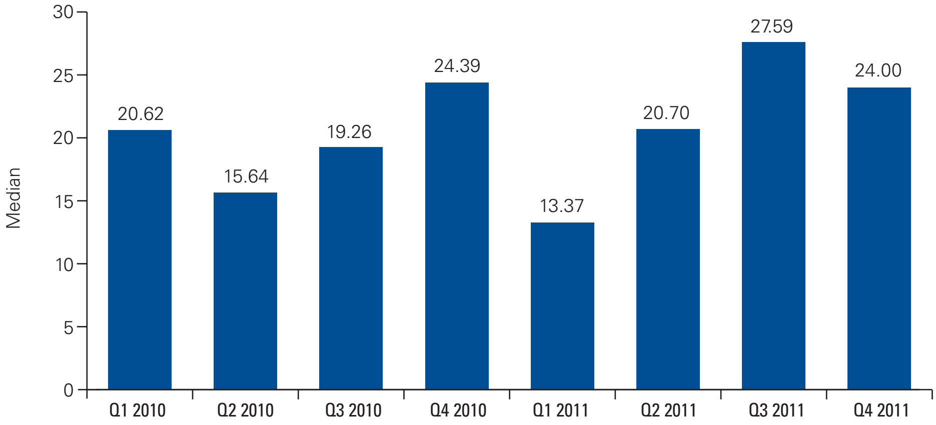
Ratio of Enterprise Value to Sales
Q1 2010 – Q4 2011



Ratio of Enterprise Value to EBITDA
Q1 2010 – Q4 2011



Ratio of Price to Earnings
Q1 2010 – Q4 2011



Source: Thomson Deals, Capital IQ

Bilateral trade agreements

	Australia	Belgium	Brazil	Canada	China	Hong Kong	France	Germany	India	Italy	Japan	Mexico	Netherlands	Norway
Australia		CU			PR				PR					
Belgium	CU			CU	CU		CU		CU					
Brazil														
Canada		CU							CU					
China	PR	CU				CU			PR					
Hong Kong					CU									
France		CU						CU	IP	CU		CU	CU	CU
Germany							CU		IP			CU		CU
India	PR	CU		CU	PR		IP	IP		IP	CU		IP	
Italy							CU		IP			CU		
Japan									CU			CU		
Mexico							CU	CU		CU	CU		CU	
Netherlands							CU		IP			CU		
Norway							CU	CU						
Philippines	CU		CU	CU			CU	CU	CU	CU	CU	CU		
Poland		CU					CU		IP			CU		
Russia		CU					CU	CU		CU			CU	CU
Singapore	CU			PR	CU		CU	CU	CU		CU	PR		
South Africa							CU	CU		CU			CU	CU
Spain							CU		IP			CU		CU
Sweden							CU		IP			CU		CU
Switzerland				CU		CU			PR		CU	CU		
UK							CU	CU	IP			CU		CU
US	CU		CU	CU	CU							CU		

Current (green)
In-Progress (purple)
Proposed (orange)

Sources: European Trade Commission, Economic and Social Research Council, United Nations Conference on Trade and Development, Department of Foreign Affairs, Embassy websites

* Those countries which are **highlighted** in the above list are 'proposed'

Philippines	Poland	Russia	Singapore	South Africa	Spain	Sweden	Switzerland	UK	US	Other countries with which there are bilateral agreements in place or pending
CU			CU						CU	New Zealand, Thailand, **UAE**
	CU	CU								Vietnam, Argentina
CU									CU	
CU			PR				CU		CU	Costa Rica, Peru, **LATAM, South Korea, EU**
			CU						CU	Chile, Pakistan, Peru, NZ, Thailand, Taiwan, Costa Rica, LATAM
							CU			New Zealand
CU	CU	CU	CU	CU	CU	CU		CU		**Costa Rica**
CU		CU	CU	CU				CU		**Costa Rica**
CU	IP		CU		IP	IP	PR	IP		Sri Lanka, Thailand, Malaysia, South Korea, **Chile, New Zealand**
CU		CU		CU						**Costa Rica**
CU			CU				CU			Chile, Indonesia, Malaysia, Thailand, Vietnam, **Australia, NZ**
CU	CU		PR		CU	CU	CU	CU	CU	Costa Rica, Israel, LATAM countries
		CU		CU						
		CU		CU	CU	CU		CU		
					CU	CU		CU	CU	
										Costa Rica
					CU	CU	PR	CU		**EU, New Zealand**
							CU		CU	New Zealand, Chile, LATAM, South Korea, **Costa Rica, Bahrain, Egypt, UAE**
CU		CU						CU		**Costa Rica**
CU		CU						CU		**Costa Rica**
		PR	CU						PR	Egypt, Turkey, Gulf co-operative council, Chile, Israel, Peru, **Thailand, Hong Kong, Vietnam, Indonesia**
CU		CU			CU	CU				
CU			CU				PR			Costa Rica, Malaysia, Peru, Korea, Middle East, **New Zealand, Thailand, Indonesia, Malaysia, UAE**

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