Summary

Target:	HARTWALL ABP (OYJ)	**SIC Codes:**	2082 2086 0 0 0
Country:	Finland	**Industrial Sectors:**	Breweries, Pubs & Restaurants
Activities:	BREWING & SOFT DRINKS		
Bidder:	SCOTTISH & NEWCASTLE PLC		
Country:	United Kingdom	**SIC Codes:**	2082 0 0 0 0
Activities:	BREWING		

Date Announced:	2002/02/14	**Date Completed:**	2002/05/15
Deal Status:	Completed	**Deal Type:**	Public
Deal Attitude:	Friendly	**Cross Border:**	Yes
% Capital Owned:	0	**% Capital Bid For:**	100
Competitive Status:	Single bidder		
Regulatory Referral:	No referral		
Consideration Type:	Ordinary Shares		

Deal Value (m)	Rate to STG 1.640		**Target Financials (m)**	Rate to STG 1.640	
	1) EUR	**2) STG**		**1) EUR**	**2) STG**
Ordinary Offer Value	1759.913	1073.118	**Sales**	807.6	492.439
Other Equity Value	221.483	135.051	**Depreciation/Amortisation**	62.6	38.171
Total Equity Value	1981.396	1208.168	**Operating Profit**	163.4	99.634
Net Debt	185	112.805	**NPBT**	151	92.073
Minorities	109.7	66.890	**NPAT**	125.5	76.524
Firm Value	2276.096	1387.863	**Net Income**	93	56.707
			Shareholders Funds	431.4	263.049

Price Ratios		**Firm Value Ratios**	
Price/Sales	2.45	**Firm Value/Sales**	2.82
Price/NPAT	15.79	**Firm Value/EBITDA**	10.07
Price/Book	4.59	**Firm Value/EBIT**	13.93

Accounts Source:	S&N OFFER DOCUMENT (25/04/02)	**Reliability:**	Audited
Deal Value Source:	S&N PRESS RELEASE (14/02/02)	**Reliability:**	Accurate

Advisors

Advisors	**To Bidder**	**To Target/Divestor**
Financial		
Legal		

Target Financials

Profit & Loss for Year Ended:	31/12/01	**Balance Sheet for Year Ended:**	31/12/01
Turnover:	807.6	**Tangible Assets:**	595.9
Cost of Sales:	0	**Fixed Investments/Assoc.Comp:**	7.9
Gross Profit:	0	**Intangible Assets:**	52.2
Other Income:	0	**Total Fixed Assets**	656
Associated Income:	0.9		
Pre-Operating Profit Exceptls:	0	**Cash & Marketable Securities:**	26.8
Depreciation/Amortisation:	62.6	**Debtors:**	144.7
Operating Profit:	163.4	**Stock:**	114.1
Interest Income:	16.7	**Other Current Assets:**	0
Interest Expense:	29.1	**Total Current Assets:**	285.6
Exceptionals:	0		
Non-Recurring Items:	0	**Creditors:**	239
Net Profit Before Tax:	151	**Short Term Financial Debt:**	0
Tax:	25.5	**Long Term Financial Debt:**	0
Net Profit After Tax:	125.5	**Other Liabilities/Provisions:**	161.5
Minority Items:	32.5	**Total Liabilities (excl. SHF)**	400.5
Net Income:	93		
Extraordinary Items:	0	**Shareholder Funds:**	431.4
Ordinary Share Dividends:	0	**Minority Interests:**	109.7
Preference Share Dividends:	0	**Total Assets:**	941.6
Financial Currency:	EUR	**Exchange Rate to £ STG:**	1.64

Accounts Source:	S&N OFFER DOCUMENT (25/04/02)	**Reliability:**	Audited
Deal Value Source:	S&N PRESS RELEASE (14/02/02)	**Reliability:**	Accurate

Deal Value

Deal Value Source:		S&N PRESS RELEASE (14/02/02)
Deal Value Reliability:		Accurate
Deal Breakdown:	**Cash Value**	**Share Value**
Ordinary Shares:	0.000	1759.913
Options:	0.000	0
Preference Shares:	0.000	0
Convertible Shares:	0.000	0
Redeemable Shares:	0.000	0
Other Equity Shares:	0.000	221.483

Total Equity Value:	0.000	1981.396
Net Debt:	0.000	185
Minorities:	0.000	109.7
Firm Value:	0.000	2276.096

Share Data

No of Ordinary Shares:		58800700
	Initial	**Final**
Cash Offer Value:	0	0
Share Offer Value:	29.9301	29.9301
	Target Shares	**Bidder Shares**
Initial Offer Ratio:	1	3.152
Final Offer Ratio:	1	3.152
	Initial	**Final**
Extra Payment Value:	0	0
Ratio For Ords:	0	0
Ratio For Prefs:	0	0
Ratio For Others:	0	0
	Number of Options	**Exercise Price of Options**
1)	0	0
2)	0	0
3)	0	0

Type	**Number of**	**Cash Offer Per Share**	**Share Ratio**	
			Target	**Bidder**
Preference Shares	0	0	0	0
Convertible Shares	0	0	0	0
Redeemable Shares	0	0	0	0
Other Equity Shares	7400000	0	1	3.152

Share Prices				
	Time	**Target**	**Bidder**	**Bid Premia %**
BEFORE	**1 Day**	25.3	9.4956	18.301
	1 Week	26.29	9.2988	13.846
	2 Weeks	26.25	9.2496	14.019
	3 Weeks	25	8.8232	19.720
	4 Weeks	24.1	8.9052	24.191
	30 Day Average	24.8296	8.9601	20.542

	2 Months	23.3		28.455
	3 Months	22.3		34.216
	Day Before Final Increased Offer		0	
AFTER	**1 Day**	28.8	9.2004	3.924
	1 Week	28.94	9.1266	3.421
	2 Weeks	28.9	9.102	3.564
	3 Weeks	28.1	8.9052	6.513
	4 Weeks	29	9.225	3.207
	1 Day before completion	30.8	10.0368	-2.824

Pre-Bid Speculation Data					
Pre-Bid Speculation Date	13/02/02	**Target Share Price**	25.300	**Bid Premia %**	18.301

Comments

OVERVIEW

It was announced on 14th February 2002 that Scottish & Newcastle Plc ("S&N") had reached agreement with Hartwall Oyj ("Hartwall"), a Finnish brewer that also owned 50% of Baltic Beverages Holding AB ("BBH"), a joint venture with Carlsberg Breweries AS, on the terms of a recommended offer for Hartwall. At the time of the announcement of the transaction, the Hartwall Family Shareholders, comprising Hartwall Holding (*) and members of the extended Hartwall family who held Hartwall shares, and certain other shareholders in Hartwall, together representing 48.5% of the share capital and 83.5% of the voting rights in Hartwall, had given irrevocable undertakings to accept the offer terms.

For information purposes, it was further stated that assuming that all Hartwall Shareholders accepted the offer terms in full, and that the share offer became or was declared unconditional, the Hartwall Family Shareholders who had given irrevocable undertakings would hold 11.8% of the issued share capital of the enlarged S&N Group. If all Hartwall shareholders accepted the offer terms, 208,664,606 new S&N shares would be issued, representing approximately 24.4% of the shares and votes in the enlarged S&N Group. Upon the acquisition of all Hartwall shares, it was S&N's intention that Hartwall would apply for a de-listing of its shares from the Helsinki Exchanges.

The transaction was subject, inter alia, to the approval of competition authorities and of S&N shareholders. The launch of the offer was conditional on the completion by S&N of due diligence on BBH, expected to be finalised in April, and on the outcome of that exercise being satisfactory to S&N. It was also anticipated that the offer would commence in April. It was further stated that if all the conditions to the offer were satisfied or waived, S&N would acquire more than two thirds of the voting rights in Hartwall. Under Finnish securities market legislation, S&N would therefore, subject to the offer becoming unconditional, be required to launch a mandatory cash offer, which would include a share alternative, for the remaining shares in Hartwall. It was anticipated that the mandatory offer would commence in late May.

It was announced on 5th April 2002 that S&N had completed the due diligence process relating to its proposed acquisition of Hartwall and that the due diligence pre-condition had been fulfilled to its satisfaction. S&N also indicated that the European Commission had given unconditional approval to the acquisition of Hartwall.

It was announced on 9th April 2002 that S&N had gained unconditional approval from the Anti-Monopoly Committee of the Ukraine.

The share offer for Hartwall was launched on 29th April 2002.

On 13th May 2002 it was announced that S&N shareholders had given approval for the transaction at the EGM.

It was announced on 15th May 2002 that the share exchange offer for Hartwall had been declared unconditional subject only to the admission of the offer shares to the official list of the UK Listing Authority and to trading on the London Stock Exchange becoming effective, which occurred on 16th May 2002. It was further indicated that at the close of business on 15th May 2002, S&N had received acceptances from shareholders representing 51.61% of the share capital and 84.51% of the votes in Hartwall.

UBS Warburg and Danske Securities AB acted as financial adviser to S&N in this transaction. Mandatum & Co Ltd acted as financial adviser to Hartwall.

(*) Hartwall Holding, or Hartwall Bolagen AB, was a holding company controlled by the Hartwall family.

BACKGROUND

S&N, listed on the London Stock Exchange, was a brewing company with European operations. The S&N group comprised Scottish Courage, a British beer company, Brasseries Kronenbourg, located in France, Alken Maes, Belgium's no.2 beer company, Centralcer in Portugal (a joint venture) and S&N Retail, one of Britain's leading managed pub, bar and restaurant operators. In the year ended 29th April 2001, S&N had group turnover of £4,354 million, and the profit attributable to ordinary shareholders before amortisation of goodwill and exceptional items was £275.7 million. Net assets of the business were £2,137.0 million as at 29th April 2001. S&N employed approximately 40,000 people. The market capitalisation of S&N was £3,751.4 million, based on its closing price on the day prior to the announcement of this transaction.

For information purposes, S&N had previously acquired its Kronenbourg business from Danone SA in March 2000 in a transaction where Danone combined its brewing assets in France, Belgium and Italy with S&N's brewing businesses. Following this transaction, Danone owned 25% of the new partnership, with the option to sell it for a period of 3 years to S&N. M&A Monitor attributed an enterprise value of FFR17.6 billion to the businesses being contributed by Danone to the partnership. A detailed account of this transaction is available elsewhere on the M&A Monitor database. In addition to this acquisition, in August 2000 S&N had acquired a 49% stake in the Portuguese brewing company Central de Cervezas for £93 million. S&N had also announced on 23rd January 2002 its agreement in principle to form a strategic partnership with United Breweries, an Indian Brewer that owned the Kingfisher beer brand, to invest in a new joint venture to develop and acquire brewing businesses.

The following background on the ownership of BBH was provided in S&N's press release (14/02/02): BBH was founded in 1991 as a joint venture between Hartwall and Pripps AB. Following the merger of the brewing operations of Carlsberg AS and Orkla (the owners of Pripps Ringnes) in 2000, Carlsberg Breweries became the owner of 50% of BBH.

Also provided below, for information purposes, is a brief description of Carlsberg, Orkla and Carlsberg Breweries, being the owners of the remaining 50% stake in BBH:

Orkla was one of Norway's largest listed companies and operated in three main areas: the manufacturing, marketing and distribution of branded consumer goods; chemical processing; and financial investments. Orkla was the leading supplier of branded consumer goods to the Nordic grocery market. The company owned an international business with strong global positions in selected niche areas of Speciality Chemicals, Fine Chemicals, and Ingredients. Orkla acquired Gazeta Lubuska, Freds AB, Kaka, Kolos, Utenos Alus and Chelyabinskpivo and sold Regal Molle in 1999 and Superfish and Det Berlingske Officin AS in 2000. For the year ended 31st December 2000, its operating revenue amounted to NOK 34 billion and it achieved operating profit of NOK 2.6 billion. There were approximately 27,500 employees in the company.

Carlsberg, a public company, which traded on the Copenhagen Stock Exchange, was a major international brewer. Its Carlsberg and Tuborg brands were sold worldwide, with more than 90% of its beer sales being derived from outside Denmark. Carlsberg's majority owned subsidiary, Carlsberg Breweries, handled all the beer and soft drink activities of the Group. International brewing operations included the export of beer brewed in Denmark, as well as local brewing at 67 production sites in 42 countries. In total Carlsberg operated around 100 subsidiaries and associated companies, and had approximately 23,600 employees. The company also operated its own laboratories with research including that conducted into enzyme chemistry, protein chemistry, carbohydrate chemistry, plant breeding and genetics as well as the malting, brewing and fermenting processes. In the 15 months ended 31st December 2000, Carlsberg generated turnover of DKR 47.3 billion and profit before tax of DKR 3.1 billion.

Carlsberg Breweries, which was owned by Carlsberg (60%) and Orkla (40%), was established in February 2001 when the two companies' brewing activities were merged to form a new company. It was the world's fifth largest brewery group, with brands including the main global brand Carlsberg, as well as Tuborg, Pripps, Falcon, Sinebrychoff and Ringnes in the Nordic region. In Switzerland, Carlsberg Breweries owned the market leader Feldschlosschen and in the UK it owned Carlsberg-Tetley. Carlsberg Breweries also held a 50% interest, formerly owned by Orkla, in Baltic Beverages Holding, which was the leading beer producer in Russia and the Baltic States. In the soft drinks market Carlsberg Breweries, through Coca-Cola Nordic Beverages AS, was licensed to produce beverages under the Pepsi, Pepsi Light, Pepsi Max and 7-Up brands in Norway and Sweden, and the Coca-Cola, Sprite, Urge and Fanta brands in Denmark and Finland. In the year ended 31st December 2000 Carlsberg Breweries achieved (un-audited) pro-forma revenues of DKR 25.8 billion and EBITDA of DKR 4 billion.

S&N provided the following information on the Russian beer market in its press release (14/02/02): The market trends for Russia, the second largest beer market in Europe, were typical of those in the region. The consumption of beer per head had increased from 19 litres in 1997 to 41 litres in 2001, but was still significantly below the Western European average of 77 litres (2000). There were a number of reasons for confidence that the total market would continue to increase:

* Russian consumers were undergoing a gradual switch from the consumption of spirits to beer;

* the tax regime in Russia encouraged the switch from spirits to beer;

* distribution systems were improving within the country; and

* the number of 20-30 year olds, the key age group for beer consumption, was set to expand over the years following the transaction.

It was further indicated in S&N's press release (14/02/02) that the Finnish beer market was relatively stable whilst the markets for soft drinks, cider and water were showing long-term growth potential.

REASONS FOR TRANSACTION

S&N presented the following expected benefits of the combined business in its press release (14/02/02):

* It was considered that the combination of S&N, Hartwall and BBH would result in an enlarged S&N Group with growth opportunities in the European beer market, leading European market positions in the beer and beverages markets, a strong brand portfolio and a proven and experienced international management team;

* The combined group would possess three of the top ten brands in Europe as a whole (Baltika, Kronenbourg and Foster's) and strong local brands such as Lapin Kulta and John Smith's. The new group would have operations in 11 countries and would be the market leader (market share in each country indicated in brackets) in the United Kingdom (28%), Russia (30%), France (40%), Finland (45%), Estonia (49%), Latvia (45%) and Lithuania (45%) and a leading brewer in Portugal (40%), Belgium (16%) and the Ukraine (18%);

* It was expected that the enlarged S&N Group would be a leading pan-European brewer in respect of volume, profit and brands. The combined business would have total sales of approximately €7.4 billion, total operating profits of approximately €984 million, EBITDA of approximately €1,287 million, and total beer volume of 44 mhls [*];

* The enlarged business would provide investors with a balance between secure, lower growth developed market businesses and higher growth developing markets;

* it was anticipated that there would be strong volume and market growth in Russia, and it was highlighted that BBH sales had grown by 39.1% per annum over a five year period, with the Russian market having grown by 21% per annum since 1998 by volume of sales;

* The Hartwall team would enhance the international management capability of S&N thus facilitating the further international development of the group. Whilst S&N had a management team with substantial international experience and a track record of integrating diverse businesses, the Hartwall management would bring its expertise in overseeing the development of

BBH and its experience in Finland (for further details on the future management team see below);

*   The strong Western European platform of S&N would be enhanced through the addition of Hartwall's Finnish business. This business shared the market leadership and strong brand characteristics of S&N's UK and French businesses. It was committed to a multi-beverage strategy and S&N would benefit from this experience; and

*   The new business would create a stronger position from which to participate further in the consolidation of the global brewing industry.

[*] Financial and volume data is based on Hartwall year 2001 (including 50% of BBH) and the ongoing businesses of S&N for the 12 months to October 2001.)

It was expected that the financial effects of the transaction would include the following:

*   the transaction would become earnings enhancing in the second full year post completion as a result of the growth characteristics of Hartwall and the merger benefits that should accrue from the transaction;

*   merger benefits were expected to include improved purchasing terms, the adoption of best practice and brand synergies; and

*   it was indicated that based on the closing share prices on 13th February 2002 (being the last trading day prior to this announcement), S&N and Hartwall had a combined equity market capitalisation of £4,777.2 million, on the basis that the Hartwall K shares were valued at the same price as the Hartwall A shares.

It was further stated that after completion of the transaction, the following management changes would be implemented:

*   Erik Hartwall, Managing Director of Hartwall Holding, and Henrik Therman, Chairman of BBH, would become directors of S&N;

*   Jussi Lansio, Managing Director of Hartwall would become a member of S&N's Group Management Board with management responsibility for the Hartwall businesses;

*   Brian Stewart, Chairman of S&N, would become a director of BBH replacing Gustav von Hertzen, Chairman of Hartwall, who would act in an advisory capacity to the Enlarged S&N Group;

*   Ian McHoul, Group Finance Director of S&N, would become a director of Hartwall; and

*   within the Enlarged S&N Group, the Hartwall business would continue to be managed from Helsinki and the existing management arrangements for Hartwall and BBH would remain in place.

REASONS FOR RECOMMENDING THE OFFER

The principal attractions of the transaction, as identified by Hartwall, were:

*   through the scale and resources of the combined group Hartwall was confident that it would be able to deliver better value to its consumers and customers;

*   the two companies shared the same ambition of achieving strong market positions through the development of outstanding brands;

*   it was considered that through its European brewing know-how, leading market positions and well-known brands S&N was an optimal partner for Hartwall to play an active role in the consolidation of the industry;

*   in the combined group Hartwall would be in charge of its existing businesses;

*   the combination would not have any direct consequences on Hartwall's or BBH's employees, management or operations in Finland or in BBH's area of operations as there was no overlap in the operations of the companies; and

*   the scale and resources of the combined group would enable it to further develop Hartwall's strong position in the Northern and Eastern European markets and in addition, there were opportunities in leveraging the brands of each company (e.g. the export of Lapin Kulta).

REASONS FOR DISPOSAL

The principal reasons for Hartwall Holding's agreement to sell its shares to S&N, were:

* Hartwall Holding saw the transaction as an important step for Hartwall in taking part in the consolidation of the brewing industry;

* the offer represented an attractive opportunity for Hartwall shareholders to participate in a leading European brewer with a well-balanced market mix and strong expansion opportunities;

* the transaction improved Hartwall's abilities to develop its position in the Eastern and Northern European markets.

ANALYSTS' REACTION

Analysts gave some assessment of Hartwall Holdings' decision to sell Hartwall to S&N. One potential concern raised was that the Hartwall family might have predicted a downturn in the Russian economy, although analysts indicated that any slowdown was likely to be limited whilst there were reported to be signs of confidence in the region. However, it was highlighted that the selling shareholders of Hartwall did lower the risk profile of their holding through the greater exposure to the Western markets that the S&N stock holding provided. Another advantage to S&N's offer from the perspective of the Hartwall family was that the share consideration meant the avoidance of tax implications. Furthermore, it was highlighted that Carlsberg, a potential partner for Hartwall given the BBH holding, had failed to make an offer for the company in the period prior to S&N's offer. In this respect it was suggested that the Carlsberg Foundation had been reluctant to sanction any such cash investment, whilst Carlsberg's shareholder structure was such that it was difficult to issue share consideration as the Foundation did not wish to dilute its holding in the company. Similarly, another potential acquirer of Hartwall, Heineken NV, would not have been in a position to offer equity consideration.

From the perspective of S&N, the fact that the company was able to acquire Hartwall through a share offer was seen to be positive for a number of reasons. One issue raised by an analyst was the fact that the company had protected its cash balances, which was relevant in the context of a future put option that could be exercised by Danone SA in relation to the previous Kronenbourg transaction. However, analysts also welcomed the fact that the transaction meant that the previous shareholders of Hartwall retained an interest in the business going forward. In this respect it was indicated that whilst S&N had been criticised for not gaining management control in some of its transactions, the influence of established management in emerging markets could be seen as a strong positive. With respect to the Hartwall transaction, whilst S&N did gain control of the company, it was known to want to retain management in order to benefit from the knowledge and experience of a region to which S&N was a new entrant.

One analyst gave a detailed assessment on the implications that the transaction might have on Carlsberg's holding in BBH. In this respect it was highlighted that Carlsberg and Hartwall each had the option, from the beginning of 2002, to make an offer for the other partner's 50% holding in BBH. However, if the company to which the offer had been made chose to reject the bid, that shareholder was obligated to buy the other 50% stake at the same price, which made any potential operation a risky one. On the basis that Carlsberg had not attempted to gain control over BBH in the period leading up to S&N's bid for Hartwall (through either exercising the option, or attempting to acquire Hartwall), it was believed unlikely that the company would attempt such a move in the short-term. One longer-term outcome that the analyst thought possible was that S&N might use the BBH option as leverage to persuade Carlsberg to contemplate a full merger in the future.

NB. The views of the analysts whose comments have been summarised in the above paragraphs reflect only the observations of the limited number of analysts whose research has been made available to M&A Monitor. Accordingly the opinions expressed should not necessarily be assumed to be those of a representative cross-section of the analyst community as a whole.

COMMENTATORS' REACTION

Commentators initially responded positively to S&N's announcement of the offer for Hartwall, noting primarily that the move into Russia and the Baltic region exposed the company to a market with growth prospects, as opposed to its existing operations in European markets that had largely stagnated. The transaction was also seen to be positive as it diluted S&N's exposure to the pub industry. In addition to this it was widely agreed that BBH represented a strong company in its region. In particular one commentator noted that BBH was a successful and growing company with a viable strategy of making acquisitions and investing in its operations, which contrasted with some competitors that had seemingly suffered from problems such as corruption, bureaucracy and economic uncertainties in the area. It was also believed that BBH's acquisition of majority stakes in companies, rather than entire companies, meant that staff in its subsidiaries had remained motivated. However, although the entrance to the Russian market was welcomed in terms of the growth prospects this would bring, it was not seen to be wholly positive. Specifically one observer expressed concern that S&N had no experience in the Baltic and Russian markets, whilst it was also highlighted that the region had a high risk to it in terms of economic climate and general instability.

Furthermore, despite the generally positive initial response to the transaction amongst analysts S&N's investors reacted more cautiously than might have been expected, and S&N's share price fell at the announcement. Commentators assessing this reaction indicated that investors had been concerned at the dilution of earnings that S&N had reported would occur, as well as the fact that its holding in BBH would only be 50%, and it would therefore not have full operational control of the company. Observers also believed that arbitrageurs short-selling S&N stock to buy Hartwall stock might have caused the fall in share price. Finally, it was indicated that investors might have been expressing disappointment over the fact that a much speculated upon three-way merger between S&N, South African Breweries Plc and Miller Brewing Company, of the US, would be less likely to take place. Indeed, observers also noted that South African Breweries' share price fell at the time of the announcement and it was assumed that this was for the same reason. It was similarly reported that Carlsberg's share price dropped (in part as a result of the Hartwall announcement, and in part due to poor 2002 financial performance projections), amidst concern that S&N might try to force a sale of its stake in BBH. However, both parties at the time of the announcement indicated that they intended to retain the BBH 50-50 partnership (for further discussion on the partnership agreement see the "Analysts' reaction" section). With respect to S&N's share price in the medium term following the announcement, it was reported that the stock rose, as investors gave further consideration to the positive implications of the transaction.

In terms of the prospects of BBH going forward, commentators expressed some caution on how the working relationship between Carlsberg and S&N might develop, given that the companies were more familiar with competitive roles in the UK market. However, there was also some speculation that Carlsberg might chose to broaden its new relationship with S&N at some time in the future, although this theory was not expanded upon. For S&N as a whole, one commentator suggested that the transaction might make S&N an attractive target for a company such as Anheuser Busch. In addition to such speculation on S&N as a potential transaction target, commentators generally agreed that the company might itself now be in a position to sell its 1,450 estate of pubs, although S&N denied that this was probable. Specifically it was suggested that the acquisition of Hartwall would replace any earnings that might otherwise be missed if S&N sold its pub business, whilst such a sale would also be positive from the point of view of S&N's £3.3 billion debt position following the transaction. Another commentator indicated that whilst the Kronenbourg transaction had largely filled a gap in S&N's Western Europe portfolio, the company still did not have a presence in Germany and it was suggested that this might be the focus of a future transaction.

In terms of the reasons behind Hartwall Holding's decision to sell to S&N, one Finnish commentator indicated that the younger generation of the family had encouraged the move. In this regard, the commentator suggested that there was some regret that Hartwall was being sold to a company that had no experience in the Finnish, Russian and Baltic markets. Further analysis on the reasons behind Hartwall Holdings' sale of Hartwall to S&N is provided in the "Analysts' reaction" section.

Commentators assessing the value of the transaction gave a mixed reaction to the price that S&N had agreed to pay for Hartwall. Initially, it was considered that the price paid was reasonable in view of the growth prospects that came as a result of the acquisition. The fact that S&N was making a share offer was also deemed to be a positive aspect of the transaction, despite the dilutive effect to existing S&N shareholders (it was also highlighted that once S&N had achieved a level of two thirds acceptances, it would be able to offer a cash alternative). However, some analysts believed that the price seemed high considering the exposure to a riskier market, and given that the acquisition of Hartwall would not be immediately earnings enhancing. One observer also noted that whilst S&N indicated that the transaction put an enterprise value of Hartwall of 10.1 times 2001 EBITDA, if BBH's minorities were accounted for differently, the multiple was closer to 11 times EBITDA. Another analyst expressed concern over the fact that S&N's debt would rise to £3.3 billion following the acquisition, which compared the company's market capitalisation of £3.7 billion on the day prior to the transaction announcement.

Another aspect of the transaction that one commentator highlighted was that it was in line with S&N's strategy to expand through "merger" transactions, which involved the acquired company retaining an interest in the enlarged company. In this regard it was highlighted that Danone had retained an interest in S&N in the Kronenbourg transaction. This strategy was seen to diverge from an increasing trend in the brewing industry for acquisitions to be effected through an auction process. Specific examples that were provided included Interbrew's acquisition of Bass Brewers and Brauerei Beck following auctions of those companies, as well as Interbrew's sale of Carling Brewers to Adolph Coors Company using the same process.

In the context of the broader industry as a whole, commentators noted that S&N's acquisition was one of a number that had previously taken place that reflected the need for European brewers to invest in developing markets in order to achieve growth. The most recent such transaction was Heineken NV's acquisition of Bravo International in Russia. South African Breweries was another company that had made a significant acquisition in an emerging market with its purchase of Cerveceria Hondurena, the sole brewer in Honduras. In this regard, it was indicated that companies were resorting to entry into emerging markets in response to the fact that Western markets had largely matured, whilst the beer segment had also been weakened by a consumer trend towards drinking bottled products such as Bacardi Breezer and Smirnoff Ice. Another observer highlighted that the acquisition followed a period of global consolidation in the industry, that had reduced the scope for further transactions amongst the larger brewers as these were increasingly likely to face regulatory problems (an example included Interbrew's forced divestiture of Carling Brewers following its acquisition of Whitbread Brewing Company in the UK, and the subsequent failure to gain regulatory approval for its acquisition of Bass Brewers). It was therefore believed that this had contributed to the trend of companies buying into emerging markets.

Payment Details

OVERVIEW

It was stated in Hartwall's press release (14/02/02) that S&N's offer valued the Hartwall business at €1,981 million. For information purposes it was further stated that on the basis of the closing price of an S&N share on 13th February 2002, being the day prior to the announcement of the offer, each Hartwall A share was valued at €29.9 per share. Hartwall also indicated that the valuation represented an EBITDA multiple of 10.1x on 2001 results and approximately 8.8x based on market forecasts for 2002 [*].

NB. Hartwall had only two classes of share capital in issue, A shares (quoted) and K shares (unquoted). Each A share had one voting right attached. Each K share had 20 voting rights attached.

[*] In fact, the following table, sourced from S&N's presentation (14/02/02), shows the range of prospective transaction multiples based on analysts' forecasts for fiscal 2002:

	Prospective 2002 multiples
EBITDA	8.2x - 9.3x
EBIT	11.1x - 12.5x

THE OFFER

S&N's recommended share offer for Hartwall's A and K shares is outlined below:

For each Hartwall A share	3.152 new S&N shares; and
For each Hartwall K share	3.152 new S&N shares

DIVIDENDS

It was indicated in S&N's press release (14/02/02) that Hartwall would pay a dividend of €1.11 for each Hartwall A share and €1.10 for each Hartwall K share before the completion of the offer. This dividend would be retained by Hartwall shareholders accepting the offer terms. M&A Monitor has not included the payment of this dividend in its equity value calculation for Hartwall, as it is the policy of this database not to include dividend payments that would have been made regardless of any offer for the company.

For information purposes, it was stated in Hartwall's press release (14/02/02) that taking into account the proposed dividend to be paid, the total value of Hartwall was €2,054 million or €31.0 per share, which represented a 22.2% premium to the Hartwall closing share price on 13th February 2002 on the Helsinki Exchanges.

OPTIONS & WARRANTS

M&A Monitor confirmed with a contact that there were no outstanding options and warrants at Hartwall at the time of the transaction.

TREASURY SHARES

M&A Monitor confirmed with a contact that there were no treasury shares at Hartwall at the time of the transaction.

SHARE DATA

It should be noted that in order to accommodate the format of the M&A Monitor database the share prices of S&N, as provided in the "Share data" section have been converted from sterling to euros at the exchange rate prevailing at the date of the announcement (£1 = €1.64).

It should also be noted that, consistent with other transactions on the M&A Monitor database, the share prices provided for Hartwall reflect its closing price at 9 pm, as sourced from the Helsinki stock exchange. For information purposes, it was stated in Hartwall's press release (14/02/02) that on the basis of the closing price of an S&N share on 13th February 2002, being the day prior to this announcement, each Hartwall A share was valued at €29.9 per share, representing a premium of 17.8% to its closing price of 13th February 2002. However, this bid premium calculation is based on the 6 pm closing price of Hartwall of €25.4, whereas, on the basis of the 9 pm closing price of €25.3, a premium of 18.2% can be calculated.

NET DEBT

Net debt is stated as at 31st December 2001 as derived from Hartwall's preliminary balance sheet (31/12/01). The calculation is provided below:

As at: 31/12/	2001
Short term deposits	8.0
Cash in hand and at banks	18.8
Interest bearing liabilities	(211.8)

Net debt	(185.0)
	=====

TARGET FINANCIALS

1) Profit and loss account

The profit and loss account is for the year ended 31st December 2001, as sourced from S&N's offer document (25/04/02).

It should be noted that in order to accomodate the format of the M&A Monitor database:

* amounts relating to "associated income" have been shown above the "operating profit" line and an adjustment has been made to operating profit accordingly.

2) Balance sheet

The balance sheet is stated as at 31st December 2001, as sourced from S&N's offer document (25/04/02).

It should be noted that:

* "other liabilities/provisions" included "provisions", "appropriations", "deferred tax liabilities" and "long-term liabilities";

* "creditors" represented "short-term liabilities"; and

* no exact breakdown is available of Hartwall's interest bearing liabilities of €211.8 million as between short and long term indebtedness and so such liabilities are effectively included within the global totals shown under the headings "other liabilities/provisions" and "creditors".

INDUSTRY SPECIFIC MULTIPLES

On the basis of the approximately €1,981.4 million equity value figure and Hartwall's sales volume [*] of 16,057,000 hectolitres in the year ended 31st December 2001, the following industry specific multiple can be calculated:

Price per hectolitre of sold output €123.39

On the basis of the approximately €2,276.1 million enterprise value figure and Hartwall's sales volume [*] of 16,057,000 hectolitres in the year ended 31st December 2001, the following industry specific multiple can be calculated:

Price per hectolitre of sold output €141.75

[*] Including 50% of BBH's volumes.

Target Details

I) OVERVIEW

Hartwall, a public company listed on the Helsinki stock exchange, was Finland's leading beer and soft drinks manufacturer. It brewed and bottled beverages on three sites in Finland. Hartwall also owned 50% of BBH, a 50-50 joint venture with Carlsberg Breweries, which was the leading beer company in Russia, Estonia, Latvia and Lithuania and held the number 3 position in the Ukraine. Hartwall had achieved 5 year CAGR of 19.1%. In 2001, Hartwall's aggregated sales volume were 1,605.7 million litres, of which 1,191.8 million litres (50%) was attributable to BBH. For information purposes, the market capitalisation of Hartwall on 13th February 2002, being the day prior to the announcement of this transaction, was €1,681.5 million, based on the closing price of Hartwall A shares and valuing the K shares at the same price.

II) OPERATIONS

1) Hartwall in Finland

Hartwall was the market leader in beer and beverages in Finland, with a market share of some 45%. Leading beer brands included Lapin Kulta, the market leader with a 30% share of the beer market, Karjala and Legenda. Hartwall also had substantial businesses in bottled water, where Hartwall Novelle was the market leader, cider and soft drinks. At the time of the announcement of this transaction Hartwall was in the process of investing €225 million, of which approximately half had been invested by the end of 2001, in rationalising its brewing, bottling and distribution operations. The brewing of Lapin Kulta would continue at Tornio while all other operations would be focused on Lahti. Hartwall employed some 1,500 people in Finland.

2) Baltic Beverages Holding (50% owned by Hartwall)

BBH operated in the beverage markets of the former Soviet Union and was active in the Baltic countries, Russia and Ukraine. The company was registered in Sweden, but a Finn, Christian Ramm-Schmidt, led its management, and its operations were located in Helsinki, Stockholm and Tallinn. BBH focused on the high quality domestic mainstream and premium beer segments. Together these represented the largest sector of the market and one that was expected to grow at the expense of low quality products. BBH owned a number of strong brands, including Baltika, the no.3 brand in Europe. In 2001 BBH had an output of 2,384 million litres, which had increased by 30.3% from the previous year and had 1996 -2001 CAGR of 50%. BBH had 10,700 employees.

2.1) Subsidiaries

The following table, derived from information provided in S&N's press release (14/02/02) shows BBH's holdings in the Baltic region

Company	Country	% Holding	Date of initial acquisition
Saku	Estonia	75.0 %	1991
Aldaris	Latvia	75.0 %	1992
Baltika	Russia	75.0 %	1993
Slavutich	Ukraine	81.0 %	1996
Yarpivo	Russia	60.0 %	1996
Tula Brewing	Russia	74.0 %	1997
Baltika-Don	Russia	63.0 %	1997
Utenos Alus [*]	Lithuania	99.0 %	1997
Lvivska Pivovarna	Ukraine	99.0 %	1998
Zolotoy Ural	Russia	75.0 %	1999
Pikra	Russia	61.0 %	1999
Vena	Russia	49.9 %	2001
Voronezh Brewery	Russia	70.0 %	2002

It was stated in S&N's press release (14/02/02) that BBH's acquisitions and investments had been made through local subsidiaries, the largest of which was Baltika in Russia. The focus had been on breweries with local brands and strong market positions. Following each acquisition, the parent companies had invested in new technology and know-how focusing on improving both the quality of the beer and the efficiency of the operation. The sales, marketing, distribution and production systems were updated. The breweries were run autonomously by local management that worked closely with BBH management.

[*] In 2002 the merger of Utenos Alus and Svyturys (in which Carlsberg Breweries held a controlling interest) was announced, which would give BBH 44% and management control of the combined business.

2.2) Key figures

The following table shows key figures on the performance of BBH's subsidiaries:

Country	Market growth 2001	BBH volume (mhls) (mhls)	BBH volume growth	BBH market share	BBH rank
Russia	18 %	19.1	33 %	30 %	1
Baltic countries	5 %	2.2	9 %	46 %	1
Ukraine	16 %	2.6	32 %	18 %	3

III) FINANCIAL PERFORMANCE

The profit and loss account of Hartwall for the years ended 31st December 2001 and 2000, as sourced from the company's preliminary results announcement, is provided below:

(€million)	2001	2000
Net sales [*]	807.6	612.0
Other operating income	8.8	4.6
	-----	-----
Operating costs	591.3	461.3
Depreciation	62.6	2.5

	-----	-----
Operating profit [*]	162.5	102.8
Financial income and expenses	(11.5)	(7.9)
	-----	-----
Profit/loss before taxes	151.0	94.9
Taxes for the period	(25.5)	(24.7)
Minority interests	(32.5)	(18.7)
	-----	-----
Net profit	93.0	51.5
	=====	=====

[*] Of Hartwall's 2001 net sales €489.2 million were attributable to BBH, and of the company's 2001 operating profit €139.4 million was attributable to BBH. For the avoidance of doubt, in 2001, the total net sales of BBH were €978.4 million and the total operating profits of BBH were €278.2 million.

Sources used:

S&N press releases (23/01/02)(14/02/02)(05/04/02)(09/04/05)(26/04/02)(13/05/02)(15/05/02)(16/05/02)
Hartwall press release (14/02/02)
S&N presentation (14/02/02)
S&N offer document (25/04/02)
S&N circular (25/04/02)
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