

M&A Disputes Survey

2015



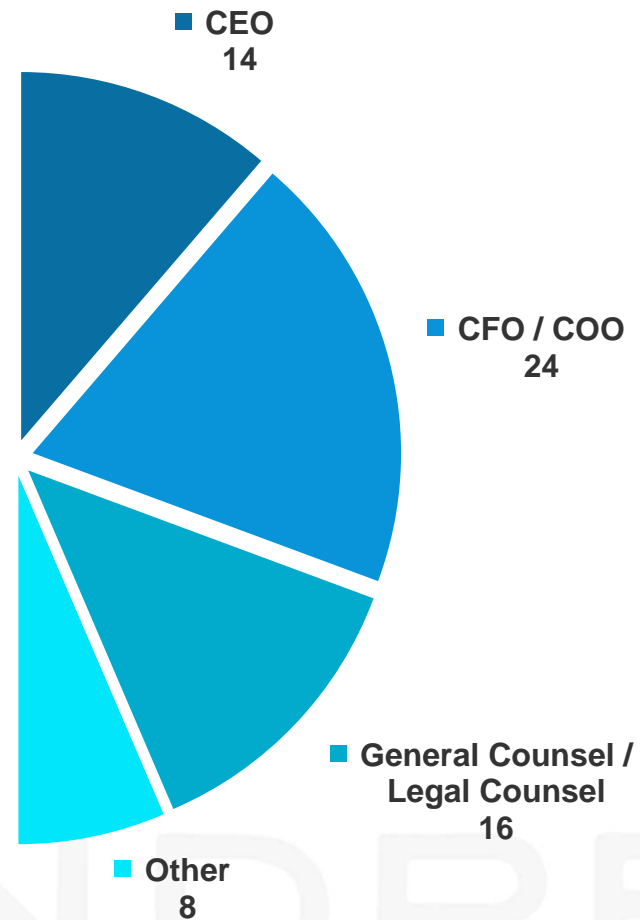
DITTMAR & INDRENIUS

The survey reviewed causes of, ways of resolving and implications of M&A disputes.

Respondents were from 62 different Finnish companies (public companies, TE500 companies and PE firms).

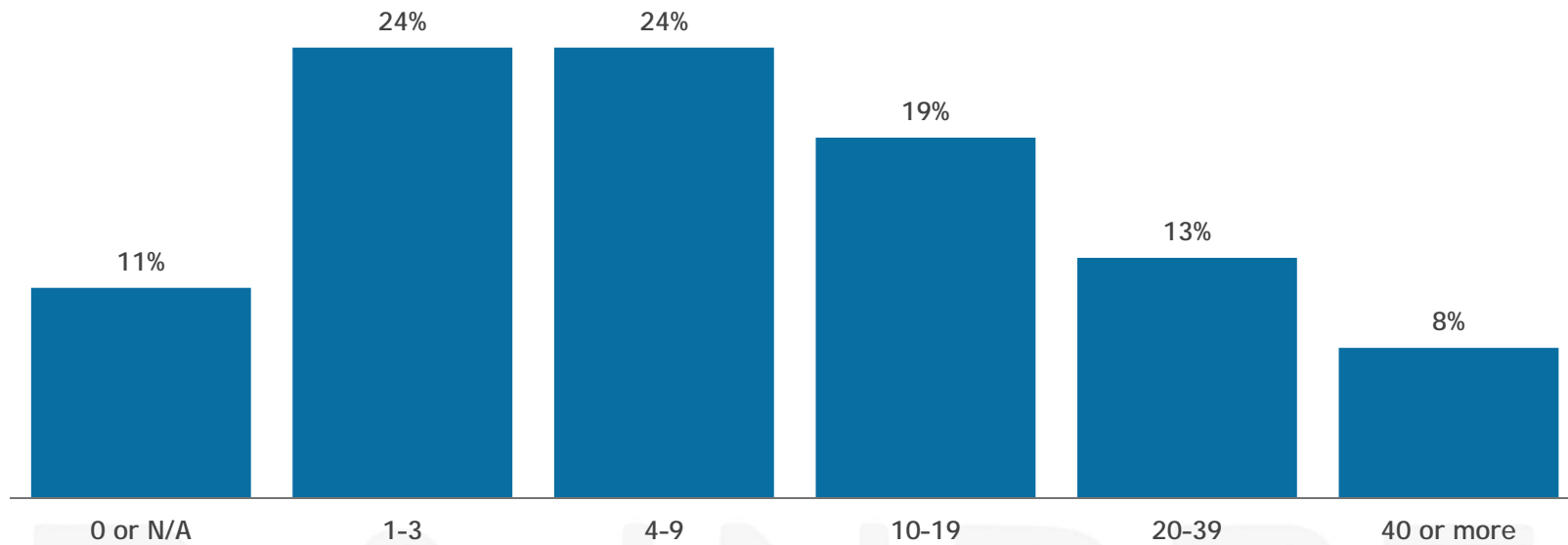
Respondents had been involved in 752 M&A transactions during the past five years.

The survey was conducted together with Pohjoisranta Burson-Marstellerin in November 2015.



Number of M&A Transactions

How many M&A transactions have you been involved in during the past five years? | (n=62)



Increase in M&A Disputes

In general, has the number of M&A disputes increased during the past five years? | (n=62)

"The number of disputes has increased, this is caused by poor times."

"Contracts are more complex, interpretation issues cannot be avoided."

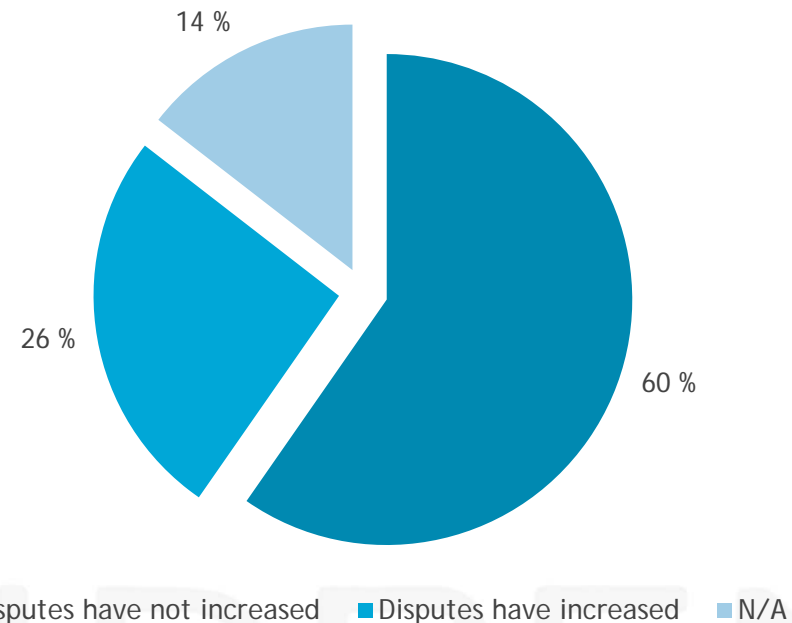
"Increased sophistication and the more challenging economic climate are the causes. Corporate results are volatile and estimates fail."

"Usually disputes arise when you have issues in general, the economically challenging times may be one reason. Another reason may be that the general willingness to litigate has increased [in Finland]. Contracts have become so complex that they become prone to disputes."

"The legal climate has tightened. Nowadays you are more detail oriented."

"The cause is the increasing complexity of the operating environment."

"There has been an increase, one reason is new areas of business."



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estimate that the number of M&A disputes has increased during the last five years.

81%

of the respondents have been involved in an M&A dispute during the last five years.

79% 2011

Disputes settled

88% 2015

Most Common Causes of Dispute

- 1.** Purchase price mechanism
- 2.** Ancillary agreements
- 3.** Possible additional purchase price

Causes of Disputes

37%

Possible additional purchase price

36%

Purchase price mechanism

29%

Ancillary agreements

21%

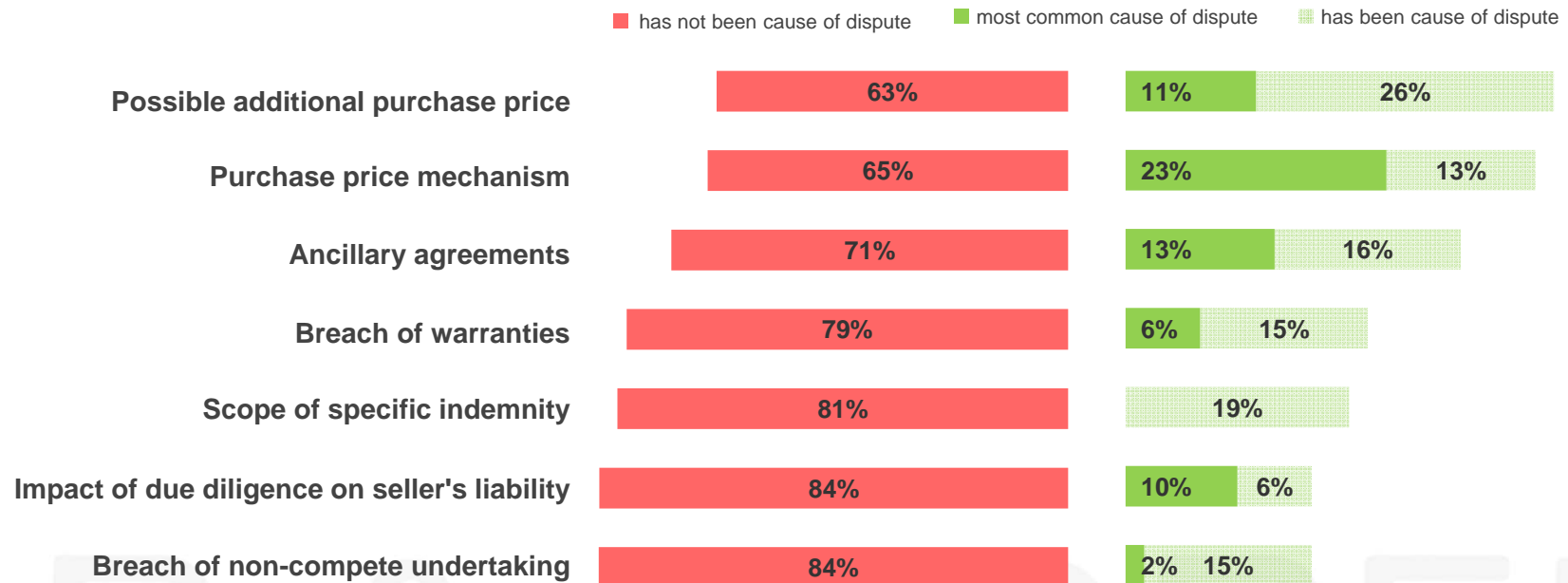
Breach of warranties

19%

Scope of specific indemnity

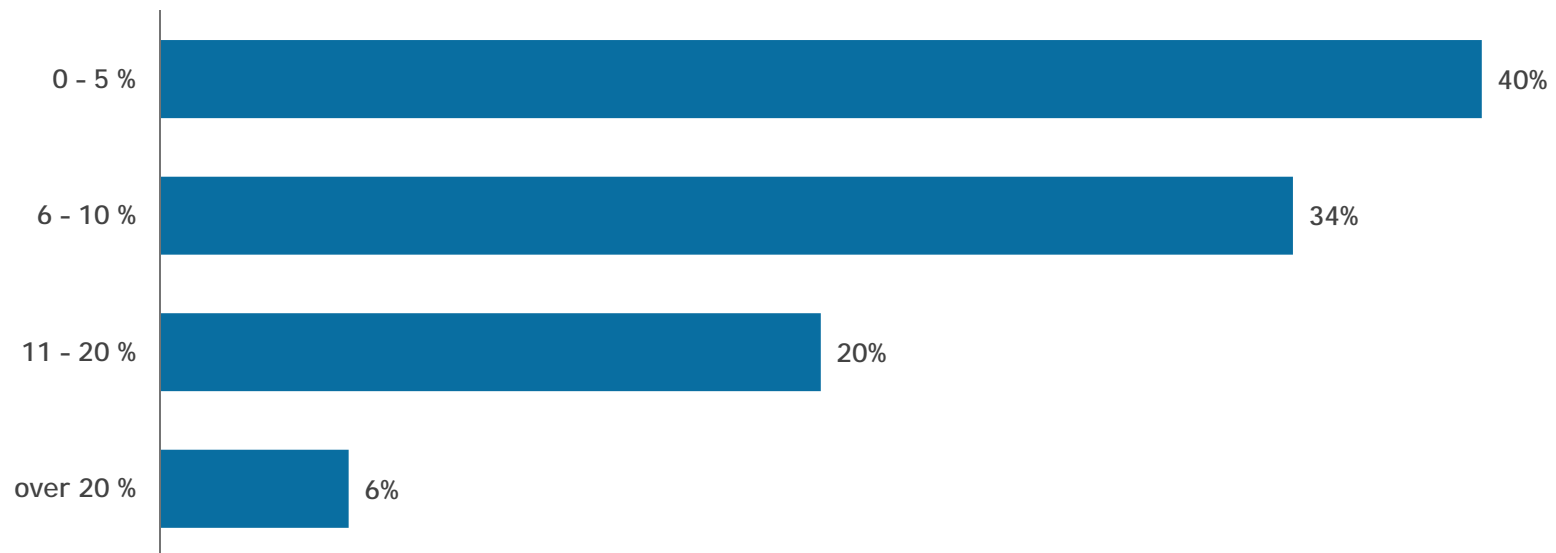
Causes of M&A Disputes

Which of the following have been causes of dispute? What is the most common cause of dispute? | (n=62)



Amount at Dispute Compared to Purchase Price

In your estimate, what was, on average, the amount at dispute compared to the purchase price? | (n=35)

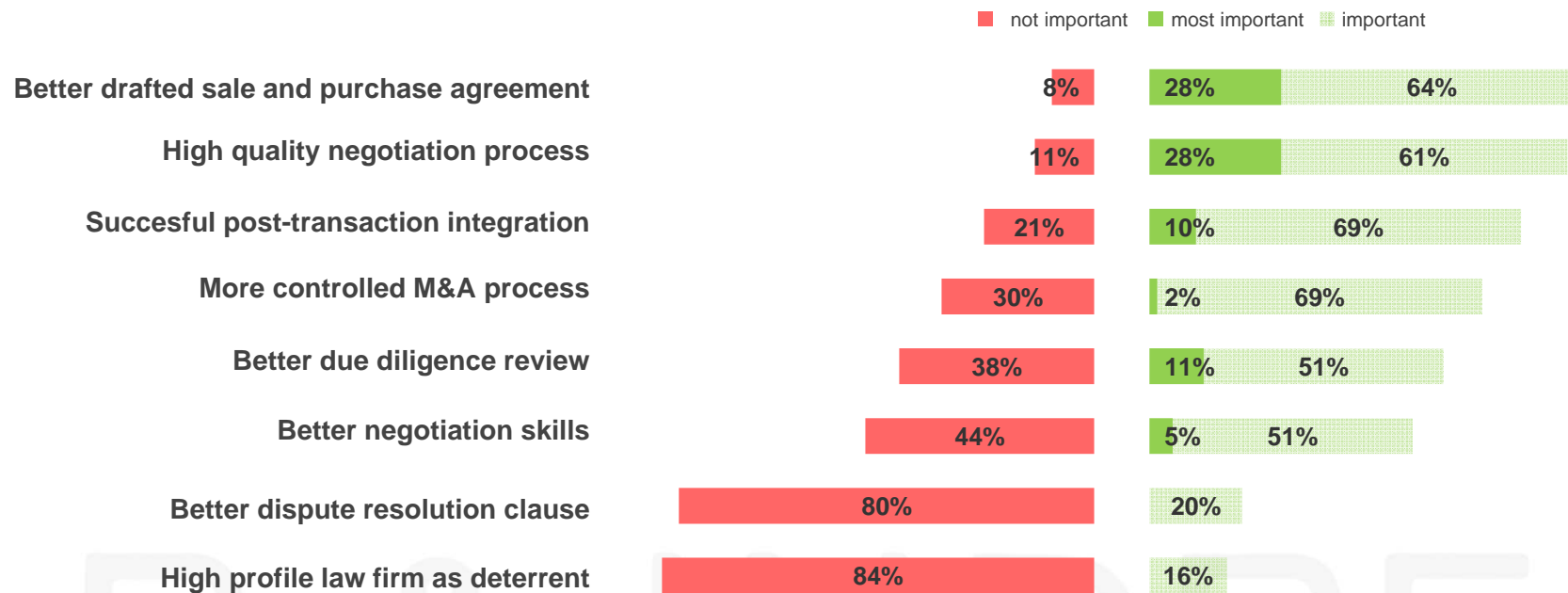


Key Ways of Avoiding Disputes

- 1.** Better drafted sale and purchase agreement
- 2.** High quality negotiation process
- 3.** Better due diligence review

How to Avoid M&A Disputes

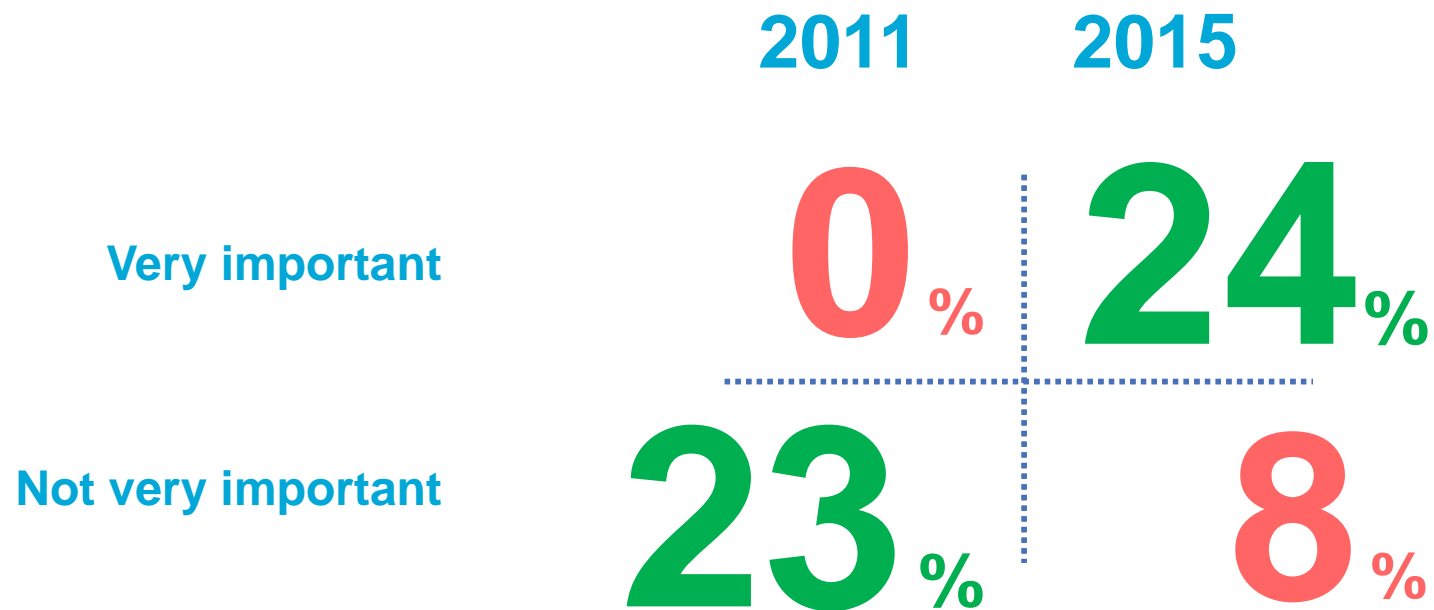
Which of the following are important in avoiding a significant part of M&A disputes. Is one of these the most important?
 | (n=61)



Other Ways of Avoiding M&A Disputes

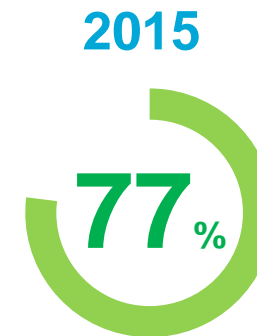
- "Transparency. Both parties 'play with open cards'."
- "A good knowledge of the field of business during the process"
- "Good preparation"
- "Management being intensely committed to the process"
- "Both sides are flexible, problem-solving attitude"
- "Atmosphere of trust between the parties"
- "Right people at the negotiating table"
- "Going back to the Finnish way of keeping your word"
- "Compromise friendly attitude in general. This is not always the case in Finland."
- "Information flow between both parties' management"
- "Win-win -mentality and creation of atmosphere of trust"
- "Detailed purchase price mechanism in the sale and purchase agreement"

Importance of Law Firm Selection for Avoiding Disputes



Best Way to Resolve Disputes

Informal settlement negotiations



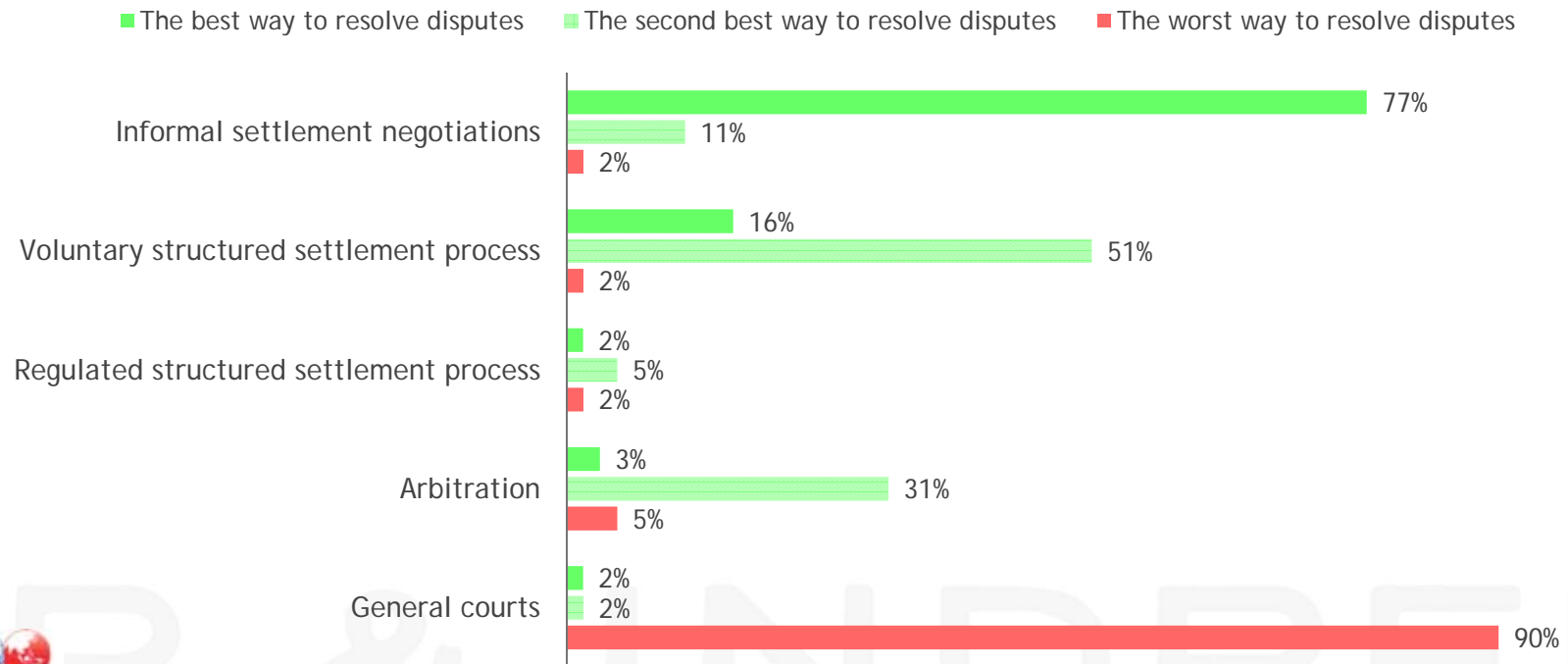
Worst way to resolve disputes

General courts



Resolving M&A Disputes

Of the following, which one is the best way to resolve an M&A dispute? And the second best? And the worst?
| (n=62)



Over $\frac{1}{2}$

value mutual benefit
and maintaining the
relationship for future
collaboration when
resolving disputes

Reasons for Selecting Informal Settlement Negotiations

1. Mutual benefit and maintaining the relationship
2. Cost efficiency
3. Speed

Estimated Duration on Average

Informal settlement negotiations less than **2** months

Voluntary structured settlement process less than **6** months

General courts minimum **1** year

41 %

feel that pending court or arbitration proceedings cause significant stress in the organisation

62 %

feel that pending court or arbitration proceedings take a significant amount of time from other important tasks

Competence of Courts in Resolving M&A Disputes




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