



CZECHINVEST

Investment and Business Development Agency

M&A REPORT

Quarterly M&A overview in the Czech Republic



Q3
2015

M&A REPORT – Q3 2015

Slight decrease

in deals on the European M&A market

Still popular

CEE region for Asian investors

110

Number of Listed M&A Projects by Trade Bulletin in Q3 2015

2

Number of Transactions Approved by the Office for the Protection of Competition in Q3 2015

| Time period | Total number of transactions |
|-------------|------------------------------|
| Q3 2015 | 110 |
| Q2 2015 | 180 |
| Q1 2015 | 101 |
| Q4 2014 | 166 |
| Q3 2014 | 144 |

M&A – Regional News

Despite the summer season and all the concerns about the global impact of a slowdown in China's growth and the long-term economic impact on Europe caused by the refugee crisis, the European market experienced just a slight decrease in the number of transactions in Q3, as well as the deal value was lower compare to the second quarter of 2015.

Nevertheless, we have seen a number of important transactions announced in Q3. The most active country regarding M&A was the United Kingdom followed by Germany and Spain. One of the largest deals in the third quarter was made in the Netherlands. It was the strategic tie-up in the fertilizers and nitrogen products sector between CF Holdings of the U.S. and Dutch OCI, a deal valued at EUR7.15bn. Ongoing investment trend of Asian investors in Europe has brought latest consolidation of the global insurance market. Japan's Mitsui Sumitomo Insurance Company bought U.K. insurance company Amlin PLC for GBP3.47bn. Another interesting deal was announced in automotive. Canadian auto parts maker Magna International acquired German transmissions manufacturer Getrag for EUR2.45bn, including assumed debt. The acquisition is part of the planned expansion of the Canadian company in gear sector and attempt to gain leading position in the market.

In the CEE region deal volumes and values remain at a relatively low level. The region is a popular destination for Asian investors and this trend persisted in the third quarter. Indian state-owned company ONGC Videsh acquired 15% stake in Vankor field from Russia's Rosneft for USD1.27bn. Vankorneft is one of Rosneft's largest oil-producing projects located in East Siberia of the Russian Federation. Another large deal is expected between Russia's Novatek and China's Silk Road Fund. They concluded a framework agreement on the acquisition by Silk Road Fund of a 9.9% equity stake in the Yamal LNG project.

Poland is one of the most active countries in CEE region regarding M&A and a good flow of deals is expected for the last quarter of the year. Mexican private equity fund Finaccess Capital acquired a 32% stake in the Polish company AmRest from Warburg Pincus fund for an undisclosed sum. United Internet's subsidiary 1&1 Internet SE bought Polish webhosting market leader home.pl S.A. from private equity fund V4C Eastern Europe for EUR135m.

In Slovakia, UK infrastructure fund Infracapital acquired Slovak company GGE which operates in energy sector for approximately EUR108m. GGE was owned by conglomerate Grafobal Group.

Czech Republic – Latest developments

In the third quarter the M&A activity in the Czech Republic was lower than in the second quarter of the year. Nevertheless, we have seen many interesting transactions on the Czech market, moreover, the low interest rates together with still growing Czech economy support the positive outlook for the M&A activity.

The statistical data used in this report were prepared by CzechInvest from the Trade Bulletin. Due to this fact, a time lag occurs between the announcement and the listing of a transaction, the time lag differs from case to case. Also, a high number of transactions are carried out for tax optimization purposes.

The third quarter of the year 2015 brought 110 deals in total. Compared to the previous quarter, the number of deals decreased by almost 40 % from 180 in Q2 2015 to 110 in Q3 2015. The most active sector in the third quarter of the year was Industry & Services with 38 transactions, followed by Real Estate with 29 transactions and Retail & Consumer Goods & Entertainment with 14 transactions.

"the higher volumes compared to Mergermarket are caused by the nature of Trade Bulletin which publishes all the changes in companies' structure that have to be reported. The high numbers of real estate sector are due to tax optimization when using a corporate ID. Also, the Trade Bulletin does not cover acquisition through trade of shares."

Q3 2015 in Numbers

38 Industrial Products & Services



5 Healthcare



6 Energy



3 Agro & Raw Materials



14 Retail & Consumer Goods & Entertainment



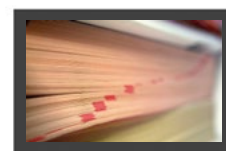
7 Financial Institutions



29 Real Estate

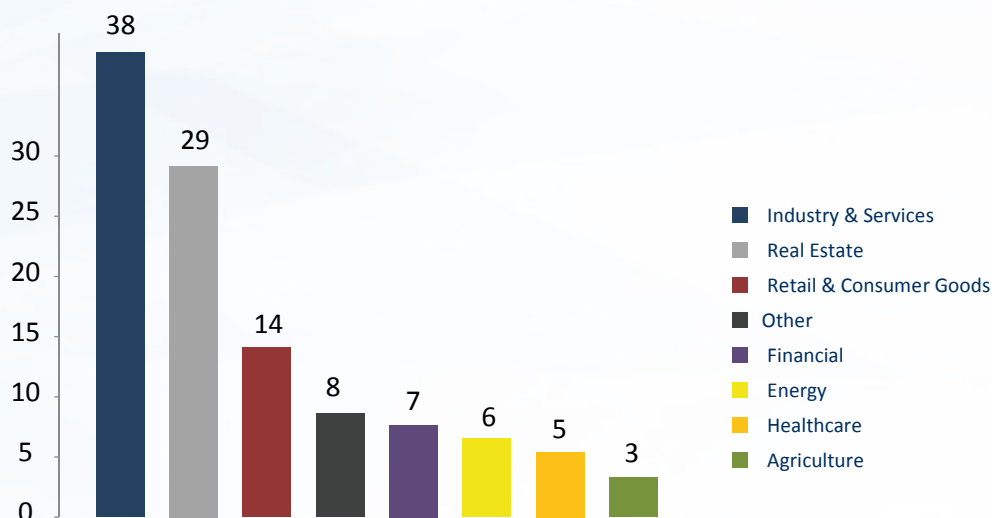


8 Other



Source: CzechInvest 2015; Trade Bulletin, data as of 30th September 2015

Structure by Sector – Number of Projects



Source: CzechInvest 2015; Trade Bulletin, data as of 30th September 2015

China's CEFC

made several acquisitions

Cross-border

acquisitions made by Czech companies

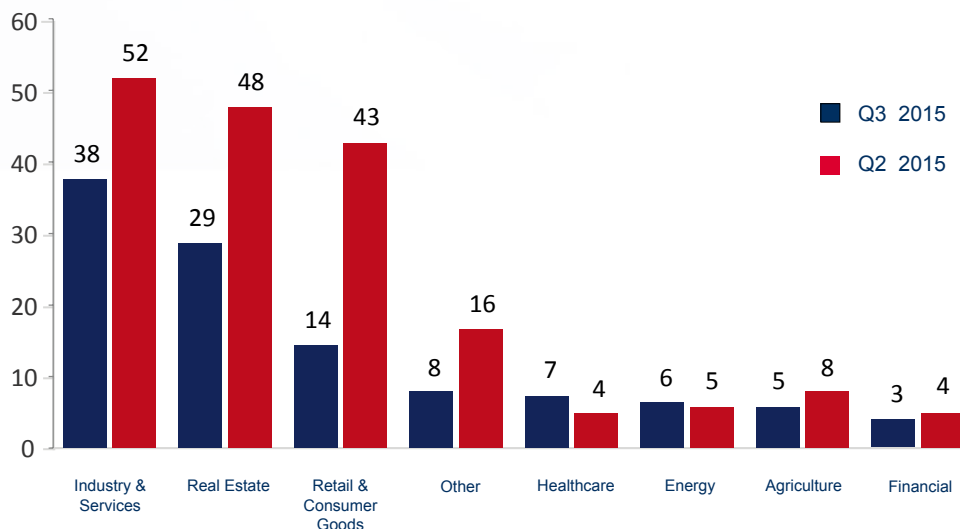
Listed Deals of the Quarter

The most significant mark on the Czech market has left China's CEFC that made several acquisitions. CEFC increased its stake in J&T Group to 9,9 %, acquired almost 80% stake in Lobkowicz Brewery, 10% stake in Travel Service, which would like to increase up to 49,92 %, 60% stake in football club Slavia Praha and minority stakes in Medea Group and Empresa Media, which in addition to publishing magazines also operates TV Barrandov. Another interesting transaction occurred in media sector when investment group Penta acquired 100% stake in the publishing house Vltava-Labe-Press from German group Verlagsgruppe Passau.

In financial sector, Raiffeisen acquired CITI's retail and credit cards operations, the transaction has to be approved by regulatory authorities. Raiffeisen also sold the Zuno Bank, its subsidiary active in the Czech and Slovak market, to Russia's Alfa Bank for approximately EUR35m.

There were other interesting deals in the third quarter, Allianz acquired insurance operations of Wüstenrot for an undisclosed sum. Weinhold Legal and EY have integrated effective as of September 1st, 2015. EY thus has expanded its portfolio by legal services.

We have seen few cross-border acquisitions made by Czech companies as well. Skoda Transportation acquired majority stake in Finland's TransTech, a manufacturer of the railway vehicles and engineering products for an undisclosed sum. Chemical producer Enaspol bought a production plant in Germany from its competitor Holding Hansa Gruppe, which is in insolvency.



Source: CzechInvest 2015 Trade Bulletin, data as of 30th September 2015

Mergermarket Insight



M&A activity remained flat in Q3 this year with the number of deals, 14, the same as in Q2. The total revealed deal volume however doubled over the three-month period from 261 to 558.

The top three deals over the three months all featured foreign buyers. The largest deal whose value was revealed by far was the sale of a 24% stake in J&T Finance Group and a 9% stake in J&T Private Equity by Istrokapital and Marian Hoffmann to existing shareholder Patrik Tkac of Slovakia for EUR 500m.

The next largest deals were the sale of the Merchant acquiring business of Erste Bank to Global Payments and CaixaBank of the United States for EUR 30m, and the sale of contract assembly and manufacturing company Miconex, to Ultra Clean Holdings, also from the United States, for EUR 21m.

Of the other nine transactions closed over Q3, seven of the buyers were Czech-based. Japanese companies were buyers in two of the 14 transactions while the other foreign buyers were from China and Sweden.

Although the number of deals closed, 14, was the same as the previous period it was again the lowest seen in the country since three years ago.

The consumer segment was the most active with three deals closed over the period, followed by the financial services, business services and industrials and chemicals sectors with two deals in each.

Czech companies acquired only two targets abroad over the period, the lowest number seen in a quarter for three years apart from Q1 2014.

Katka Krosnar

Czech M&A Sector Breakdown in Q3 2015

| Sector | Value (€m) | Number of Deals |
|-------------------------|------------|-----------------|
| Financial Services | 500 | 2 |
| Business Services | 30 | 2 |
| Industrials & Chemicals | 21 | 2 |
| Consumer | 7 | 3 |
| Leisure | | 1 |
| Media | | 1 |
| Real Estate | | 1 |
| Technology | | 2 |
| Total | 558 | 14 |

Source: Mergermarket 2015

Czech M&A Transactions in Q3 2015

| Announcement Date | Target | Target Dominant Sector | Bidder | Bidder Dominant Geography | Seller | Seller Dominant Geography | Deal Value (€m) |
|-------------------|--|-------------------------|--|---------------------------|--|---------------------------|-----------------|
| 6.VII.15 | J&T Finance Group AS (24% Stake); and J&T Private Equity BV (9.9% Stake) | Financial Services | Patrik Tkac (Private Investor) | Slovakia | Istrokapital SE; and Mario Hoffmann (Private Investor) | Slovakia | 500 |
| 27.VII.15 | Erste Group Bank AG (Merchant acquiring businesses) (51% Stake) | Business Services | Global Payments Inc; and CaixaBank SA | USA | Erste Group Bank AG | Austria | 30 |
| 3.VIII.15 | Miconex sro | Industrials & Chemicals | Ultra Clean Holdings Inc | USA | Stenen one as; and Juves one as | Czech Republic | 21 |
| 30.VII.15 | Hanacka kyselka sro (70% Stake) | Consumer | Karlovarske mineralni vody as | Czech Republic | Molinari Italia SpA | Italy | 7 |
| 29.IX.15 | United Bakeries as | Consumer | Edmond Muller (Private investor) | Czech Republic | Marko Parik (Private investor) | Czech Republic | - |
| 16.IX.15 | Ospap as | Business Services | Papyrus AB | Sweden | | | - |
| 9.IX.15 | Wuestenrot pojistovna; and Wuestenrot zivotni pojistovna as | Financial Services | Allianz pojistovna as | Czech Republic | Wuestenrot & Wuerttembergische AG | Germany | - |
| 4.IX.15 | SK Slavia Praha - fotbal as (99.94% Stake) | Leisure | Jiri Simane (Private investor); and CEFC China Energy Co LTD | China | | | - |
| 12.VIII.15 | Vltava-Labe-Press as | TMT | Penta Investments Limited | Czech Republic | Verlagsgruppe Passau GmbH | Germany | - |
| 11.VIII.15 | CZC.cz sro (35% Stake) | TMT | E-commerce Holding as | Czech Republic | Josef Matejka (Private Investor) | Czech Republic | - |
| 6.VIII.15 | RPG Byty sro | Real Estate | Round Hill Capital LLC | Czech Republic | RPG Property BV | Netherlands | - |
| 13.VII.15 | JRC Czech as | Consumer | Hamaga as | Czech Republic | Genesis Private Equity Fund II | Czech Republic | - |
| 9.VII.15 | IMPROMAT CZ spol. sro; and Impromat Slov spol. sro | Industrials & Chemicals | Ricoh Company Ltd | Japan | | | - |
| 6.VII.15 | WEBCOM as | TMT | Konica Minolta Business Solutions Czech spol sro | Japan | | | - |

Source: Mergermarket 2015

25

Active Members
by September 30th, 2015

2

New Projects
in Q3 2015

2

Project in Pipeline
by September 30th, 2015

CzechLink

CzechLink is a tool that helps to identify potential M&A targets for foreign investors. CzechLink is managed by CzechInvest, the Investment and Business Development Agency of the Czech Republic. Local companies wishing to participate in the CzechLink project undergo a business evaluation and financial analysis which enable us to efficiently match them with investors' needs, thus accelerating the process of identifying suitable potential acquisition targets.

Project details and up-to-date list of participants is available on the project website:

<http://www.czechinvest.org/en/czechlink-ma-platform>

For more information please contact us at czechlink@czechinvest.org.

Current Sectors in CzechLink

- Machinery, Power and Heavy Machinery
- Household
- Consumer goods
- IT
- Packaging
- Automotive
- Construction
- Textile
- Food & Beverages
- Electric Engineering

Source: CzechInvest 2015

New CzechLink members in Q3 2015

| Market | Activity | Legal Form | Equity offer | Headcount | Tot. Earnings (ths) | EBIT (ths) | EBITDA (ths) |
|----------------------|--|------------|--------------------------------|-----------|---------------------|-----------------|----------------|
| Electric Engineering | Production of cables with external diameter of up to 55 mm and operating voltage of up to 1 kV | JSC | Majority/ Minority | 64 | 120 997 CZK | -9 383 CZK | -2 159 CZK |
| | | | | | 4 395 EUR | -341 EUR | -78 EUR |
| | | | | | 5 832 USD | -452 USD | -104 USD |
| IT Industry | Website design and development, online marketing. | JSC | 100%/ Majority/ Minority | 32 | 45 792 CZK | 2 648 CZK | 3 644 CZK |
| | | | | | 1 763 EUR | 102 EUR | 140 EUR |
| | | | | | 2 341 USD | 135 USD | 186 USD |

Disclaimer: The sources used for this report were: Mergermarket Monthly M&A Insider, Allen & Overy M&A Insight, Zephyr Monthly M&A Report, Bloomberg, Reuters, StreetInsider, MarketWatch, Weinhold Legal, Trade Bulletin, E15, Lidove Noviny, CTK, Hospodarske noviny, Investicniweb. Interpretation of the data is based on CzechInvest expertise.

M&A Report – Background from CzechInvest

Shift Forward in Services

The global economy has been steadily developing and structural changes in Europe have also been noticed by CzechInvest. The large number of new projects has slowly declined but new interest in M&A opportunities both from foreign investors and local companies is on the rise.

CzechInvest has accepted this challenge to assist local companies in their search for foreign capital, to develop new possibilities that will boost the Czech economy, as we believe in the potential offered by the local business environment.

Continued cooperation with MERGERMARKET

We are proud to continue our partnership with Mergermarket. Thanks to this fact we are able to provide another and a very reliable source of data from the M&A environment. The different nature of the original sources brings a much more complex overview of the actual situation on the market.

Thank you!

CEE – Region of Interest

The year 2014 have brought the long awaited recovery and increased activity on the M&A market in the CEE region. We have seen several megadeals throughout the year as well as mid-sized transactions. The appetite to do M&As in 2015 remains strong as companies focus on investing available capital and taking advantage of relatively easily accessible external financing for acquisitions. Although we might witness several large deals this year, the M&A activity will be most likely driven by middle market transactions. The growing confidence in future economic development creates a favorable environment for M&As in CEE in 2015.

Target Area – Czech Republic

The Czech Republic is a relatively small market both in geographical terms and term of M&A when a single large transaction can cause bias in the statistics. Thanks to its proximity – both to the western and eastern European markets – foreign investors can find opportunities which are still very close to their operations in the western Europe but at the same time offering expansion into the whole CEE region. Local business and industrial environment is very well developed and offering ready-made solutions.



CzechInvest's Services

- Business intelligence
- Consultancy on available financial support for investment projects (investment incentives, EU structural funds)
- Identification of green/brownfield sites, production facilities and offices
- Identification of potential acquisition, joint-venture and supply partners
- Tailor-made visits to the Czech Republic
- Liaison with government bodies
- Aftercare services

All CzechInvest's services are provided free of charge.

CONTACT INFORMATION

CzechInvest – Investment and Business Development Agency

Stepanska 15
120 00 Prague 2
Czech Republic

PHONE: +420 296 342 475

E-MAIL: czechlink@czechinvest.org

www.czechinvest.org

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