



CZECHINVEST

Investment and Business Development Agency

M&A REPORT

Quarterly M&A overview in the Czech Republic

03

M&A REPORT – Q2 2013

Restructuring

forms most of the activity

197

Total Number
of Announced
M&A Transactions
in the Czech Republic in Q2

Double

Q2 2013 in Number of Listed
M&A Projects Compared
to Q1 2013

3

Number of Transactions
Approved by the Office
for the Protection
of Competition in Q2

M&A – Regional News

Although spring came late this year, it was still a carrier of a slightly more optimistic mood and news. The EU macro trends keep their negative outlook but CEE proves resilient. The Czech Republic government has even announced an intention to shift the policy from cuts to spending. Probably the most positive factor is the amount of news about new projects, especially if compared to the first quarter, which had significantly lower activity.

Regarding the activity in terms of mergers and acquisitions we have seen a larger amount of news and announced transactions. Poland is once again the regional leader in the amount of the interesting news. Scandinavian NORDEA is leaving Poland by selling its unit to PKO BP – one of Poland's largest banks. Another interesting transaction from Poland is Bupa's – international healthcare group – acquisition of LUX MED Group, the largest private healthcare provider in Poland from the private equity fund Mid Europa Partners. This transaction seems very logical due to the large Polish market and the rising level of disposable income in Poland. A sample of market growth and diversification can be found in Hungary as United Parcel Service Inc. has acquired the Hungarian pharmaceutical logistics company CEMELOG.

There is still one key message to be added – which is also clear from the statistics which we have prepared – much of the activity is related to restructuring inside of groups and smaller projects. Still the three above mentioned transactions are only a sample of the list of transactions from the region. All these news confirm one fact, that the restructuring in the region is in full process and it is not only about western capital but also domestic entities take their chances as they look for opportunities to move their business forward and cut the costs.

Local Market Recently

From the statistics point of view, the bloom of spring brought also a bloom in M&A activity; the number of listed transactions has dramatically risen compared to Q1. The numbers are even higher than those of autumn 2012. But it is important to point out that the main factor for the high numbers is the restructuring process in companies which is done due to reasons of tax optimization. Another factor is a linkage of the business cycle in terms of companies' activity and the season of the year, as everybody wants to finish business before summer holidays arrive.

The statistical data used in this report were prepared by CzechInvest from the trade bulletin. Due to this fact, a time lag may occur between the announcement and the listing of a transaction. The trend is still the same as in the rest of Europe. The real-estate sector still accounts for the biggest share of transactions. The other sectors have experienced a significant growth in their numbers compared to the previous quarter. Especially the agri sector has reached relatively high scores compared to the Q1 2013.

The current number of 197 transactions in Q2 2013 is double the value of Q1 2013 and 20 percent of Q4 2012. The trend of allocation is relatively similar but the overall share of real estate transactions has dropped and on the other side i.e. the agri sector has doubled its activity. But still, two-thirds of the 197 transactions were carried out in three sectors, with 1) real estate 2) industry and services together and 3) retail, consumer goods and entertainment.

Q2 2013 in Numbers

44 Industrial
Products & Services



12 Healthcare



8 Energy



15 Agro & Raw
Materials



36 Retail & Consumer
Goods & Entertainment



9 Financial Institutions



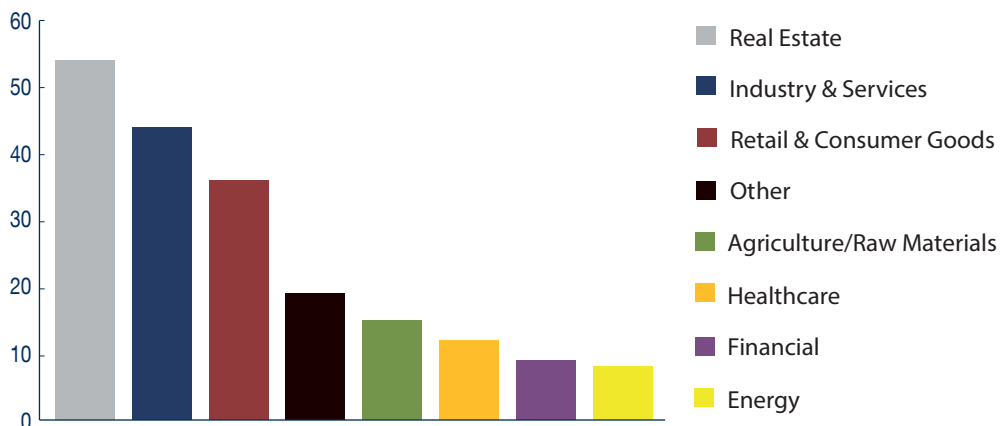
54 Real Estate



19 Other



Source: CzechInvest 2013; Trade Bulletin, data as of 30 June 2013



Source: CzechInvest 2013; Trade Bulletin, data as of 30 June 2013

40 mln EUR

Approximate New Turnover of Economia

3

New Brands Acquired by Unilever

36 mln EUR

Sales of Dial Telecom in Fiscal Year 2012

Listed Deals of the Quarter

The second quarter of 2013 has brought several interesting transactions. We have selected the following transactions as a sample of the local M&A environment. The first two transactions are domestic and the third one is cross-border.

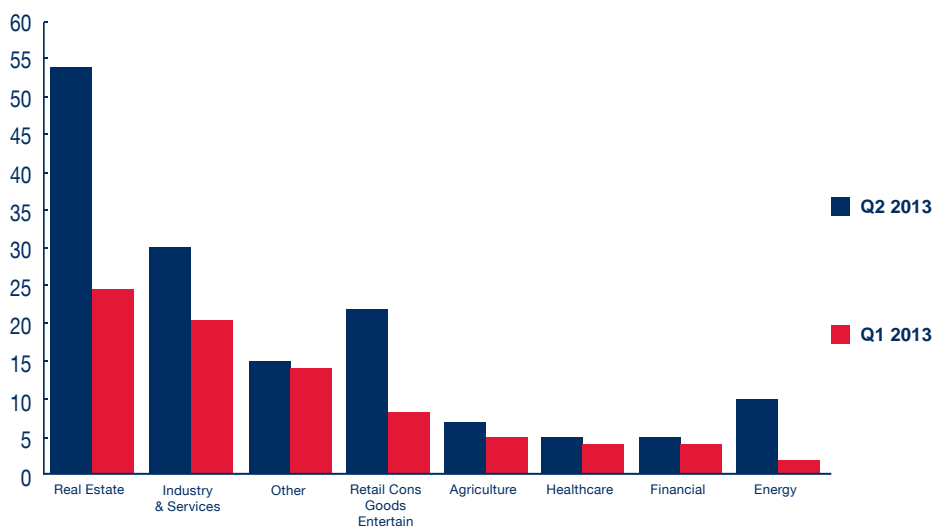
Economia, the largest publisher of economic and B2B periodicals in the Czech Republic, recently acquired Centrum Holding, which incorporates a series of local web portals. Warburg Pincus, a US private equity fund, was on the sell side and the final price was non-disclosed but the new company should reach a turnover of over EUR 40 million. The turnover of Economia in 2011 was approximately EUR 30 million. One of the reasons of the transaction is the expected launch of a brand-new newsroom by Economia.

Unilever, the owner of brands ranging from nutritionally balanced foods to everyday household care products, has bought three new brands from the Czech company Bochemie, which is engaged in production of disinfectants, household care products, and materials for metal surface treatment. The transaction includes transfer of the related trademarks, other intellectual property and selected employees. The production of the acquired brands will remain in Bochemie's premises in Bohumín. After regulatory approval, Unilever will become the local leader on the detergents market.

Dial Telecom, a Czech operator, has acquired STAR 21 Networks, which provides wholesale services to other operators, supported by fast wireless connections. STAR 21 Networks, a former subsidiary of the Canadian company Nortel Networks, is assigned one of the three national licences for provision of broadband access services in the 26 GHz band. This transaction was already announced in early 2012 but was listed in June 2013.

Source: CzechInvest, Bochemie, Economia, Dial Telecom, E15, MarketingSalesMedia

Time period	Total number of transactions
Q2 2013	197
Q1 2013	81
Q4 2012	148



Source: CzechInvest 2013; Trade Bulletin, data as of 30 June 2013

31

Active Members
by June 30th, 2013

3

New Projects
in Q2 2013

2

Projects in Pipeline
by June 30th, 2013

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.

Up-to-date list of participants is available on the project website:

www.czechinvest.org/en/czechlink

For more information, please visit www.czechinvest.org/en/czechlink or contact us at czechlink@czechinvest.org.

Current Sectors in CzechLink

- Machinery, Power and Heavy Machinery
- Household
- Healthcare
- Nano Textile
- IT
- Automotive
- Construction
- Textile
- Food & Beverages
- Construction

Source: CzechLink 2013

New CzechLink members in Q2 2013

Market	Activity	Tot. Earnings (ths)	EBITDA (ths)
Electric Engineering/ Cleanroom Environment	Production monochromatic LCD displays in a cleanroom environment of ISO7 and ISO8 levels	8,562 EUR	-33 EUR
Machinery	Machining, stamping, sheet metal bending and completion of products for machinery, firearms, precision optics, and aluminium profile systems	3,101 EUR	635 EUR
Machinery	CNC machining, subcontractor for aviation industry	4,689 EUR	610 EUR

Source: CzechLink 2013

M&A Report Volume 3 – 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.

CEE – Region of Interest

Though western economies are still facing hard times, the companies are trying to enhance their business and penetrate new markets while looking for new opportunities which are just around the corner. The relatively good situation on the market is also due to the relatively good growth forecast, especially compared to the EU 15. It will be interesting to check development of the global M&A trend that shows the rising popularity of the life-sciences and high-tech sectors.

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

Our Objectives:

- to advise and support existing and new companies and foreign investors in the Czech Republic
- to support the competitiveness of the Czech economy
- to create a space for communication between foreign investors, the state administration and Czech companies

All of CzechInvest's services are free of charge.

CzechInvest, the Investment and Business Development Agency, is an agency of the Ministry of Industry and Trade. Established in 1992, the agency contributes to attracting foreign investment and developing domestic companies through its services and development programmes. CzechInvest also promotes the Czech Republic abroad and acts as an intermediary between the EU and small and medium-sized enterprises in implementing structural funds in the Czech Republic. Our systems of quality management and information security were certified by Quality Austria and Certification & Information Security Services in accordance with ISO 9001:2008 and ISO 27001:2005.

CONTACT INFORMATION

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