



CZECHINVEST

Investment and Business Development Agency

M&A REPORT

Quarterly M&A overview in the Czech Republic



02

M&A REPORT – Q1 2013

CEE

Is Still Awaiting
Recovery

81

Total Number
of Announced
M&A Transactions
in the Czech Republic
in Q1

45% fall

In Number of Listed M&A
Projects in Q1 2013
Compared to Q4 2012

6

Number of Transactions
Approved by the Office
for the Protection
of Competition in Q1

M&A – Regional News

Spring has taken its time arriving to the region this year, as has the recovery from the crisis. Even though rumours already contain signals of positive expectations, the real recovery has still not appeared. One of the reasons for this is the continuing stagnation of the EU 15, which is one of the main trading partners of the CEE countries. Though activity in the region has declined during the past two years, it is only a matter of time until growth resumes. However, the question remains as to when that will happen.

A transaction with a potential of a cross-border impact on the CEE region could come from the news of Deutsche Bahn AG being in negotiations with Veolia Transdev Central Europe. But behind these relatively large transactions, there is still a continuing trend of strong M&A activity in the manufacturing sector with midsize companies. In particular, the Visegrad Four group has recently experienced some interesting transactions. As for Poland, Henkel has decided to enlarge its operations by acquiring Polish laundry and home-care brands from PZ Cussons. From the Telco sector, Orange Poland is about to acquire Datacom Systems. Development in Hungary reflects the general forecast of fewer major deals, though MVM's acquisition of E.ON's natural-gas business is an exception. Due to the structure of the business environment, a similar situation exists in Slovakia, where GDF sold its in Slovakia's SPP to EPH from the neighbouring Czech Republic.

Financial problems and the necessity of restructuring are still important factors in business. The option of a merger, acquisition or a joint venture is seen not only as a way to grow a business but also as a way to avoid bankruptcy. The above-mentioned possibilities are available in either case.

Local Market Recently

In terms of M&A activity, the number of listed transactions almost correlates with the freezing temperatures of the winter's end. Compared to autumn 2012, there has been quite a decline in the number of listed projects in Q1 2013. But rather than the economic slowdown, the cause of the decline in listed deals is the period of the beginning of the year from the planning and decision-making perspective.

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. Although the real-estate sector still accounts for the biggest share of transactions, it is merely half of what we saw in Q4 2012. From a relative perspective, industry and services have experienced a smaller decline, though other segments did not perform any better than they had previously.

The current number of 81 transactions in Q1 2013 is half that of Q4 2012, but the allocation is the same. Two-thirds of 81 transactions were carried out in three sectors, with 1) real estate accounting for one-third and 2) industry and services together with 3) retail, consumer goods and entertainment comprising one-third.

Q1 2013 in Numbers

20 Industrial
Products & Services



4 Healthcare



2 Energy



5 Agro & Raw
Materials



8 Retail & Consumer
Goods & Entertainment



4 Financial Institutions



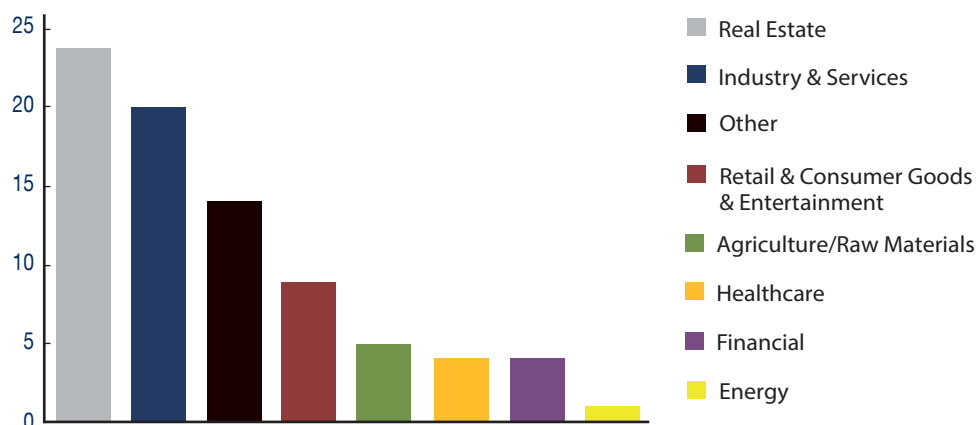
24 Real Estate



14 Other



Source: CzechInvest 2013; Trade Bulletin, data as of 31 March 2013



Source: CzechInvest 2013; Trade Bulletin, data as of 31 March 2013

3

Number of Transactions in Which AGROFERT Was Involved in Q1

40 mln EUR

Approximate Turnover of Crystalite Bohemia

984 mln EUR

Sales of Kapsch Group in Fiscal Year 2011

Listed Deals of the Quarter

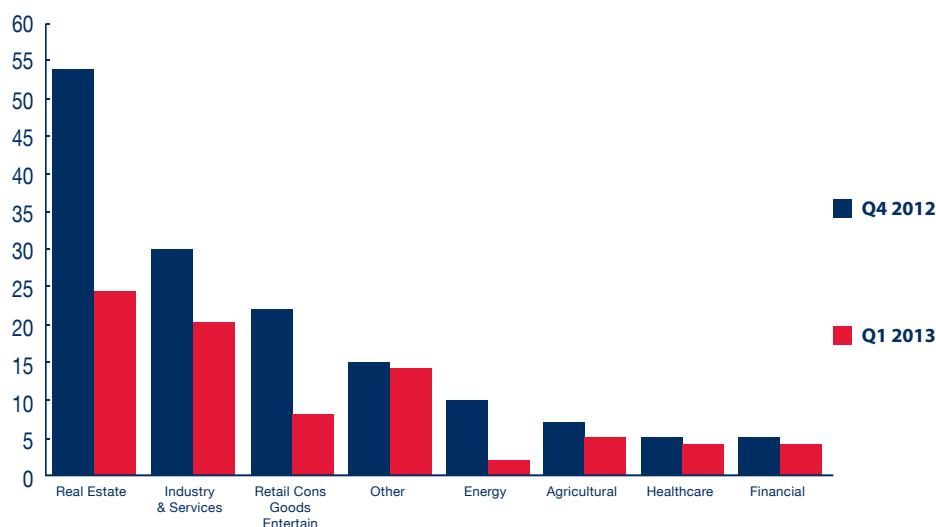
Besides the larger number of listed projects, Q4 2012 also offered slightly more interesting and significant transactions. On the other hand, there are interesting stories behind some of the Q1 2013 transactions.

The core player of Q1 is from the agribusiness – **AGROFERT**. The acquisition of **Recht s.r.o.** (agribusiness) was only one of the many planned by AGROFERT. Though AGROFERT's intention to acquire Recht was first mentioned in 2011, the transaction had to be approved by the Office for the Protection of Competition. Finally this March Agropodnik Hodonin (AGROFERT subsidiary) officially acquired Recht. Another AGROFERT transaction – the acquisition of **Mavex** group (agribusiness) – was approved by the Office for the Protection of Competition this January. Less visible but more important was AGROFERT's acquisition of **Jilos Horka** (wood processing), which has sales of approx. EUR 20 million, through **Wotan Forest**.

The **Moravske Sklarny Kvetna** glassworks is finally listed as having been acquired by **Crystalite Bohemia**. After serious problems dating back to 2002, Moravske Sklarny Kvetna has started massive exports to Russia and Arabic countries thanks to assistance from Crystalite.

Another interesting transaction is in the IT field, as **Kapsch BusinessCom** is strengthening its position on the local information technology market. Kapsch has acquired **Data Storage**, a leading specialist in comprehensive data storage, data back-up management, data migration and private and public clouds.

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



Source: CzechInvest 2013; Trade Bulletin

53

Application Processed
by March 31st, 2013

31

Active Members by March
31st, 2013

6

New Projects in Q1 2013

3

Projects in Pipeline
by March 31st, 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 Q1 2013

Market	Activity	Tot. Earnings (ths)	EBITDA (ths)
Machinery	Manufacturing of components for bikes and other small metal components. Metal forming, stamping, heat treatment, machining, surface treatment	1 504 EUR	60 EUR
Filling machines assembly – Welding	Production of washing and filling machines. Welding	2 326 EUR	73 EUR
Machinery	CNC machining production of precision rotating parts	3 758 EUR	478 EUR
Automotive/Machinery	Metal stamping, welding and the completion of products for tier 1 automotive customers, furniture fittings, car accessories distributors and electronics producers.	7 404 EUR	417 EUR
Household	Production of spliced veneer – covering material for wooden furniture	4 151 EUR	291 EUR
Plastic Components of Industrial and Consumer Goods	Injection moulding of small parts according to customer documentation - Electroengine components, insulation fixing, etc.	242 EUR	21 EUR

Source: CzechLink 2013

M&A Report Volume 2 – 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 positive growth forecast, especially compared to the EU 15. The top sectors have been private equity, energy and telecoms. It will be interesting to check development of the global M&A trend that shows the rising popularity of the life-sciences sector.

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.

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