



CZECHINVEST

Investment and Business Development Agency

M&A REPORT

Quarterly M&A overview in the Czech Republic

04

M&A REPORT – Q3 2013

Recovery?

...reported by statistical offices

125

Q3 2013 in Number of Listed M&A Projects by Trade Bulletin

51

YTD 2013 transactions tracked by Mergermarket

5

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

M&A – Regional News

It was late August when the media brought the long expected news that according to the statistical offices, industrial production growth has reappeared although the recovery is still very fragile. The good thing is that, the positive news is backed also by other factors. The European IPO pipeline towards the end of 2013 is relatively strong and the European M&As in Telco sector. On the other hand the financing climate for SMEs is rather tough, since SMEs are more reliant on bank lending than larger firms.

From Poland we have decided to point out that Polish chemicals producer Zakłady Chemiczne Police (Zch Police) has acquired a 55% stake in Senegalese mining company African Investment Group for USD 28.9 mln, that Flaga GmbH, has completed the acquisition of the liquefied petroleum gas (LPG) distribution business of BP in Poland. Meanwhile Hungary has experienced some shuffles in the energy sector as INA (Croatian gas and oil company, where MOL holds a 49.1% stake) has acquired the remaining 50% of Hungarian gas distributor Croplin, a unit of German electric utility service provider E.ON. The Slovakian state has shown its will to intervene when it acquired all of the shares in the mother company of gas utility Slovensky Plynarensky Priemysel (SPP) in a debt-equity swap, while the existing debt would be split half with the Czech partner which is EPH.

As for the news about the general recovery in CEE, let's hope that the numbers will be confirmed in a longer time period that the black numbers were caused not only by a cycle wave.

Local Market Recently

When we discussed the overall business/investment mood with companies from several industries, the answers we got were rather positive. The major factor for slowdown is rather hesitation as the companies think twice about the implementation of their projects. Meanwhile transaction advisors say that their pipeline of projects looks relatively good so hopefully we can expect some more good news in the near future.

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. Regarding the number of listed projects in the Trade Bulletin, the summer period brought a slight fall in number of projects compared to Q2 but the amount is still higher than in Q1.*

And still, two-thirds of the 125 transactions were carried out in three sectors, with 1) real estate 2) industry and services and 3) retail, consumer goods and entertainment.

**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 2013 in Numbers

23 Industrial Products & Services



6 Healthcare



8 Energy



5 Agro & Raw Materials



27 Retail & Consumer Goods & Entertainment



7 Financial Institutions



33 Real Estate

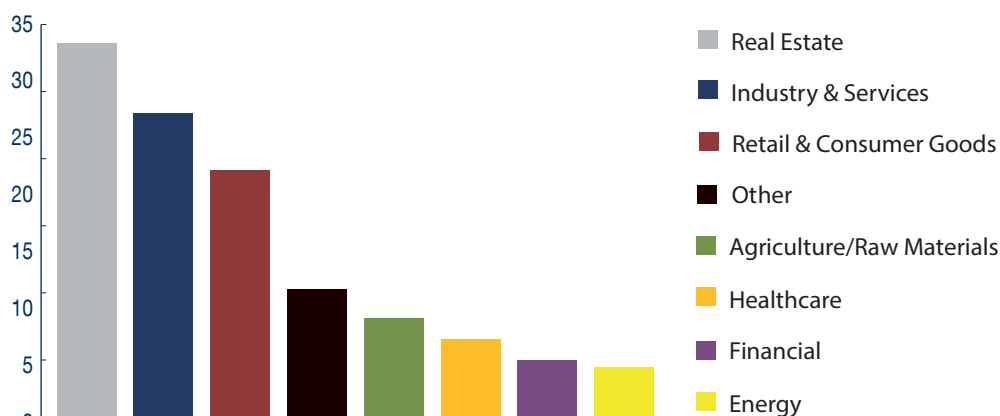


16 Other



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

Structure by Sector – Volume of Projects



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

MAFRA

transaction with potential to be in TOP 10 of 2013

51 mln EUR

CZC annual sales in 2012

Listed Deals of the Quarter

The third quarter of 2013 has brought several interesting transactions. We have selected the following transactions as a sample of the local M&A environment.

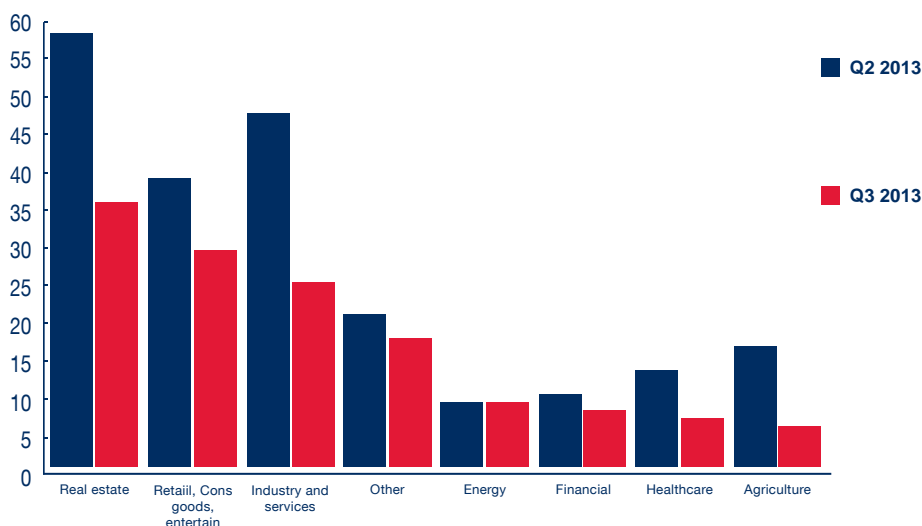
Agrofert of Andrej Babis, the agricultural and food industry leader in the country has acquired the publishing house MAFRA. Mafra publishes the daily newspaper “Dnes” and “Lidové noviny”, “Metro”, and owns internet portals “dnes.cz”, “metro.cz” and “lidovky.cz” and a head-count of 1,100 people. The price remains non-disclosed but its value should place it among top 10 transactions of 2013.

CZC, one of the largest e-seller of IT hardware and electronics has acquired MIBILITY s.r.o. with a similar focus, owning 2 e-shops with IT hardware. It has been this year already second acquisition by CZC. Details of the transaction are non-disclosed but CZC has added additional approximately 6.5 mln EUR of sales to their 51 mln EUR sales from 2012.

A vertical merger could be seen in ENERGO EKOPROJEKT TURNOV, dealing with engineering activities in the electricity transformer stations and substations and having a russian owner, being acquired by ČEPS – the operator of electricity transmission grid, 100% owned by the Ministry of Industry and Trade. Although the transaction took place this spring, it was listed in September.

Sources: CzechInvest, Lupa.cz, E15, www.ceps.cz

Time period	Total number of transactions
Q3 2013	125
Q2 2013	197
Q1 2013	81
Q4 2012	148



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

Mergermarket Insight



„We are proud that Mergermarket has decided to cooperate on our M&A Report and provide its insight and statistics which are prepared from a different angle than our source.“

CzechInvest

Energy mining and utilities formed pinnacle of Czech Republic deal value at 55.4% for the year to date. This was due to the country's biggest deal– the sale of RWE AG's Czech gas transmission and transit system operator, asset, NET4GAS, in late March, to Allianz Capital Partners and Borealis Infrastructure Management with a total deal value amounting to EUR 1.6bn. Erste Group & Ceska sporitelna advised the consortium of Allianz Capital Partners and Borealis Infrastructure on the acquisition.

Indeed four of the country's biggest deals were in the Energy sector with the gas sector boasting two of those transactions.

Financial services was the second largest sector in terms of value with 38.6% of the M&A pie. This date was largely due to one deal – Assicurazioni Generali's buy of a 25% stake in the Czech insurance business Generali PPF Holding BV for EUR 1.29bn, in which the seller was PPF Group.

But the many small deals in the country present a different perspective, with energy mining and utilities dropping to 17.6% in terms of deal volume, and financial services to 3.9% of all deals year to date. Industrials and chemicals therefore had the lions' share of the overall deal activity in terms of volume, at 35.3%. The largest Industrials & Chemicals deal is EP Industries as acquiring the Eastern European Assets of AVE Osterreich GmbH for €108m. The once trendy Central and Eastern European technology sector is also selectively coming back to life, with Technology comprising 13.7% of deal volume in Czech Republic.

By Elaine Green, Mergermarket

Deals by sector, YTD 2013

Sector	Value (€m)	Number of Deals
Industrials & Chemicals	183	18
Energy, Mining & Utilities	1,900	9
Technology	15	7
Business Services	0	5
Media	0	3
Financial Services	1,325	2
Consumer	0	2
Construction	0	2
Defence	6	1
Transport	0	1
Real Estate	0	1
Pharma, Medical & Biotech	0	0
Agriculture	0	0
Telecommunications	0	0
Leisure	0	0
Total	3,429	51

Source: Mergermarket, YTD – data correct as of 26-Sep-2013

Deals by country of origin, YTD 2013

Sector	Value (€m)	Number of Deals
Canada	1,600	1
Italy	1,286	2
Czech Republic	310	29
Switzerland	103	5
United Kingdom	95	1
USA	15	5
Germany	12	3
Netherlands	8	1
Austria	-	1
Russia	-	1
Slovakia	-	1
Sweden	-	1
Total	3,429	51

Source: Mergermarket, YTD – data correct as of 26-Sep-2013

Top Deals YTD 2013 by Mergermarket

Announcement Date	Target	Target Dominant Sector	Bidder	Bidder Dominant Geography	Seller	Seller Dominant Geography	Deal Value (€m)
28.III.13	NET4GAS sro	Energy, Mining & Utilities	Allianz Capital Partners GmbH; and Borealis Infrastructure Management Inc	Canada	RWE AG	Germany	1,600
8. I. 13	Generali PPF Holding BV (25% Stake)	Financial Services	Assicurazioni Generali SpA	Italy	PPF Group	Netherlands	1,286
19. III. 13	CEZ as (Chvaletice power plant)	Energy, Mining & Utilities	Litvinovska uhelna as	Czech Republic	CEZ as	Czech Republic	161
20.VI.13	AVE Osterreich GmbH (Eastern European Assets)	Industrials & Chemicals	EP Industries as	Czech Republic	AVE Osterreich GmbH	Austria	108
2.VII.13	Severomoravske Vodovny a Kanalizace Ostrava as (49% Stake); and Aqualia infraestructuras inzenyryng sro (49% Stake)	Energy, Mining & Utilities	Mit Infrastructure Europe Limited	United Kingdom	Fomento de Construcciones y Contratas SA	Spain	95
6. III. 13	D PLAST-EFTEC as (50% Stake)	Industrials & Chemicals	EMS-Chemie Holding AG	Switzerland	D PLAST as	Czech Republic	49
25. I. 13	Fincentrum as (Majority Stake)	Financial Services	Arx Equity Partners sro; Capital Dynamics AG; and Lubor Zalman (Private Investor)	Switzerland			39
15.VI.13	EPC Groupe (Central europe explosive business)	Industrials & Chemicals	Societe Suisse des Explosifs	Switzerland	EPC Groupe	France	15
29. I. 13	Cognitive Security sro	Technology	Cisco Systems Inc	USA			15
4. I. 13	248 Kilometers Gas Pipeline Network	Energy, Mining & Utilities	RWE AG	Germany	Ostrava City Municipality	Czech Republic	12

Source: Mergermarket, YTD – data correct as of 26-sep-2013



61Application Processed
by September 30th, 2013**27**Active Members
by September 30th, 2013**1**

New Project in Q3 2013

2Projects in Pipeline
by September 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 Q3 2013

Market	Activity	Tot. Earnings (ths)	EBITDA (ths)
Electric Engineering/ Cleanroom Environment	Production of cables with external diameter of up to 55 mm and operating voltage of up to 1 kV	8,834 EUR	-1 EUR

Source: CzechLink 2013

M&A Report Volume 4 – 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.

New Cooperation with MERGERMARKET

We are proud that our M&A Report is newly prepared with the assistance from 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

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.

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