

The Czech Republic Stock Exchange - IPO Overview

Prague Stock Exchange (“**PSE**” or the “**Exchange**”) is the largest and oldest organizer of the securities market in the Czech Republic. After a fifty-year break caused by World War II and the Communist regime, it was reopened in 1993. It resumed the activities of the Prague Commodities and Stock Exchange initially founded in 1871.

Trading on PSE is conducted via licensed securities traders who are also the Exchange members. These are primarily the major banks and brokerages. If a common investor decides to invest in the Exchange, he/she needs to contact one of the Exchange members.

PSE and its subsidiaries form the PX Group. In addition to the Exchange, the most important members in the Group are POWER EXCHANGE CENTRAL EUROPE (PXE) and Central Securities Depository Prague (**CSD Prague**). PXE was founded in 2007 and represents a new trade platform for trading electricity in the Czech Republic, Slovakia and Hungary. CSD Prague has a dominant position in the area of settlement of securities trades on the Czech capital market, keeps the central register of dematerialised securities issued in the Czech Republic and allocates securities international identifying numbers (ISIN) to the investment instruments.

PSE is a member in the CEE Stock Exchange Group (CEESEG), which also includes three more Central European stock exchanges: Vienna Stock Exchange (Wiener Börse), Budapest Stock Exchange (Budapesti Értéktőzsde) and Ljubljana Stock Exchange (Ljubljanska borza). The Group entered international exchange markets as a new and strong player in September 2009 to become the largest group of exchanges in the Central and Eastern Europe these days.

PSE operates 3 listing boards, the Prime Market, the Standard Market and the Start Market. Prime Market is a market intended for trading in the largest and most prestigious issues of shares in the Czech and foreign companies. The Prime Market may accept either the issues which meet the demanding statutory requirements of the official securities market or the statutory requirements of the regulated market. The Standard Market also allows admission of shares without the consent of the issuer if they have already been traded on another Regulated Market in the EU. The Start Market is a niche market for small and medium businesses. This market is regulated only by the Exchange and its rules are set to satisfy the needs of issuers, while guaranteeing sufficient liquidity, which is a key issue for investors. This market provides small and medium-sized businesses with simple, straightforward, and affordable access to capital.

1. Regulatory Background

1.1 Overview of Regulatory

The PSE is operated by the company Burza cenných papírů Praha, a.s. (Prague Stock Exchange), a subsidiary of the CEESEG AG (Central and Eastern Europe Stock Exchange Group) located in Vienna, Austria. The PSE decides on the initial public offer applications and is responsible for the listing process.

The requirements for listing securities on PSE are specified in the Conditions for the Admission of Shares for Trading on the Prime Market of the Exchange, Conditions for the Admission of Shares for Trading on the Standard Market of the Exchange and Start Market Rules. These conditions are non-statutory; their breach may result in sanctions to be imposed on the issuer including exclusion of the shares from trading.

The legal framework of the Czech securities market is administered by the Czech National Bank (Česká národní banka), a public entity which is in charge of statutory regulation of securities and stock exchange. The Czech National Bank reviews and approves the prospectus of the listing securities. Disclosure of false or misleading information during the listing process and any time thereafter might be considered as criminal offence.

1.2 Regulatory Entities

PSE

The Prague Stock Exchange and its subsidiary (CSD Prague) have acquired the permission of the Czech National Bank to operate the Exchange and the clearing house.

The Czech National Bank

Under the Capital Market Trading Act, the Czech National Bank is obliged to publish “regulated information” sent by issuers of listed securities and other obliged entities. This information consists mainly of annual reports and half-yearly reports, notifications of major holdings or of proportion of voting rights, inside information, manager's transactions, etc. Since November 2012 the Czech National Bank has been publishing data on significant net short positions in shares in accordance with Regulation (EU) of the European Parliament and of the Council No 236/2012 on short selling and certain aspects of credit default swaps.

CSD Prague

The company’s core activities include the operation of a settlement system for the settlement of exchange and OTC transactions involving investment instruments, the lending of securities, administration and management of guarantee instruments, custody and administration of investment instruments, and, since 2007, the settlement of electricity trades concluded at Power Exchange Central Europe, a.s. (Prague Energy Exchange, PXE). CSD Prague is recognized as clearing house.

1.3 Required Approvals

An application and a prospectus are required for the admission of each issue, according to the applicable laws. The Listing Exchange Committee decides on the admission of shares on the Prime and Standard Markets, within 30 business days of the application delivery. In the case of an IPO, a prospectus must be

issued, approved and registered by the Czech National Bank. There is no legal entitlement to admission of shares to the Exchange.

2. Listing Criteria

The criteria for listing on the Prime Market and Standard Market are defined in the Capital Market Trading Act 256/2004 Coll. (in particular Sections 55 to 68). The rules for listing on the Start Market are laid down exclusively in the Start Market Rules issued by the PSE.

2.1 Suitability of Listing Applicant

As mentioned above the applicant has no legal right to admission of shares on the Exchange. Approval of a listing rests in the sole discretion of the Listing Exchange Committee. The key prerequisites for a successful applicant to be admitted on the Prime and Standard Market are:

- readiness to share information;
- transparent structure and financial flows within the company;
- clearly defined plans, goals, strategies, and definitions of measurable performance indicators;
- accounting based on the international accounting standards; and
- ambitious and professional management.

2.2 Track Record Requirement

The Capital Market Trading Act requires an applicant for listing (for the Prime and Standard Market) to operate for a period of at least 3 years. There is no track record requirement as regards the operation period for an applicant to the Start Market.

2.3 Minimum Market Capitalization

The minimum required market capitalization of the issue is EUR 1,000,000 for the Prime and Standard Markets. There is no minimum market capitalization requirement for the Start Market.

2.4 Sufficiency of Working Capital

The prospectus shall contain a statement by the issuer that, in its opinion, the working capital is sufficient for the issuer's present requirements or, if not, how it proposes to provide the additional working capital needed.

2.5 Eligibility for Electronic Settlement

The electronic settlement of securities is administered by CSD Prague and therefore any and all shares which shall be eligible for electronic settlement need to be registered with CSD Prague.

3. Overseas Companies

No special restrictions are imposed on foreign companies as regards their eligibility to be listed on PSE. A significant number of issuers on PSE are based in other European Union countries (including the Netherlands, Luxembourg and the UK) .

Dual listing is allowed provided the company is already listed on another exchange. In this case the applicant shall submit to the Listing Exchange Committee relevant documents proving the previous listing on another exchange. The public float minimum requirement is not applicable in the case of a dual listing provided the applicant meets this criterion on its primary market or within the European Union markets.

The Listing Exchange Committee shall decide on the admission of an issuer's shares to the PSE within 30 working days from the delivery of its application for listing. The 30 days period is the same for IPOs and for companies which are already listed on another exchange.

4. Shareholding Requirements

4.1 Public Float

The portion of the issue distributed among the public shall amount to at least to 25% of the issue for listings on the Prime and Standard Market. There is no minimum free-float requirement for the Start Market.

4.2 Restrictions on Major Shareholders

There are no restrictions on major shareholders but there are notification duties towards PSE, the Czech National Bank and the issuer. The person who acquires voting rights (shares) and its voting rights amount or exceed 3% (or 5% depending on the amount of the issuer's registered capital), 10%, 15%, 20%, 25%, 30%, 40%, 50% or 75% is obliged to notify PSE, the Czech National Bank and the issuer. The same rule applies provided the shareholder reduces its voting rights below the above thresholds.

4.3 Spread of Shareholders

There is no minimum number of shareholders prior to or after listing.

4.4 Post IPO Lock-up

The lock-up period post float may be stipulated in the public offer of the shares so that the shareholders would be entitled to dispose of their shares after the end of the subscription period. However, if no such period is specified in the public offer the shareholders can dispose of their shares once they acquire them.

5. Listing Procedure and Timetable

The listing process may be completed within five (5) months provided that all the required documents are in good shape. In practice, the actual timetable might differ according to the specific nature of the issuer.

STAGE	PROCESS/EVENT	DURATIO N (weeks)	BEGINNIN G
Preparation	Consultations with advisors, Preliminary company valuation, Draft of an investment approach	4	D-4
	Decision of the management		D
	Selection of advisors	1	D+1
	Review of the company's structure, Legal and accounting check (Due diligence)	8	D+2
	Internal company valuation	4	D+9
Legal actions and documents listing	General meeting		D+8
	Drafting the Prospectus	8	D+5
	Approval of the Prospectus	4	D+13
	Negotiation with the Stock Exchange, Approval by the Listing Exchange Committee	3	D+14
Realisation	Drafting the presentation of the company for the roadshow	2	D+11
	Preparation of an issue-analysis by the manager for the roadshow	4	D+12
	Preliminary marketing	2	D+12
	Roadshow	2	D+17
	Bookbuilding	1	D+19
	Pricing – fixation of price and number of shares		D+20
Post-transac tion actions	Payment and receipt of the price corresponding to the number of shares	1	D+20
	Manager provides a stable exchange price	up to 12	D+20

5.1 Marketing the Offer

Any advertisement relating either to an offer to the public or to an admission of a security to trading on a regulated market subject to the obligation to draw up a prospectus shall contain information stating that a prospectus has been or will be published and indicating where investors are or will be able to obtain it. An advertisement disseminated together with any other communication shall be clearly distinguishable and separated in a suitable way from the other communication.

Any advertisement and other announcement in an oral or written form concerning the offer to the public or the admission of the security to trading on a regulated

market subject to the obligation to draw up a prospectus shall be consistent with the information contained in the prospectus and may not contain information which contradicts its content or which is misleading.

In the case of an offer to the public or the admission of a security to trading on an official market which is not subject to the obligation to draw up a prospectus, material information provided by an issuer or an offeror and addressed to qualified investors or special categories of investors shall be disclosed to all qualified investors or special categories of investors to whom the offer is addressed.

5.2 Required Documentation

The application for admission must contain:

- a) the issuer's identification information:
 - i) business name, title and registered office of the issuer, identification number;
 - ii) amount of the equity capital, or the amount of the issued and approved capital as regards international issuers;
 - iii) identification of the issuer according to NACE (Nomenclature générale des Activités économiques dans les Communautés Européennes);
 - iv) as regards a foreign issuer, it is necessary to submit a statement declaring that the issuer's legal status is compliant with the legal code of the country where the issuer has its registered office and that the shares comply with the legal code of the country in which they have been issued;
 - v) as regards issues admitted for trading in multiple regulated markets within the European Union (dual listing), the name and address of the relevant capital market supervision authority; and
 - vi) codes of corporate control and management, which are mandatory or voluntarily complied with;
- b) data regarding the share issue:
 - i) ISIN;
 - ii) type, form and category of the shares
 - iii) volume of the issue to be traded;
 - iv) nominal value;
 - v) identification of the investment security according to ISO 10962;

vi) specification of the domestic or foreign regulated market on which the issue is traded or on which an application was filed for admission to trading, including the date of admission;

vii) reference price.

The application must include the following annexes:

- a) certification of ISIN allocation;
- b) power of attorney granted by the issuer, if a current trading member requests admission on behalf of the issuer (original or certified copy);
- c) a prospectus stating the date, manner and place of its publication, and – if the prospectus is not approved by the supervisory authority as of the date of the application – the draft prospectus or a similar document which according to a decision of the supervisory authority comprises data equivalent to the data included in a prospectus. However, a prospectus is not required if an exception to the obligation to publish the prospectus applies or a different document pursuant to the present rules is needed;
- d) unconsolidated or consolidated regular financial statements of an issuer for the last three fiscal years before the submission of the application, or both unconsolidated and consolidated regular financial statements of an issuer, depending on which of them the issuer produces, compiled in compliance with valid, generally binding legal regulations;
- e) if the issuer has been in existence in its current legal form for less than three years, it shall submit financial statements of its legal predecessor or statements from the time of the company's founding;
- f) if this concerns a foreign issuer that compiles its financial reports in accordance with the accounting standards other than IFRS, together with such reports it always presents an overview of the relevant differences between such accounting standards and IFRS;
- g) a document proving the entry of the shares in the register of securities maintained by the central depository;
- h) an extract from the Commercial Register for the issuer or, in the case of a foreign issuer, an extract from a similar register maintained in the country where the issuer has its registered office (original or authenticated copy);
- i) articles of association of the issuer;
- j) two originals of the Framework Agreement for Admission of Investment Instruments for Trading on the Market of the Exchange signed by the issuer; and

- k) if the issuer complies with the rules of official market according to Act 256/2004 Coll., confirmation that the issuer has published financial statements for at least three consecutive years preceding the year the application is submitted, if so required by applicable legislation (e.g. the collection of documents).

5.3 Publication of the prospectus/listing documents

The prospectus shall be made available to the public without undue delay following approval of the Czech National Bank in full in one or more of the following ways:

- a) in a manner allowing remote access on the issuer's website and, if applicable, on the website of the investment firm placing or selling the securities;
- b) in full in at least one newspaper circulated nationally and simultaneously in the manner described in a) above;
- c) in the form of a brochure to be made available, free of charge, to the public at the registered office and premises of the operator of the regulated market on which the securities are being admitted to trading, or at the registered office of the issuer and at the registered office and premises of the investment firm placing or selling the securities, and simultaneously in the manner described in a) above;
- d) in a manner allowing remote access on the website of the operator of the regulated market where the admission to trading is being sought; or
- e) in a manner allowing remote access on the offeror's website, if the securities are being offered to the public by a person other than the issuer.

For an offer to the public in the territory of the Czech Republic, the prospectus shall be published either in the Czech language or in the English language; the summary of the prospectus shall be published in the Czech language.

6. Documentary Requirements

6.1 Contents of Main Listing Document

The prospectus shall contain all information stipulated in Commission Regulation (EC) No 809/2004 which, according to the particular nature of the issuer and of the securities offered to the public or in respect of which admission to trading on an official market is requested, is necessary to enable investors to make an informed assessment of the offered security and the rights attaching thereto and of the assets and liabilities, financial position, profit and losses, and the future evolution of the business activity and financial position of the issuer and of any third party guaranteeing repayment of the securities. The prospectus shall be presented in an easily analysable and comprehensible form.

The prospectus shall contain information concerning the issuer and the securities which will be offered to the public or admitted to trading on an official market. It shall also include a summary. The prospectus need not contain a summary of the prospectus in the case of a request for admission to trading on an official market of a debt security having a denomination or price per security equal to at least the equivalent of EUR 50,000.

The summary shall, in a comprehensible and brief manner, convey the essential characteristics and risks associated with the issuer of the security and any guarantor, in the language in which the prospectus was drawn up.

7. Financial Information

7.1 Audited Financial Statements

The prospectus shall contain audited historical financial information covering the latest three (3) financial years (or such shorter period that the issuer has been in operation), and the audit report in respect of each year. Such financial information must be prepared according to Regulation (EC) No 1606/2002, or if such regulation is not applicable to a particular European Union Member State, the national accounting standards for issuers from the European Economic Area.

For third country issuers, such financial information must be prepared according to the international accounting standards adopted pursuant to the procedure set out in Article 3 of Regulation (EC) No 1606/2002 or to a third country's national accounting standards equivalent to these standards. If such financial information is not equivalent to these standards, it must be presented in the form of restated financial statements.

The last two (2) years audited historical financial information must be presented and prepared in a form consistent with that which will be adopted in the issuer's next published annual financial statements having regard to accounting standards and policies and legislation applicable to such annual financial statements.

If the issuer has been operating in its current sphere of economic activity for less than one (1) year, the audited historical financial information covering that period must be prepared in accordance with the standards applicable to annual financial statements under the Regulation (EC) No 1606/2002, or if such regulation is not applicable to a particular European Union Member State, the national accounting standards where the issuer is an issuer from the European Economic Area. For third country issuers, the historical financial information must be prepared according to the international accounting standards adopted pursuant to the procedure set out in Article 3 of Regulation (EC) No 1606/2002 or according to a third country's national accounting standards equivalent to these standards. This historical financial information must be audited.

If the audited financial information is prepared according to national accounting standards, the financial information required under this heading must include at least the following:

- a) balance sheet;

- b) income statement;
- c) a statement showing either all changes in equity or changes in equity other than those arising from capital transactions with owners and distributions to owners;
- d) cash flow statement; and
- e) accounting policies and explanatory notes.

The last year of audited financial information may not be older than either:

- a) 18 months from the date of the registration document if the issuer includes audited interim financial statements in the registration document; or
- b) 15 months from the date of the registration document if the issuer includes unaudited interim financial statements in the registration document.

If the issuer has published quarterly or half yearly financial information since the date of its last audited financial statements, these must be included in the registration document. If the quarterly or half yearly financial information has been reviewed or audited, the audit or review report must also be included. If the quarterly or half yearly financial information is unaudited or has not been reviewed, the registration document must state that fact.

If the registration document is dated more than nine (9) months after the end of the last audited financial year, it must contain interim financial information, which may be unaudited (in which case that fact must be stated) covering at least the first six (6) months of the financial year. The interim financial information must include comparative statements for the same period in the prior financial year, except that the requirement for comparative balance sheet information may be satisfied by presenting the years end balance sheet.

In the case of a significant gross change, a description of how the transaction might have affected the assets and liabilities and earnings of the issuer, had the transaction been undertaken at the commencement of the period being reported on or at the date reported , shall be included in the registration document. This requirement will normally be satisfied by the inclusion of pro forma financial information. Pro forma financial information must be accompanied by a report prepared by independent accountants or auditors.

8. Parties Involved

8.1 Nominated adviser

Czech and European Union statutory regulations do not require a sponsor or other advisor to be appointed prior to the admission. On the other hand, while preparing the IPO and its admission the issuer shall select experienced consultants. The issue manager, usually a strong investment bank, is of particular importance. The

manager provides for the preparation and coordination of the issue, including marketing activities.

8.2 Other Advisers

The legal consultants take care of the legal framework of the process, monitor communications with investors and make sure the risk of legal disputes is prevented.

9. Listing Costs

9.1 Listing Fees charged by the Exchange

In relation to the listing the following fees are charged by PSE:

<p>Fees for equities trading on the Prime Market</p> <ul style="list-style-type: none"> • Fee (one-off) for the admission to trading • Fee (annual) for trading (of issue value) 	<p>CZK 50,000</p> <p>0.05% max. CZK 300,000</p>
<p>Fees for equities trading on the Standard Market</p> <ul style="list-style-type: none"> • Fee (one-off) for the admission to trading • Fee (annual) for trading 	<p>CZK 50,000</p> <p>CZK 0</p>
<p>Fees for investment instruments trading on the Start Market</p> <ul style="list-style-type: none"> • Fee (one-off) for the admission to trading • Fee (annual) for trading 	<p>CZK 10,000</p> <p>CZK 0</p>

9.2 Advisor's fees and Lawyers' and Accountants' Fees

Fees charged by the professional advisers to the issuer will vary according to the size and complexity of the issue.

10. Continuing Obligations

According to the Conditions for the Admission of Shares for Trading on the Prime Market of the Exchange, Conditions for the Admission of Shares for Trading on the Standard Market of the Exchange and the Start Market Rules the issuer of shares admitted to the Exchange must submit the following to PSE:

- a) a calendar regarding the fulfilment of the issuer's disclosure duty, always before the commencement of trading and thereafter, always within 30 days of the beginning of the fiscal year for that fiscal year, but always before the publication of the first information from that calendar. The issuer shall keep the calendar updated and shall fulfil its disclosure duties in accordance with the known deadlines. This calendar in particular contains data on the publication of preliminary financial results, the annual report and the semi-annual report, interim report and date of the general meeting;
- b) without undue delay preliminary financial results to the extent of selected indicators from the balance sheet and profit/loss statement or to the extent of the complete balance sheet and profit/loss statement if the company compiles them;
- c) an annual report and consolidated annual report, no later than four (4) months after the end of each fiscal year;
- d) a semi-annual report or consolidated half-yearly report, if the issuer is obliged to compile consolidated semi-annual reports, within two (2) months following the end of the first six (6) months of each fiscal year (the consolidated semi-annual report must be compiled in accordance with IAS34);
- e) an interim report, including the report of the issuer's statutory body and the quarterly results of operations, by the deadline specified in Art. 119a of Act 256/2004 Coll., on Trading on the Capital Market
- f) a declaration according to the Code of Corporate Governance that the issuer willingly or voluntarily complies with in the same form as forms part of the annual report;
- g) in addition, information during the year about the company's business results and commentary on its financial situation as required by the Listing Exchange Committee;
- h) without undue delay information about the convocation of an annual or extraordinary general meeting, the payout of dividends, the issuance of new shares, the exercising of rights from convertible or priority bonds and the exercising of subscription rights;
- i) without undue delay, proposed changes to the articles of association, a draft resolution for an increase or decrease of registered capital;
- j) percentage of own shares, but at the latest two trading days after the acquisition or sale, if these shares reach, exceed or fall below the threshold of 5% or a multiple of said threshold of voting rights;
- k) without undue delay, personnel changes to the board of directors, supervisory board, top management;

- l) without undue delay, minutes of regular and extraordinary general meetings of the issuer;
- m) without undue delay, changes to the entry in the Commercial Register involving the issuer;
- n) without undue delay, all changes to rights relating to the listed shares;
- o) without undue delay, information regarding the new issue of the investment securities referred to in Art. 118 (1) (a) to (c) of Act 256/2004 Coll., on Trading on the Capital Market, the admitted loan or credit line, or a similar commitment, as well as the potential liability of the issuer or a third party relating to such investment securities;
- p) without undue delay, all information required for the protection of investors or for securing the smooth functioning of the market (e.g. legal and commercial disputes, new patents and licenses, closure or cancellation of new contracts, appointment of a new auditor);
- q) without undue delay, each change in the rights associated with a particular class of shares or similar securities representing the right to a share in the issuer's business, also if there are changes made to the rights associated with an investment instrument which the issuer has issued and with which a right is associated to acquire shares issued by the issuer or similar securities representing the right to a share in the issuer's business;
- r) information regarding the shareholder structure, always upon the receipt of an extract from the register of shareholders and the designation of the persons acting in concert;
- s) without undue delay, information about ownership interest of the issuer in the businesses of other parties; and
- t) without undue delay notification of the decision of the issuer on the exclusion of the shares concerned from trading on the regulated market, including information about whether and when a public offering for a contract has been made in accordance with the law and the full wording of the public offering.

11. Our Office

For further information, please contact:

Jana Felixová
FELIX A SPOL. advokátní kancelář, s.r.o.
U Nikoljaky 833/5
150 00 Prague 5
the Czech Republic
Tel. +420 251 081 11
Email: jana.felixova@fsak.cz

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