

IPO: A New Chapter in Your Success

Prague Stock Exchange

Why an IPO?

Perhaps the first question that comes to mind is - why even consider an IPO? There are a number of ways to obtain needed capital without changing how your company is run in any significant way. On the other hand, is capital the only thing your company needs? An IPO brings much more than funds. In addition to all the indisputable benefits mentioned above, there is something more that is very difficult to describe but is extremely important to all publicly traded companies and sets them apart from the others: equity culture. By entering the capital market, the company is included among the best companies in the region, thereby gaining prestige, which is not only a service, but also an obligation. From this moment on, you are one of those who sets the pace and whom others look up to.

IPO (Initial Public Offering) is a commonly used term for the primary public offering of shares related to an entry to the stock market. It represents an entry of a company to the Exchange, thanks to which the shares of the company will be traded on the securities market. The reason for realising an IPO may be increase of capital, sales of part of the shares held by the original owners, or, and most frequently, a combination of both the above processes.

Are you a suitable candidate for an IPO?

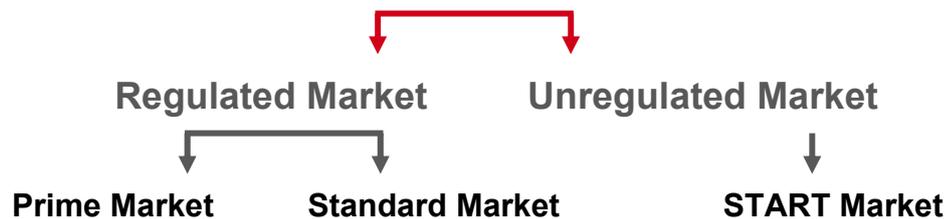
The answer to this is not that simple and is not connected to the size of the company at all. A company that is able to fulfil the requirements of the capital market, i.e., the respective legal requirements on one hand and investor expectations on the other, can enter the exchange successfully. One of the main criteria for a successful IPO is the ability to capture the interest of investors and convince them that the funds that they invest in you will be duly appreciated. For this reason, management should clearly define the company's goals and its plans for development, and is then able to present this to investors should be at the company's helm. For all companies active on the capital market, the willingness to share information with investors is a key factor.

What are the prerequisites for a successful IPO candidate:

- Readiness to share information
- Transparent structure and financial flow
- Clearly defined plans, goals, and strategies, and measurable indicators of their fulfilment
- Adherence to international accounting standards
- Ambitious and professional management

1993 Prague Stock Exchange established as a joint stock company
2004 member of the Federation of the European Securities Exchanges (FESE)
2008 new mayor shareholder Vienna Stock Exchange
2009 PSE is a member of CEE Stock Exchange Group (CEESEG)

Exchange Markets



Shares accepted on this market must comply with the conditions stipulated in the Capital Market Act and the Exchange Rules (its up to date version is published on www.pse.cz).

If the shares adhere to the statutory rules of the Official Market they must meet the following criteria:

- Market capitalization of the issue EUR 1,000,000.00
- Amount of issue distributed among the public (in shares) at least 25% (or other problem-free trading guarantee)
- Duration of entrepreneurial activity at least 3 years

The application for the acceptance and the fulfilment of the disclosure duties may be submitted in Czech, English or Slovak. Newly accepted issues of shares are exempt from all fees during the first year of trading.

In accordance with the Capital Markets Act, an issuer may decide whether its issue shall comply with the conditions for the regulated or official market.

Shares accepted on this market must comply with the conditions stipulated in the Capital Market Act and the Exchange Rules.

On this market, the Stock Exchange does not impose higher requirements on issues and their issuers than those specified in the generally valid laws relating to the capital market.

The application for the acceptance and the fulfilment of the disclosure duties may be submitted in Czech, English or Slovak.

The issuer of newly admitted issue of shares is exempted from the one-off fee for the admission of issue to trading on this market.

In accordance with the Capital Markets Act, an issuer may decide whether its issue shall comply with the conditions for the regulated or official market.

Shares accepted on this market must comply with the conditions defined exclusively by the Stock Exchange.

The application for the acceptance must be submitted in Czech and the fulfilment of the disclosure duties may be submitted in Czech, English or Slovak.

The START market is a non-regulated market.

Documents necessary for THE ACCPATANCE OF THE ISSUE	Prime Market	Standard Market	START
Application for acceptance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Prospectus of the securities	<input type="checkbox"/>	<input type="checkbox"/>	
Annual financial statements for the last 3 years	<input type="checkbox"/> *	<input type="checkbox"/> *	
Certification of ISIN allocation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Confirmation from a central depository regarding the registration of the issue	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Extract from the Commercial Register	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

*If the share issue adheres to the statutory rules of the Official Market

The Security **Prospectus** is a source of information for potential investors. It must contain all information necessary to assess the security, the security issuer's financial situation, future development of the issuer's business and similar matters. The Prospectus is subject to approval by the Czech National Bank and its compilation is governed by the Capital Market Act and other regulations.

Role of an Exchange Member

- Handles formalities for issuers
- Submits IPO applications for issuers

For the current list of trading members, see www.pse.cz.

INFORMATION delivered to the PSE	Prime Market	Standard Market	START
Annual Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Quarterly financial results and interim report - shares	<input type="checkbox"/>	<input type="checkbox"/>	
Semi-annual Report	<input type="checkbox"/>	<input type="checkbox"/>	
Calendar for the fulfilment of the disclosure duties	<input type="checkbox"/>		
information that could cause a change to the share price	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
changes regarding rights relating to the traded investment instrument	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Changes in the volume of issue, par value, form and ISIN	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

IPO on the Prague Stock Exchange – a well worn path to success

As of 2009 PSE is part of the CEE Stock Exchange Group (CEESEG), which includes the stock exchanges of Budapest, Ljubljana, Prague and Vienna. With almost half of the total market capitalization and about two-thirds of equity turnover in Central and Eastern Europe, CEESEG is the largest player of all exchanges in the region.

Strong alliance and membership in prestigious European associations and the world's exchanges are an absolute guarantee of transparency and a high level of service for both issuers and investors. These high standards that characterise the Prague market allow issues traded here to be purchased even into the portfolios of more strictly regulated institutional investors. In fact, it is the high presence of foreign investors that makes the market of the Prague Stock Exchange attractive to both issuers whose ambitions are local and issuers whose development objectives are directed abroad.

4 Stock Exchanges = 1 Strong Alliance

An investor group that is currently growing significantly is domestic retail investors. The latest IPOs have shown that the investment appetite of this group is able to “absorb” significant portions of the issue.

„We are glad that PSE opened the door for us,“ said general director of CME Michael Garin.

Prague Stock Exchange – advantageous to both investors and issuers

When your company decides to enter the stock exchange, you certainly already know how you want to develop. You have decided to expand your company and obtain finances. What can the stock exchange offer you?

“The Czech capital market regulator is very flexible and was able to create in a relatively short amount of time a liberal but maximally fair environment, thanks to which the Czech capital market can react very flexibly to all impulses stemming from EU legislation,“ says Radan Marek, head lawyer of the Prague Stock Exchange.

No fee for new issuers for listing in the first year of trading

The Prague Stock Exchange is trying to assist issuers better and facilitate their entrance onto the stock market. The exchange no longer requires any fee from new issuers for listing in the first year of trading, and stock exchange members who bring new issues to the market do not pay any trading fees.

Passportisation

If an issuer already has its shares on a different EU market and wants to make a dual listing in Prague, it need not undergo the entire process of having the prospectus approved by the domestic regulator, but can use the prospectus already approved by its home regulator. For the needs of a public offering and to be accepted for trading in the Czech Republic, 'passportisation' is sufficient, which significantly accelerates and simplifies the entire process.

Standard information obligation

The disclosure (information) obligation to the exchange that arises from being allotted to one of the markets of the Prague Stock Exchange is standard and common for both domestic and foreign issuers. The language to be used to fulfil this obligation is Czech, English or Slovak.

"Our shares are primarily listed in the USA on NASDAQ, and the possibility to fulfil the disclosure obligation in English and do the financial reporting according to American Generally Accepted Accounting Principles (GAAP) is very important to our company, as it means less of an administrative burden on our company and risk of error in translation, but also timely provision of information to the Prague exchange at the same time as NASDAQ," said Romana Tomasová, Director of Corporate Communications at CME.

Conditional trading

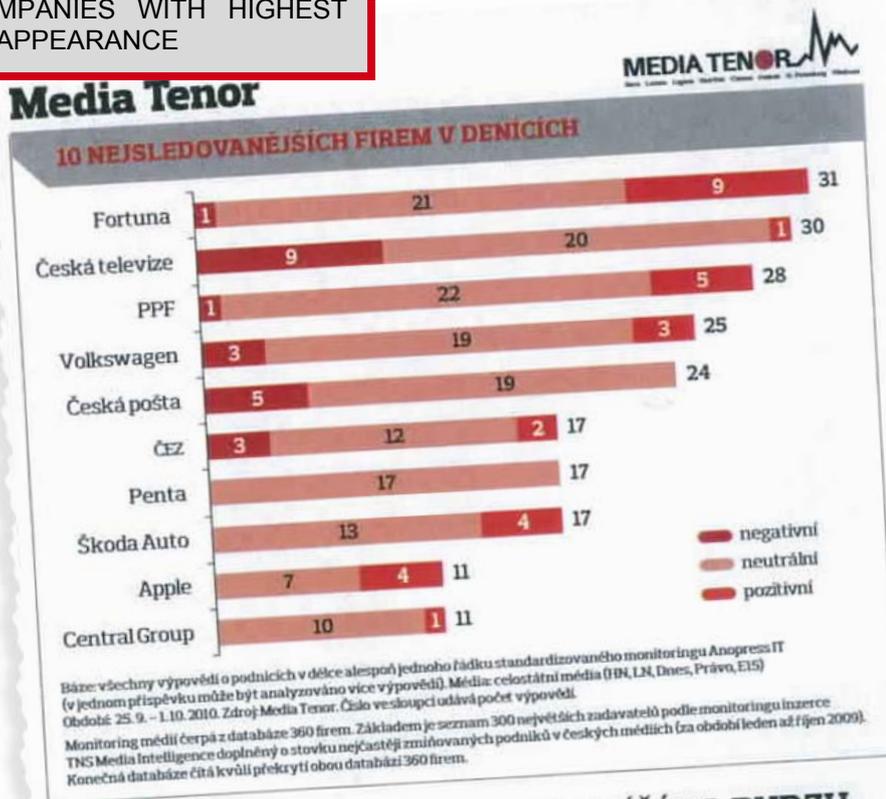
Another indisputable benefit of the Prague Stock Exchange compared to other Central or Eastern European markets is the ability to perform conditional trading. This service is significant especially from the perspective of investors who have received shares during the IPO process and it allows them to begin trading with them immediately. In other words, they need not wait for the securities themselves to be issued. Thus, in the case of a dual listing, the Prague Stock Exchange commences trading with the issue in question a number of days earlier than other markets.

Inclusion in the PX index

All new issues may be classified in the PX index, a prestigious indicator of the Prague stock market. A number of foreign banks use the PX index (and its constituents) as an underlying asset for their structured products. PX index belongs to dynamically growing indices in Central and Eastern Europe.

IPO on the Prague Exchange – an effective marketing instrument

10 COMPANIES WITH HIGHEST
MEDIA APPEARANCE



SÁZKOVÁ KANCELÁŘ FORTUNA MÍŘÍ NA BURZU

Nejvíce prostoru věnovaly v uplynulém týdnu deníky sázkové kanceláři Fortuna. Společnost se rozhodla uvést své akcie na burzy v Praze a Varšavě. K primární emisi akcií by mělo pravděpodobně dojít během října. Vlastníkem společnosti Fortuna je investiční skupina Penta. Negativní hodnocení si v denících vysloužila vypsáním miliardového

tendru na správu koncesionářských poplatků Česká televize. Novináři také informovali o zřejmě předražené dokumentární reality show „Malá farma“. Čtenáři se od září Antimonopozastavil logických nebyla mi těžce vyřa

FORTUNA BETTING COMPANY TO BE LISTED ON EXCHANGE

In the previous week, daily newspapers focused on the Fortuna betting company most. The company decided to introduce their shares in Prague and Warsaw stock exchanges. The IPO is planned for October this year. Fortuna is controlled by the Penta investment group...

Source: Strategie, 4 October 2010

An IPO can be described as an event which is not only positively viewed in the business arena but also significantly impacts the media. In addition to prestige and financial benefits, it delivers other positives in becoming a **new marketing and communication instrument**.

In general, publicly-traded companies enjoy a better image than companies which are not traded on the capital market.

Greater media attention contributes to a positive perception of a company and reinforces its image and credibility. This relates to the fact that even the very decision to join the capital market is viewed as a mark of self-assurance and confidence in a company. Another positive factor is the voluntary step taken by management to establish direct dialogue with investors.

Regular reporting is seen as a sign of transparency and shows the stability of the company. If a company discloses its key figures such as interim results, it demonstrates an attitude of openness towards the public. Credibility is further reinforced by the existence of the stock exchange supervisory and regulatory mechanisms.

Media interest in the company then generally heightens brand awareness, raises value and becomes a major competitive advantage.

Announcements of the intention of the company to go public are published in relevant media in locations which cannot be normally bought by a company (e.g. front page articles, editorials).

The value of publicity is also elevated by the tone of the message, which, in addition, is influenced by the relevance of the given type of media.

Before an IPO, during an IPO, after an IPO

The hunger for new issues results in extraordinary attention paid to any entity that, even without commitment, expresses interest in listing. A company can use properly managed communication to continuously influence and support media interest even in advance of the final decision in favour of a public offering.

The publicity achieved free of charge during the preparatory stage of an IPO, the IPO process itself and after going public is substantial and its value for the company is far from negligible.

The official announcement of an IPO sparks continuous media interest, which culminates when the trading is launched. The value of the publicity achieved free of charge during an IPO exceeds normal levels substantially. The level of media interest in the issuer and the generated publicity are maintained after the IPO is executed and are still higher compared to the level achieved prior to the company's decision to go public.

An IPO delivers significant **cost savings in marketing activities**.

Due to the fact the capital market in the Czech Republic is still a relatively new phenomenon, interest in it is strong across all types of media. The target group of publicity is investors, analysts, and the financial sector in general, a group which is very difficult to access through classic means of communication (advertising, PR, direct marketing). The important communicative impact of publicity generated so naturally is therefore many times more effective and, most of all, more credible than a paid marketing campaign.

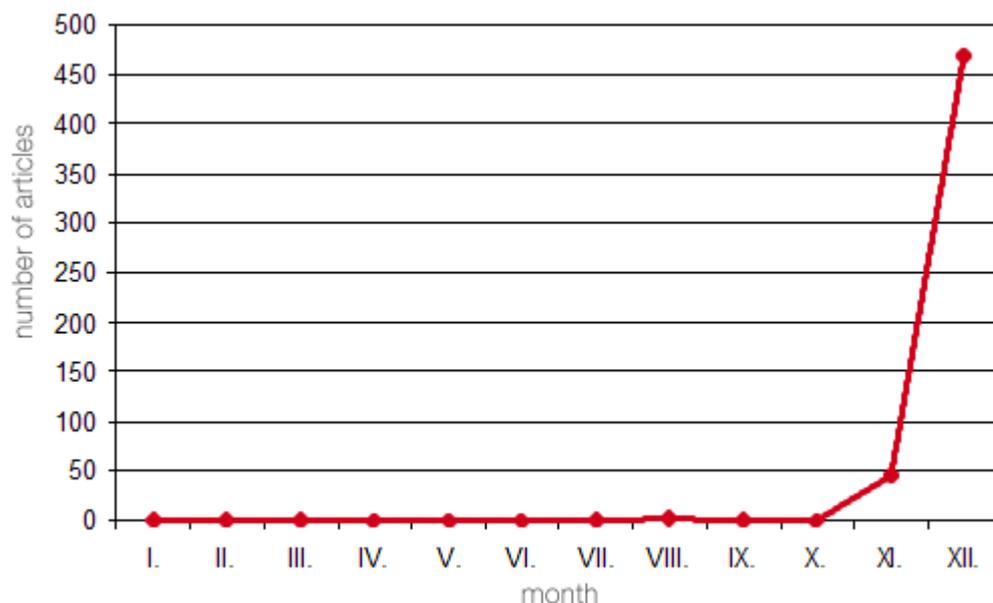
The study performed by Bison & Rose, which focuses on the IPO phenomenon in the Czech Republic, quantified the benefit of an IPO for a company as follows:

- Publicity in the media before IPO – approx. CZK 1 – 3 million per month
- Publicity in the media in the period during the IPO process – approx. CZK 20 – 30 million
- Publicity in the media in the year following IPO – approx. CZK 20 – 30 million

(This would be price for equivalent advertisement)

In this way, the IPO becomes an important marketing instrument for the issuer to improve the company's image and increase the familiarity of its brand for free. An important fact is that the media's interest continues, and the company, thus, profits from this interest for years to come.

IPO Pegas Nonwovens – media's interest (2006)



In most cases an IPO means the shift of the company from marginal media attention into its very centre.

Fincentrum.cz

“The new shares of the textile company Pegas Nonwovens have lately become a hit for small investors...”

22 October 2010, Czech Radio 1 - Radiožurnál, News at Six
Tereza Tomášková, moderator

“Shares in the betting company Fortuna began trading today on the Prague Stock Exchange. The company subscribed shares for nearly two billion Czech crowns. This is the first primary subscription by a betting company on the stock exchanges of Central and Eastern Europe. The demand for the shares almost doubled the actual offer. The interest was also great among small investors, explained Josef Janov, chairperson of the Supervisory Board of Fortuna.”

7 June 2005, Czech Television 1, News
Roman Pistorius, moderator

“Shares of CME, the owner of TV Nova, are now being traded on the Prague Stock Exchange. The opening rate was based on Friday’s price on the NASDAQ and has strengthened by approximately three percent since this morning.”

7 May 2008, E15, Theme E15, Investors interested in Bakala’s shares
Vladimír Piskáček

“Shares of mining company New World Resources (NWR) posted excellent results on the first day of trading. The company attracted investors and subscribed its shares for the maximum possible price; investors also expressed their interest during the first trading day. The shares on the Prague Stock Exchange strengthened by 4.5 percent to CZK 445 per share; during the day gains reached up to seven percent. Prague investors expressed significant interest in the shares. The trading volume in Prague exceeded CZK 840 million, making NWR the second most traded title following ČEZ.”

Central Securities Depository Prague

Central Securities Depository Prague (CSD Prague) is a subsidiary of Prague Stock Exchange. In July 2010, the CSD Prague took over the records of securities maintained by the Securities Centre. The company's core activities include **maintaining the central register** of dematerialized securities issued in the Czech Republic, the **operation of a settlement system** for the settlement of exchange and OTC transactions involving investment instruments, assignment of the ISIN identification code to investment instruments and, since 2007, the settlement of electricity trades concluded at POWER EXCHANGE CENTRAL EUROPE.

The CSD Prague operates on a participation principle. By means of its participants the CSD Prague renders services associated with the registration of securities and settlement of trades (the list of the participants can be found on the website www.cdcp.cz).

"We appreciate the professional approach of the Central Securities Depository Prague, which was ready to include the entire issue of Fortuna shares in their own register of investment instruments, after the initially envisaged cooperation with the Dutch authority turned out impossible for legal reasons." Jiří Bunda, President of the Board of Fortuna Entertainment Group.

The CSD Prague provides issuers services associated with the management of security issues. CSD Prague is prepared to enter into an agreement for the maintenance of the entire issue with issuers whose shares are listed for trading on the Prague Stock Exchange, whether they are Czech or foreign issuers.

The CSD Prague may be the primary depository for an issue, i.e. the CSD Prague maintains the register of the entire issue for the issuer, provides statements for the purpose of shareholders' meetings, arranges for the dividend payments and tenders other standard services for the issuer.

Dual listings

Dual listing is a relatively common phenomenon at the Prague Stock Exchange. And when compared with other markets, the Prague Stock Exchange is usually the winner.

Dual listing is the designation for shares listed on multiple stock markets.

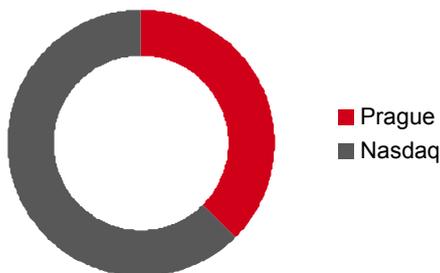
If Prague is the main market, most trades are carried out here. If another market is the main market, a large number of trades are carried out in Prague.

If the issuer has shares listed on another EU exchange and wishes to have dual listing in Prague, it is not necessary to undergo the tedious process of prospectus approval by the national regulator; instead, it is possible to make use of a prospectus previously approved by the national regulator for trading on the Czech exchange. So-called passportization is sufficient and helps to considerably accelerate and simplify the entire process.

Transaction costs are surprisingly low, thanks to the harmonization of legislation in the EU and thanks to the fact that English is commonly used at the PSE.

Dual listings on PSE

Comparison CETV



Comparison ČEZ



Comparison Fortuna



Comparison NWR



What are the views of selected issuers?

PEGAS

“By entering the Prague and Warsaw stock exchanges, Pegas Nonwovens acquired greater transparency and credibility among its customers, suppliers, and other business and technical partners. Investors are interested in our company’s story, which makes it possible for us to turn to the market in the future to finance further growth.”

ČEZ

“Each and every day, dozens, perhaps hundreds, of the best analytical minds of the planet examine whether the decisions of the ČEZ Group are the best.”

CME

“Listing on the Prague exchange has already fulfilled our expectations: CME shares are available to investors in the regions where we are active. In this way, we have been able to present CME to investors who are interested in this region and created an opportunity for future cooperation. We believe that other companies focusing on the region of Central and Eastern Europe who want to participate in its development should take the same step.”

ERSTE BANK

“After deciding to exclude the shares of Česká spořitelna from trading on the Prague exchange, Erste Bank strived to commence public trading of shares on the Prague market. In this way, it wanted to provide investors with an alternate bank name and to address an even wider group of investors.”

KOMERČNÍ BANKA

“Placing securities on the exchange provides a company with important feedback. Reports from analysts containing an assessment not only of the situation of companies but that of the entire market as well as future development forecasts are a valuable source of information. These reports then help the company to better assess the market situation and expected development. They thus become one of the instruments used to monitor the long-term position on the market or prepare the business plan or budget.”

VIENNA INSURANCE GROUP

“For the second listing, we also considered other stock exchanges in Central and Eastern Europe. The decisive argument for the bourse in Prague was, however, the strong position of Kooperativa of Vienna Insurance Group on the Czech insurance market. Another impulse was the fact that VIG is the only insurance company listed on the Prague exchange. VIG wanted to reflect its strong participation on the market in the Czech Republic.”

FORTUNA

“The betting company Fortuna wishes to enter the lottery market next year with three or four games. Fortuna has reached the final stage of preparations for games that will be different from those currently operated by Sazka. It is Fortuna’s ambition to secure a 20% share of the current lottery market in five years. Investments for the development of the lottery project should come from the subscription of Fortuna’s shares, which were traded at the Exchange for the first time today.”

What are the benefits of an IPO?

➔ Ability to choose the extent of control over the company and extent of business risk

The original owners decide the amount of the public offering and the share of basic capital to be conceded to outside investors, therefore they choose which decisions they will maintain control over. The issuer can also influence how much of the public offering will be offered to big institutions and long-term investors and how much will be distributed among small investors. An IPO thus does not mean a loss of control over or a significant restriction of a company.

➔ Interest-free capital

Capital attained in this way does not result in the company facing an inflexible payment schedule.

➔ Freedom with capital

Capital acquired by issuing shares can be used more freely by the company. This is a significant advantage over the restrictions that are often tied to credit/loan financing. The use of these funds is not tied to a purpose and the company can respond more flexibly to developments in the surrounding business environment.

➔ Facilitated access to other methods of financing

The in-depth accounting, legal and economic due diligence of the company during the preparation of an IPO can in itself have a positive effect on the company's risk rating. A publicly traded company that fulfils its obligations according to the respective standards undergoes monitoring on an ongoing basis and is scrutinized by capital markets analysts. It is then fully transparent and, thus, more comprehensible to banks, a fact that then translates into easier access to loans or a further capital increase.

➔ **Reduced risk and unlimited resources**

Business risk is spread out among numerous investors. This allows promising projects to be financed without limiting the ability to guarantee repayment of the borrowed capital in the form of pledges or guarantees, as the case would be with bank loans.

➔ **Optimisation of capital structure**

By issuing shares, a company increases equity. The possibility to optimise its capital structure or, more precisely, the debt-to-equity ratio allows for optimisation of the costs expended on loans by improving the negotiating position with banks and decreasing capital costs. Often, after issuing their shares on the market, companies refinance loans under much more advantageous conditions.

➔ **Greater commitment from management and other top employees**

Through various forms of incentive programmes such as profit sharing schemes, it is possible to achieve greater commitment from employees. This strategy has a positive influence on employees' involvement in the company and their willingness to participate in its further development. Employee stocks can serve as a tax effective and modern motivational component of remuneration.

➔ **Publicity and promotion**

Each entry onto the stock exchange is tied to great media interest. Publicly-traded companies receive more scrutiny from the media than privately-owned companies. In combination with the company's own advertising, it is possible to promote a product and acquire other customers or business partners. Continuous documentation of the company's financial stability and transparency by the media strengthens the company's overall profile. Companies that are already traded on the exchange are deemed to be more trustworthy by their business partners and experts.

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