



# Sale of a 100 Percent Equity Interest in SPV

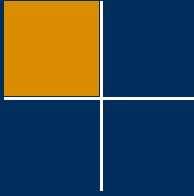
Investors Day, 7 June 2007

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In the near future, the Česká konsolidační agentura (hereinafter 'ČKA') plans to announce a public tender to select an entity to enter into a contract for the sale of a 100 percent equity interest in ČKA's subsidiary whose only assets will be distressed receivables with a nominal value of CZK 12.5 billion (hereinafter 'SPV'), which will be assigned to the company free of charge (hereinafter the "Transaction").

**The purpose of this presentation is to:**

- Introduce the Transaction;
- Provide detailed information on SPV's assets;
- Outline selected legal and tax issues relating to the Transaction;
- Introduce potential investors to the basic structure and conditions of the contemplated public tender.



## **INTRODUCTION OF THE TRANSACTION**

## Česká konsolidační agentura

- Financial institution of a non-banking type – state agency, the obligations of which are guaranteed by the State;
- Legal successor of Konsolidační banka Praha, s.p.ú. (hereinafter “KOB”);
- Formed on the basis of Act No. 239/2001 Coll., on Česká konsolidační agentura, as of 1 September 2001;
- Under applicable law, ČKA will cease to exist (without liquidation) as of 31 December 2007. The State represented by the Finance Ministry, which will assume ČKA's rights and obligations as of the date of ČKA's dissolution, will become the legal successor of ČKA;
- ČKA's total assets amounted to CZK 33.5 billion (at book values) as of 30 April 2007;
- Over the existence of ČKA/KOB, the aggregate nominal values of assumed assets were CZK 590.63 billion (including loans and securities purchased and provided by KOB), the total payment for the assets was CZK 531.19 billion;
- The Transaction is part of 'Project 2007' which, pursuant to the Government's resolution, will lead to the discontinuance of ČKA's activities in 2007 as an institution involved in managing distressed assets;
- ČKA's registered office is located at Janovského 438/2, Prague 7, 170 06, Corporate ID: 70109966, registered in the Commercial Register held at the Municipal Court in Prague, Volume A., File 45993.

## ČKA's advisors

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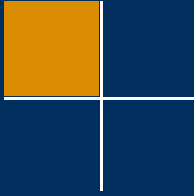
## Subject matter of the Transaction

- The subject matter of the Transaction is the sale of a 100 percent equity interest in an entity formed by ČKA – SPV. The legal status of SPV will be a limited liability company.
- SPV's assets will be the residual portfolio of distressed receivables administered by ČKA (hereinafter the “Assets” or “Receivables”) that will be assigned to SPV by ČKA as the full owner to SPV on a free of charge basis.



Assets

- The total nominal value of approximately CZK 12.5 billion;
- Receivables from 150 debtors;
- Large portion of receivables with legal defects;
- Legal defects of some receivables have been or may be rectified (regarding the existence of an enforceable title – the volume of debts with enforceable title is CZK 3,990 million).



## **ASSET CHARACTERISTICS**



## Key features

- Total nominal value of receivables: CZK 12,488 million
  - Number of debtors: 150
  - Total exposure to the largest debtor: CZK 1,469 million
  - Aggregate receivables from the 10 largest debtors: CZK 8,327 million
  - Total exposure to the smallest debtor: CZK 8 thousand
  - Aggregate receivables from the 10 smallest debtors: CZK 361 thousand
- 
- The original classification of receivables in ČKA's evidence records particular receivables on several accounts in some cases. Therefore, the assignment will be dealt with through the aggregation of receivables and a lower number of aggregate receivables will thus be subject to the assignment.
  - Given the above, the analyses contained in this presentation are limited only to the debtor's level and the nominal value of receivables.

*Note:*

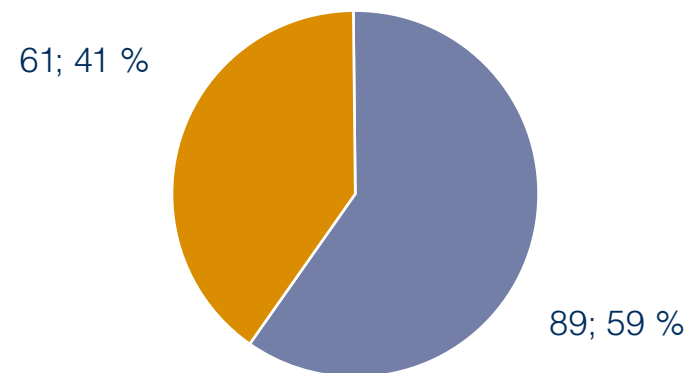
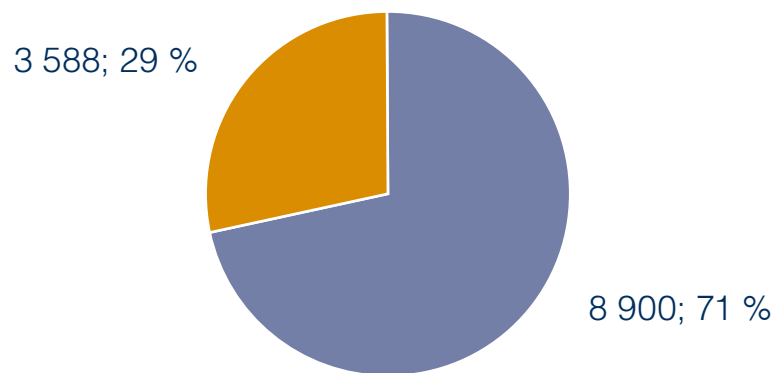
*1) The figures on Assets are based on the accounting records of ČKA as of 30 April 2007*

*2) More detailed information on Assets is recorded on the datadisc (hereinafter the "Datadisc") to be provided to the selling process participants within the due diligence process*

## Portfolio distribution to bankruptcy/non-bankruptcy receivables

■ Nominal value (CZK mil.)

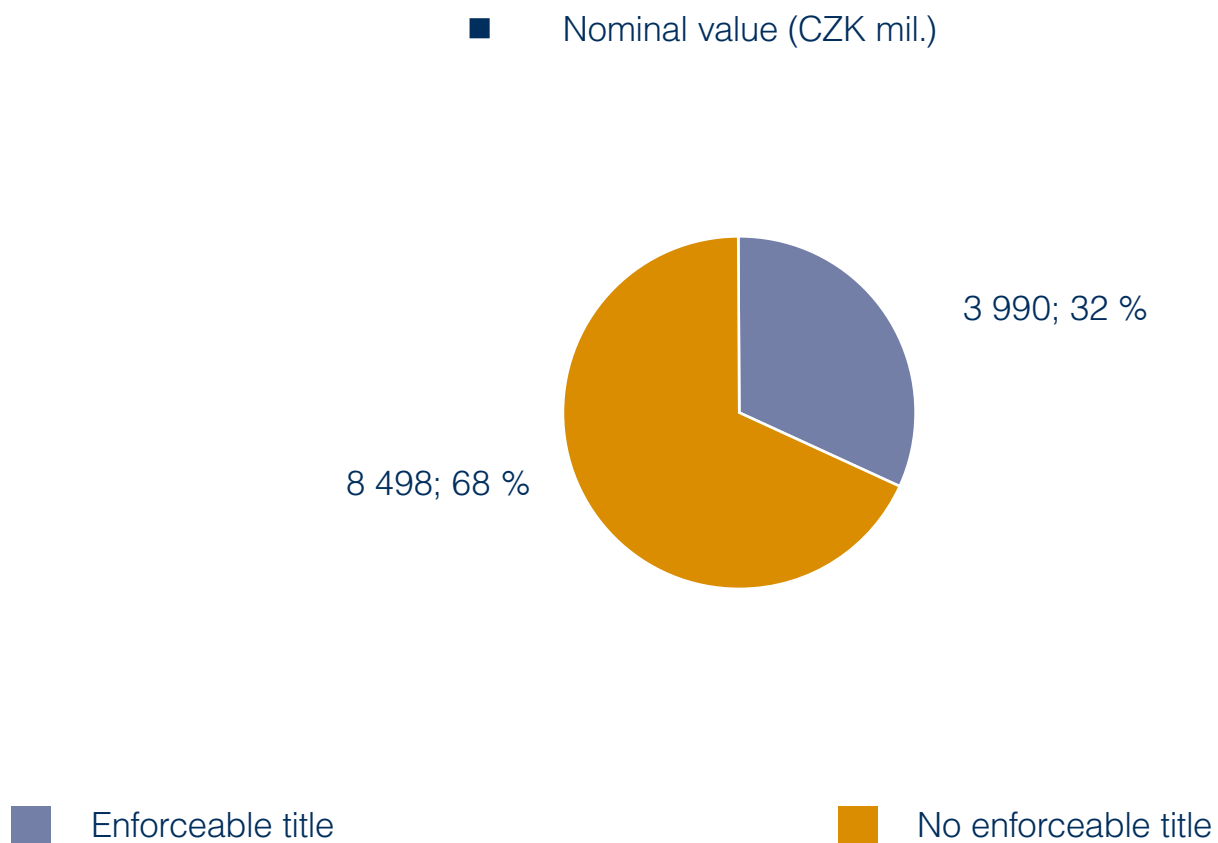
■ Number of debtors



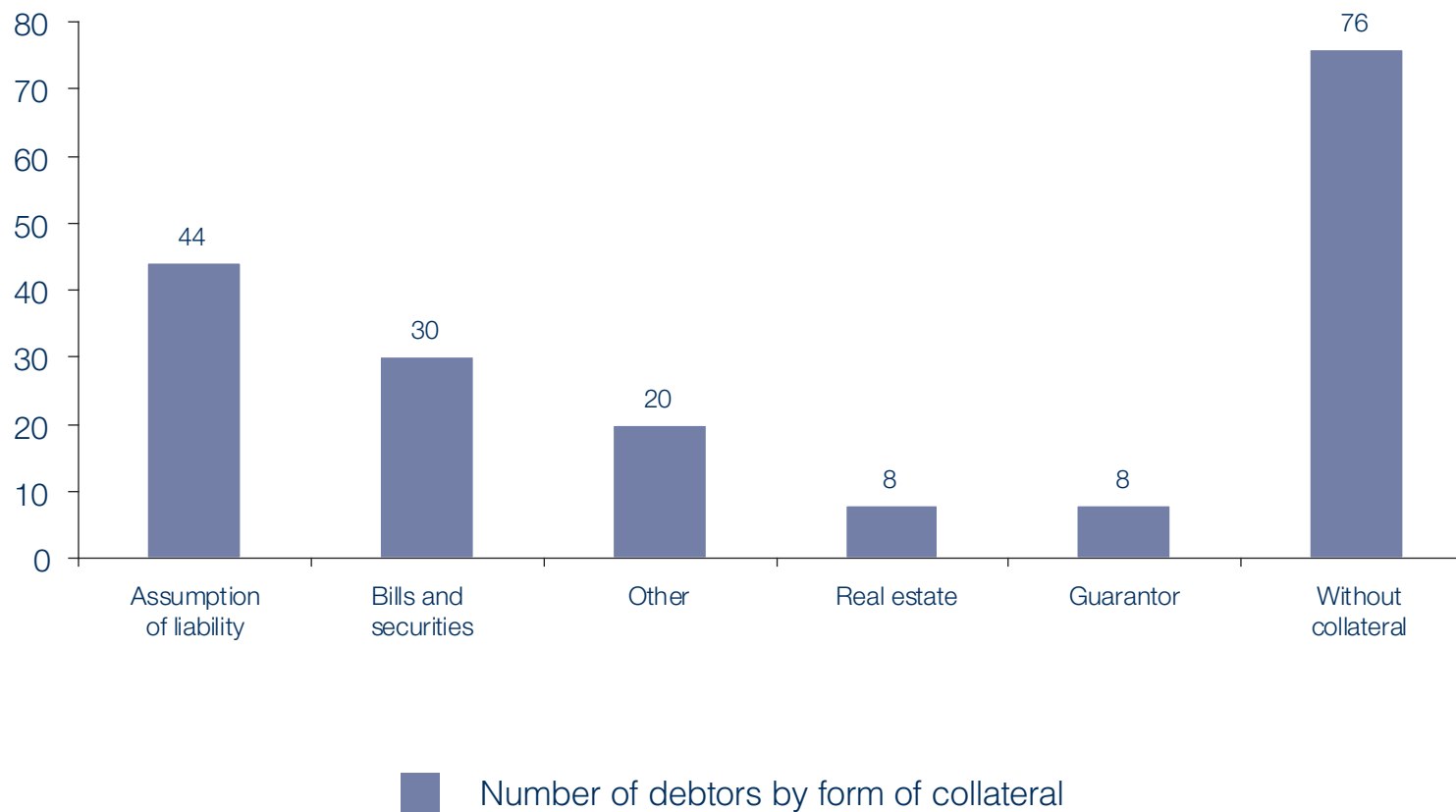
■ Bankruptcy

■ Non-bankruptcy

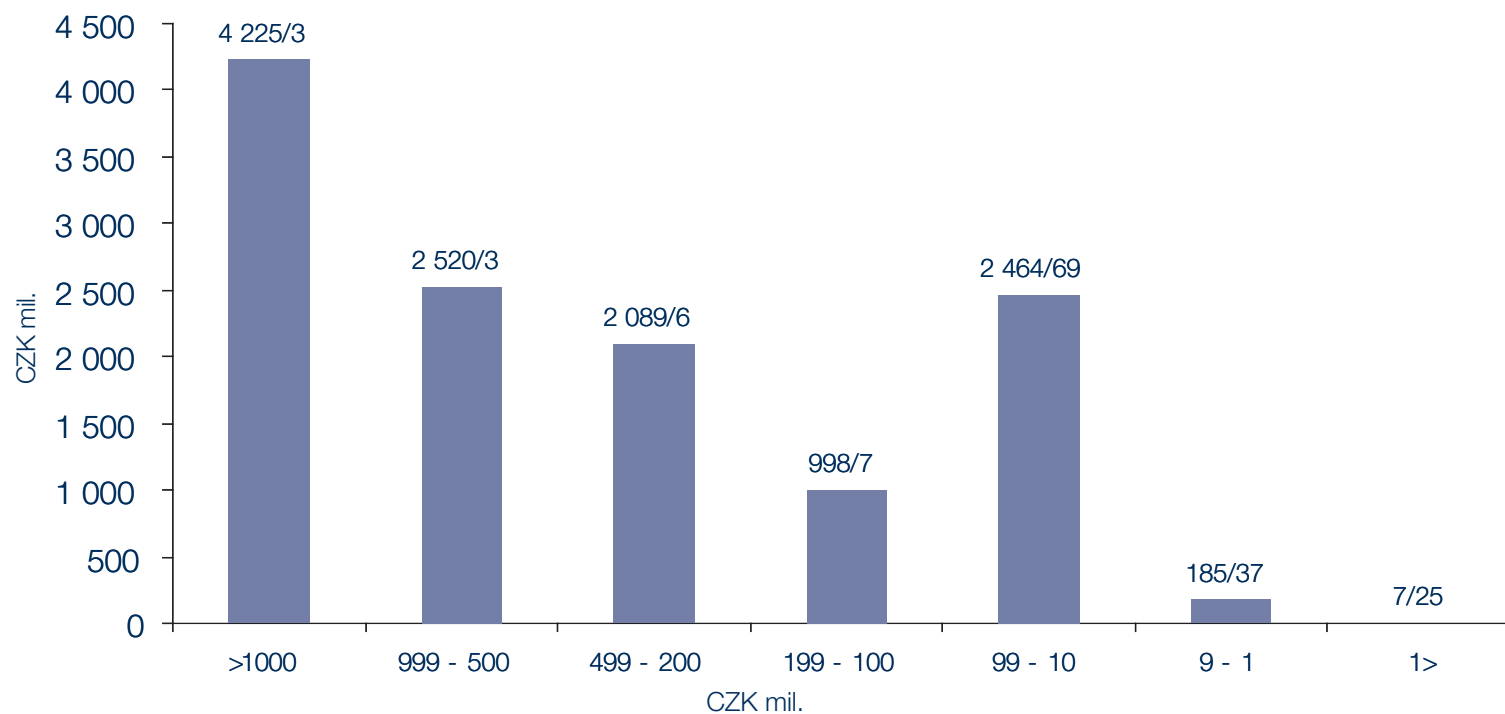
## Portfolio distribution by the existence of enforceable title



## Portfolio distribution by the number of debtors with receivables with particular form of collateral

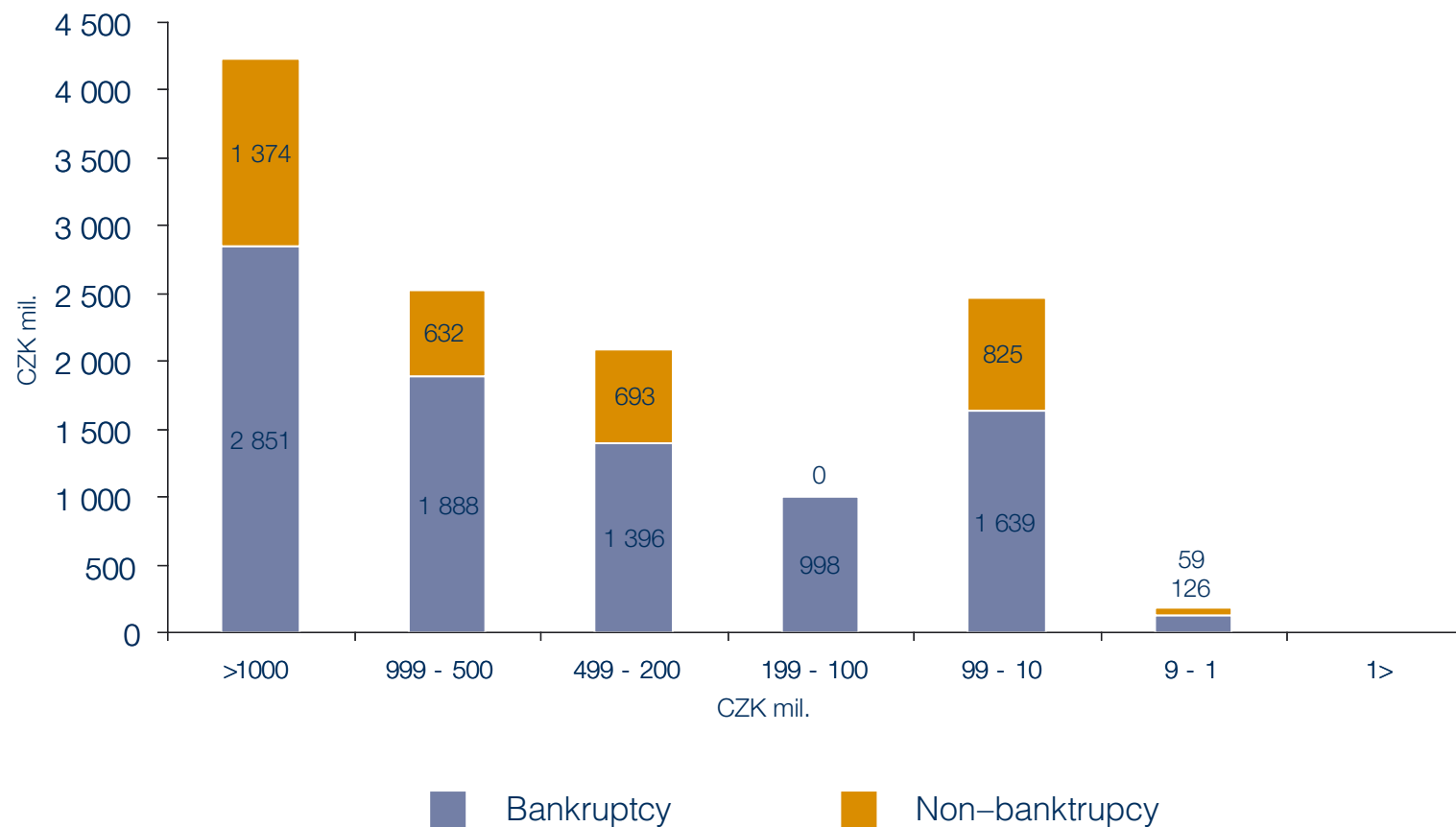


## Portfolio distribution by the value of receivables in each particular group of debtors

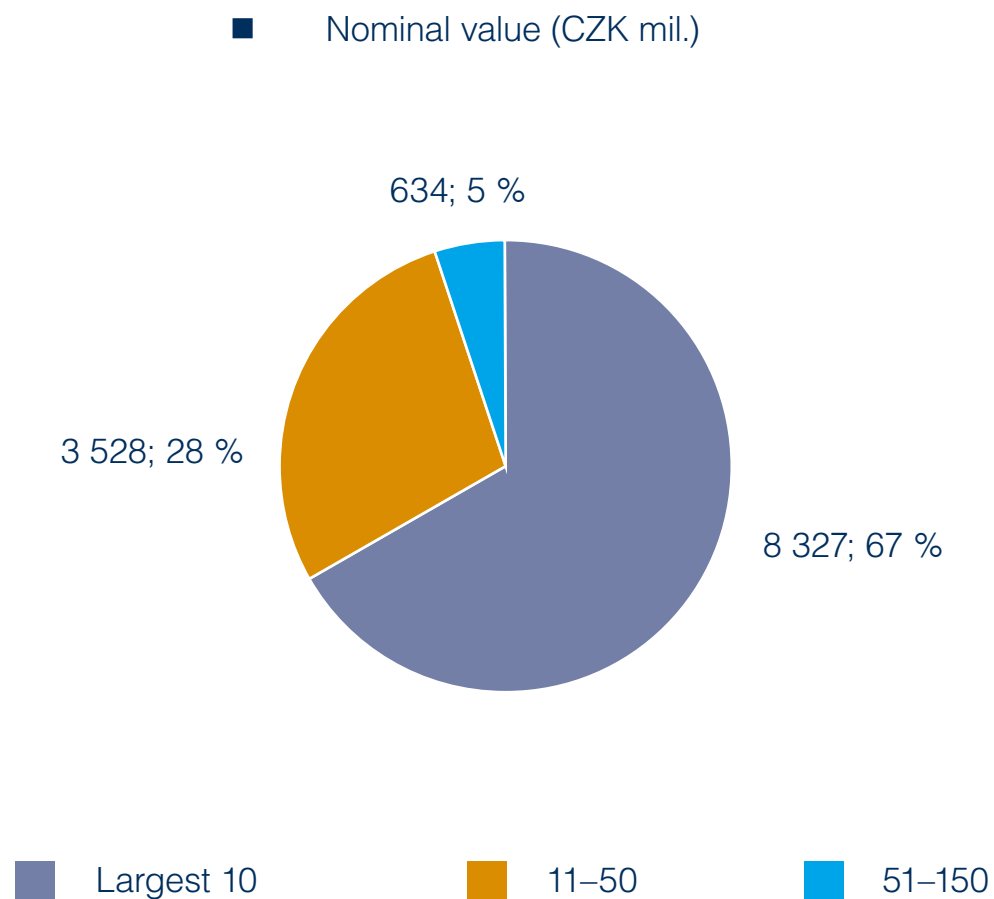


■ Nominal value / number of debtors

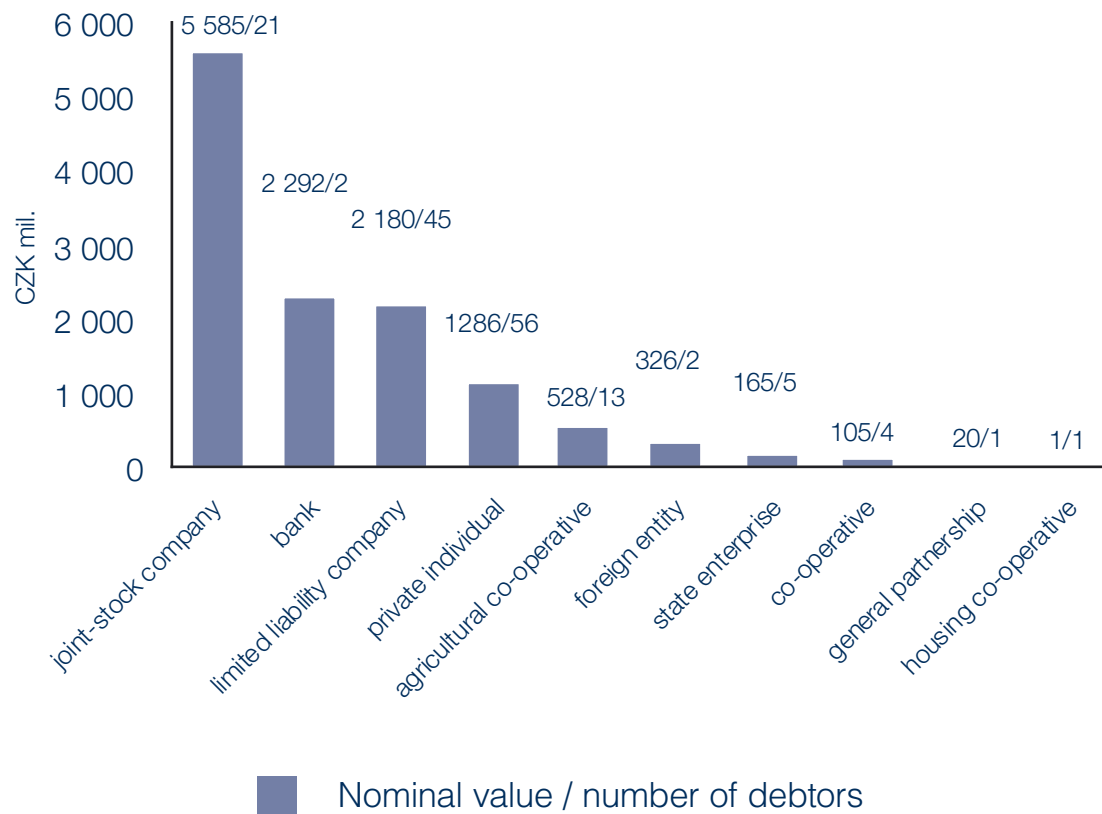
## Portfolio distribution by the value of receivables in each particular group of debtors



## Portfolio distribution by the value of receivables in each particular group of debtors

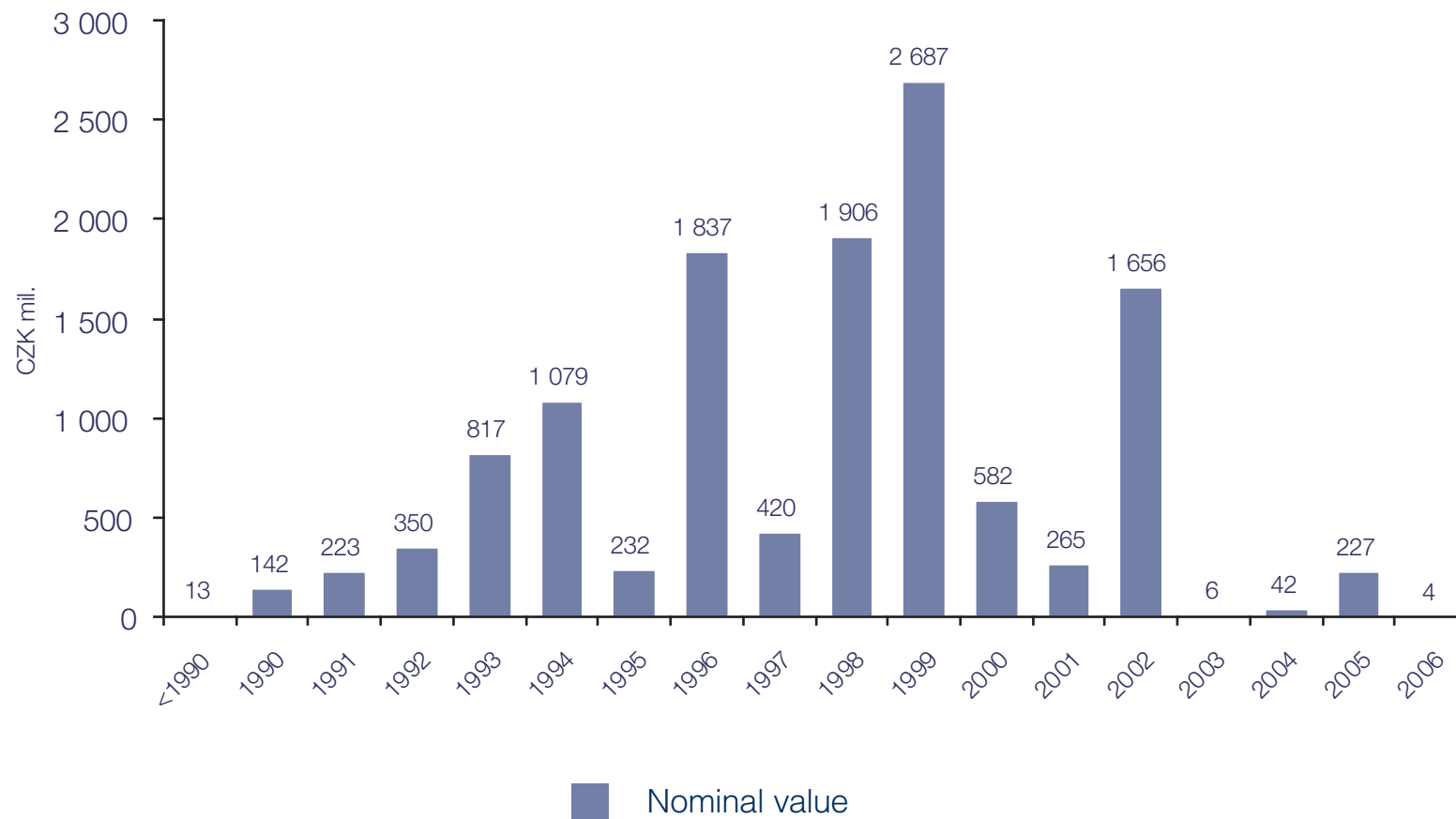


## Portfolio distribution by the legal form of the debtor

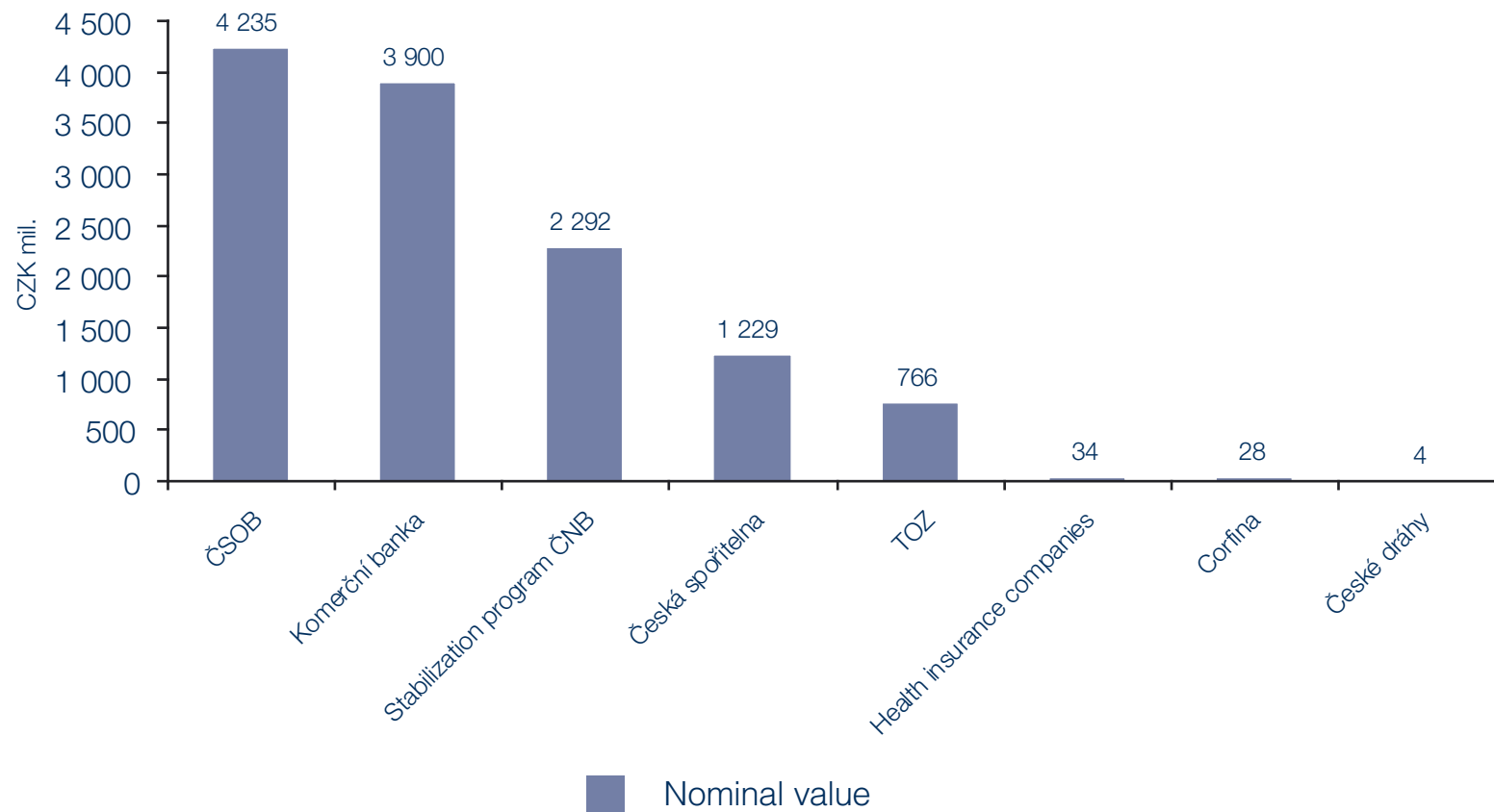




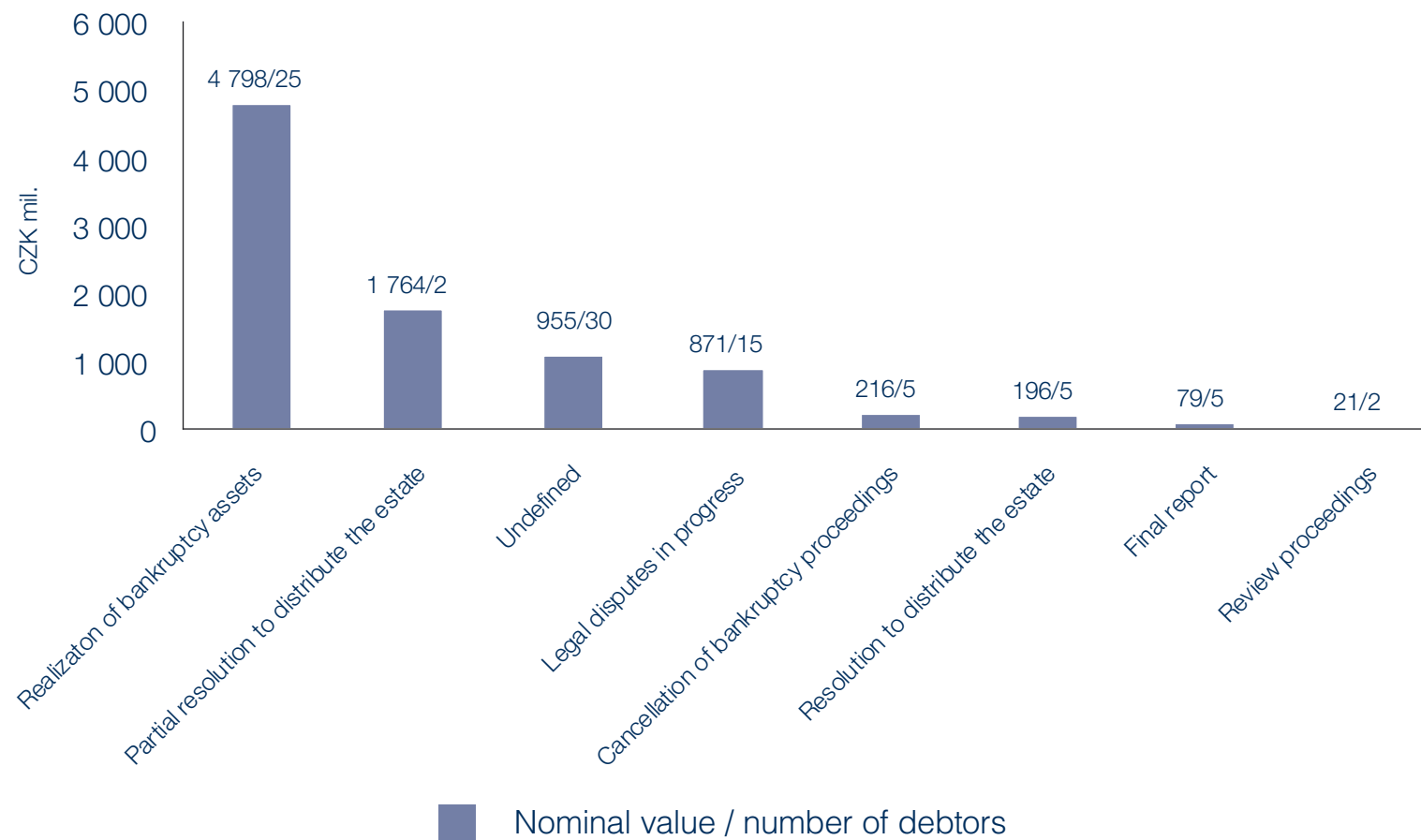
## Portfolio distribution by the year of origin of the debt legal title



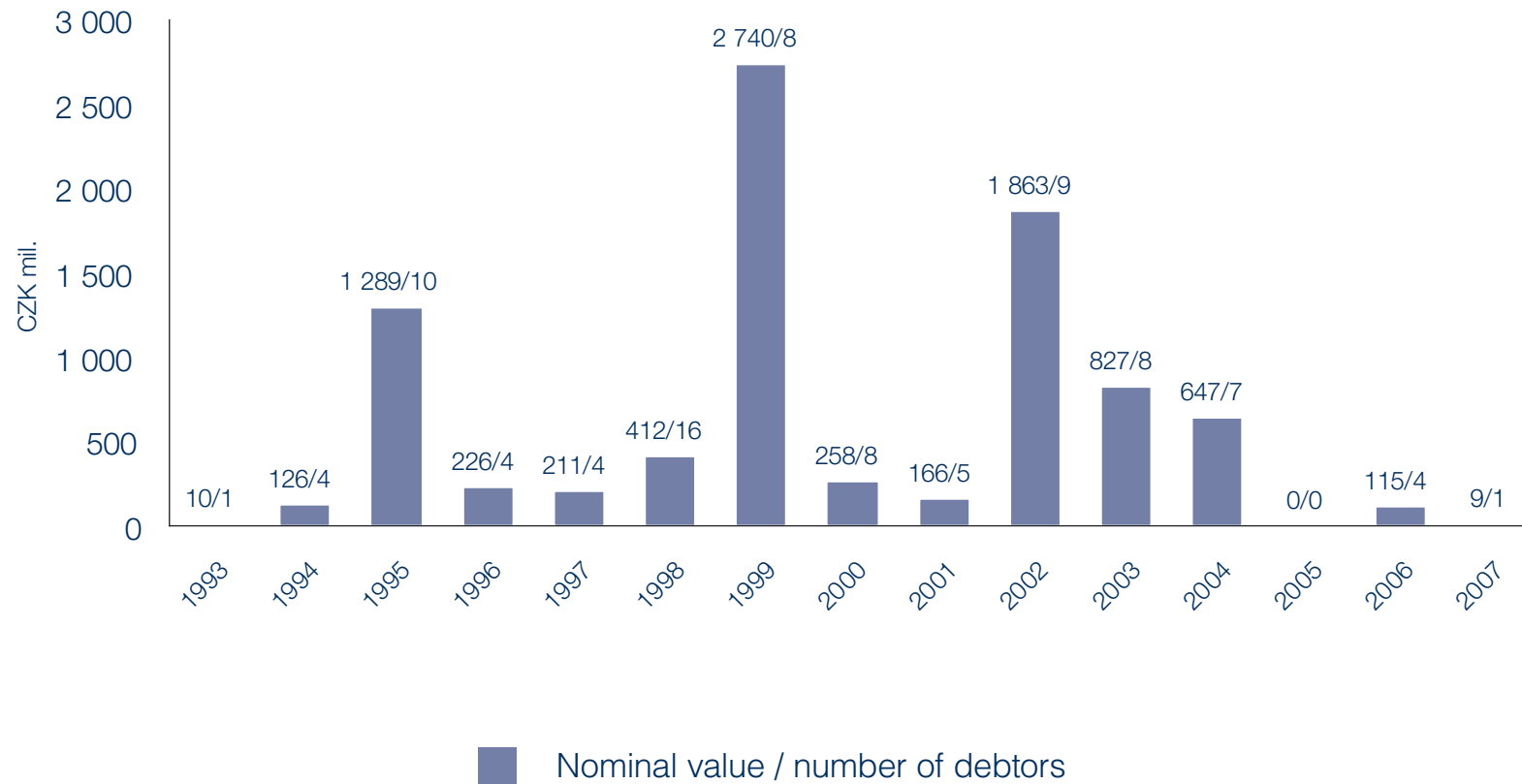
## Distribution of the portfolio by the origin of the receivables

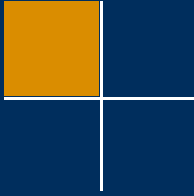


## Distribution of bankruptcy receivables by the bankruptcy status



## Distribution of bankruptcy receivables by the year bankruptcy declaration

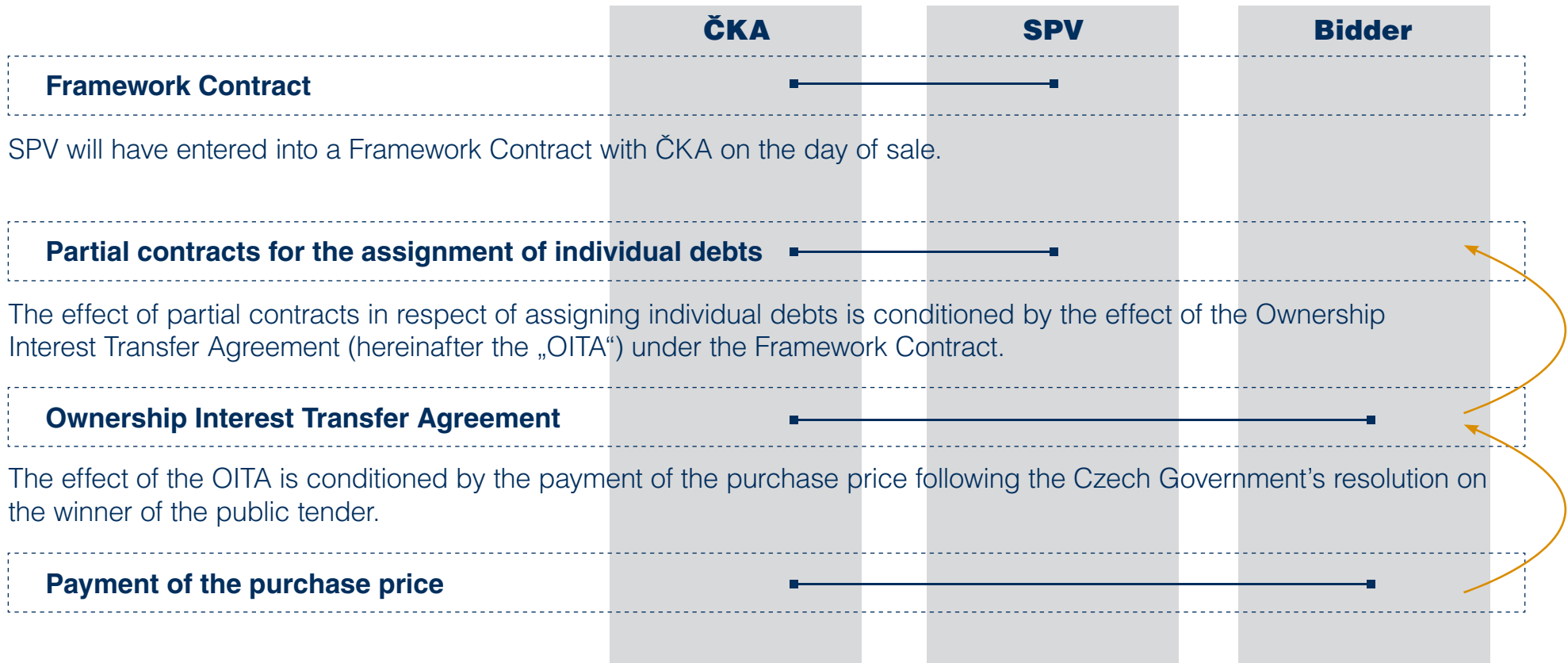




## **SELECTED TAX AND LEGAL ISSUES**

## Transaction documentation, transfer of Assets to SPV, and the effective date of the Transaction

- The Transaction is based on a framework contract regarding a transfer of Receivables free of charge (hereinafter the “Framework Contract”) entered into by SPV and ČKA; receivables are transferred to SPV after the payment of the purchase price for the equity interest pursuant to the Czech Government’s resolution on the winner of the public tender.



## Selected tax aspects of the Transaction

- ČKA asked for an opinion - the assessment of the Transaction by tax authorities, i.e. the Czech Finance Ministry and the Financial Directorate of the City of Prague (management bodies of the tax administrator that will decide on the tax assessment, i.e. the Tax Authority for Prague 1).
- The conclusions of the above-mentioned bodies confirm that the free-of-charge assignment of receivables from ČKA to SPV will not carry any tax liability, i.e. that the transfer is subject to gift tax but exempted from this tax.
- The ruling tax legislation does not allow the Tax Authority to issue a binding assessment (an opinion) with respect to any future tax liability. However, the opinion by the Czech Finance Ministry and the Financial Directorate of the City of Prague are statements of bodies that ultimately decide on possible remedies (Financial Director decides on appeals) or extraordinary remedies (Finance Ministry decides on tax waivers). The relevant tax authority should take these conclusions into consideration, or the above-mentioned bodies should make decisions in terms of these opinions in other proceedings.
- The opinions of the Czech Ministry of Finance and the Financial Directorate of the City of Prague will be available to the tender's participants during the due diligence process.

## Selected legal aspects of the Transaction

- Principles of the Framework Agreement:
  - Framework Agreement shall constitute a part of documentation that shall be disclosed in course of the due diligence process;
  - ČKA shall not alter the wording of the agreement in course of the due diligence process (with the exception of eventual change in the particular Assets);
  - Assignment shall be free of charge;
  - SPV shall declare that it is acquainted with the quality of Assets and fully accepts them as they are;
  - Framework Agreement shall come into effect when signed by SPV and ČKA;
  - Individual assignment agreements shall be entered into after the Framework Agreement comes into effect and the effective date of such assignment agreements shall be postponed.
- Principles of the Ownership Interest Transfer Agreement:
  - The investor's declaration of its acquaintance with the Assets;
  - The investor shall not raise any claim against ČKA, Managing Director or Members of the Board of Directors concerning their liability for defects of the Assets;
  - Investors shall have an opportunity to comment on the wording of the agreement, whereas ČKA reserves the right to refuse any eventual changes proposed;
  - The agreement shall come into effect 3 days after its signing date by ČKA (i.e. after (i) the winner of the public tender is discussed by the Board of Directors of ČKA, (ii) after the winner is discussed by the Supervisory Board of ČKA, (iii) the winner is approved by the government of the Czech Republic, (iv) after the balance of the purchase price is paid by the investor).



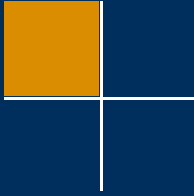
## „Cut-off date“

- The cut-off date = the bid submission date minus 2 days
- Handling collections after the cut-off date:
  - a) Collections received between the cut-off date and the signing day of the OITA by ČKA and known by/communicated to the future purchaser by the date of the OITA will be settled in full by way of a reverse transfer to the future purchaser;
  - b) The maximum reverse transfer provided by ČKA under section a) is no more than 40 percent of the purchase price under any and all circumstances;
  - c) If all collections relating to the portfolio received between the cut-off date and the signing date of the OITA by ČKA under section a) exceed 40 percent of the purchase price, the future purchaser is entitled to withdraw from the contract before the contract becomes effective;
  - d) All collections relating to the portfolio received<sup>3)</sup> in the period between the signing date of the OITA by ČKA and its effective date as well as any other collections considered to be collections made before the effective date of the contract irrespective of the actual date of the transfer of funds to ČKA's account, to which no reverse transfer would be applied under sections a) and c), will be settled in their full amount received for this period by way of a reverse transfer to the purchaser;

*Note: 3) By ČKA or its legal successor*

## Legal defects of receivables in the portfolio

- The receivable may be entirely or partially rejected in the bankruptcy proceedings;
- The receivable may be entirely or partially forfeited;
- A decision regarding the receivable's non-existence, which is not final and conclusive, is in place;
- The receivable's debtor cannot be clearly identified;
- The principal relating to the receivable cannot be determined;
- Individual receivables originated based on precisely-specified legal grounds cannot be calculated (an aggregate receivable consists of several individual receivables ensuing from several legal titles and individual receivables cannot be precisely calculated);
- The amount of receivables is questionable;
- The debt might have been subject to an offset against a receivable from ČKA considered to be non-existent by ČKA;
- ČKA does not have all documentation relating to the debt;
- It cannot be proven whether the documentation giving rise to the debt was signed by an authorised person;
- The legal grounds of the receivable are questionable in terms of the validity or effectiveness of the loan or other contracts;
- The creditor is questionable since legal succession of individual creditors is inconclusive and a series of assignment contracts show legal defects.



## **PUBLIC TENDER**

## Basic information

- Public tender in order to select the most appropriate entity to which ČKA's 100 percent equity interest in SPV will be sold under the conditions stipulated in the OITA;
- One-round tender;
- Single assessment criterion – the amount of the bid price;
- Possibility to additionally increase the price under conditions set in advance (Last call);
- Chances to remedy defects of the application process;
- Combination of hard-copy and electronic format due diligence;
- Ongoing updating of the information base including a regular up-date of information regarding the received collections;
- Possibility to use the 'appointed entity' approach;
- Public tender and related matters are governed by the legal system of the Czech Republic;
- The public tender rules are announced by being published on ČKA's website.

## Estimated schedule of the public tender

- |   |                       |
|---|-----------------------|
| ■ Investors day   | <b>7 June 2007</b>    |
| ■ Announcement of the public tender   | 13 June 2007          |
| ■ Deadline for filing the application for the public tender and payment of the administration fee | <b>27 June 2007</b>   |
| ■ Announcement of the due diligence participants  | 18 July 2007          |
| ■ Due diligence commences   | <b>19 July 2007</b>   |
| ■ Deadline for comments on the OITA   | 26 July 2007          |
| ■ Hand-over of the final transaction documentation to investors                                   | 16 August 2007        |
| ■ Cut-off date  | 20 August 2007        |
| ■ End of due diligence, delivery of a cash security to ČKA's account                              | 21 August 2007        |
| ■ Submission of bids, provision of security by way of an irrevocable bank guarantee               | <b>22 August 2007</b> |
| ■ Announcement of the Last call participants  | 24 August 2007        |
| ■ Submission of additional last call bids   | 29 August 2007        |
| ■ Announcement of the public tender winner  | <b>Oct./Nov. 2007</b> |
| ■ Transaction settlement  | <b>Oct./Nov. 2007</b> |

## Qualification criteria

Potential participants will have to prove, inter alia, that:

- The interested party is a legal entity;
- The interested party is not in liquidation or bankruptcy;
- The interested party has no tax or insurance arrears in the Czech Republic;
- The interested party<sup>4)</sup> has not unsuccessfully held or has not been holding over the last five years legal or arbitration proceedings against ČKA in connection with the sale of a portfolio of receivables;
- Besides the interested party, no other entity belonging to the same related group as the interested party will participate in the public tender;
- With respect to the public tender, the interested party does not act in cooperation or mutual understanding with any other entity which is participating in or intends to participate in the public tender;
- The interested party<sup>4)</sup> is not, as a debtor, in any delay with the settlement of enforceable receivables whose creditor is ČKA;
- The interested party<sup>4)</sup> is not directly or indirectly involved in any criminal activity or legalisation of proceeds arising from criminal activities (and was not involved in any criminal activity or legalisation of proceeds arising from criminal activities in the past);
- The interested party has sufficient finances available that do not originate from a criminal activity; and
- The amount of aggregate assets that are available to the interested party alone or together with entities of the group related through common assets is no less than CZK 1,000,000 thousand.

*Note: 4) Including entities belonging to the same related group as the interested party*

## Participation in the public tender

Within the application to the tender interested parties must proceed as follows:

- Submit the following documents in the prescribed form within the deadline for filing the application for the public tender:
  - One signed original copy of the application form;
  - Two signed copies of the confidentiality agreement draft;
  - Certificates proving the participant's legal entity status;
  - One signed original copy of a statement regarding meeting the qualification criteria;
  - One signed original copy of a statement regarding the structure of the interested party's related group or group related through common assets.
- Pay the administration fee (the sum must be credited to the relevant account by no later than as of the last day for filing the application for the public tender).

*Notes:*

*5) Signatures of the potential participant's authorised entities must be officially certified.*

*6) Corporate and official documents may be submitted in English provided they were originally drafted in English.*

## Administration fee, Security and Contractual fine

- Administration fee of CZK 500 thousand:
  - Administration fees paid by an interested party that did not become a participant will be returned. In the remaining cases, the fee will not be returned.
  - Security of CZK 50,000 thousand:
    - Through a bank transfer based on an agreement on the cash security and contractual fine;
    - By an irrevocable bank guarantee based on an agreement on a bank guarantee and contractual fine;
    - A cash security provided by the public tender winner will be used as an advance payment for the purchase price;
    - The cash security provided by a participant with the second highest bid will be returned after the transaction documentation with the public tender winner is finalised;
    - The cash security of the participant whose bid was neither the first nor the second highest will be returned (this also applies to participants that submit an invalid bid);
    - Should ČKA decide to reject all submitted bids or cancel the public tender, the cash security will be returned to all participants.
- Contractual fine in the amount of CZK 50,000 thousand upon a material breach of the public tender rules, such as:
  - False announcement or declaration provided by a participant;
  - The public tender winner will cease to control the appointed entity with which the contract is to be entered into prior to the conclusion of the OITA.
- Contractual penalty of CZK 200,000 thousand upon a material breach of the public tender rules involving the failure to enter into a OITA for reasons attributable to the participant.



## Revision of the fulfilment of the qualification criteria

- ČKA will announce to each potential participant whether they have met the qualification criteria.
- After revision, ČKA is entitled to ask any interested party to submit:
  - Additional information regarding the statement on the structure of the related group;
  - Documents which prove the legal entity status of the potential participant, unless all documents were provided together with the application form;
  - Documents proving the authorisation of entities to act on behalf of the potential participant;
  - Audited financial statements or audited consolidated financial statements of individual members of the group related through common assets for the most recent reporting period, which precedes the announcement of the public tender.
- ČKA may, at any time during the public tender, ask for the submission of a bank statement, which proves sufficient finances are available for the fulfilment of the participant's obligations arising from the participation in the public tender.

## Due diligence and transaction documentation negotiations

- Combination of hard-copy and electronic format due diligence:
  - Hand-over of a Datadisc and a CD-ROM/DVD containing electronic copies of all provided documents (two sets of data carriers per participant);
  - Provision of access to paper documentation available in a data room according to the conditions and scope determined by ČKA.
- Main groups of provided information:
  - Information about SPV;
  - Information about the Assets; and
  - Contractual documentation relating to the Transaction (principally a draft of the OITA, Framework Contract etc.).
- Participants may comment on the wording of the OITA.
- Electronic communication of queries and equal distribution of answers to interested parties.
- Ongoing up-date of information on data carriers.
- Documents may not be copied.

## Bid

Acts necessary for submitting the bid:

- Provision of a security:
  - By means of a bank transfer to ČKA's account; or
  - By means of an irrevocable bank guarantee issued by a bank with a long-term deposit rating of no less than A1 (Moody's).
- Submission of the following documents in particular, in a prescribed form and on a specified date:
  - One signed original copy of the statement regarding the bid;
  - Six signed duplicates of a draft of the OITA (the draft is binding for the participant over 100 calendar days from the date of submitting the bid);
  - Certificates proving the participant's legal entity status; and
  - One duplicate of an agreement regarding the cash security and contractual fine or one duplicate of an agreement regarding the bank guarantee and contractual fine and the original copy of the bank guarantee.
- The submitted bid cannot be recalled. The bid and the relating documents cannot be altered and no information can be added.

*Notes:*

- 7) *Officially certified signatures of authorised entities*
- 8) *Corporate and official documents may be submitted in English provided they were originally drafted in English*
- 9) *Modifications of a bid and related requirements – should the appointed entity approach be used – will be presented in the official announcement of the public tender on ČKA's website*

## Evaluation of bids and Last call bids

- Envelopes will be opened in the presence of a notary and the participant's representatives.
- Assessment of the validity of bids and their evaluation according to a single criterion – the amount of the price bid.
- There is a possibility to additionally increase the payment according to conditions set in advance:
  - The participant with the highest bid and participants whose bid was not lower by more than 15 percent than the highest submitted bid are entitled to increase the offered payment;
  - ČKA will announce which participants are entitled to submit the additional bid.
- For submitting the additional bid, the delivery of the following documents will be requested in a prescribed form and on a specific date:
  - One signed original copy of the statement regarding the additional bid;
  - Six signed duplicates of the draft of the OITA (the draft is binding for the participant over 93 calendar days from the date of submitting the additional bid).
- If the participant does not make an additional bid and will not increase the payment offer for the portfolio of receivables, the participant's original bid will be assessed during the assessment of additional bids.
- ČKA will announce the public tender winner on its website as well as by sending a written announcement to all participants who submitted a bid.
- If the concluded OITA is discharged due to means other than the performance thereof, or if the contract is not entered into because of reasons given by the winner, or if the contract is not entered into with the winner, ČKA is entitled to enter into this contract with other participants in the order in which they performed in the public tender.

## **Exclusion of a participant from the public tender; changes in and cancellation of the tender**

- Exclusion and withdrawal from the public tender:
  - ČKA is entitled to exclude any participant from the public tender who makes a false announcement or declaration, stops complying with qualification criteria, or breaches the public tender rules otherwise;
  - ČKA is entitled to exclude any participant if a change of entities that directly or indirectly control the participant occurs after the application is submitted;
  - A participant may withdraw from the public tender at any time before submitting the bid.
  
- Cancellation of the tender and rule changes:
  - ČKA reserves the right to change or add new information to the rules or cancel the public tender at any time;
  - ČKA reserves the right to refuse all submitted bids;
  - All costs of the participants related to their participation in the public tender are borne by the participants. This also applies in situations when the tender is cancelled by ČKA.

## Contacts

- For more information on the tender, please see the following website:

**[www.czka.cz](http://www.czka.cz)**

- Contacts:

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This Presentation has been prepared by Česká konsolidační agentura with assistance from Deloitte Advisory s.r.o. (hereinafter "Deloitte") and RUDOLF & PARTNERS (hereinafter "AK Rudolf") based on information supplied by ČKA and ČKA's accounting records as of 30 April 2007. This Presentation has been issued in connection with a planned sale of ČKA's equity interest in SPV. ČKA has approved and authorised the delivery of this Presentation to the entities interested in participating in the sale process.

The purpose of this Presentation is solely to provide information to the entities interested in participating in the sale process in order to assist them in making their investment decision. The Presentation does not purport to contain all information any potential financing investor might require or consider; the information in the Presentation is thus supplied only as a guide.

The participants must conduct their own investigations and must assure themselves as to the accuracy and completeness of the statements contained herein. This Presentation should be read in conjunction with other information made available to the participants in the sale process.

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## **Changes in the tender**

ČKA reserves the right to make any changes to the tender rules, contractual documentation, tender schedule and any other documentation relating to the tender relative to the assumptions as presented herein. Information regarding the tender is presented in an abbreviated form in this Presentation and will be described in greater detail in legally binding documentation relating to the tender.