

Czech Trade Focus

News from the Czech Commercial Offices in the United States / January 2005

Czech Exports to the U.S. Central European Bourses Economic Indicators Czech Metallurgy
Tender for Cesky Telecom Rules for Non-commercial Imports Marketing Events

CZECH EXPORTS TO THE U.S. (JANUARY - OCTOBER 2004)

Top Product Groups (mil. US\$)

1. machinery and mechanical appliances	379,6	7. aircrafts (parts of aircrafts)	60,3
2. electrical machinery	226,8	8. organic chemicals	44,1
3. steel	135,9	9. farming machinery, vehicles	37,4
4. optical, medical, laboratory devices	80,2	10. furniture	37,3
5. plastics, rubber products	66,7	11. toys	35,7
6. glass, glassware	64,3		

(source: USITC)

The leading export items are parts of office machines, structural parts of helicopters, tantalum capacitors, medical catheters, ferrovanadium, coniferous wood, fuel injection pumps, glass beads, glassware, electromechanical hand tools, electronic equipment for telephonic carrier systems, alloy steel, electric components, tires, gas turbines, beer, parts of construction machinery, parts of turbines, air conditioning, machine centers and other metal working machines.

ECONOMIC BRIEFS

► **EU enlargement** made Central Europe an economic hot spot. 2004 was a year of Central Europe in equities and currencies.

► **GDP** is predicted to increase by a healthy 4%. Industrial production growth is estimated at 10.1% and construction output at 12.3%. Estimates expect the **annual growth of real GDP** is expected to range from 3.9 - 4.3 % in 2004.

► **The Czech National Bank (CNB) expects GDP growth** over the next two years to exceed initial projections. The CNB upgraded its forecast for 2005 with prediction 3.8 percent to 5.2 percent.

► **National currency** (koruna, CZK) has been strengthening through 2004 and reached the level of 22 CZK against the US dollar and 30 CZK against the euro.

► **Interest rates will remain unchanged for several months**, Czech National Bank Governor Zdenek Tuma said. "We are more likely to raise rates when changing them next time, but I cannot say whether in one, two, three or four months."

► **Deficit of Czech current account** will reach a record high 6.6% of GDP in 2004. The trade deficit is offset by inflow of

foreign investment reaching 5.2% of GDP.

► **Consumer prices** grew by 3.5% y/y in October, comparing to 3% in September. The average growth of consumer prices was 2.5 in the past 12 month.

► **Inflation in the CR averaged 2.8%** in 2004. The expected price increase after the EU accession (by consumers) did not materialize.

► **Retail sales** grew by 0.4% y/y in October, slightly decreasing from 0.6% in September. Full-year retail sales are expected to grow by 2 percent to 2.5 percent.

► **Prices in Prague are approximately 25 percent lower** than in nine other European capitals but are expected to increase, according to a price survey by Dresdner Kleinwort Wasserstein bank. Exposure to the EU market will force prices higher. Prague prices of real estate, services, foodstuffs, among other items, are also higher than in other Czech cities.

► **The city of Brno has won the competition for European City of the Future** 2004/2005 organized by the

prestigious FDI magazine in the category of Vysegrad group cities. Brno's victory was due to a series of factors. Besides economic results, particularly economic growth and high GDP per capita, also playing a role was the city's industrial tradition in all top fields (optics, electronics, precision engineering) and high economic and investment potential.

► **The average gross monthly wage increased by 740 Kc** (\$33) from last year in the second quarter of 2004 to 17,817 Kc. The highest average wage was recorded in the financial sector (35,815 Kc) and the lowest in agriculture, hunting and forestry (12,067 Kc). In the public sector, the average wage decreased by 102 Kc to 17,462 Kc. In US dollar terms the average wage is around 800 USD.

► **Assets in domestic open-ended mutual funds** have decreased by 4.6 billion Kc (\$205 million) since the beginning of the year. Domestic investors had an additional 50 billion Kc in foreign funds.

► **Household debt grew 7.5 billion Kc to 284.9 billion Kc** (\$12.7 billion) in September. Households took on an additional 70 billion Kc in debt this year,

and corporate debt increased 37.5 billion Kc to 577.8 billion Kc (\$25.8 billion).

► **Revenues of Czech farmers** have done particularly well, increasing revenues by 108 percent, according to Eurostat.

► **Foreign demand for Czech goods spurs economic growth**

The country's growing economy is being driven largely by industrial output. Industry added 8.1 percent to GDP in 2004, making it the second-largest contributor after the service industry. Demand for Czech products from abroad increased 30 percent this year, namely thanks to automotive and related industries, and the steel industry.

► **The Czech Republic's productivity has increased** since last year, and is now estimated at 62%, which is only 2 percentage points behind Germany and

the U.S., according to a study on global productivity by consulting firms, Czipin & Proudfoot and Gallup.

► **Growth data for 2004** challenged assumptions that the Czech economy is locked into a low-growth mode by its relative maturity and uneven business environment. Like other accession countries, the Czech economy has received a short-term boost to growth from EU integration, mainly in the form of consumption, trade and stock building.

► **Brno hosted the largest engineering fair in Central Europe**

Brno, the second largest city in the Czech Republic, recently hosted the 46th international engineering fair. The fair brought together over 2000 firms from 33 countries, and attracted over 100,000 people from not only the Czech Republic but as far as Asia and North America.

► **The Czech Republic along with Poland and Hungary** figured again among the three most successful CEE countries in 2003 in terms of the volume of FDI inflow, according to the World Investment Report 2004, released by the UN Conference on Trade and Development.

► **Industrial Zone of the Year 2003**

Government ministers of the Czech Republic handed out awards for the best quality industrial zones in the Czech Republic. Awards were presented in the following categories: Most Economic Benefit, Most Social Benefit, Best Town Planning Solution, and Brownfield of the Year. Winners of these categories were Central Trade Park Modrice, Koprivnice Industrial Park, Cheb Industrial Park, and the Triangle Strategic Industrial.

ECONOMIC POLICY

■ **The Civic Democrats**, the right-wing senior opposition, won 18 of 27 seats up for grabs in the recent Senate elections. Prime Minister Stanislav Gross' Social Democrats, the senior party in the governing coalition, failed to win a single seat.

■ **The adoption of the euro** will require more spending cuts than planned in 2006 and 2007, according to the Finance Minister Bohuslav Sobotka. Spending will have to be cut by 20 billion Kc (\$893 million) in 2006, 25 percent more than planned, and by 30 billion Kc in 2007.

■ **Pension funds have reported** a large increase in participants. According to the Association of Pension Funds Credit Suisse Life and Pensions attracted 46,000 new clients, PF Ceske pojistovny drew 32,000 new clients, and ING PF registered 31,000 new customers in the first half of 2004. Twelve pension funds had a combined total of 2.82 million clients in June 2004, nearly a quarter of the country's population.

■ **The Anti-Monopoly Office (UOHS)** will likely review the increase in sugar prices made by refineries and wholesalers following accession to the EU. As a result, the profits of sugar producers grew by at least a half billion crowns (\$22 million) over the past three months.

■ **State officials** should provide subsidies to purchase computers and Internet access for low-income families with

children, Information and Technology Minister Vladimir Mlynar said Sept. 16. Mlynar's proposal would allow families to deduct the 19 percent value-added tax on computers and Internet service for noncommercial purposes.

■ **New employment laws took effect Oct. 1** that make it illegal for employers to ask applicants personal questions during job interviews. Employers will no longer be able to inquire about an applicant's marital status or health.

■ **The government is planning to offer low-interest home loans** to newlyweds and people up to age 35. The state could start to provide the 300,000 Kc (\$13,390) loans in November, said Jan Vagner, head of the Housing Development Fund.

■ **Internet securities trader Patria** Direct mediated transactions worth 7.2 billion Kc (\$321 million) from January to September 2004. That is nearly 50 percent more than trading during the same period in 2003.

■ **The government is seeking a permanent exemption** to the EU requirement to tax construction of new residential housing at the 19 percent value-added-tax rate. The nation is currently exempt until 2008.

■ **Martin Jahn, deputy prime minister for the economy**, and Justice Minister Pavel Nemeč plan to submit a bill to the

government to decrease the length of bankruptcy proceedings. Under current law, bankruptcy settlements can last as long as seven years. The proposed law would also give companies time to earn money to settle debts before declaring bankruptcy.

■ **The Czech Republic could achieve the EU goal** of becoming the strongest economy in the world by 2010 if it had a more stable economic environment with lower tax rates, according to a report released by Eurochambers Oct. 18. The country should focus investments on information technology, research and innovation.

■ **Approximately 20 of the country's 36 credit unions** will try to meet strict EU capital demands. Credit unions that do not meet the requirements by Feb. 1 will lose their licenses.

■ **The self-employed will pay 4,485 Kc more** (\$200) in social and health insurance and tax contributions in 2005, thanks to the growing average wage. The average wage influences the rate of minimum insurance contributions.

■ **One-third of Czech households** said they enjoyed a good living standard in October compared with 22 percent who assessed their situation as bad.

■ **President Vaclav Klaus signed an amendment to the energy law** that aims to liberalize the electricity and gas

markets by 2007. The amendment is an effort to harmonize Czech energy laws with the EU.

■ **There are 46,000 fewer entrepreneurs** than there were last year. The Social Security Administration (CSSZ) reported there were 953,000 self-employed people

for the first 11 months of 2004. This can be the result of introduction of a minimum tax and other changes to the tax code.

■ **The Investment Incentives Act**, has been officially approved by the European Commission. State aid granted to the processing industry in the Czech

Republic thus entirely complies with European Union rules. The investment incentives scheme was harmonized with European Union rules on the basis of the so-called Euro-amendment to the Investment Incentives Act, which took effect on May 1, 2004.

CENTRAL EUROPEAN BOURSES ENJOYED YEAR OF GROWTH

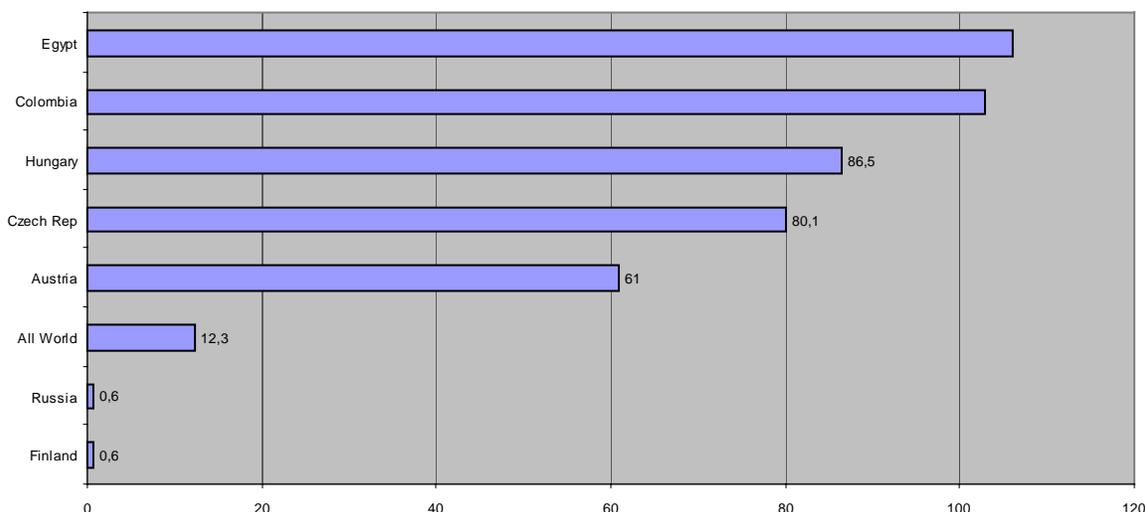
Central Europe's stock exchanges had a banner year in 2004, boosted by much faster economic growth than in the west of the continent and by the powerful positive effects of joining the European Union in May.

Similarly good results can be seen across the region as investors, many of them from the US, poured money into countries that, after joining the EU, are seen as stable and safe, but still offering good returns.

The bourse in Prague has a market capitalization of €31.6bn, up from €19.9bn at the start of the year. The blue-chip PX-50 index has risen by 63 per cent for 2004, recently closing above 1,000 for the first time. The Prague Stock Exchange has also been boosted by big dividend pay-outs and two share issues: a €680m secondary offering - its largest yet - of 27 per cent of Cesky Telecom last December; and an IPO - its first - of \$211m of shares in pharmaceuticals company Zentiva. The successful placements have brought new investors to Prague and increased the market's depth.

The FTSE Eurozone index rose by 16.2 per cent with smaller countries such as Austria and Belgium, up 61 per cent and 41 per cent respectively, beating France and Germany, which managed gains of 14.6 per cent and 11.4 per cent respectively. Emerging European markets had an outstanding year, led by Hungary, up 86.5 per cent, and the Czech Republic, up 80.1 per cent.

Best and worst FTSE All World indices 2004 (% change from Jan 1)



CZECH METALLURGY AT GLANCE

In 2004, due to worldwide soaring demand, Czech metallurgical industry was a top winner among manufacturers and exporters. The industry covers production of iron, steel, ferro-alloys, flat steel products, heat-formed products, cast-iron and steel tubes and pipes, processing of non-ferrous metals and metal casting. Iron ore for production of pig iron is imported from Russia (approx. 8 million t/year).

The Czech metallurgical industry can be a viable world supplier with an output reaching 4.5-5.0 million tons annually. The domestic steel demand is currently set to increase from 4.5 million tons to 5.9 million tons in 2008. Over 50% of Czech steel production is exported, predominantly to the EU and other European countries. Germany, Slovakia, Poland, and Austria are the major trading partners in steel trade, accounting for 60% of total steel exports. Exports of steel and iron, including articles of steel and iron, have doubled in the last two years and are estimated to reach over \$2.5 billion for 2004.

CZECH STEEL AND IRON EXPORTS (CZECH STATISTICS)

Countries	Jan – Dec 2002 (thousand USD)	Jan – Dec 2003 (thousand USD)	Jan – Oct 2004 (thousand USD)
ALL	1,225,228	1,646,126	2,335,916
EU (15)	645,872	852,583	1,326,388
USA	66,561	50,624	52,662
Germany	307,553	423,390	766,928
Slovakia	133,440	184,324	273,624
Poland	139,976	187,384	249,196
Austria	93,163	130,548	146,409

(source: Czech Statistical Office)

Traditionally the production has been focused on ferrous metallurgy, basic metallurgical products, i.e. pig iron (steel-making pig iron, foundry pig iron, special pig iron), crude steel, semi-finished products, long and flat rolled products, steel pipes, including closed welded shapes, cold-rolled narrow strips, open bent shapes, drawn, ground, and peeled steel and drawn wire.

Now Czech steel producers must, however, compete with low cost Russian and Ukrainian production, and must therefore concentrate more and more on high value-added products. For instance, Trinecke zelezarny, the country's second largest steel company, focuses on high carbon steel for automotive industry, Central Europe's large manufacturing sector. Trinecke is about to supply the new Korean Hyundai plant in Zilina, Slovakia (30 miles from the Moravian mill).

In non-ferrous metallurgy, semi-finished and finished products from copper, aluminum, steel, zinc, nickel, precious metals and alloys are the principle products available. They include semi-finished rolled products and foils from aluminum and its alloys, from nickel and copper alloys, strips, wire, anti-friction bearings, steel and tin semi-finished products, including alloys, blocks, alloying additions, silver anodes and products from the metals (AG-silver, Au-gold, W-tungsten, Ta-tantalum, Pd-palladium), Al foils, varnished and shaped Al sheet, Cu sheet, spot-welding electrodes, solders, lead and zinc rods and pipes.

The foundry industry offers a wide range of gray cast iron, cast steel, nodular cast iron, malleable cast iron and non-ferrous metal alloy castings. Only a non-significant part of the output is finished products. Also special foundries producing design artistic items, as well as furniture, church bells or city lanterns and benches, can be found in the CR.

Still fragmented, with three major players and a number of smaller producers, the Czech metallurgical industry undergoes a period of consolidation and M&A's. One of the largest country's steel makers, Nova Hut, was acquired by LNM Holdings group (Ispat). Privatization of Vitkovice Steel is on for 2005. LNM Holdings, Russia's Severstal, Luxembourg based Arcelor, and IS Donbass of Ukraine are eyeing on the country's third largest steel maker.

Major Czech Iron and Steel Producers

ISPAT Nova Hut, a.s.
www.novahut.cz

Trinecke zelezarny, a.s.
www.trz.cz

Vitkovice Steel, a.s.
www.vitkovicesteel.com

Vysoke pece Ostrava, a.s.
<http://novahut.cz>

ZDB, a.s.
www.zdb.cz

Valcovny plechu, a.s.
www.fpfm.cz

Ferromet Group, s.r.o.
www.ferromet.cz

AL Invest Bridlicna, a.s.
www.alinvest.cz

Alcan Decin Extrusions,
s.r.o.
<http://alcan.com>

Kovohute Celakovice, a.s.
www.khc.cz

COMAX, spol. s r.o.
www.comaxsro.cz

Med Povrly, a.s.
www.medpovrly.cz

Kovohute Pribram, a.s.
www.kovopb.cz

Kovohute Rokycany, a.s.
www.kovohutero.cz

CKD Kutna Hora, a.s.
www.ckdkh.cz

TAFONCO, a.s.
www.tafonco.cz

METAZ, a.s.
www.metaz.cz

Slevarny Trinec, a.s.
www.unex.cz

UNEX, a.s.
www.unex.cz

Kovolit, a.s.
www.kovolit.cz

ZDB, a.s. VIADRUS
heating system division
www.zdb.cz

Kdynium, a.s.
www.kdynium.cz

INVESTMENT BRIEFS

► **Swisscom has announced** interest in the government's 51 percent stake in Cesky Telecom. Swisscom has not released any other details about its interest in the country's dominant fixed-line provider.

► **Czech-owned company Pegas** has opened its new production facility for non-fibrous textiles in the Znojmo industrial zone. The company is investing over 750 million Kc (\$33.5 million) into construction of a new plant and installation of a new production line.

► **Connaught Electronics of Ireland will assemble** electronic devices for cars at a new plant near Humpolec. The company is investing up to two million euros into the plant construction and expects to create up to 300 new jobs in its first production facility outside Ireland. Production is scheduled to begin in January.

► **Germany's Robert Bosch group will build** a new development and innovation center in Ceske Budejovice, south Bohemia. The group will invest 4 million euros into building the center and will create up to 200 jobs. Robert Bosch is the second largest group in automotive technology in the world, its scale of production also includes packing and heat technology, electric tools, household appliances, security systems, and broadband networks.

► **Japanese company Daikin will build a plant** for the production of air-conditioning compressors in the industrial park Cernovicka terasa in

Brno, south Moravia. In the first stage, Daikin will invest about 1.2 billion Kc and create more than 500 new jobs.

► **Logistics firm DHL opened a new 5 billion Kc European IT center** in Prague. The new DHL center, one of the company's three global IT centers, has 500 employees who will handle the company's computer operations throughout Europe.

► **A branch of German company Linde and Wiemann CZ**, maker of car parts, will employ about 300 workers at a plant in Breclav, south Moravia. The company's plant will be built on a piece of land it inherited from the failed Hudson company.

► **German business solutions provider SAP AG plans to move** several administrative jobs from its German headquarters and European subsidiaries to Prague. The relocation is an effort to streamline operations and reduce costs. Only 500 of the 2,500 planned hires by SAP this year will be working in Germany.

► After spending 590 million Kc (\$26.3 million) on construction, **international hotel chain K + K Hotels** has opened Hotel Central in downtown Prague. The renovated hotel has 130 rooms with floor heating, air-conditioning, soundproof windows and Internet connections.

► **More than ten British companies** have invested in the Czech Republic in 2004. Among them were fastening systems manufacturer **PSM**

International, manufacturer of plastic components **Hillside Plastics**, **Belvac Europe**, manufacturer of beverage can production machinery, and **Heads & All Threads**, one of the largest independent suppliers of industrial fasteners, cable systems and machined parts. Great Britain is the eighth largest investor in the Czech Republic. Large British manufacturers operating in the Czech Republic include BOC, BPB Gypsum, Cookson, Devro, IMI, Invensys, Rexam, Unilever and Wagon Automotive.

► **The Japanese company Oiles Corporation** opened its new plant in the North Bohemia. Total investment into construction and equipment will reach 4 million Euros over the next three years. The plant will manufacture sealing and self-lubricating bearings made of plastic and graphite. Oiles is a major supplier for large automotive firms such as Toyota, Honda, Nissan etc.

► **American vehicle component manufacturer Stant Manufacturing Inc.** will be locating to North Moravia to produce fuel caps and valves for fuel tanks. The company will invest over 6 million Euros into machinery. Production will start early next year and components produced in Karvina will be used in vehicles of carmakers such as Jaguar, Ford, Land Rover, Aston Martin, Mazda and others.

► **Austrian packaging producer Greiner Packaging** has opened its new facility in Litvinov, North Bohemia. Investment into the newly built plant is worth almost half a billion Czech

crowns. It will produce bulk plastic packaging production, mainly for customers in Central and Eastern Europe.

► **Japanese company Sumitomo Light Metal Industries, Ltd.** has opened a new production plant in Central Bohemia to produce aluminium forms for air-conditioning units for passenger cars. The investment, which will initially exceed 500 mil. CZK (\$22.3 million), will be this company's first production facility in Europe. The plant's production is intended for Western and Central European customers.

► **Parker Hannifin, the leading global producer of hydraulic and air-conditioning components** for the automotive and aerospace industry, is undergoing a major expansion of its production activities in the Czech Republic. Total investment into expanding its production base in Chomutov will reach 400 million crowns and should create another 200 new jobs in the region. Parker Hannifin has been operating in the Czech Republic since 1995. Their main customers are Daimler Chrysler, Volvo, General Motors, Nacco, John Deere and others.

► **Swiss company Aguna** will build a new plant in the Cernovicka terasa zone in Brno. The company intends to invest almost 250 million crowns into the plant, which will produce and develop precision instruments.

► **Cadence, California-based company** and one of the world's largest suppliers of electronic design technologies and software services, has completed a major renovation of the electronic design automation (EDA) laboratory at the

Czech Technical University in Prague (CVUT) as part of the company's extensive University Partner Program. Besides its financial contribution to the laboratory's reconstruction, Cadence subsidized CVUT with a broad array of industry standard software.

► **Tokai Rika, Japanese manufacturer of automotive components** has opened a new factory in the Ustecky region. The company has invested more than 45 million Euros into the plant which is to produce electric switches and safety devices for the automotive industry. Tokai Rika has already employed 600 people in Lovosice and in the future this number should increase to a thousand. Their main customers in addition to TPCA include Ford, Volvo and Toyota.

► **Aoyama Automotive Fasteners Czech** produces fastening materials for the automotive industry. The company has invested more than 30 million Euros into their new plant in Lovosice. In addition to Toyota, Aoyama is a major supplier to Nissan and Ford.

► **Matthey, member of the Arcelor steelmaking Group**, has decided to establish a plant in Usti nad Labem. The construction of this new production unit represents an investment of more than 15 million euros. The plant will supply customers from Central and Eastern Europe. Arcelor is the world's largest steel producer, with a turnover of 25.9 billion euros and shipments of 40.2 million metric tons of steel in 2003.

► **Kayaba, a Japanese producer of shock absorbers** for the automotive industry, is building a new manufacturing plant in the Pardubice region. The investment into the new

plant exceeds CZK 500 million and will bring about the creation of 200 new jobs.

► **Japanese company Toyo Radiator** has decided to invest in a new heat exchanger production plant near Kladno, Central Bohemia. In the first phase the company intends to invest at least half a billion crowns. The facility will specialize in production of components for air-conditioning industry and automotive industry. Among its customers will be companies such as Daikin, Toyota, and others.

► **US based Roper Industries Inc.**, which focuses on acquiring and building industrial product companies, will develop a new technology center in Ostrava's Science-Technology Park. The Ostrava center will supplement the technology centres of Roper's existing Instrumentation Segment operations located in the U.S., Denmark, Germany and France and employ up to 1000 people.

► **The new Toyota-Peugeot-Citroën factory in Kolin** will help eliminate the country's trade deficit once it reaches maximum production of 300,000 cars per year. The country's trade gap equaled 71 billion Kc last year, and the factory's exports are expected to reach 74 billion Kc (\$3.3 billion).

► **Hewlett-Packard will establish its regional computer technology supply chain headquarters** for Europe, the Middle East and Africa in the Czech Republic during the 1st half of 2005, investing 0.85 million USD. The Czech headquarters will be responsible for management of production and distribution of PC's.

TENDER TO BE HELD FOR CESKY TELECOM

The Czech government will allow financial investors to bid for Cesky Telecom, the country's dominant operator, but only in consortium with strategic buyers, the cabinet agreed.

The decision improves the chances of potential bidders such as TDC of Denmark, which could have balked at paying for the 51 per cent stake all by itself but will now be in a strong position to link up with a financial investor such as Goldman Sachs, the investment bank. Two years ago TDC came close to buying the state stake for €1.82bn (\$2.4bn) in consortium with Deutsche Bank.

By contrast Swisscom, another fancied contender, had built a cash pile for its aborted bid for Telekom Austria and could have bid alone.

Against expectations, the cabinet decided last week to hold a tender for its shareholding in Cesky Telecom rather than make a stock market placement after it received strong expressions of interest from Swisscom, as well as TDC and France Telecom. It agreed that only if the bids were unsatisfactory would it float the shares.

The government approved a finance ministry proposal that the tender process be accelerated, with preliminary bids due in early February and a winner selected by the end of March.

At the same time CSFB, the government's adviser, will prepare a secondary offering of shares. If the bids placed in February fall short, the flotation of the shares could take place in late March or April, just after Cesky Telecom releases its 2004 audited results.

Prague's brokerage community, which backed a flotation, has strongly criticised the government's decision to go for a "dual track" approach. Analysts predict the tender will fail because of lack of competition and that this will damage the prospects of the subsequent flotation.

COMPANIES AND BUSINESS

■ **Power producer CEZ** reported a consolidated net profit increase of 58 percent to 7.3 billion Kc (\$326 million) for the first six months of 2004 and revenues increased by more than 40 percent to 50.5 billion Kc.

■ **Regional power distributor Vychodočeska energetika** increased its first-half net profit by 81 percent to 850 million Kc (\$38 million) despite a three percent drop in electricity sales. The profit increase was mainly due to back payments from Ceske drahy, the national railway operator.

■ **The No. 1 auditor of Czech companies** in 2003 was again Pricewaterhouse Coopers, followed by KPMG, Ernst & Young, and Deloitte. The Big Four audited 83 percent of company financial statements in the country.

■ **Czech banks CSOB and Komerční banka, and telephone company Cesky Telecom** want to sell assets for billions of crowns. Komerční banka will be advised by Knight Frank, which will together with DTZ Zadelhoff Tie Leung also advise CSOB. Cesky Telecom's adviser will be the London branch of investment bank J.P. Morgan.

■ **Bank Austria** has sold its 13 percent stake in Ceske radiokomunikace to the Bivideon consortium. Bivideon now controls more than 89 percent of the telecommunications firm. The buyer purchased the shares for 1.58 billion Kc (\$71 million).

■ **The nation's largest bank, CSOB**, raised net consolidated earnings by 20 percent year on year to 3.93 billion Kc (\$175 million) in the first half. The total assets of the bank, majority controlled by Belgium's KBC Bank, increased by 9 percent against the end of last year to 659.5 billion Kc.

■ **Motorola will be the supplier of EDGE Internet access technology** for domestic mobile carrier T-Mobile, taking part in covering several cities such as Prague, Brno and Plzen. EDGE should enable Internet connections three times faster

than that of the currently used GPRS technology, which reaches 80 Kbps.

■ **Cable company UPC will double the speed** of Internet access via its network while maintaining its current price. As of Sept. 13, UPC's basic offer is 1,536 Kbps instead of the current 768 Kbps, available for 1,224 Kc per month.

■ **Skoda Auto will launch car production** in China in 2005.

■ **The Finance Ministry has proposed** splitting Exportní garanci a pojistovací společnost (EGAP) guarantee and insurance company into two parts for a possible future sale. The state insurer would continue to provide insurance, while the commercial segment of insuring short-term claims would be transferred to a subsidiary whose shares would be sold at a future date.

■ **J&T Banka increased its profit** by 18.5 percent to 125.6 million Kc (\$5.6 million) in September compared with 2003. The company reported 12.7 million Kc in profit compared with a 3 million Kc loss last year. Total assets grew 28.5 percent to approximately 10 billion Kc.

■ **Ceska sporitelna had the highest turnover** on the Prague Stock Exchange in October. Securities trades were worth 29.5 billion Kc (\$1.3 billion) in October. Patria Finance had the second-highest turnover, followed by CSOB.

■ **Raiffeisenbank reported 292 million Kc (\$13 million) in profit** between January and September, an 83 percent increase from the previous year's 160 million Kc. An increase in client deposits and consumer and mortgage loans contributed to the growth.

■ **Dutch financial group ABN Amro** is leaving the Czech retail banking market. The group plans to sell ABN Amro Asset Management to Ireland's Kilcullen Capital Partners in a deal reportedly worth between 40 million and 50 million Kc (\$1.8 – 21.2 million).

■ **National railway operator Ceske drahy (CD)** will be the majority owner of CD-Telekomunikace. CD will gain 51 percent control over a 2,500 kilometer broadband optical network built by Tiscali between 2000 and 2002. It is the second largest telecom infrastructure after Cesky Telecom.

■ **Kooperativa, the country's second-largest insurer**, raised its first-half gross profits 18 million Kc (\$803,571) over the same period last year to 318 million Kc. Billed premiums rose by 25 percent to 12.6 billion Kc. Kooperativa outperformed the market, which posted a 13.6 percent growth in premiums.

■ **Czech brewery Plzensky Prazdroj** is expected to increase beer sales 3-4 percent in 2004. The increase is being fueled by a 15-18 percent growth in sales abroad.

■ **Brewery Plzensky Prazdroj is holding talks** on the sale of a former brewery in Karlovy Vary. The talks attracted several prospective buyers and the brewery's buildings and land could be sold by early 2005.

■ **Soft-drink maker Kofola** plans to build a production plant in Poland in the second quarter of 2005. The location of the plant is yet to be announced.

■ **Railway operator Ceske drahy** reported sales growth of 30 million Kc to 10.2 billion Kc (\$455 million) in the first half of 2004.

■ **Czech engineering company Skoda Praha** signed a contract to supply energy equipment to Bulgarian power plant Ruse worth 600 million Kc. Skoda Praha will reconstruct the third block of the coal-fired plant, built at the end of the 1960s, as part of the contract.

■ **Owners of telecom company Aliatel** have launched talks with several potential investors. Among those interested are Ceske radiokomunikace, GTS and eTel. Aliatel recently raised share capital by 2.2 billion Kc to 5.5 billion Kc (\$98 million to \$245 million) by swapping debt for equity with shareholders.

■ **The government has approved sale** of the state's nearly 100 percent stake in the engineering firm Kralovopolska to the Brass firm for 36.6 million Kc (\$1.6 million).

■ **Moravia Steel now owns nearly 100 percent** of the AB Barrandov film studios after buying a 20 percent stake from a private investor. The steel company owns 99.7 percent of AB Barrandov and has plans to build two new studios in the future.

■ **Rolling mill Valcovny plechu** has taken up enameled metal sheet production after a six-year break. Valcovny plans to put

out roughly 1,000 tons of enameled metal sheets per month to meet the demand, and will export part of the production to Poland.

■ **Engineering company ZVU Potez** has won an \$18 million (468 million Kc) contract to rebuild and expand a brewery in Vladikavkaz, Russia. The Daryal brewery, which is the largest beer producer in North Ossetia-Alania, has plans to nearly triple its yearly output.

■ **New-car dealers sold 110,388 automobiles** from January to October compared with approximately 126,000 in the same period last year. Although Skoda Auto performed the strongest, it sold

6,500 fewer cars in the first 10 months of 2004.

■ **Former U.S. Ambassador Craig Stapleton** has started a business in the country. Stapleton is the co-owner of the Stapleton-Springer Company, which leases flats and offices.

■ **Film director Fero Fenic and his TV Febio** is seeking a license to launch a digital television station. The station could broadcast as early as 2006, but the launch date will not be finalized until the Council for Radio and TV Broadcasting makes a decision on the license.

NON-COMMERCIAL IMPORTS TO THE CR (FROM OTHER COUNTRIES THAN EU MEMBER STATES)

Personal Gift Items

A custom fee in the amount of 3,5% is applied to non-commercial imports with a total value exceeding 175 Euro per person (90 Euro for children under age 15). Limits for tobacco, alcohol and perfumes apply.

a) tobacco

200 pcs cigarettes, 100 pcs cigarillos, 50 pcs cigars, 250 grams tobacco

b) alcoholic beverages

1 liter of liquors and spirits, vol. of alcohol more than 22%; non-denatured ethyl alcohol, vol. of alcohol 80% or more

or

1 liter of liquors, spirits and aperitifs made of wine, alcohol, saké or similar, max. vol. of alcohol 22%; sparkling wines, liqueur wines

2 liters of non-sparkling wines

c) fragrances

50 grams of perfume *or*

0.25 litre of Eau de toilette

These limits apply for gifts and personal items of value not exceeding 350 Euro (per person).

Gifts Sent by Mail

A custom fee in the amount of 3,5% is applied to non-commercial items with a total value exceeding 45 Euro per parcel. Restrictions for tobacco, alcohol and perfumes apply.

a) tobacco products

50 pcs cigarettes *or*

25 pcs cigarillos *or*

10 pcs cigars *or*

50 grams tobacco

b) alcoholic beverages

1 liter of liquors and spirits, vol. of alcohol more than 22%; non-denatured ethyl alcohol, vol. of alcohol 80% or more *or*

1 liter of liquors, spirits and aperitifs made of wine, alcohol, saké or similar, max. vol. of alcohol 22%; sparkling wines, liqueur wines

2 liters of non-sparkling wines

c) fragrances

50 grams of perfume *or*

0.25 litre of Eau de toilette

The limits only apply to gifts and personal items of value not exceeding 350 Euro per parcel.

Custom fee for tobacco, alcohol and perfumes must be paid in full if imported for commercial purposes.

MACHINERY AND ENGINEERING

STROJPLAST, a.s.

Oldrichovska 1437
347 29 Tachov
Tel.: (+420) 374.218.337, 374.218.111
Fax.: (+420) 374.728.087
E-mail: mraz@strojplast.cz
www.strojplast.cz
Contact person: Ing. Jan Mraz (Trade)

Strojplast, a.s. is a producer of plastic components, primarily focusing on injection molding technology. Its main line of business incorporates manufacture of handling and bottle crates, consumer goods, automotive industry components, other engineering components, etc. The company produces a wide variety of thermoplastic materials. Overall weight ranges from 1 – 4000g a piece (up to 40kg a piece available on special request). Mold casting or company logo printing available to customer specification. Strojplast is a world-wide exporter, among its customers are e.g. Coca-Cola, Ikea, Samsonite, Automotive Lighting, etc. It would like to broaden its activities in the U.S.

BCS Engineering, a.s.

Purkynova 79a
657 25 Brno
Tel. : (+420) 541.597.101, 541.210.432
Fax : (+420) 541.249.651
E-mail: info@bcs-eng.cz
www.bcs-eng.cz

BCS Engineering, a.s., a private joint stock company, provides its customers with complete services necessary in the course of construction of new investment plants and/or modernisation or intensification of existing production units in the following areas:

- chemistry and petrochemistry

- food-processing industry
- power production industry
- pneumatic conveying of powdery materials
- environmental protection projects
- instrumentation and electrical

The company is soon to be ISO 9001 certified. BCS Engineering is looking for partners (designers, contractors) to extend its activities on the US market.

CONSUMER PRODUCTS

RM GLASS MAGIC, s.r.o.

Bohdalov 281
592 13 Bohdalov
Tel./fax: (+420) 566.677.146
E-mail: glassmagic@seznam.cz
www.glassmagic.cz
Contact person: Mr. Radovan Fical

RM Glass Magic, s.r.o. is a manufacturer of hand-blown glass lamps, vases, bottles, tableware, etc. It's speciality is glass with wire mesh. The company is seeking U.S. importers and distributors.

SYNTAZ, spol. s r.o.

273 23 Cernuc 43
Tel./fax: (+420) 315.761.037
Contact person: Mr. Gejza Pilo

Syntaz, spol. s r.o. is a manufacturer of antique-style furniture from pine, oak, spruce and beech wood. The company also repasses original antique furniture. Syntaz is looking for importers and distributors in the U.S.

IMC Ostrava, a.s.

Slavikova 1744/22
708 00 Ostrava-Poruba
Tel.: (+420) 596.939.504
Fax: (+420) 596.923.423
E-mail: info@imc-ostrava.cz,

zuzana.stankova@imc-ostrava.cz
www.imc-ostrava.cz
Contact person: Ing. Zuzana Stankova

IMC Ostrava, a.s. is a producer of a substance used for making infusion solutions. The company is looking for U.S. pharmaceutical companies, which produce infusion solutions.

SERVICES FOR U.S. COMPANIES

Raiffeisen Bank

Representative Office New York
1133 Avenue of the Americas,
16th Floor
New York, NY 10036
Tel.: 212.593.7593
Fax: 212.593.9870
Contact person: F. Dieter Beintrexler,
Vice President

Raiffeisen Bank is ready to assist U.S. companies, which have business relations with the countries of Central and Eastern Europe. Special area of interest are Merger and Acquisition services.

CZECH PRODUCTS IN USA

Bohemia Crystal Lights & Arts, LLC

Crystal Chandelier Store
6399 B Springfield Mall
Springfield, VA 22150
Tel./fax: 703.313.0326
E-mail: arguslb@starpower.net
www.crystal-chandelier.org
Contact person: Mr. Lubos Buzek

Bohemia Crystal Lights & Arts LLC is importing and selling superior quality Czech Crystal chandeliers, crystal wall sconces, crystal chandelier replacement prisms, and crystal figurines.

CZECH OFFICIAL PARTICIPATIONS IN U.S. TRADE EVENTS

HIGH POINT FURNISHINGS MARKET, NC

Furniture imports from the CR to the U.S. have recently increased significantly. Following manufacturers participated at High Point Furnishings Market, which took place October 14 – 20 in North Carolina. Among exhibited articles were antique style furniture, leather furniture, iron art furniture, crystal chandeliers, lighting, bed and table linen and textiles, glass, porcelain, and other accessories.

IRON ART, s.r.o.
565 42 Vraclav 188
Tel./fax: (+420) 465.482.272, 465 482 125
E-mail: obchod@iron-art.cz
www.iron-art.cz
Prominent producer of forged, state-of-art iron furniture.

TR Antos, s.r.o.
Na Perchte 1631
511 01 Turnov
Tel.: (+420) 481.312.690
Fax: (+420) 481.323.194
E-mail: jitka.rajova@trantos.cz
www.trantos.cz
Producer of antique style, pine furniture.

Boehm, spol. s r.o.
Cerveny Kriz 252
586 02 Jihlava
Tel.: (+420) 567.564.420
Fax: (+420) 567.230.232
E-mail: fischerova@bohm-ji.cz
Contact: Mr. Lubos Varhanik
A gorgeous collection of leather upholstered furniture.

Liglass a.s.
Lisny 6
468 22 Zelezny Brod

Tel.: (+420) 483.392.041
E-mail: e.silhan@liglass.cz
www.liglass.cz
Contact: Mr. Emil Silhan
Chandeliers, hand-painted Christmas decorations, glass stones, jewelry.

Euroalarm
Drazovice 275
683 01 Rousinov
E-mail: euroblue@pocketmail.com
<http://www.zwiebelmuster.com>
Contact: Mr. Ales Matejcek
Original "blue onion porcelain" – tradition since 1864. Dinnerware, wedding sets, collectibles etc.

P+M Glass
Skalice u Ceske Lipy, c.p.116
471 17 Skalice u Ceske Lipy
E-mail: sperlilmilan@quick.cz
www.glasssperlik.com
Contact: Mr. Milan Sperlik
High enamel glass, chandeliers.

VEBA, textilni zavody, a.s.
Pradlacka 89
550 17 Broumov
E-mail: veba@veba.cz
www.veba.cz

Contact: Mr. Milan Sperlik
Table and bed linens, terry.

Titania Lux, s.r.o.
Betlemska 337
468 22 Zelezny Brod
E-mail: info@titanialux.cz
www.titanialux.cz
Contact: Ms. Iveta Marikova
Interior lighting fixtures, chandeliers.

Kralovska Hut Doksy, s.r.o.
Tachov 19
472 01 Doksy
E-mail: trade@royal-glassworks.cz
<http://www.royal-glassworks.cz>
Contact: Mr. Vlastimil Vonduska
Producer of fine Czech decorative glass.

Mileta a.s.
Husova 2153
508 14 Horice v Podkrkonosi
E-mail: vera.novakova@mileta.cz
www.mileta.cz
Contact: Ms. Vera Novakova
One of the most important European manufacturers of handkerchiefs, shirting fabrics and batistes.

U.S. FURNITURE BUSINESS AND TRADE FORUM

MIC & Associates, in partnership with Furniture/Today magazine is organizing the first Furniture Business & Trade Forum in New York City. The event, which will take place January 11 – 15, 2005, is designed to offer the East Central European manufacturers a unique opportunity to establish ties and develop business ventures in North America.

The forum is organized in Association with the Czech Consulate in New York.

For more information please visit the web site of the organizer: www.mic-associates.com/events.2004.4.html or send an e-mail to: info@mic-associates.com.

TRADESHOWS AND EXHIBITIONS / WINTER 2005

Prague Exhibition Grounds / www.incheba.cz

January 27 – 29
△ROOFS PRAGUE / All for Roof Building and Renovation

February 3 – 6
△PRAGOINTERIER – NEW DESIGN/ International Exhibition of Furniture, Floor Covering Materials, Home Textiles, Light Fittings and Accesories
△HOUSING / International Exhibition of New Housing Possibilities

February 9 – 11
△MODA PRAHA / International Fashion Fair
△CONECO PRAHA: THERMAL INSULATION / Complex of Specialized Building Exhibitions
△PRAGOTHERM/FRIGOTHERM / International Trade Fair for Power Engineering, Heating, Sanitary Technology, Energy

Saving, Technology Equipment for Buildings and their Insulation and Ecology
△PRAGOREGULA/ELEXPO / International Trade Fair for Measuring, Control Technology, Electrotechnics and Electronic Automated Equipment
△INTERGAS/ International Gas Exhibition

February 17 – 20
△HOLIDAY WORLD/ Central European Tourism Trade Fair
△REGION WORLD / Presentation of Tourism Opportunities from All Regions of the Czech Republic
△HOLIDAY EQUIPMENT / Exhibition of Holiday Equipment and Accessories

February 24 – 26
△PRAGOLIGNA/TOOLTEC / Specialized Exhibition of Machines, Tools, Implements and Iron Monters' Goods
△CONECO PRAHA: WINDOWS-DOORS-STAIRS / Complex of Specialized Building Exhibitions

March 2 – 4
△POLYGRAF / International Fair of Polygraphy, Paper, Packaging and Packaging Technology
△ADVERTISING / International Exhibition of Advertising Services, Marketing, Media

March 10 – 13
△MOTORCYCLE / International Motorcycle and Accessories Exhibition
△SPORT TIME SHOW / International Fair Specializing in Sport and Sport Equipment

Brno Exhibition Center / www.bvv.cz

January 13 – 16
△GO / International Travel Trade Fair
△REGIONTOUR / International Fair of Regional Tourism

February 12 – 13
△INTERNATIONAL DOG SHOW / International Dog Show

February 15 – 17
△STYL / International Fashion Fair
△KABO / International Fair of Footwear and Leatherware

February 25 – 27
△OPTA / International Fair of Eye Optics and Ophthalmology

March 1 – 3
△G+H / International Trade Fair for Hotels, Restaurants and Catering

March 8 – 10
△SCHOLA NOVA / School, Training and Equipment International Specialized Fair

March 16 – 20
△MOBITEX / International Fair of Furniture, Home Textiles and Interior Accessories
△PRO DITE / International Fair of Children's Products
△FISHING / International Exhibition of Fishing Tackle

EnviroInfo Brno, September 7 – 9, 2005

Masaryk University, <http://www.enviroinfo2005.org>

The 19th International Conference EnviroInfo 2005, Environmental Protection and Environmental Information Networking, will be held under the patronage of Prof. PhDr. Petr Fiala, Ph.D. Rector of Masaryk University in Brno.

For participation and sponsorships please visit www.enviroinfo2005.org.

Prof. Jiri Hrebicek, Conference Chairman
Centre of Biostatistics and Analyses
Faculty of Medicine and Faculty of Sciences, Masaryk university in Brno
Kamenice 126/3, 625 00 BRNO
Tel.: (+420) 603.217.052, Fax: (+420) 549.492.855, E-mail: hrebicek@cba.muni.cz

CZECHTRADE SERVES THE U.S. ONLY FROM CHICAGO

As of January 1st, 2005, the Czech trade promotion agency CzechTrade will consolidate its rep-offices and serve Czech and U.S. firms solely from its Chicago office. As a result, Czech Trade's office in Miami has been closed.

U.S. importers may further wish to **contact CzechTrade office in Chicago** with any inquiries regarding the Czech products:

CzechTrade Int'l Office, The Merchandise Mart #938, Chicago, IL 60654, tel.: 312.644.1790, e-mail: chicago@czechtrade.cz, www.czechtrade.info.

CZECH COMMERCIAL OFFICES IN THE UNITED STATES

Czech Embassy in Washington, D.C.: Alabama, Arkansas, Florida, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Michigan, Minnesota, Mississippi, Missouri, Nebraska, North Carolina, North Dakota, Ohio, Oklahoma, South Carolina, South Dakota, Texas, Tennessee, Virginia, West Virginia, Wisconsin.
Contact: Ms. Marketa Janikova, Phone: 202.274.9104
Fax: 202.244.2147, eco_washington@embassy.mzv.cz

Consulate General in Los Angeles: Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, Wyoming.
Contact: Mr. Michal Korycanek, Phone: 310.473.0889 x.229
Fax: 310.473.9813, losangeles@embassy.mzv.cz

Consulate General in New York: Connecticut, Delaware, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont.
Contact: Mr. Josef Dvoracek, Phone: 212.717.5643
Fax: 212.717.5064, consulate.newyork@embassy.mzv.cz

CzechTrade - Chicago Office (Czech producers & Opportunities)
Contact: Ms. Ivana Ingram, Phone: 312.644.1790, Fax: 312.527.5544, chicago@czechtrade.cz

Czech Center New York
Contact: Ms. Iva Raisinger, Phone: 212.288.0830 x.104,
Fax: 212.288.0971, raisinger@pop.net

CzechInvest – Chicago Office

(investment opportunities in the CR)

Contact: Mr. Bohuslav Frelich, Phone: 312.245.0180,

Fax: 312.245.0183, chicago@czechinvest.org

CzechInvest – San Jose Office

(investment opportunities in the CR)

Contact: Mr. Tomas Novak, Phone: 408.376.4555,

Fax: 408.376.4557, california@czechinvest.org

MR. TOMAS NOVAK – NEW HEAD OF THE CZECHINVEST OFFICE IN CALIFORNIA

Mr. Tomas Novak assumed the position of director of the CzechInvest office in California December 1st. Mr. Tomas Novak has 4 years experience with the agency, previously as Head of the Department of High-Technology and Innovation. Mr Novak replaces Ms. Karolina Bockova who has returned to Prague as CzechInvest's Deputy Director for Operational Management.

BUSINESS AND TRADE WEBSITES

General Information	www.czech.cz	CzechInvest	www.czechinvest.org
Czech Supplier	www.supplier.cz	Tradeshows	www.veletrhyavystavy.cz
CzechTrade	www.czechtrade.cz	Czech Embassy	www.mzv.cz/washington

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