

**Business**

(HN/16) Weak producer prices in Dec. indicate that the CR could be moving into deflation, according to Chief Economist David Marek of Patria. Producer prices fell m/m by 0.3% and grew y/y by just 1.2%. The CNB could take this into account when deciding whether to intervene against the crown. Construction prices fell m/m by 0.1% in Dec. and 0.7% on an annual basis.

(HN/1) EP Holding will pay €2.6bn to E.ON and GDF Suez for their combined 49% stake in SPP natural-gas company of Slovakia, making this the largest foreign acquisition by a Czech company. The sale should be finalized in the coming weeks.

(HN/1) EP Holding reportedly submitted the highest indicative bid for Alpiq's Kladno and Zlín cogeneration plants, followed by ČEZ. The plants have electricity capacity of 529 MW and heating capacity of 1,072 MW. Other bidders are Carbounion Bohemia/PURS and Penta. PRE and Czech Coal will not submit final bids, while BXR declined to comment. Due diligence begins today. The plants are worth an estimated €400-500m, which would make this one of the biggest deals expected this year.

(HN/9) Analyst Michal Šnobl of J&T Banka said that Germany is gradually destroying the market conditions in the energy sector in this part of Europe and is in effect determining the energy policy of its neighbors, including the CR. The CR will be the first big victim of this energy/political expansion on the part of Germany, he said, unless it understands the situation in time. The low electricity prices dictated by Germany (through its renewable-energy policy) create a situation in which the expansion of Temelín could result in another attack on the pocketbooks of Czech consumers similar to the solar tax, Šnobl said.

(HN/8) Miloš Zeman and some of his supporters are playing an anti-German note in the campaign for president, but HN said that Czech politicians should take inspiration from Germany instead of using it as an instrument for creating fear. Germany produced a budget surplus last year, HN noted, while the CR wants a 3% deficit.

(P/3) Prague Superior Court rejected Pavel Tykač's appeal against the resumption of criminal proceedings against him with regard to the CS Fondy. He was originally charged in 2006 (along with Jan Dienstl and two other people) of illegally stripping assets from the funds, but the proceedings were halted in 2008. Právo said the amnesty/remission does not apply. In Dienstl's case, the prosecutor is appealing a ruling against resuming the prosecution.

(P/1) Kalousek will propose inserting a clause in the church-restitution contract with churches that would make it possible for the signatories to agree that part or all of the Kč 59bn in financial payouts would be made in the form of Czech government bonds. Kalousek said they would be non-tradable and

similar to those offered to Lesy ČR. A church official said that this is a surprising development and needs to be studied.

(HN/1) VZP medical insurer spent more than a year creating a list of hospitals to be closed but has now quietly dropped the idea of reducing the number. All hospitals that seek a long-term reimbursement contract with the insurer will receive one. Chair Petr Nosek of VZP said that the list must be drawn up again and in a better way.

(HN/5) A survey by the cabinet office of 50 companies found that 88% think it is an advantage to have a reputation of being corruption-free, while 56% say they have encountered corruption in the private or state sectors and 32% say that bribes are paid for contracts in their sector. The survey was ordered by Karolína Peake, who is in charge of the anti-corruption agenda.

(P/1) The anti-corruption police will seek indictments against Martin Barták for accepting a bribe in the Tatra case and Michal Smrž for attempted fraud. The decision whether to hand down the charges will be made by Prosecutor Dušan Táborský.

(HN/8) A bill in Parliament, if passed, would abolish the existing property-transfer tax and impose a new property tax in its place as of next year. Tax Partner Jan Čapek of Ernst & Young said this is the dumbest law the Nečas government has come up with so far. The objective is to eliminate the loophole that makes it possible to avoid the transfer tax by selling real estate through a company. However, the bill goes even further and would impose a property tax if the ownership of the controlling entity changed, even if real estate represented only a fraction of the entity's assets.

(HN/5) The labor ministry will not submit a bill for easing the rules against the "Švarc system" of hiring self-employed people until June, which means it might not take effect until next year. This was supposed to be one of 70 measures announced by the cabinet for increasing economic growth.

(P/1) The interior ministry wants to require all self-employed people to have data boxes as of next year for communicating with the state. The ministry is also considering launching data boxes for individuals as of 2014, but on a voluntary basis.

(HN/13) Tomáš Berdych signed a contract to wear H&M's clothes on and off the tennis court. The Swedish chain will work with him to design its first collection of tennis apparel. Berdych decided against renewing his sponsorship contract with Nike.

(HN/17) The U.K.'s High Court upheld Budvar's right to the "Budweiser" brand in that country. (P/15) Avia Ashok Leyland

Euro (fixing)	25.610	-0.005
Dollar	19.217	+0.016
Pound	30.840	+0.015
Gold \$/€ Lnd PM	1680/1253	+0.8/+1.0%
3-month Pribor	0.50	0.00
Dow Jones	13534.89	+0.2%
DAX	7675.91	-0.7%
CETV/CME	109.00	-2.90%
ČEZ	644.00	-0.14%
Erste Bank	664.80	-0.92%
Komerční banka	3959.00	-0.05%
NWR	89.00	-5.92%
Philip Morris ČR	10800.00	-0.37%
Telefónica CR	326.50	+0.46%
Unipetrol	174.40	+0.35%
PX	1042.34	-0.49%

Motors posted an unspecified net 2012 loss on revenue of Kč 665m, up 56%, and a two-thirds jump in truck sales, to 1,003. (P/9) The prosecutor upgraded the charges against Roman Janoušek with regard to his car accident to an unspecified crime. (LN/13) Skanska Reality found that sales of new housing in Prague rose y/y by 2.5% last year, to a record of 4,720 units.

**Politics**

(HN/4) Nečas announced that ODS's inner leadership voted unanimously to endorse Karel Schwarzenberg in the second round of the presidential elections. (MFD/3) However, MP Boris Šťastný, who is loyal to Klaus, said he will vote for Miloš Zeman. (MFD/12) Also, Jiří Dienstbier said that if Zeman were elected, he is convinced that he would do everything to take full revenge against some people at the top of ČSSD. Dienstbier declined to say how he will vote but said that he will indeed vote and that Zeman is absolutely unacceptable to him.

(HN/1) Experts say that although Schwarzenberg's online campaign has been successful, some of the jokes at the expense of other candidates have reflected badly on Schwarzenberg. The campaign will now reduce the number of its daily messages on social networks, in an effort to avoid overloading its candidate's supporters. This comes as Zeman's campaign is stepping up the use of social networks. (P/2) The main slogan for Zeman this week is (in Czech), "Stop this government. Vote Zeman." Meanwhile, the no-confidence vote in Parliament will be held tomorrow.

(MFD/1) Dana Římanová, who heads the Castle's legal dept., issued a legal analysis on Jan. 2 stating that it is not possible to judge on an across-the-board basis whether prosecutions have lasted too long if they have exceeded six years (as cited by Klaus). She wrote that the circumstances of each case must be considered.

(P/6) With allusion to a famous line from Václav Havel's first New Year's address in 1990, a Renčín cartoon wonders, "Who will be the next (president) to tell the people that this country is not flourishing."